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

Consolidated financial statements as at 31 December 2018
Management report as at 31 December 2018

Table of contents

Management Report

General

Fotex Holding S.E. (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 272, rue de Neudorf, L-2222 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 which are engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding S.E. (ultimate parent company) and Upington Investments S.à r.l. are registered in Luxembourg, Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. are registered in the Netherlands, and all other subsidiaries of the Group are registered and operate in Hungary. The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2018	2017
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.00	100.00
Fotex Netherlands B.V.	Property management	100.00	100.00
FN2 B.V.	Property management	100.00	100.00
FN3 B.V.	Property management	100.00	100.00
FN4 B.V.	Property management	100.00	100.00
FN5 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	100.00	100.00
Székhely 2007 Kft.	Property services	99.27	99.27
Upington Investments S.à r.l.	Investment holding	100.00	100.00

During 2018, Fotex Group has not entered into any transaction that affected the Group structure.

During 2017, the Group entered into the following transaction that affected the Group structure:

- On 12 September 2017, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN5 B.V.
- Fotex Holding S.E. purchased all remaining shares (24.95%) of Sigma Kft. from minority owners so now Sigma Kft. is fully controlled by the Group.

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 followings:

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

Management monitors the operating results of the 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 2018 and 2017 by business lines:

	2018	2017 Restated
Net sales:	Net Sales EUR	Net sales EUR
Investment property holding and management	28,990,984	29,456,933
Crystal and glass manufacturing	4,953,820	5,741,011
All other segments	8,100,973	6,746,780
Inter-segment elimination	(3,054,772)	(2,337,537)
Net sales	38,991,005	39,607,187

The Group has adopted IFRS 15 Revenue from contracts with customers for the first time at 1 January 2018 and by reviewing its accounting policy identified that it has an effect on revenue recognition where the Group acts as an agent in the transaction. According to the standard reclassification is needed from the Cost of sales to Revenue. It is also applied for the comparative figures and as a result, the total net sales decreased by EUR 1,935,898.

The reclassification impacts neither the result for the year ended 31 December 2017 nor the net equity as at that date.

Income before income taxes:	2018	2017 Restated
	EUR	EUR
Investment property holding and management	8,803,934	7,716,531
Crystal and glass manufacturing	(1,106,717)	(687,727)
All other segments	(121,932)	739,983
Income before income taxes	7,575,285	7,768,787

The operating results of the Group vary from year to year due to changes in exchanges rates, extension of investment property portfolio, as well as general European and global economic trends. The Group tries to counterbalance such changes as best as possible by reorganizing and rationalizing business segments which The 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	2018	2017 Restated
	EUR	EUR
Revenue from contracts with customers	13,817,945	14,158,982
Rental income revenue	25,173,060	25,448,205
Total sales revenue	38,991,005	39,607,187

Revenue from contracts with customers from the above table is presented in more detail in the following table:

	2018	2017 Restated
	EUR	EUR
Sale of goods	5,828,883	7,026,576
Revenue from service charges to tenants	2,814,155	2,631,160
Provision of services	3,327,736	3,320,776
Royalty revenue	354,407	267,318
Other sales revenue	1,492,764	913,152
Total sales revenue	13,817,945	14,158,982

The structure of the activities has not changed significantly in 2018 compared to 2017. It can be seen that revenues generated by real estate management are the most significant, which have decreased slightly during the year.

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

Majority of rental contracts are stipulated in EUR or on a EUR basis. While in the past few years the Hungarian Forint has lost value against the EUR; this has slowed in 2017 but in 2018 lost its value again. The weakening of the HUF against EUR has resulted in a slight decrease in rental income for the Company in 2018 in the HUF-based rents. We expect the slowing trend to continue in 2019 and the HUF/EUR effect remain relatively stable.

We foresee a moderate improvement of the Hungarian market to continue in the coming years.

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

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

Selected financial information (EUR)	**31.12.2018**	**31.12.2017 Restated**
Sales	38,991,005	39,607,187
Gross profit	35,958,835	35,870,639
Operating profit	10,138,647	10,960,633
Pre-tax profit	7,575,285	7,768,787
Net income*	6,080,254	5,990,769
Owner’s equity**	120,773,359	130,437,132
Total assets	212,312,145	236,779,291
Number of ordinary and preference issued shares	72,723,650	72,723,650
Basic earnings per share	0.13	0.11
Return on equity	4.84%	4.67%
Return on assets	2.71%	2.56%

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

Gross profit is the sales revenue less the cost of sales (or cost of goods sold). Gross profit of an entity is its residual profit after selling a product or service and subtracting the costs associated with its production and sale. The associated costs can include manufacturing costs, raw material expense, direct labour charges, and other directly attributable costs. Gross profit is very important measure to consider when analyzing the profitability and financial performance of a company. Furthermore it indicates the efficiency of the management in using labor and supplies in the operations. It should be kept in mind that gross profit usually varies significantly from industry to industry. Therefore while appraising the performance of a company, the comparison should be made with the companies in the same industry.

Operating profit is the profit earned from a firm's normal core business operations. It is calculated using the following formula: Revenue - Cost of sales or Cost of goods sold - Operating expenses (including depreciation and amortization). It concludes from the formula, operating profit excludes paid and received interest and income tax expenses. The Group believes that operating profit is a widespread and useful income measure which is reported in order to facilitate the comparison of financial statements and financial performance of companies to investors. For investors, examining the operating profit may allow for an easier comparison of businesses that operate within industries with differing tax rates or financial structures as this allows for a more equitable comparison.

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

The level of the hazardous waste as of 31 December 2018 was 280 kg (31 December 2017: 350 kg), which is merely 0.02% (31 December 2017: 0.03%) of total production throughout the period.

No provision is recognised for covering future environment fines or expenditures in 2018.

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 which 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 deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group’s rental contracts are stipulated in EUR or on EUR basis thus mitigating FX risk associated with non-EUR based revenues. As of 31 December 2018 the Group does not have any open forward transactions.

Credit risk

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

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

Receivable balances are monitored on an ongoing basis.

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

Interest rate risk

In order to mitigate the interest rate risk the Group tries to use mainly fixed rate loans. In the past, in parallel with this in case of variable interest rate loans the Group limited the increase of the interest rate by applying a cap.

The loan interests are at fixed rates varying between 1.79 % and 7.25 %. For further details please refer to Note 18.

Liquidity risk

Liquidity risk is monitored as follows:

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

Country risk

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

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

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

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

Like all control systems, internal controls cannot provide an absolute guarantee that risks of misstatement, losses or human error are fully mitigated or eliminated. The control environment is an essential element of the Company's internal control framework, as it sets the tone for the organization. This is the foundation of the other components of internal control, providing discipline and structure.

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

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

Research and development

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

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2018, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2017: 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" with total face value of EUR 840,000 in 2018; (2017: EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2018, the Company held 28,803,409 treasury shares (of which 26,803,409 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 41,212,427 (31 December 2017: 20,254,351 shares – of which 18,254,351 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 26,315,506).

During 2018, the Company purchased 8,549,058 of its ordinary shares (2017: 355,772 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

Suggestion for Dividends to be paid

At their meeting of 16 May, 2019, the Board of Directors approved not to pay dividends on the preference shares as all dividend preference shares are owned by the Group.

The Board of Directors suggested to the Annual General Meeting of the Company not to pay any dividend on ordinary shares for the year 2018.

Significant Events after the end of the reporting period

In January 2019 the Group has completed the sale of one of its investment properties located in Hoofddorp to an institutional investor. The office building has a total floor area of approximately 10,000 m2 including 88 parking spaces and was almost fully let to four different tenants at the time of the sale. Additional information is included in Note 11.

In April 2019 the Group has fully repaid the outstanding amount of loans IX and X as stated in Note 18, thus these loan contracts have been closed.

With reference to the case described in Note 12, the Group has filed a claim of HUF 300 million against FTC Zrt. as compensation for the broadcasting rights reverted to FTC Zrt. from the Group. However, the claim of the Group has been rejected by the first instance Court, the Court of Appeal forced out of law that rejection, thus the legal proceeding shall continue.

Apart from the above mentioned events no other significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Luxembourg S.a.r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 31 December 2018 Blackburn Luxembourg controlled 50.35% (31 December 2017: 50.35%) of Fotex Holding S.E.'s voting shares.

Corporate governance

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

On 30 January 2019, the Company updated its Corporate Governance Charter which was disclosed on its website. Its website is continuously updated to publish the most recent information available, concerning especially the financial calendar for information purposes, and the management.

With respect to the directors of the Company, members of the Board of Directors possess a mixture of relevant experience which supports the business model of the Company. More information on this topic, specifically on the profile of the directors, can be found in the "Investors" section of the Company's website (www.fotex.lu).

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

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

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

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

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

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

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

The Board

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

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

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

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

All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain 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 of Association, persons with no legal or financial link to the Company other than their mandate as Director are considered "independent persons".

"Independent persons" does not include persons who:

a) are employed by the Company or its subsidiaries at the time of their appointment as a member of the Board of Directors;

b) carry out remunerated activities for the benefit of the Company or exercise technical, legal or financial duties within the Company;

c) are shareholders of the Company and directly or indirectly hold at least 30% of the voting rights, or are related to such a person;

d) receive financial benefits linked to the Company's activities or profit;

e) have a legal relationship with a non-independent member of the Company in another company in which the non-independent member has management and supervisory powers.

The Board is composed as follows:

Name:	Position:
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Martijn G. D. WINDELS	Member of the Board
Mr. Robert J. DOLE	Member of the Board
Mrs. Anna RAMMER	Member of the Board
Mr. Gábor MOCSKONYI	Member of the Board
Mr. Peter KADAS	Member of the Board

The Annual General Meeting of the Company held on 29 May 2018 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 2018.

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:

- Mrs. Anna Rammer (Chairman of the Audit Committee)
- Mr. Wiggert Karreman (Member of the Audit Committee)
- Mr. Peter Kadas (Member of the Audit Committee)
- Mr. Martijn G. D. Windels (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 29 May 2018. 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 2018.

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

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

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

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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.

Future Prospects

The financial position and performance of the Group remained stable, which was helped by the improving market conditions in Hungary in 2018.

The Company expects the Hungarian market to stabilize with a moderate growth:

1. Due to the market consolidation in Hungary, the vacancy rate of the retail segment improved, and the Company expects this trend to continue in the coming years. We also expect a lack of new multinational companies entering into the market but we expect the local retailers to expand moderately.

2. Due to better market conditions the re-leasing of vacant retail real estates is expected to further improve. However, re-leasing of office premises is expected to remain difficult due to the new investments in Hungary.

3. In order to offset the former unfavorable economic situation in Hungary and to mitigate the related country risk, the Group has expanded its real estate portfolio outside of Hungary and intends to continue to do so in the future.

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.

16 May 2019, Luxembourg

Várszegi Gábor

Fotex Holding S.E.

Chairman of the Board

Financial Statement Certification

In accordance with Article 3 (2) c) of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended), we confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 16 May 2019

Gábor VÁRSZEGI

Chairman of the Board of Directors

Dávid VÁRSZEGI

Member of the Board of Directors

Building a better
working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Fotex Holding S.E. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2018, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

Valuation of investment property (including those classified as held for sale)

Description

The Group's investment properties are comprised of office, retail, warehouses, land and other real estate properties. As of 31 December 2018, the carrying value of the Group's investment properties was EUR 155,700,107 (2017: EUR 162,725,946).

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

The fair values are determined based on a valuation performed by accredited independent appraisers. To determine the investment property fair value appraisers used the present value of the estimated future cash flows generated from leasing such assets, the direct capitalization method based on actual rentals fees or market approach based on comparable depending on the nature of the assets.

We considered the valuation of the investment properties to be a key audit matter because the investment property fair value is a significant estimate and is underpinned by a number of factual inputs and assumptions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the estimate of expected cash flows generated by future rentals. The appraisers apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the fair value.

Auditor's response

As part of our audit procedures over the valuation of investment properties, we evaluated the competence, independence and capabilities of the appraisers and read the terms of engagement of the appraisers to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. For a sample of the valuations, we traced the inputs used in the valuation process to corresponding lease agreements and other relevant documentation. We involved our real estate specialists to assist us in assessing the methodologies and assumptions used by the appraisers. In particular, we assessed whether the valuation methods applied by the appraisers are appropriate for the purpose of the valuation of the underlying investment properties. We also considered the assumptions used by the appraisers in their valuation models, including yield and market rents, by comparing them against available market data. We evaluated the adequacy and completeness of the disclosures in the notes to the consolidated financial statements, particularly in relation to those assumptions that the fair value is most sensitive to.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the corporate governance statement but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Building a better
working world

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

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

Responsibilities of the Board of Directors and of those charged with governance for the consolidated financial statements

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

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

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

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Building a better working world

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 29 May 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 years.

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

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

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

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The corporate governance statement includes the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Robert White

Luxembourg, 16 May 2019.

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

	Note	31 December 2018	31 December 2017 Restated*	1 January 2017 Restated*
		EUR	EUR	EUR
Assets				
Current Assets:				
Cash and short-term deposits	6	24,413,098	38,805,572	24,757,945
Current portion of other financial assets	7	893,244	662,004	773,124
Accounts receivable and prepayments	8	6,737,001	8,007,793	6,953,203
Income tax receivable		414,537	231,567	460,086
Inventories	9	5,317,486	6,371,677	6,832,782
Assets held for sale	11	19,814,236	-	-
Total current assets		57,589,602	54,078,613	39,777,140
Non-current Assets:				
Property, plant and equipment	10	4,314,676	4,182,502	6,681,316
Investment properties	11	135,885,871	163,711,130	169,511,803
Deferred tax assets	19	133,414	150,806	107,736
Intangible assets	12	1,749,292	1,665,093	1,712,793
Non-current portion of other financial assets	7	2,257,053	2,228,288	1,980,535
Goodwill arising on acquisition	14	10,382,237	10,762,859	10,732,406
Total non-current assets		154,722,543	182,700,678	190,726,589
Total assets		212,312,145	236,779,291	230,503,729
Liabilities and Shareholders' Equity				
Current Liabilities:				
Interest-bearing loans and borrowings	18	2,094,898	12,720,074	2,478,937
Provision	15	5,126	187,045	-
Accounts payable and other liabilities	15	11,068,984	13,216,689	11,291,158
Total current liabilities		13,169,008	26,123,808	13,770,095
Non-current Liabilities:				
Interest-bearing loans and borrowings	18	74,419,860	75,675,328	87,055,041
Other long-term liabilities	15	2,763,852	3,025,060	1,926,375
Deferred tax liability	19	1,171,211	1,500,406	1,727,027
Total non-current liabilities		78,354,923	80,200,794	90,708,443
Shareholders' Equity:				
Issued capital	16	30,543,933	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008	25,495,008
Retained earnings		107,303,493	101,223,239	96,287,852
Translation difference		(1,356,648)	(509,542)	(611,050)
Treasury shares, at cost	16	(41,212,427)	(26,315,506)	(25,771,984)
Equity attributable to equity holders of the parent company		120,773,359	130,437,132	125,943,759
Non-controlling interests in consolidated subsidiaries		14,855	17,557	81,432
Total shareholders' equity		120,788,214	130,454,689	126,025,191
Total liabilities and shareholders' equity		212,312,145	236,779,291	230,503,729

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as detailed in Note 5.

The accompanying notes on pages 26 to 86 form an integral part of these consolidated financial statements.

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

	Note	2018	2017 Restated*
		EUR	EUR
Revenue	20	38,991,005	39,607,187
Cost of sales	21	(3,032,170)	(3,736,548)
Gross Profit		35,958,835	35,870,639
Operating expenses	17	(25,820,188)	(24,910,006)
Operating profit (EBIT)		10,138,647	10,960,633
Interest income		6,911	14,215
Interest expenses	18	(2,570,273)	(3,206,061)
Income before income tax		7,575,285	7,768,787
Income tax expense	19	(1,493,693)	(1,757,710)
Net income		6,081,592	6,011,077
Attributable to:			
Equity holders of the parent company		6,080,254	5,990,769
Non-controlling interests		1,338	20,308
Net income		6,081,592	6,011,077
Basic earnings per share	27	0.13	0.11
Diluted earnings per share	27	0.13	0.11

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as detailed in Note 5.

The accompanying notes on pages 26 to 86 form an integral part of these consolidated financial statements.

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

	Note	2018	2017 Restated*
		EUR	EUR
Net income		6,081,592	6,011,077
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations**	22	(847,748)	101,960
Total comprehensive income/(loss)		5,233,844	6,113,037
Attributable to:			
Equity holders of the parent company		5,233,148	6,092,277
Non-controlling interests		696	20,760
		5,233,844	6,113,037

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as detailed in Note 5.

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

The accompanying notes on pages 26 to 86 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2018

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2018	**30,543,933**	**25,495,008**	**101,223,239**	**(509,542)**	**(26,315,506)**	**130,437,132**	**17,557**	**130,454,689**
Net income 2018	–	–	6,080,254	–	–	**6,080,254**	1,338	**6,081,592**
Other comprehensive income	–	–	–	(847,106)	–	**(847,106)**	(642)	**(847,748)**
Total comprehensive income	–	–	6,080,254	(847,106)	–	**5,233,148**	696	**5,233,844**
Purchase of treasury shares (note 16)	–	–	–	–	(14,896,921)	**(14,896,921)**	–	**(14,896,921)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(3,398)	**(3,398)**
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
31 December 2018	**30,543,933**	**25,495,008**	**107,303,493**	**(1,356,648)**	**(41,212,427)**	**120,773,359**	**14,855**	**120,788,214**

The accompanying notes on pages 26 to 86 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2017 Restated*

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2017	**30,543,933**	**25,495,008**	**95,130,780**	**(607,633)**	**(25,771,984)**	**124,790,104**	**81,432**	**124,871,536**
Changes due to restatement	–	–	1,157,072	(3,417)	–	**1,153,655**	–	**1,153,655**
1 January 2017 (restated)	**30,543,933**	**25,495,008**	**96,287,852**	**(611,050)**	**(25,771,984)**	**125,943,759**	**81,432**	**126,025,191**
Net income 2017	–	–	5,990,769	–	–	**5,990,769**	20,308	**6,011,077**
Other comprehensive income	–	–	–	101,508	–	**101,508**	452	**101,960**
Total comprehensive income	–	–	5,990,769	101,508	–	**6,092,277**	20,760	**6,113,037**
Purchase of treasury shares (note 16)	–	–	–	–	(543,522)	**(543,522)**	–	**(543,522)**
Shareholder dividends	–	–	(1,055,382)	–	–	**(1,055,382)**	–	**(1,055,382)**
Minority dividends	–	–	–	–	–	–	(38,846)	**(38,846)**
Purchase from Minority shareholders	–	–	–	–	–	–	(45,789)	**(45,789)**
31 December 2017 (restated)	**30,543,933**	**25,495,008**	**101,223,239**	**(509,542)**	**(26,315,506)**	**130,437,132**	**17,557**	**130,454,689**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as detailed in Note 5.

The accompanying notes on pages 26 to 86 form an integral part of these consolidated financial statements.

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

	Note	for the year ended 31 December 2018	2017 Restated*
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	23	7,575,285	7,768,787
Depreciation and amortisation	17	8,041,382	8,143,008
Scrapped tangible assets	10	476,801	1,033,795
Write off of inventories	9	909,495	399,772
Impairment loss of debtors and reversals	8	(1,296)	(737)
Creation of provision and reversals	17	(179,607)	187,754
Loss/(gain) on disposals of fixed assets	10,11,12	(120,435)	(264,210)
Interest income		(6,911)	(14,215)
Effect of spread of rental related incentives and allowance		502,551	(222,457)
Interest expenses	18	2,570,273	3,206,061
Changes in working capital:			
Accounts receivable and prepayments		1,951,129	(206,207)
Inventories		144,696	61,333
Accounts payable and other liabilities		(2,689,584)	910,695
Cash generated from operations		19,173,779	21,003,379
Income tax paid	19	(3,015,677)	(1,719,802)
Net cash flow from operating activities		16,158,102	19,283,577
Cash flows from investing activities:			
Acquisition of investment properties	11	(805,674)	(2,806,959)
Acquisition of tangible and intangible assets	10,11,12	(1,275,603)	(529,942)
Sale proceeds of tangible and intangible assets	10,11,12	256,524	2,973,196
Other changes of tangible and intangible assets	10,11,12	(123,282)	(57,345)
Repayments of loans granted		690	193,154
Interest received		6,910	14,209
Net cash flow used in investing activities		(1,940,435)	(213,687)
Cash flows from financing activities:			
Loan received	18	23,297	-
Dividends paid		(3,398)	(1,100,813)
Interest paid		(2,234,956)	(3,046,225)
Repayments of loan received	18	(12,074,984)	(1,530,020)
Purchase of treasury shares	16	(14,896,921)	(543,522)
Change in other long term liabilities		(378,327)	949,442
Net cash flow from financing activities		(29,565,289)	(5,271,138)
Change in cash and cash equivalents		(15,347,622)	13,798,752
Cash and cash equivalents at beginning of the year	6	38,805,572	24,757,945
Effect of foreign currency translation		955,148	248,875
Cash and cash equivalents at end of the year	6	24,413,098	38,805,572

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made as detailed in Note 5.

The accompanying notes on pages 26 to 86 form an integral part of these consolidated financial statements.

1. General

Further to the decision of the shareholders, as of 31 December, 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January, 2009, registered FOTEX HOLDING S.E. Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING S.E. 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 272, rue de Neudorf, L-2222 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 S.E. ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding S.E. is the ultimate parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. which are registered in the Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

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

Subsidiaries	**Principal Activities**	**Issued capital EUR**		**Ownership (%)**		**Voting rights %**	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	10,524,199	10,524,199	100.00	100.00	100.00	100.00
Fotex Netherlands B.V.	Property management	150,018,000	150,018,000	100.00	100.00	100.00	100.00
FN2 B.V.	Property management	18,000	18,000	100.00	100.00	100.00	100.00
FN3 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN4 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN5 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	100.00	100.00	100.00	100.00
Plaza Park Kft.	Property management	18,897	18,897	100.00	100.00	100.00	100.00
Sigma Kft.	Property services	100,650	100,650	100.00	100.00	100.00	100.00
Székhely 2007 Kft.	Property services	102,949	102,949	99.27	99.27	99.28	99.28
Upington Investments S.à r.l.	Investment holding	12,500	12,500	100.00	100.00	100.00	100.00

2. Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Comparative figures

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

The comparative figures for the year ended 31 December 2017 have been modified due to reclassification between Cost of Sales and Revenue according to the new requirements set by IFRS 15 Revenue from contracts with customers. The reclassification impacts neither the result for the year ended 31 December 2017 nor the net asset as at that date. The effect of the change is presented in affected notes (Note 20 and Note 21).

Statement of compliance

The subsidiaries of the Group maintain their official accounting records and prepare their individual financial statements in accordance with the accounting regulations of their country of registration. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) as endorsed by the EU.

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December, 2018 there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

As a result of Fotex’s transformation to an S.E. (Societas Europaea) from 1 January 2009, Fotex Holding S.E. became a European public limited company. Fotex moved its registered office to Luxembourg and is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December 2018. Control is achieved when Fotex is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

2. Significant Accounting Policies (continued)

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

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

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

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

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

	2018	2017
First half year	314.08 HUF/EUR	309.46 HUF/EUR
Second half year	323.65 HUF/EUR	308.97 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 31 December 2018: 321.51 HUF/EUR (31 December 2017: 310.14). The income statement is converted to EUR using the half-year Hungarian National Bank average FX rate. The exchange difference in translation of foreign operations shown in the other comprehensive income.

2. Significant Accounting Policies (continued)

Non-current assets held for sale and discontinued operations

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

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

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

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

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

Additional disclosures are provided in Note 11.

Revenue from contracts with customers

<u>Sale of goods</u>

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

Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products. The Group satisfies its performance obligations upon deliveries of such goods. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

<u>Service charges and expenses recoverable from tenants</u>

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

When an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Income arising from expenses directly recharged to tenants is recognised net of the related costs, as the management consider that the Group acts as agent in such cases.

2. Significant Accounting Policies (continued)

<u>Contract balances</u>

Contract assets

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Group's Trade debtors reliably keep the deadlines therefore the adoption of the ECL requirements of IFRS 9 resulted a similar level of impairment as it was calculated by the previous methodology. No adjustment was needed in comparative figures.

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

Contract liabilities

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

Revenue recognition

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

<u>Interest income</u>

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

<u>Dividends</u>

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

<u>Rental income</u>

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

2. Significant Accounting Policies (continued)

Financial instrument

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

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

<u>Fair value of financial instruments</u>

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

<u>Amortised cost of financial instruments</u>

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

Financial assets

<u>Initial recognition and measurement</u>

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

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

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

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

<u>Subsequent measurement</u>

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

2. Significant Accounting Policies (continued)

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

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

<u>Derecognition</u>

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

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

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

<u>Impairment of financial assets</u>

The adoption of IFRS 9 has slightly changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.
IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

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

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

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

2. Significant Accounting Policies (continued)

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

Financial liabilities

Initial recognition and measurement

The classification of Financial liabilities does not change due to the adoption of IFRS 9. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 18.

2. Significant Accounting Policies (continued)

Derecognition

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

Cash and cash equivalents

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

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

Foreign currency translation

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

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

Inventories

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

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

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

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

2. Significant Accounting Policies (continued)

Property, plant and equipment

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

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

Land is not depreciated.

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

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

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

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

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

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

Leases

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

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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

2. Significant Accounting Policies (continued)

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the Lessor does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:

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

Borrowing costs

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

Provisions

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

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition under the cost model assets are recognised at cost and depreciated systematically over their useful economic life.

Land is not depreciated.

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

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

2. Significant Accounting Policies (continued)

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

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

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

Goodwill

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

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

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

Intangible assets

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

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

2. Significant Accounting Policies (continued)

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

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

Income taxes

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

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

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

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

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

2. Significant Accounting Policies (continued)

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

Capital management

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years 2018 and 2017.

Treasury shares

Fotex ordinary and dividend preference shares repurchased are included in shareholders' equity and are classified as treasury shares.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 18. The fair value of non-financial assets including investment properties is determined for the purpose of the impairment test and for disclosure purposes. Investment property fair value is disclosed in Note 11.

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

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

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

2. Significant Accounting Policies (continued)

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

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

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

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

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

Subsequent events

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

Changes in accounting policies

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

New and amended standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that could be relevant to its operations and effective for accounting periods beginning on 1 January 2018. Adoption of these revised Standards and Interpretations did not have any effect on the financial performance or position of the Group.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Full retrospective approach was applied to implement IFRS 15.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. Significant Accounting Policies (continued)

The steps of the five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The Group reviewed its existing contracts on the basis of IFRS 15 and concluded that the adoption of the new standard has effect on its revenue recognition where the Group acts as an agent. In case of new contracts the five-step model is followed for revenue recognition.

According to IFRS 15, when another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent).

When an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

The Group has determined that in most transactions it acts as a principal. The only exception is the provision of services related to the lease service i.e. the utility costs.

According to the above a reclassification is needed from Cost of Sales to Revenue in the comparative figures. The reclassifications impact neither the result for the year ended 31 December 2017 nor the net equity as at that date. The effect of adopting IFRS 15 is, as follows:

Impact on statement of profit or loss

	31 December 2017	Adjustment	Adjusted 31 December 2017
Revenue from contracts with customers	15,397,215	(1,238,233)	14,158,982
Rental income	26,145,870	(697,665)*	25,448,205
Cost of sales	(5,704,624)	1,935,898	(3,768,726)
Gross profit	35,838,461	-	35,838,461

* The Group has also identified an error in presentation of rental income and revenue from contracts with customers in 2017. A reclassification was necessary from rental income revenue to revenue from service charges to tenants in amount of EUR 697,665 and from providing of services to revenue from service charges to tenants in amount of EUR 7,295.

2. Significant Accounting Policies (continued)

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied prospectively with the initial application date of 1 January 2018 and no adjustment was necessary in the comparative figures.

<u>Classification and measurement</u>

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

3. Significant Accounting Judgements, Estimates and Assumptions

Judgements

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

Operating Lease Commitments – Group as Lessor

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

Estimates and assumptions

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

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 is EUR 10,382,237 (2017: EUR 10,762,859). Further details are given in Note 14.

Impairment of Intangible Assets

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 12.

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

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

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

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. Further details are given in Note 19.

Fair Value of Investment Properties

The Group has determined and presented in the notes the fair value of investment property either as the present value of the estimated future cash flows generated from leasing such assets or using comparable prices. Future cash flows were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 13.

Assets held for sale

During 2018 the Group decided to sell two of its premises in the Netherlands that are classified as assets held for sale. The Board considered the assets to meet the criteria to be classified as held for sale for the following reasons:

- Both premises are available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage.
- One of the premises, located in Rotterdam met the criteria on 30 November 2018, and the other, located in Hoofddorp on 31 December 2018.
- The Group has completed the sale of the premise located in Hoofddorp to an institutional investor in January 2019.

4. Standards Issued but not yet Effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from present accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

<u>Transition to IFRS 16</u>

The Group plans to apply IFRS 16 applying modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

4. Standards issued but not yet effective (continued)

Transition to IFRS 16

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:

Assets	
Property, plant and equipment (right-of-use assets)	113,063
Liabilities	
Lease liabilities	106,130
Deferred tax liabilities	624
Net impact on equity	6,309

Impact on the statement of profit or loss (increase/(decrease)) for 2018:

Depreciation expense (included in cost	(34,841)
Operating lease expense (included in operating expenses)	41,774
Operating profit	6,933
Finance costs	-
Income tax expense	(624)
Profit for the year	6,309

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its income tax expense will increase. In total the profit for the year will improve. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

4. Standards issued but not yet effective (continued)

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

IFRIC Interpretation 23 Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment features with negative compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments will have no impact on the consolidated financial statements of the Group.

4. Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan amendment, curtailment or settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

• Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

• Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

4. Standards issued but not yet effective (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

5. Prior period adjustments

Adjustment related to adopting IFRS 15 for comparative figures

The Group has adopted IFRS 15 Revenue from contracts with customers for the first time at 1 January 2018 and by reviewing its accounting policy identified that it has effect on revenue recognition where the Group acts as an agent in the transaction. According to the standard reclassification is needed from the Cost of sales to Revenue. It is also applied for the comparative figures and as a result Revenue and Cost of sales decreased by EUR 1,935,898. For additional information please see Note 2 in section IFRS 15 Revenue from Contracts with Customers.

Correction of prior period errors

During the preparation of the 2018 consolidated financial statements the Group realised that in 2016 and 2017 some intercompany transactions were erroneously handled in the consolidation process. These transactions related to renovation works organised by one of the Hungarian Group entities ("Hunco 1") which were then recharged to another Hungarian Group entity ("Hunco 2") which finally capitalised these costs as tangible asset in its standalone statutory financial statements. The basis of the recharged costs were the invoices issued by the external subcontractors to Hunco 1 which were then onpassed to Hunco 2 with a 10% margin.

During the consolidation, as part of the intercompany transaction elimination, the full value of the recharged costs were eliminated from the revenues against the tangible assets. However, the correct elimination entry, should have been decreasing the value of tangible assets only with the value of the margin on the recharge. The other part of the intercompany revenue should have been eliminated against operating expenses. As a result of the erroneous treatment, the value of Investment properties and Property Plant and Equipment and the net income of the years 2016 and 2017 were understated. The amount of this error is considered significant, therefore the restatement of the previous periods' figures became necessary.

The restatement of the prior periods in the financial statements are explained in the tables below.

The statement of financial position at 1 January 2017 has been restated as follows:

	Property, plant and equipment	Investment properties	Deferred tax assets	Retained earnings	Translation difference
	EUR	EUR	EUR	EUR	EUR
Balance at 1 January 2017	5,883,963	169,041,402	221,835	95,130,780	(607,633)
Impact of restatement	797,353	470,401	(114,099)	1,157,072	(3,417)
Balance at 1 January 2017 as restated	6,681,316	169,511,803	107,736	96,287,852	(611,050)

The statement of financial position at 31 December 2017 has been restated as follows:

	Property, plant and equipment	Investment properties	Deferred tax assets	Retained earnings	Translation difference
	EUR	EUR	EUR	EUR	EUR
Balance at 31 December 2017	3,478,607	162,725,946	302,825	99,684,594	(507,957)
Impact of restatement	703,895	985,184	(152,019)	1,538,645	(1,585)
Balance at 31 December 2017 as restated	4,182,502	163,711,130	150,806	101,223,239	(509,542)

The statement of comprehensive income for the year ended 31 December 2017 has been restated as follows:

	2017 Restated	Adjustment	2017
	EUR	EUR	EUR
Revenue	39,607,187	(1,935,898)	41,543,085
Cost of sales	(3,736,548)	1,968,076	(5,704,624)
Operating expenses	(24,910,006)	387,133	(25,297,139)
Income tax expense	(1,757,710)	(37,738)	(1,719,972)
Net income	6,011,077	381,573	5,629,504
Attributable to:			
Equity holders of the parent company	5,990,769	381,573	5,609,196
Non-controlling interests	20,308	-	20,308
Net income	6,011,077	381,573	5,629,504
Basic earnings per share	0.11	-	0.11
Diluted earnings per share	0.11	-	0.11

The Consolidated statement of cash flows for the year ended 31 December 2017 has been restated as follows:

	2017 Restated	Adjustment	2017
	EUR	EUR	EUR
Income before income taxes	7,768,787	419,311	7,349,476
Depreciation and amortisation	8,143,008	28,233	8,114,775
Loss/(gain) on disposals of fixed assets	(264,210)	(684)	(263,526)
Acquisition of investment properties	(2,806,959)	(559,192)	(2,247,767)
Acquisition of tangible and intangible assets	(529,942)	144,587	(674,529)
Other changes of tangible and intangible assets	(57,345)	(31,908)	(25,437)
Change in cash and cash equivalents	13,798,752	347	13,798,405
Cash and cash equivalents at beginning of the year	24,757,945	0	24,757,945
Effect of foreign currency translation	248,875	(347)	249,222
Cash and cash equivalents at end of the year	38,805,572	0	38,805,572

6. 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 24,413,098 (31 December 2017: EUR 38,805,572).

Cash includes fixed deposit of EUR 1,762,046 at rate 0 %, (in 2017 cash included EUR 2,070,326 at rate 0.05%).

7. Other Financial Assets

Current	31 December 2018 EUR	31 December 2017 EUR
Cash deposits connected to rented properties	892,153	660,876
Other short-term investments	1,091	1,128
Other current financial assets, total	893,244	662,004

Non-current	31 December 2018 EUR	31 December 2017 EUR
Cash deposits connected to rented properties	2,208,417	2,177,189
Unquoted equity instruments	48,636	50,390
Long-term loans to other parties *	-	709
Other non-current financial assets, total	2,257,053	2,228,288

Cash deposits connected to rented properties:

The Group has received 2 to 3 months deposits from its tenants which are held at a bank (Note 15). Deposits are only repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified the deposits which are expected to be repayable in more than one year to long-term, and the deposits which are expected to be repayable within 3-12 months were classified as short-term.

*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 0 (31 December 2017: EUR 709).

8. Accounts Receivable and Prepayments

	31 December 2018	31 December 2017
	EUR	EUR
Accounts receivable	5,185,253	6,017,897
Impairment loss on accounts receivable	(15,823)	(109,234)
Tax assets	138,544	86,947
Other receivables	595,689	503,249
Prepayments/accrued income	844,322	1,517,594
Impairment loss on other receivables	(10,984)	(8,660)
Total	6,737,001	8,007,793

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

The reason for decreasing the amount of the prepayments from 2017 to 2018 is that in January 2019 the Group has completed the sale of one of its investment properties (Note 11) located in Hoofddorp to an institutional investor.

Impairment loss on debtors and on other receivables at 31 December 2018 is: EUR 26,807 (31 December 2017: EUR 117,894).

Movements in impairment loss:

	EUR
1 January 2017	1,008,949
Charge for the year	17,468
Unused amount reversed	(18,205)
Utilised*	(896,458)
Currency gain/(loss) arising on retranslation	6,140
31 December 2017	117,894
Charge for the year	10,682
Unused amount reversed	(11,978)
Utilised*	(87,650)
Currency gain/(loss) arising on retranslation	(2,141)
31 December 2018	26,807

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

8. Accounts Receivable and Prepayments (continued)

Aged debtors less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2018	4,795,767	274,343	36,146	50,788	9,864	2,522	5,169,430
31 December 2017	5,341,376	218,014	102,456	159,922	49,933	36,962	5,908,663

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

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2018	1,254,199	144,833	101,184	4,333	40,293	22,729	1,567,571
31 December 2017	1,788,775	176,609	102,822	0	10,595	20,329	2,099,130

9. Inventories

	31 December 2018	31 December 2017
	EUR	EUR
Merchandise and finished products	6,629,869	6,533,428
Materials	321,117	391,056
Work in progress	2,081,416	2,391,591
Inventories, gross	9,032,402	9,316,075
Impairment of merchandise and finished products	(3,079,551)	(2,564,109)
Impairment of materials	(8,529)	(8,841)
Impairment of work in progress	(626,836)	(371,448)
Impairment of inventories	(3,714,916)	(2,944,398)
Total inventories, net	5,317,486	6,371,677

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,714,916 provision made for the impairment of inventories (31 December 2017: EUR 2,944,398) is adequate, from this the current year reversal is EUR 0 (in 2017: EUR 310,205) which is disclosed as other operating expense (Note 17). In addition to the impairment, EUR 4,068,227 were recognised as direct and indirect production cost of the sold inventories (2017: EUR 5,287,058). The write-off accounted for in 2018 was EUR 909,495 (2017: EUR 399,772), which related to slow moving glass products.

10. Property, Plant and Equipment

Movements in property, plant and equipment during 2018 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2018	**3,781,410**	**18,007,861**	**677,557**	**22,466,828**
Additions and capitalizations	280,546	833,108	324,970	1,438,624
Other increase	-	22,889	-	22,889
Other decrease	(13,614)	-	-	(13,614)
Disposals and write downs	(152,749)	(3,392,741)	-	(3,545,490)
Currency gain/(loss) arising on retranslation	78,260	(610,599)	(26,634)	(558,973)
31 December 2018	**3,973,853**	**14,860,518**	**975,893**	**19,810,264**
Accumulated depreciation:				
1 January 2018	**(2,322,984)**	**(15,961,342)**	**-**	**(18,284,326)**
Depreciation expense	(24,475)	(574,003)	-	(598,478)
Disposals and write downs	116,345	2,865,820	-	2,982,165
Other increase	-	(22,891)	-	(22,891)
Other decrease	39,427	-	-	39,427
Currency gain/(loss) arising on retranslation	(154,095)	542,610	-	388,515
31 December 2018	**(2,345,782)**	**(13,149,806)**	**-**	**(15,495,588)**
Net book value				
31 December 2018	**1,628,071**	**1,710,712**	**975,893**	**4,314,676**
31 December 2017	**1,458,426**	**2,046,519**	**677,557**	**4,182,502**

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

During 2018 Ajka Kristály Kft. supervised its machinery and determined that their modernization is not economical and their operation is not justified due to the changes in the production condition, therefore the assets were scrapped. Disposals and write downs contains EUR 456,500 that relates to this scrapping and further EUR 20,301 relating to other minor scrapping. The remaining EUR 86,524 is the net book value of disposed assets.

At 31 December 2018, the cost of property, plant and equipment, investment properties and intangible assets fully written off (due to ordinary or extraordinary depreciation) but still in use was EUR 4,904,894 (2017: EUR 5,251,145).

Among Furniture, machinery, equipment and fittings the carrying value of assets held under finance leases was EUR 41,391 at 31 December 2018.

10. Property, Plant and Equipment (continued)

Movements in property, plant and equipment during 2017 (restated) were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2017	**6,632,423**	**18,091,438**	**823,523**	**25,547,384**
Additions and capitalizations	6,702	647,647	(148,747)	505,602
Other increase	-	12,740	-	12,740
Other decrease	-	-	-	-
Disposals and write downs	(3,053,977)	(795,480)	-	(3,849,457)
Currency gain/(loss) arising on retranslation	196,262	51,516	2,781	250,559
31 December 2017	**3,781,410**	**18,007,861**	**677,557**	**22,466,828**
Accumulated depreciation:				
1 January 2017	**(2,776,157)**	**(16,089,911)**	**-**	**(18,866,068)**
Depreciation expense	(61,234)	(489,709)	-	(550,943)
Disposals and write downs	502,065	664,323	-	1,166,388
Other increase	-	-	-	-
Other decrease	14,336	-	-	14,336
Currency gain/(loss) arising on retranslation	(1,994)	(46,045)	-	(48,039)
31 December 2017	**(2,322,984)**	**(15,961,342)**	**-**	**(18,284,326)**
Net book value				
31 December 2017	**1,458,426**	**2,046,519**	**677,557**	**4,182,502**
31 December 2016	**3,856,266**	**2,001,527**	**823,523**	**6,681,316**

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

11. Investment Properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation. An external valuation was rendered to the Group about all of its investment properties as of 31 December 2018. The key valuation methodology and major assumptions used in the valuation are set out below in this note.

Movements in investment properties measured at cost in 2018 and 2017 were as follows:

	2018	2017 Restated
Cost:	EUR	EUR
Opening balance	**229,013,768**	**227,253,297**
Additions	805,674	2,806,959
Other increase	-	28,278
Disposal	(55,283)	(1,107,848)
Reclassification to assets held for sale	(25,318,520)	-
Currency gain/(loss) arising from retranslation	(2,916,388)	33,082
Closing balance	**201,529,251**	**229,013,768**
Accumulated depreciation:		
Opening balance	**(65,302,638)**	**(57,741,494)**
Depreciation expense	(7,410,508)	(7,518,206)
Impairment	-	-
Other increase	-	-
Disposal	8,427	47,452
Reclassification to assets held for sale	5,504,284	-
Currency gain/(loss) arising from retranslation	1,557,055	(90,390)
Closing balance	**(65,643,380)**	**(65,302,638)**
Net book value:		
Closing balance	**135,885,871**	**163,711,130**
Opening balance	**163,711,130**	**169,511,803**

Additions refer to refurbishment works carried out in several Hungarian properties.

During 2018 the Group decided to sell two of its premises in the Netherlands, located in Rotterdam and Hoofddorp. As the asset held for sale criteria was met, these assets are classified as assets held for sale in the statement of financial position. The net book value of these properties is EUR 19,814,236 (Rotterdam: EUR 4,587,423; Hoofddorp: EUR 15,226,813) at 31 December 2018.

The sale of property located in Hoofddorp has been completed in January 2019. The sales price is EUR 30,465,000 and the realised gain on the sale is EUR 14,285,247. The sale of the other property is in progress. The agreed sales price is EUR 8,500,000 and the estimated gain on the sale is EUR 3,912,577.

In 2017 among the additions the most significant item was the acquisition of a new real estate in Netherlands (in amount of EUR 2,049,742). The value of disposal is composed of demolished warehouses and is included in the EUR 1,034,480 of the Scrapping of tangible and intangible assets line of Operating expenses as presented in the Note 17.

11. Investment Properties (continued)

The net book values of investment properties at 31 December 2018 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	164,773	23,933,080	169,544,735
Offices	86,545	84,996,671	141,830,726
Warehouses	62,757	1,333,413	10,934,254
Other structures	25,033	3,630,948	8,655,018
Plots of land	899,182	21,991,759	36,255,198
Total investment properties	1,238,290	135,885,871	367,219,931

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

The fair values of investment properties at 31 December 2017 are set out below:

Category	Area	Net book value - Restated	Estimated fair value
	m^2	EUR	EUR
Retail outlets	165,993	27,313,877	155,766,814
Offices	102,674	105,599,192	162,950,018
Warehouses	62,757	1,874,091	10,111,309
Other structures	25,090	3,791,596	9,152,730
Plots of land	901,324	25,132,374	35,699,018
Total investment properties	1,257,838	163,711,130	373,679,889

The fair value of investment property is determined based on an external real estate valuation (Duna House Értékbecslő Kft.) using recognised valuation techniques.

These techniques comprise both the comparable market price method and the Discounted Cash Flow Method. Present values of the future cash flows are determined separately for each presented category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method. The valuers have used their market knowledge and professional judgement and have not only relied on historical transactional comparables.

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

11. Investment Properties (continued)

Key valuation assumptions for 2018

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

The market comparatives valuation method was based on the following assumptions:

- Rents on investment properties have been calculated based on the contractual rental fees and market comparative method considering 3% to 5% renovation fund and 95% occupation rate.

- The used yield rate per property item located in Hungary is between 6.75% and 13.00% depending on the type and location of the property (2017: 7.00%-13.25%). For the Dutch properties, the calculated yield rate is between 5.65% and 12.25% (2017: 5.9%-12.5%).

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 325 HUF/EUR exchange rate (2017: 310 HUF/EUR) though this relates only to a small number of properties.

Discounted cash flow valuation method was based on the following assumptions; a 10-years rental period was assumed with 7.00 – 8.00% discount factor and 7.75-8.25% exit interest rate. The applied FX rate was 325 HUF/EUR and the anticipated HICP rate was 2.00% p.a.

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

	2018	2017
	EUR	EUR
Yield rate drops by 50 bps	17,235,531	17,284,414
Rent rate drops by 5%	(6,503,250)	(13,453,691)

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

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

The total area of land, beneath existing buildings and the unused land proportion of warehouses and similar properties, which were excluded from the fair value assessment is 533,398 m2 (2017: 535,541 m2).

11. Investment Properties (continued)

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

	2018	2017
	EUR	EUR
Revenues from the rent of investment properties	25,366,165	25,453,301
Unrecoverable net operating costs	(1,931,705)	(2,523,575)
Costs that do not generate direct sales revenues	-	-
Net income from the rent of investment properties	23,434,460	22,929,726

12. Intangible Assets

Movements in intangible assets during 2018 were as follows:

	Media and merchandising rights	Other*	Total
	EUR	EUR	EUR
Cost:			
1 January 2018	**6,667,194**	**863,539**	**7,530,733**
Additions	-	20,979	20,979
Other increase	-	104,784	104,784
Other decrease	-	(22,242)	(22,242)
Disposals and write downs	-	(16,844)	(16,844)
Currency gain/(loss) arising from retranslation	-	(126,760)	(126,760)
31 December 2018	**6,667,194**	**823,456**	**7,490,650**
Accumulated amortisation:			
1 January 2018	**(5,008,798)**	**(856,842)**	**(5,865,640)**
Amortisation expense	-	(32,396)	(32,396)
Impairment	-	-	-
Other increase	-	(32,270)	(32,270)
Other decrease	-	44,489	44,489
Disposals and write downs	-	14,051	14,051
Currency gain/(loss) arising from retranslation	-	130,408	130,408
31 December 2018	**(5,008,798)**	**(732,560)**	**(5,741,358)**
Net book value:			
31 December 2018	**1,658,396**	**90,896**	**1,749,292**
31 December 2017	**1,658,396**	**6,697**	**1,665,093**

*The column ’Other’ reflects property rental rights associated with subsidiaries and the value of software.

12. Intangible Assets (continued)

Movements in intangible assets during 2017 were as follows:

	Media and merchandising rights	Other*	Total
	EUR	EUR	EUR
Cost:			
1 January 2017	**6,667,194**	**827,300**	**7,494,494**
Additions	-	24,340	24,340
Other increase	-	1,942	1,942
Other decrease	-	(4)	(4)
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	9,961	9,961
31 December 2017	**6,667,194**	**863,539**	**7,530,733**
Accumulated amortisation:			
1 January 2017	**(5,008,798)**	**(772,903)**	**(5,781,701)**
Amortisation expense	-	(73,859)	(73,859)
Impairment	-	-	-
Other increase	-	-	-
Other decrease	-	29	29
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	(10,109)	(10,109)
31 December 2017	**(5,008,798)**	**(856,842)**	**(5,865,640)**
Net book value:			
31 December 2017	**1,658,396**	**6,697**	**1,665,093**
31 December 2016	**1,658,396**	**54,397**	**1,712,793**

*The column ’Other’ reflects property rental rights associated with subsidiaries and the value of software.

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

In 2016 the Court ruled in favour of the Company, however FTC Zrt and FTC Association turned to the Supreme Court against the ruling of the Civil Court. In 2018 the Supreme Court has rejected the claim of FTC Zrt. and FTC Association, so the ruling of the Civil Court remained in force. Based on this ruling FTC Zrt. and FTC Association shall pay for compensation and grant the use of Skybox and 8 VIP tickets.

13. Fair Value

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 11):			
Retail outlets	31 December 2018	169,544,735	169,544,735
Offices	31 December 2018	141,830,726	141,830,726
Warehouses	31 December 2018	10,934,254	10,934,254
Other structures	31 December 2018	8,655,018	8,655,018
Plots of land	31 December 2018	36,255,198	36,255,198
Total		**367,219,931**	**367,219,931**
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 18)			
VIII. mortgage	31 December 2018	-	-
IX. mortgage	31 December 2018	7,078	7,078
X. mortgage	31 December 2018	10,172	10,172
XI. loan	31 December 2018	4,155,147	4,155,147
XIV. loan	31 December 2018	6,004,651	6,004,651
XV. loan	31 December 2018	66,707,240	66,707,240
Total		**76,884,288**	**76,884,288**

For each class of assets and liabilities not measured at fair value in the statement of financial position, but for which fair value is disclosed. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values. The fair value of fixed rate debt is disclosed in Note 18.

13. Fair Value (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2017:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 11):			
Retail outlets	31 December 2017	155,766,814	155,766,814
Offices	31 December 2017	162,950,018	162,950,018
Warehouses	31 December 2017	10,111,309	10,111,309
Other structures	31 December 2017	9,152,730	9,152,730
Plots of land	31 December 2017	35,699,018	35,699,018
Total		**373,679,889**	**373,679,889**
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 18)			
VIII. mortgage	31 December 2017	7,011,560	7,011,560
IX. mortgage	31 December 2017	1,555,753	1,555,753
X. mortgage	31 December 2017	2,471,915	2,471,915
XI. loan	31 December 2017	4,258,942	4,258,942
XIV. loan	31 December 2017	6,108,687	6,108,687
XV. loan	31 December 2017	68,462,588	68,462,588
Total		**89,869,445**	**89,869,445**

14. Goodwill Arising on Acquisition

Movements in goodwill on business combinations were as follows during 2018 and 2017:

	31 December 2018	31 December 2017
	EUR	EUR
Cost:		
1 January	18,079,649	18,028,492
Currency difference arising from retranslation	(639,376)	51,157
Closing balance	17,440,273	18,079,649
Impairment:		
1 January	(7,316,790)	(7,296,086)
Currency difference arising from retranslation	258,754	(20,704)
Closing balance	(7,058,036)	(7,316,790)
Net book value		
1 January	10,762,859	10,732,406
Closing balance	10,382,237	10,762,859

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

Goodwill is therefore tested as follows:

	31 December 2018	31 December 2017
	EUR	EUR
Total goodwill	10,382,237	10,762,859
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,420,247)	(1,472,314)
Goodwill tested for impairment	8,961,990	9,290,545

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 2018. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

14. Goodwill Arising on Acquisition (continued)

Goodwill is allocated to the following entities:

	31 December 2018	31 December 2017
	EUR	EUR
Keringatlan Kft.	8,728,543	9,048,540
Plaza Park Kft.	1,653,694	1,714,319
Net book value	10,382,237	10,762,859

The difference between the net book value as at 31 December 2018 and 31 December 2017 is solely due to the change in the exchange rate.

15. Accounts Payable, Other Liabilities and Provision

	31 December 2018	31 December 2017
	EUR	EUR
Trade payables	860,872	782,098
Taxes payable	1,088,946	2,625,688
Advances from customers	143,915	16,725
Accrued expenses	1,051,468	1,205,703
Deferred rental income	5,711,834	5,294,500
Amounts payable to employees	153,118	201,528
Deposits from tenants	892,153	660,876
Other liabilities	1,166,678	2,429,571
Total accounts payable and other current liabilities	11,068,984	13,216,689
Other long-term liabilities	2,763,852	3,025,060

Terms and conditions of the above liabilities:

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

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

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

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

The Group has received 2 to 3 months deposits of EUR 3,100,069 (2017: EUR 2,837,560) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year EUR 2,207,916 (2017: EUR 2,176,685), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 892,153 (2017: EUR 660,876) (Note 7).

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

Other liabilities include the following:

	31 December 2018	31 December 2017
	EUR	EUR
Dividend payable	138,773	138,773
VAT compensation	277,971	-
Advances received for property management services	305,589	409,843
Liabilities against social security	117,165	141,656
Other short term liabilities	327,180	1,739,299
Total other liabilities	1,166,678	2,429,571

Among taxes payable the Group shows VAT, corporate income tax and local tax liabilities, which decreased highly in 2018 compared to 2017.

Other short term liabilities as at 31 December 2017 contained a liability in connection with a real estate property that was awarded to the Company by the court in the course of a legal proceeding. This liability has been settled in 2018, resulted in a decrease of the total other liabilities balance as at 31 December 2018.

Provision:

In 2017 the Group accounted for provisions of EUR 187,045 for the expenses expected to arise in connection with termination of employment. In 2018 the Group accounted for provisions of EUR 5,126 for expenses in connection with missed utility fees. During the financial year of 2018 provisions of EUR 187,045 have been utilised.

Movements in provision:

	EUR
1 January 2018	187,045
Additional provisions created	5,092
Utilised during the year	(184,699)
Currency gain/(loss) arising on retranslation	(2,312)
31 December 2018:	5,126

16. Share Capital and Reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2018, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2017: 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 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.

16. Share Capital and Reserves (continued)

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" 2018: EUR 840,000; (2017: EUR 840,000) are also shown in "Treasury shares". During 2018, no dividend preference shares are held by management.

As at 31 December 2018, the Company held 28,803,409 treasury shares (of which 26,803,409 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 41,212,427 (31 December 2017: 20,254,351 shares – of which 18,254,351 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 26,315,506).

During 2018, the Company purchased 8,549,058 of its ordinary shares (2017: 355,772 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

17. Operating Expenses

	2018	2017 Restated
	EUR	EUR
Payments to personnel	(5,401,249)	(5,469,913)
Material and service type expenses	(8,048,302)	(7,360,263)
Depreciation and amortisation charge	(8,041,382)	(8,143,008)
Other expenses, net*	(4,329,255)	(3,936,822)
Total operating expenses	(25,820,188)	(24,910,006)

In order to align the presentation of the consolidated financial statements with some management key performance indicators, the presentation of the Consolidated Income Statement has been amended introducing Cost of Sales, Gross Profit and Operating Profit lines.

* Other expenses (net) include the following:

	2018	2017 Restated
	EUR	EUR
Realised and unrealized FX differences (net)	(1,143,187)	22,070
Taxes other than income tax	(1,445,209)	(1,794,629)
Impairment and scrapping of tangible and intangible assets	(465,825)	(1,033,795)
Impairment and scrapping of inventories	(909,495)	(399,772)
Provision usage	184,699	-
Provision made	(5,092)	(187,754)
Development grants	(378,434)	(312,712)
Other expenses/income	(166,712)	(230,230)
Total other expenses, net	(4,329,255)	(3,936,822)

18. Interest-bearing Loans and Borrowings

The Group's Dutch subsidiaries obtained several mortgage loans from FGH Bank N.V and Berlin-Hannoversche Hypotheken bank AG between 2009 and 2015 to fund the purchase of properties. In 2015 another loan was taken out from Blackburn International Inc. All of these loans were repaid during 2015 and 2016. On 20 July, 2016 the Dutch subsidiaries took out a loan (Loan XV.) from Hypobank to refinance the previous loans.

In 2011, when the 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 The Group to Zürich Investments Inc.

On 20 July, 2016 FN4 B.V. took out a loan (Loan XIV.) from FHG Bank to fund the purchase of property Nieuwegein.

During 2018 Loan VIII. was fully repaid and in April 2019 the Group has also fully repaid the outstanding amount of loans IX and X to Zürich Investments Inc. (Note 29).

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 31 December 2018 EUR	Current portion at 31 December 2018 EUR	Long-term portion at 31 Dec 2017 EUR	Current portion at 31 Dec 2017 EUR
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	-	-	-	6,852,224
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	-	7,078	-	1,459,357
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	-	10,172	-	2,299,700
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,498,251	23,399	3,386,073	23,399
XIV. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	5,866,521	130,020	5,994,112	130,020
XV. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.79% p.a.	65,034,125	1,685,857	66,295,143	1,691,844
Overdraft and short term					-	229,249	-	263,530
Finance lease					20,963	9,123		
Total			**90,885,756**		**74,419,860**	**2,094,898**	**75,675,328**	**12,720,074**

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

18. Interest-bearing Loans and Borrowings (continued)

The net book values of these properties at 31 December 2018 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 7,695,463
4205 AZ Gorinchem, Stadhuisplein 1a, 70 and 70a	EUR 10,191,984
2034 MA Haarlem, Schipholpoort 20	EUR 3,962,708
3439 LD Nieuwegein, Ravenswade 15	EUR 9,416,099
3528 BJ Utrecht, Papendorpseweg 65	EUR 12,337,897
2123 JH Hoofddorp, Polarisavenue 1	EUR 15,226,813
1101 CE Amsterdam Southeast, Entrée 500	EUR 11,973,419

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 2,570,273 (2017: EUR 3,206,061) is a total interest expense in relation to the loans I.-XV. above of EUR 2,563,558 in 2018 (2017: EUR 3,197,871).

Obligation under finance lease consists of the lease of company vehicles. The Group has accounted EUR 987 interest in connection with the lease in 2018.

The scheduled maturity of loans at 31 December 2018 and 2017 is set out in EUR in the table below:

Due in	within 1 year	between 1-2 years	between 2-3 years	between 3-4 years	over 4 years	Total
2018	2,094,898	13,080	9,367,860	4,795	65,034,125	76,514,758
2017	12,720,072	-	-	9,380,185	66,295,145	88,395,402

In case of loans charged by a fixed interest rate the fair value was determined using a standard DCF model, in which a standard zero swap EUR curve was used as base for discounting, which was adjusted by the spread. In case of an unsecured loan the spread was estimated for 3.830%, in case of a secured loan for 3.473% and 1.760%.

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

18. Interest-bearing Loans and Borrowings (continued)

Fair value of loans having a fixed interest rate:

Item	Fair value at 31 Dec 2018 EUR	Book value at 31 Dec 2018 EUR
VIII. loan	-	-
IX. loan	7,078	7,078
X. loan	10,172	10,172
XI. loan	4,155,147	3,521,650
XIV. mortgage	6,004,651	5,996,541
XV. mortgage	66,707,240	66,719,982
Total	**76,884,288**	**76,255,423**

Item	Fair value at 31 Dec 2017 EUR	Book value at 31 Dec 2017 EUR
VIII. loan	7,011,560	6,852,224
IX. loan	1,555,753	1,459,357
X. loan	2,471,915	2,299,700
XI. loan	4,258,942	3,409,472
XIV. mortgage	6,108,687	6,124,132
XV. mortgage	68,462,588	67,986,987
Total	**89,869,445**	**88,131,872**

19. Income Tax

Income tax (payable)/receivable:	2018	2017
	EUR	EUR
Opening income tax (payable)/receivable	(1,211,804)	(664,661)
Income tax charge	(1,756,021)	(2,033,037)
Settlement of income tax	2,838,283	1,485,894
Closing income tax (payable)/receivable	(129,542)	(1,211,804)

Income tax expense:	2018	2017 Restated
	EUR	EUR
Tax expense	1,756,021	2,033,037
Deferred tax income	(262,328)	(275,327)
Income tax expense	1,493,693	1,757,710

19. Income Tax (continued)

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

	2018	2017 Restated
	EUR	EUR
Income before minority interests and income taxes	7,575,285	7,768,787
Tax at average rate	1,070,604	1,206,474
Effect of tax losses for which no corresponding deferred tax asset recognized	117,861	80,024
Effect of tax rate differences	642,354	597,302
Effect of recurring tax relief	(379,111)	(277,398)
Effect of other permanent differences	(599,556)	(501,141)
Local business tax and innovation contribution	638,649	722,356
Reversed deferred tax asset on prior year's carried forward loss	2,892	(69,907)
Income tax expense	1,493,693	1,757,710

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

The income tax rate applicable to Fotex Holding S.E.'s and Upington Investments S.à r.l.'s income earned in Luxembourg is 19.26% from 1 January 2018, which results in a total tax of 26.01% (2017: 20.33% and 27,08%) as increased by Luxembourg's municipal business tax (Fotex Holding S.E. 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., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. is on the first EUR 200,000 of taxable profit 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.

In both 2018 and 2017 the tax rate used in the deferred tax calculation for the Hungarian companies is 9.00%.

In 2018 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.10% (2017: 24.28%), for FN2 B.V. 24.28% (2017: 24.19%), for FN3 B.V. 23.09% (2017: 23.53%), for FN4 B.V. 21.90% (2017: 21.73%), for FN5 B.V. 20% (2017: 20.00%) and in case of Long Term CRE Fund B.V. 22.68% (2017: 20.72%) tax rate was applied.

Deferred tax assets and deferred tax liabilities as at 31 December 2018 and 2017 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the consolidated income statement items were determined based on average foreign exchange rates for 2018.

In 2018 the Dutch and Luxembourg entities had positive tax base except for Upington Investments S.à r.l. and FN5 B.V. In 2017 all the Dutch and Luxembourg entities had positive tax base.

The Hungarian entities had positive tax base in 2018 except for Ajka Kristály Kft., Hungaroton Music Zrt. and Fotexnet Kft. In 2017 Ajka Kristály Kft., Hungaroton Music Zrt. and Székhely 2007 Kft. had negative tax base while the other entities in Hungary had positive tax base.

19. Income Tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2018	2017 Restated	2018	2017 Restated
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(32,765)	(41,907)	7,610	60,451
Temporary difference between the book value and acquisition value of buildings	(900,242)	(985,992)	50,544	57,522
Capitalisations of small value assets	(17,483)	(13,261)	(4,659)	(1,628)
Difference from loan transaction charges	(93,226)	(111,820)	14,543	39,842
Deferred tax related to rental discount	(48,057)	(173,981)	118,979	(48,693)
Temporary difference on loan origination fees	(79,438)	(173,445)	87,289	124,905
Gross deferred income tax liabilities	(1,171,211)	(1,500,406)	274,306	232,399
Deferred income tax assets				
Provision	461	16,834	(15,673)	16,898
Impairment of debtors	807	9,866	(8,653)	(36,793)
Tax losses carried forward	87,531	93,758	(2,892)	69,907
Revaluation difference on related party transactions	44,615	30,348	15,240	(7,084)
Gross deferred income tax assets	133,414	150,806	(11,978)	42,928
Deferred income tax income / (expense)			262,328	275,327
Net deferred income tax liability	(1,037,797)	(1,349,598)		

20. Revenue

Sales revenue	2018	2017 Restated
	EUR	EUR
Revenue from contracts with customers	13,817,945	14,158,982
Rental income	25,173,060	25,448,205
Total sales revenue	38,991,005	39,607,187

The Group has adopted IFRS 15 Revenue from contracts with customers for the first time at 1 January 2018 and by reviewing its accounting policy identified that it has effect on revenue recognition where the Group acts as an agent in the transaction. According to the standard reclassification is needed from the Cost of sales to Revenue.

The comparative figures are changed and thus the total net sales decreased by EUR 1,935,898. The Group reclassified the amount of Cost of Sale to reducing the Revenue from service charges to tenant in amount of EUR 1,816,992 and to reducing the providing of services in amount of EUR 118,906.

The Group has also identified an error in presentation of rental income and revenue from contracts with customers in 2017. A reclassification was necessary from rental income revenue to revenue from service charges to tenants in amount of EUR 697,665 and from providing of services to revenue from service charges to tenants in amount of EUR 7,295.

The reclassification impacts neither the result for the year ended 31 December 2017 nor the net equity as at that date.

The value of provision of services increased due to the higher sales of marketing services provided in Hungary.

<u>Revenue from contracts with customers</u>

Sales revenue	2018	2017 Restated
	EUR	EUR
Sale of goods*	5,828,883	7,026,576
Revenue from service charges to tenants	2,814,155	2,631,160
Provision of services	3,327,736	3,320,776
Royalty revenue	354,407	267,318
Other sales revenue**	1,492,764	913,152
Total sales revenue	13,817,945	14,158,982

*Crystal and glass sales mainly reflect export sales realised in USD and EUR.
**Other sales revenues contain various minor items, such as revenues from cinema operation, marketing and consultancy fees and mainly reflect sales realised in HUF.

20. Revenue (continued)

<u>Contract balances</u>

	31 December 2018	31 December 2017
	EUR	EUR
Trade receivables (Note8)	597,071	736,052
Contract liabilities (Note15)	143,915	16,725

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. There is a slight change compared to previous year but no extraordinary transaction occurred.

The significant increase in contract liabilities in 2018 was mainly due to short-term advances received from customers during the year.

Set out below is the amount of revenue recognised from:

	31 December 2018	31 December 2017
	EUR	EUR
Amounts included in contract liabilities at the beginning of the year	12,174	55,237

21. Cost of Sales

In order to align the presentation of the consolidated financial statements with some management key performance indicators, the presentation of the Consolidated Income Statement has been amended introducing Cost of Sales.

Cost of sales	2018	2017 Restated
	EUR	EUR
Raw materials and consumables	(1,413,656)	(2,057,278)
Cost of goods sold	(1,486,348)	(1,365,126)
Cost of services sold	(132,166)	(314,144)
Total cost of sales	(3,032,170)	(3,736,548)

The comparative figures are changed and are in line with IFRS15 requirements. The total cost of sales decreased by EUR 1,935,898.

22. 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.

23. Segment Information

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

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

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

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

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

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

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

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).

	2018	2018	2018	2017 Restated	2017 Restated	2017 Restated
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	28,595,691	395,293	28,990,984	28,977,306	479,627	29,456,933
Crystal and glass manufacturing	4,497,121	456,699	4,953,820	5,738,427	2,584	5,741,011
All other segments	5,898,193	2,202,780	8,100,973	4,891,454	1,855,326	6,746,780
Inter-segment elimination	-	(3,054,772)	(3,054,772)	-	(2,337,537)	(2,337,537)
Net sales	38,991,005	-	38,991,005	39,607,187	-	39,607,187

The adaptation of IFRS 15 Revenue from contracts with customers effected the Group revenue recognition method where the Group acts as an agent in the transaction. According to this, in the comparative figures the Group reclassified the amount of Cost of Sale to reducing the Revenue from service charges to tenant in amount of EUR 1,816,992 and to reducing the providing of services in amount of EUR 118,906.

23. Segment Information (continued)

The reclassification impacts neither the result for the year ended 31 December 2017 nor the net equity as at that date.

Material-type expenses:	2018 Material-type expenses external EUR	2018 Material-type expenses inter-segment EUR	2018 Material-type expenses EUR	2017 Restated Material-type expenses external EUR	2017 Restated Material-type expenses inter-segment EUR	2017 Restated Material-type expenses EUR
Investment property management	(5,484,662)	(1,942,911)	(7,427,573)	(5,163,075)	(1,703,717)	(6,866,792)
Crystal and glass manufacturing	(643,970)	(157,994)	(801,964)	(493,592)	(130,366)	(623,958)
All other segments	(1,919,670)	(578,703)	(2,498,373)	(1,703,596)	(413,375)	(2,116,971)
Inter-segment elimination	-	2,679,608	2,679,608	-	2,247,458	2,247,458
Material-type expenses	(8,048,302)	-	(8,048,302)	(7,360,263)	-	(7,360,263)

Income before income taxes:	2018 EUR	2017 Restated EUR
Investment property management	8,803,934	7,716,531
Crystal and glass manufacturing	(1,106,717)	(687,727)
All other segments	(121,932)	739,983
Income before income taxes	7,575,285	7,768,787

Depreciation and amortisation:	2018 EUR	2017 Restated EUR
Investment property management	(7,166,346)	(7,313,036)
Crystal and glass manufacturing	(237,630)	(223,200)
All other segments	(637,406)	(606,772)
Depreciation and amortisation:	(8,041,382)	(8,143,008)

23. Segment Information (continued)

	31 December 2018	31 December 2018	31 December 2018	31 December 2017 Restated	31 December 2017 Restated	31 December 2017 Restated
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	193,106,562	19,143,227	212,249,789	215,760,633	1,840,985	217,601,618
Crystal and glass manufacturing	9,325,812	48,232	9,374,044	11,353,477	2,218	11,355,695
All other segments	9,879,771	2,152,059	12,031,830	9,665,181	1,654,660	11,319,841
Inter-segment elimination	-	(21,343,518)	(21,343,518)	-	(3,497,863)	(3,497,863)
Net assets	212,312,145	-	212,312,145	236,779,291	-	236,779,291

	31 December 2018	31 December 2018	31 December 2018	31 December 2017	31 December 2017	31 December 2017
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	89,835,979	1,805,120	91,641,099	103,213,535	1,377,156	104,590,691
Crystal and glass manufacturing	786,830	417,415	1,204,245	1,117,083	328,455	1,445,538
All other segments	901,122	19,154,025	20,055,147	1,993,984	1,800,727	3,794,711
Inter-segment elimination	-	(21,376,560)	(21,376,560)	-	(3,506,338)	(3,506,338)
Liabilities and accruals:	91,523,931	-	91,523,931	106,324,602	-	106,324,602

Tangible and intangible asset additions*:	31 December 2018	31 December 2017 Restated
	EUR	EUR
Investment property management	1,534,380	3,317,319
Crystal and glass manufacturing	208,317	78,150
All other segments	197,609	90,179
Tangible asset additions:	1,940,306	3,485,648

*Additions do not include constructions in progress.

24. Financial Risks, Management Objectives and Policies

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

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

Interest rate risk

The Group entered into EUR loans to buy properties in the Netherlands. The loan interests fixed rates varying between 1.79% and 7.25%. The 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.

The Group also has a translation risk on transactions – which occurs when the Group buys or sells in a currency other than its presentation currency. Nearly 14.70% of the Group's revenues (2017: 22.93%) and 66.77% of costs (2017 restated: 53.97%) are from transactions made in other than the presentation currency of the Group.

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

		Increase (stronger EUR)/decrease (weaker EUR) in HUF/EUR rate	Impact on the pre-tax profit
			EUR
2018	revenues	+10%	(572,985)
		-10%	572,985
	costs	+10%	1,926,340
		-10%	(1,926,340)
2017	revenues	+10%	(952,377)
		-10%	952,377
	costs	+10%	1,650,384
		-10%	(1,650,384)

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.

24. Financial risks, Management Objectives and Policies (continued)

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

	Increase/decrease in HUF/EUR rate	Impact on the book value of financial assets and liabilities
		EUR
2018	+10%	(91,355)
	-10%	91,355
2017	+10%	(113,003)
	-10%	113,003

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

	2018	2017
	EUR	EUR
Financial liabilities	4,702,178	6,411,866
Financial assets	5,615,732	7,541,897

Financial liabilities (other liabilities and accrued expenses) and financial assets (trade receivables and accrued income) denominated in HUF decreased significantly in 2018 compared to 2017.

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 31 December 2018 the Group's maximum exposure to credit risk is EUR 34,041,113 (31 December 2017: EUR 49,558,570). The main reason of this decrease is cash denominated in HUF decreased by EUR 14,392,474 in 2018 compared to 2017.

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

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

The Group's liabilities based on contracted not discounted payments at 31 December 2018 and 2017 are presented below according to maturity.

31 December 2018	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	110,385	750,487	-	-	-	860,872
Taxes payable	-	1,059,285	18,487	11,174	-	1,088,946
Advances from customers	-	143,915	-	-	-	143,915
Accrued expenses	-	1,051,468	-	-	-	1,051,468
Amounts payable to employees	-	153,118	-	-	-	153,118
Deposits from tenants	-	5,983	886,170	-	-	892,153
Other liabilities	-	758,067	68,376	-	340,235	1,166,678
Total current liabilities	**110,385**	**3,922,323**	**973,033**	**11,174**	**340,235**	**5,357,150**
Loans received	-	1,123,094	2,391,665	60,674,537	18,288,747	82,478,043
Other long-term liabilities	-	-	-	2,763,852	-	2,763,852
Total	**110,385**	**5,045,417**	**3,364,698**	**63,449,563**	**18,628,982**	**90,599,045**

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

31 December 2017	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	148,298	633,800	-	-	-	782,098
Taxes payable	888,698	1,464,357	31,739	240,894	-	2,625,688
Advances from customers	-	435	-	16,290	-	16,725
Accrued expenses	-	1,205,703	-	-	-	1,205,703
Amounts payable to employees	-	201,528	-	-	-	201,528
Deposits from tenants	-	-	660,876	-	-	660,876
Other liabilities	-	1,812,455	616,890	-	226	2,429,571
Total current liabilities	**1,036,996**	**5,318,278**	**1,309,505**	**257,184**	**226**	**7,922,189**
Loans received	-	1,378,006	13,154,992	20,618,033	61,249,832	96,400,863
Other long-term liabilities	-	-	-	3,025,060	-	3,025,060
Total	**1,036,996**	**6,696,284**	**14,464,497**	**23,900,277**	**61,250,058**	**107,348,112**

Capital management

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

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 31 December 2018 and 31 December 2017 are presented below:

	31 December 2018	31 December 2017 Restated
	EUR	EUR
Short-term and long-term borrowings (Note 18):	76,514,758	88,395,402
Trade payables and other current liabilities less deferred rental income (Note 15):	5,357,150	7,922,189
Cash and cash equivalents (Note 6):	(24,413,098)	(38,805,572)
Net debt:	57,458,810	57,512,019
Equity attributable to the Company:	120,773,359	130,437,132
Total:	178,232,169	187,949,151
Indebtedness ratio:	32.24%	30.60%

The Company's indebtedness ratio increased from 30.60% at 31 December 2017 to 32.24% at 31 December 2018, primarily due to the decrease in the cash and cash equivalents and in the equity. The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

25. Investments in Subsidiaries

During 2018 Fotex Group has not entered into transaction that affected the Group structure.

During 2017 The Group entered into the following transaction that affected the Group structure:

- On 12 September 2017, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN5 B.V.
- Fotex Holding S.E. purchased all remaining shares (24.95%) of Sigma Kft. from minority owners so now Sigma Kft. is fully controlled by The Group.

26. Leases

Operating leases

Group as lessee

The Group leases retail sites within the shopping centre "MOM Park" located in Budapest and some smaller centers and shops in Budapest and Győr (partially based on non-cancellable operating lease agreements).

Besides the Group leases 183 parking spaces located in Hoofddorp and Rotterdam.

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 has decided not to renew the lease of these retail sites. At 31 December 2018, the leased area in MOM Park totalled 0 m2 (2017: 2,688 m2).

One of the contracts on retail outlets in Budapest classified as other centres and shops expired in December 2016, one expired in 2018, the other sites are rented for indefinite period. The rents of the four outlets in Győr expire in December 2022 and in 2024, for which the relating leasing fee is presented for the entire contracted period as at 31 December 2018.

As at 31 December 2018, operating lease commitment in case of other centres and shops also includes the contracted fees for the rented parking spaces in Hoofddorp, which rent expires in June, 2022.

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

At 31 December 2018, the Group had the following minimum leasing fee commitments:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2019	-	180,251	180,251
2020	-	156,681	156,681
2021	-	161,008	161,008
Thereafter	-	181,084	181,084
Total	-	679,024	679,024

26. Leases (continued)

At 31 December 2017, the Group had the following minimum leasing fee commitments:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2018	252,653	434,583	687,236
2019	-	436,469	436,469
2020	-	434,583	434,583
Thereafter	-	670,595	670,595
Total	252,653	1,976,230	2,228,883

In 2018, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 218,304 (2017 Jan-Dec: EUR 590,304), and EUR 496,428 (2017 Jan-Dec: EUR 451,052) for January to December in relation to other shops and outlets.

Some of the retail shop premises are still rented from local municipalities. These rentals may be cancelled by the lessor with a notice period of at least one year. The rent relates to a total area of 737 m2 (2017: 737 m2) at a rental cost of EUR 72,658 for January to December 2018 (2017: EUR 73,527).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2017, the Group did not exercise any such right in 2018.

Group as lessor

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

The Group acquired four office buildings in 2009, one in 2010, two in 2011 and one in 2012 in the Netherlands which are leased to tenants on fixed long-term rental agreements. In 2013 the investment portfolio was extended by the acquisition of three office properties in the Netherlands. In 2014 the investment portfolio was extended by the acquisition of a retail real estate in the Netherlands. In 2015 and 2017 the Group acquired a new office building in the Netherlands. Based on these agreements the contracted revenue is as described in the table below.

The Group’s fixed rental fee revenue under non-cancellable leases as of 31 December 2018 (EUR):

Due in	**2019***	**2020**	**2021**	**After 2021**	**Total**
	10,563,550	9,939,982	8,605,143	54,037,719	83,146,394

The Group’s fixed rental fee revenue under non-cancellable leases as of 31 December 2017 (EUR):

Due in	**2018**	**2019**	**2020**	**After 2020**	**Total**
	12,401,256	12,425,151	11,097,842	42,289,039	78,213,288

*2019 figure contains one month of revenue from non-cancellable lease for the real estate sold in January 2019.

26. Leases (continued)

Finance lease

Obligation under finance lease consists of the lease of two company vehicles. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are, as follows:

	2018		2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	10,763	9,124	-	-
After one year but not more than five years	22,898	20,963	-	-
More than five years	-	-	-	-
Total minimum lease payments	**33,661**	**30,087**	-	-
Less amounts representing finance charges	(3,574)	-	-	-
Present value of minimum lease payments	**30,087**	**30,087**	-	-

27. Earnings Per Share

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

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

	2018	2017 Restated
	EUR	EUR
Net profit attributable to equity holders from continuing operations	6,080,254	5,990,769
Net profit attributable to shareholders	6,080,254	5,990,769
Weighted average number of shares in issue during the year	45,400,058	52,875,246
Basic earnings per share (EUR)	0.13	0.11

The diluted earnings per share agree with basic earnings per share in 2018 and 2017 as there is no dilution effect in these years.

28. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International Luxembourg S.à r.l. (“Blackburn Luxembourg”), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. and in Fotex Ingatlan Kft. (“Fotex Ingatlan”). Blackburn has a controlling interest in Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. As at 31 December 2018 Blackburn Luxembourg controlled 50.35% (31 December 2017: 50.35%) of Fotex Holding S.E.’s voting shares. These companies are considered to be related parties

Related party transactions

2018 disclosures

Rental and other related fees paid to Fotex Ingatlan during 2018 were EUR 60,877 (2017: EUR 308,034).

Administrative and expert fees paid by Fotex Ingatlan during 2018 were EUR 19,558 (2017: EUR 18,290).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. during 2018 were EUR 156,000 (2017: EUR 94,800).

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

For 2018, Fotex Netherlands B.V. was charged interest of EUR 398,033 (2017: EUR 780,821) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 18).

For 2018, FN2 B.V. was charged interest of EUR 275,500 (2017: EUR 275,500) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 18).

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

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 834,679 in 2017 (2017: EUR 822,750) was short term benefits.

29. Subsequent Events after the End of the Reporting Period

In January 2019 the Group has completed the sale of one of its investment properties (Note 11) located in Hoofddorp to an institutional investor. The office building has a total floor area of approximately 10,000 m2 including 88 parking spaces and was almost fully let to four different tenants at the time of the sale.

In April 2019 the Group has fully repaid the outstanding amount of loans IX and X as stated in Note 18, thus these loan contracts have been closed.

With reference to the case described in Note 12, the Group has filed a claim of HUF 300 million against FTC Zrt. as compensation for the broadcasting rights reverted to FTC Zrt. from the Group. However, the claim of the Group has been rejected by the first instance Court, the Court of Appeal forced out of law that rejection, thus the legal proceeding shall continue.

Apart from the above mentioned events no other significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

30. Personnel and Structural Changes

Structural changes: During 2018 there were no structural changes.

Personnel changes: During 2018 there were no significant personnel changes. Average number of employees was 251 people in 2018 (2017: 301 people).