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

Unaudited Consolidated financial statements as at 30 June 2018
Management report as at 30 June 2018

Table of contents

Management Report 1
Financial Statement Certification 14
Consolidated Statement of Financial Position 15
Consolidated Income Statement 16
Consolidated Statement of Comprehensive Income 17
Consolidated Statement of Changes in Equity 18
Consolidated Statement of Cash Flows 20
1. General 21
2. Significant Accounting Policies 22
3. Significant accounting judgements, estimates and assumptions 35
4. Cash and cash equivalents 36
5. Other financial assets 36
6. Accounts receivable and prepayments 37
7. Inventories 39
8. Property, plant and equipment 40
9. Investment properties 42
10. Intangible assets 45
11. Goodwill arising on acquisition 47
12. Accounts payable, other liabilities and provision 48
13. Share capital and reserves 49
14. Operating expenses 50
15. Interest-bearing loans and borrowings 50
16. Income tax 52
17. Revenue 52
18. Cost of sales 52
19. Other comprehensive income components 53
20. Segment information 53
21. Financial risks, management objectives and policies 56
22. Investments in subsidiaries 58
23. Operating Leases 58
24. Earnings Per Share 58
25. Related Party Transactions 59
26. Subsequent Events after the end of the reporting period 60
27. Personnel and structural changes 60

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 are engaged in a variety of property management, manufacturing, retailing and other activities. Except for Fotex Holding S.E. (ultimate parent company) and Upington Investments S.à r.l., which are 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 other subsidiaries of the Group are registered and operate in Hungary. The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	30 June 2018	30 June 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	-
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	75.05
Székhely 2007 Kft.	Property services	99.27	99.27
Upington Investments S.à r.l.	Investment holding	100.00	100.00

During the first six months of 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 first half year of 2018 and 2017 by business lines:

	30 June 2018	30 June 2017
Net sales:	Net Sales EUR	Net sales EUR
Investment property holding and management	15,049,421	14,727,355
Crystal and glass manufacturing	2,744,462	3,264,946
All other segments	4,197,251	3,311,730
Inter-segment elimination	(1,463,630)	(1,076,872)
Net sales	20,527,504	20,227,159

Income before income taxes:	30 June 2018	30 June 2017
	EUR	EUR
Investment property holding and management	4,666,633	4,108,222
Crystal and glass manufacturing	185,385	276,533
All other segments	138,447	4,642
Income before income taxes	4,990,465	4,389,397

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:	30 June 2018	30 June 2017
	EUR	EUR
Rental income revenue	12,816,312	12,777,757
Sale of goods	2,994,908	3,619,407
Revenue from service charges to tenants	2,050,364	1,747,062
Provision of services	1,883,340	1,575,138
Royalty revenue	95,699	75,715
Other sales revenue	686,881	432,080
Total sales revenue	20,527,504	20,227,159

The structure of the activities has not changed significantly in the first 6 months of 2018 compared to 2017. It can be seen that revenues generated by real estate management are the most significant, which have increased slightly during the year.

The rental income derived from investment management has increased compared to the previous year. The underlying reason for this is that the Hungarian market improved in 2018 and the investment property portfolio in the Netherlands performed well and it was expanded in 2017.

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

1. Rental contracts are stipulated in EUR or on a EUR basis. While in the past few years the Hungarian Forint has lost value against the EUR; this has slowed in 2017. Which has resulted in an increased rental income for the Company, but leasing opportunities have not improved significantly. We expect this trend to continue in 2018 and the HUF/EUR effect remain relatively stable.

2. The number of liquidation proceedings against the tenants hasn't changed significantly in the current year.

3. As a result of the gentle market recovery, the vacancy rate has improved in the respect of the Hungarian properties.

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

Selected financial information (EUR)	**30.06.2018**	**31.12.2017**	**30.06.2017**	**31.12.2016**
Sales	20,527,504	41,543,085	20,227,159	40,048,827
Gross profit	18,126,214	35,838,461	17,305,046	34,348,153
Operating profit	6,423,041	10,541,322	6,091,950	10,088,936
Pre-tax profit	4,990,465	7,349,476	4,389,397	6,224,201
Net income*	4,314,820	5,609,196	3,758,015	4,415,558
Owner’s equity**	115,583,333	128,900,072	127,595,274	124,790,104
Total assets	212,207,559	235,242,231	232,297,127	229,350,074
Number of ordinary and preference issued shares	72,723,650	72,723,650	72,723,650	72,723,650
Basic earnings per share	0.09	0.11	0.07	0.08
Return on equity	3.53%	4.42%	2.98%	3.56%
Return on assets	1.93%	2.41%	1.63%	1.97%

* *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 belives 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 30 June 2018 was 120 kg (30 June 2017: 150 kg), which is merely 0.02% (30 June 2017: 10.08%) 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 any FX risk associated with non-EUR based revenues. As of 30 June 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 %.

Liquidity risk

Liquidity risk is monitored as follows:

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

Country risk

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

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 30 June 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 30 June 2018, the Company held 28,680,271 treasury shares (of which 26,680,271 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 41,026,836 (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 the first 6 months of 2018, the Company purchased 8,425,920 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 27 April, 2018, 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 2017 which has subsequently been confirmed and decided upon by the Annual General Meeting.

Significant Events after the end of the reporting period

No 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 Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 30 June 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 2 January 2018, 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 Luixembourg 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 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. Martijn J. G. Windels (Member of the Audit Committee)
- Mr Peter Kadas (Member of the Audit Committee)

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

The remuneration of the members and the Chairman of the Audit Committee is fixed by the General Meeting.

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.

Luxembourg, 31st August 2018

Várszegi Gábor

Fotex Holding S.E.

Chairman of the Board

FOTEX

HOLDING SE PUBLIC COMPANY LIMITED BY SHARES

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 unaudited consolidated financial statements as of 30 June 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, 31st August 2018

Gábor VÁRSZEGI
Chairman of the Board of Directors

Dávid VÁRSZEGI
Member of the Board of Directors

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

	Note	30 June 2018	31 December 2017
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	4	23,949,887	38,805,572
Current portion of other financial assets	5	905,551	662,004
Accounts receivable and prepayments	6	6,601,432	8,007,793
Income tax receivable		113,309	231,567
Inventories	7	6,057,349	6,371,677
Total current assets		37,627,528	54,078,613
Non-current Assets:			
Property, plant and equipment	8	2,646,400	3,478,607
Investment properties	9	157,637,103	162,725,946
Deferred tax assets	18	285,813	302,825
Intangible assets	10	1,756,293	1,665,093
Non-current portion of other financial assets	5	2,096,196	2,228,288
Goodwill arising on acquisition	11	10,158,226	10,762,859
Total non-current assets		174,580,031	181,163,618
Total assets		212,207,559	235,242,231
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	15	5,681,581	12,720,074
Provision	12	0	187,045
Accounts payable and other liabilities	12	12,385,666	13,216,689
Total current liabilities		18,067,247	26,123,808
Non-current Liabilities:			
Interest-bearing loans and borrowings	15	75,062,910	75,675,328
Other long-term liabilities	12	2,063,405	3,025,060
Deferred tax liability	16	1,416,117	1,500,406
Total non-current liabilities		78,542,432	80,200,794
Shareholders' Equity:			
Issued capital	13	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		103,999,414	99,684,594
Translation difference		(3,428,186)	(507,957)
Treasury shares, at cost	13	(41,026,836)	(26,315,506)
Equity attributable to equity holders of the parent company		115,583,333	128,900,072
Non-controlling interests in consolidated subsidiaries		14,547	17,557
Total shareholders' equity		115,597,880	128,917,629
Total liabilities and shareholders' equity		212,207,559	235,242,231

The accompanying notes on pages 21 to 60 form an integral part of these consolidated financial statements.

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

	Note	30 June 2018	30 June 2017
		EUR	EUR
Revenue	17	20,527,504	20,227,159
Cost of sales	18	(2,401,290)	(2,922,113)
Gross Profit		18,126,214	17,305,046
Operating expenses	14	(11,703,173)	(11,213,096)
Operating profit (EBIT)		6,423,041	6,091,950
Interest income		6,896	2,097
Interest expenses	15	(1,439,472)	(1,704,650)
Income before income tax		4,990,465	4,389,397
Income tax expense	16	(674,295)	(622,234)
Net income		4,316,170	3,767,163
Attributable to:			
Equity holders of the parent company		4,314,820	3,758,015
Non-controlling interests		1,350	9,148
Net income		4,316,170	3,767,163
Basic earnings per share	24	0.09	0.07
Diluted earnings per share	24	0.09	0.07

The accompanying notes on pages 21 to 60 form an integral part of these consolidated financial statements.

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

	Note	30 June 2018	30 June 2017
		EUR	EUR
Net income		4,316,170	3 767 163
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	19	(2,921,191)	189,251
Total comprehensive income/(loss)		1,394,979	3,956,414
Attributable to:			
Equity holders of the parent company		1,394,591	3,946,807
Non-controlling interests		388	9,607
		1,394,979	3,956,414

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

The accompanying notes on pages 21 to 60 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR

	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**	**99,684,594**	**(507,957)**	**(26,315,506)**	**128,900,072**	**17,557**	**128,917,629**
Net income 2018	–	–	4,314,820	–	–	4,314,820	1,350	**4,316,170**
Other comprehensive income	–	–	–	(2,920,229)	–	**(2,920,229)**	(962)	**(2,921,191)**
Total comprehensive income	–	–	4,314,820	(2,920,229)	–	**1,394,591**	388	**1,394,979**
Purchase of treasury shares (note 13)	–	–	–	–	(14,711,330)	**(14,711,330)**	–	**(14,711,330)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(3,398)	**(3,398)**
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
30 June 2018	**30,543,933**	**25,495,008**	**103,999,414**	**(3,428,186)**	**(41,026,836)**	**115,583,333**	**14,547**	**115,597,880**

The accompanying notes on pages 21 to 60 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	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**
Net income 2017	–	–	–	3,758,015	–	–	**3,758,015**	9,148	**3,767,163**
Other comprehensive income	–	–	–	–	188,792	–	**188,792**	459	**189,251**
Total comprehensive income	–	–	–	3,758,015	188,792	–	**3,946,807**	9,607	**3,956,414**
Purchase of treasury shares (note 13)	–	–	–	–	–	(86,254)	**(86,254)**	–	**(86,254)**
Shareholder dividends	–	–	–	(1,055,382)	–	–	**(1,055,382)**	–	**(1,055,382)**
Minority dividends	–	–	–	–	–	–	–	(37,648)	**(37,648)**
Reversed written off goodwill reserve (note13)	–	–	–	–	–	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	–	–	–	–	–	–	–	–
30 June 2017	**30,543,933**	**25,495,008**	–	**97,833,413**	**(418,841)**	**(25,858,238)**	**127,595,275**	**53,391**	**127,648,666**

The accompanying notes on pages 21 to 60 form an integral part of these consolidated financial statements.

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

	Note	30 June 2018	30 June 2017
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	20	4,990,465	4,389,397
Depreciation and amortisation	14	4,067,501	4,182,172
Scrapped tangible assets		17,019	46,379
Write off of inventories		8,080	(83,298)
Impairment loss of debtors and reversals	6	(11,879)	(57,701)
Creation of provision and reversals	14	(184,699)	-
Loss on disposals of fixed assets	8,9,10	(105,429)	(2,609)
Interest income		(6,896)	(2,097)
Effect of spread of rental related incentives and allowance		278,472	(90,336)
Interest expenses	15	1,439,472	1,704,650
Changes in working capital:			
Accounts receivable and prepayments		1,336,046	1,380,815
Inventories		306,248	108,213
Accounts payable and other liabilities		(998,565)	(216,429)
Cash generated from operations		11,135,835	11,359,156
Income tax paid	16	(871,591)	(289,239)
Net cash flow from operating activities		10,264,244	11,069,917
Cash flows from investing activities:			
Acquisition of investment properties	9	(50,871)	(48,652)
Acquisition of tangible and intangible assets	8,9,10	(454,839)	(326,639)
Sale proceeds of tangible and intangible assets	8,9,10	114,679	3,155
Other changes of tangible and intangible assets	8,9,10	(65,716)	-
Repayments of loans granted		700	776
Interest received		6,896	256
Net cash flow used in investing activities		(449,151)	(371,104)
Cash flows from financing activities:			
Dividends paid		(3,398)	(1,092,659)
Interest paid		(1,216,152)	(1,695,795)
Repayments of loan received		(7,467,353)	(765,010)
Purchase of treasury shares		(14,711,330)	(86,254)
Change in other long term liabilities		(1,239,974)	(17,913)
Net cash flow from financing activities		(24,638,207)	(3,657,631)
Change in cash and cash equivalents		(14,823,114)	7,041,182
Cash and cash equivalents at beginning of the year	4	38,805,572	24,757,945
Effect of foreign currency translation		(32,571)	(20,968)
Cash and cash equivalents at end of the year	4	23,949,887	31,778,159

The accompanying notes on pages 21 to 60 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 %	
		30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
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	-	100.00	-	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	75.05	100.00	75.05
Székhely 2007 Kft.	Property services	102,949	102,949	99.27	99.28	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.

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

Statement of compliance

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

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December, 2017 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 30 June 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		HUF/EUR	308.97	HUF/EUR

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 30 June 2018: 328.60 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)

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.

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.

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 no effect on its revenue recognition. In case of new cotracts the five-step model is followed for revenue recognition.

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.

2. Significant Accounting policies (continued)

(a) Classification and measurement

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').

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).
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.
- Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

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.

b) Impairment

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.

2. Significant Accounting policies (continued)

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

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

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

The Group's Trade creditors 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.

Financial Instruments

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

Financial assets

<u>Initial recognition and Subsequent measurement</u>

The Group adopted IFRS 9 from 1st January 2018. The adjusted account policy is detailed in section 'New and amended standards and interpretations'.

Financial liabilities

<u>Initial recognition</u>

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

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

The Group's financial liabilities include trade and other payables.

<u>Subsequent measurement</u>

Loans and borrowings

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

2. Significant Accounting Policies (continued)

Fair value of financial instruments

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

Amortised cost of financial instruments

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

Impairment of financial assets

The Group adopted IFRS 9 from 1st January 2018. The adjusted account policy is detailed in section 'New and amended standards and interpretations'.

De-recognition of financial instruments

Financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2. Significant Accounting policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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.

Group as a lessee:

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.

2. Significant Accounting Policies (continued)

Borrowing costs

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

Provisions

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

Investment properties

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

Land is not depreciated.

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

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

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

The carrying amounts are reviewed also when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The fair value of investment properties is assessed using the market comparables or the discounted cash flow method. Impairment losses are recognised in the income statement as an operating expense. The carrying amounts of investment properties are reviewed for impairment based on the fair values of the individual assets determined by an external valuation process. Impairment is accounted for if the fair value of an asset is lower than the carrying amount.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

2. Significant Accounting Policies (continued)

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

Goodwill

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

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

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

Intangible assets

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

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

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

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

2. Significant Accounting Policies (continued)

Income taxes

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

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

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

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

Revenue recognition

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

Sale of goods

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

Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products.

Interest income

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

Dividends

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

2. Significant Accounting Policies (continued)

Rental income

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

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered and at fair value of consideration received or receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect.

Fair value measurement

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

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

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

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

2. Significant Accounting Policies (continued)

Subsequent Events

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

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 30 June 2018 is EUR 10,158,226 (2017: EUR 10,762,859). Further details are given in Note 11.

Impairment of Intangibles

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

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

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

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 16.

Fair Value of Investment Properties

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

4. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 23,949,887 (31 December 2017: EUR 38,805,572).

Cash includes fixed deposit of EUR 1,766,278 at rate 0 %, (in 2017 cash included EUR 2,070,326 at rate 0.05%).

5. Other financial assets

Current	30 June 2018 EUR	31 December 2017 EUR
Cash deposits connected to rented properties	904,489	660,876
Short-term loans to other parties *	-	-
Other short-term investments	1,062	1,128
Other current financial assets, total	905,551	662,004

Non-current	30 June 2018 EUR	31 December 2017 EUR
Cash deposits connected to rented properties	2,048,621	2,177,189
Unquoted equity instruments	47,575	50,390
Long-term loans to other parties **	0	709
Other non-current financial assets, total	2,096,196	2,228,288

5. Other financial assets (continued)

Cash deposits connected to rented properties:

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

* Short-term loans to other parties:

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

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

The non-current part of other long-term loans includes loans given to employees in amount of EUR 0 (31 December 2017: EUR 709).

6. Accounts receivable and prepayments

	30 June 2018	31 December 2017
	EUR	EUR
Accounts receivable	4,441,552	6,017,897
Impairment loss on accounts receivable	(28,771)	(109,234)
Tax assets	126,896	86,947
Other receivables	519,075	503,249
Prepayments/accrued income	1,550,932	1,517,594
Impairment loss on other receivables	(8,252)	(8,660)
Total	6,601,432	8,007,793

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

Impairment loss on debtors and on other receivables at 30 June 2018 is: EUR 37,023 (31 December 2017: EUR 117,894).

6. Accounts receivable and prepayments (continued)

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	0
Unused amount reversed	(11,879)
Utilised*	(66,285)
Currency gain/(loss) arising on retranslation	(2,707)
30 June 2018	37,023

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

Aged debtors less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
30 June 2018	4,062,497	61,834	118,870	128,452	28,000	13,128	4,412,781
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					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
30 June 2018	1,557,901	149,138	54,557	0	14,205	412,850	2,188,651
31 December 2017	1,391,779	176,609	102,822	0	10,595	417,325	2,099,130

7. Inventories

	30 June 2018	31 December 2017
	EUR	EUR
Merchandise and finished products	6,174,769	6,533,428
Materials	399,567	391,056
Work in progress	2,262,002	2,391,591
Inventories, gross	8,836,338	9,316,075
Impairment of merchandise and finished products	(2,420,064)	(2,564,109)
Impairment of materials	(8,344)	(8,841)
Impairment of work in progress	(350,581)	(371,448)
Impairment of inventories	(2,778,989)	(2,944,398)
Total inventories, net	6,057,349	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 2,778,989 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 14). In addition to the impairment, EUR 2,255,517 were recognised as direct and indirect production cost of the sold inventories (2017: EUR 5,287,058).

8. 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**	**17,964,692**	**7,015**	**21,753,117**
Additions	34,589	402,896	-	437,485
Other increase	-	-	5,936	5,936
Other decrease	(182,546)	(35,137)	-	(217,683)
Disposals and write downs	(2,547)	(71,411)	-	(73,958)
Currency gain/(loss) arising on retranslation	(215,546)	(1,013,115)	(657)	(1,229,318)
30 June 2018	**3,415,360**	**17,247,925**	**12,294**	**20,675,579**
Accumulated depreciation:				
1 January 2018	**(2,322,999)**	**(15,951,511)**	**-**	**(18,274,510)**
Depreciation expense	(725,709)	(296,661)	-	(1,022,370)
Disposals and write downs	705	64,003	-	64,708
Other increase	-	(229)	-	(229)
Other decrease	159,945	-	-	159,945
Currency gain/(loss) arising on retranslation	142,135	901,142	-	1,043,277
30 June 2018	**(2,745,923)**	**(15,283,256)**	**-**	**(18,029,179)**
Net book value				
30 June 2018	**669,437**	**1,964,669**	**12,294**	**2,646,400**
31 December 2017	**1,458,411**	**2,013,181**	**7,015**	**3,478,607**

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

At 30 June 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 5,158,225 (2017: EUR 5,251,145). The cost of property, plant and equipment temporarily out of use is EUR 0 (2017: EUR 0).

8. Property, plant and equipment (continued)

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

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2017	**6,632,430**	**18,073,063**	**39,396**	**24,744,889**
Additions	27,357	622,832	-	650,189
Other increase	-	12,740	-	12,740
Other decrease	-	-	(32,591)	(32,591)
Disposals and write downs	(3,053,977)	(795,480)	-	(3,849,457)
Currency gain/(loss) arising on retranslation	175,600	51,537	210	227,347
31 December 2017	**3,781,410**	**17,964,692**	**7,015**	**21,753,117**
Accumulated depreciation:				
1 January 2017	**(2,776,163)**	**(16,084,763)**	**-**	**(18,860,926)**
Depreciation expense	(61,231)	(485,026)	-	(546,257)
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	(2,006)	(46,045)	-	(48,051)
31 December 2017	**(2,322,999)**	**(15,951,511)**	**-**	**(18,274,510)**
Net book value				
31 December 2017	**1,458,411**	**2,013,181**	**7,015**	**3,478,607**
31 December 2016	**3,856,267**	**1,988,300**	**39,396**	**5,883,963**

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

9. Investment properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation.

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

	Investment properties
Cost:	EUR
1 January 2018	**227,990,485**
Additions	50,871
Other increase	-
Disposal	-
Currency gain/(loss) arising from retranslation	(4,223,993)
30 June 2018	**223,817,363**
Accumulated depreciation:	
1 January 2018	**(65,264,539)**
Depreciation expense	(3,021,586)
Impairment	-
Other increase	-
Disposal	-
Currency gain/(loss) arising from retranslation	2,105,865
30 June 2018	**(66,180,260)**
Net book value:	
30 June 2018	**157,637,103**
31 December 2017	**162,725,946**

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

9. Investment properties (continued)

The net book values of investment properties at 30 June 2018 are set out below:

Category	Area	Net book value
	m^2	EUR
Retail outlets	165,994	23,593,875
Offices	102,454	103,230,255
Warehouses	62,757	1,577,522
Other structures	25,310	3,569,947
Plots of land	901,600	25,665,504
Total investment properties	1,258,115	157,637,103

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.

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

	Investment properties
Cost:	EUR
1 January 2017	**226,768,315**
Additions	2,247,767
Other increase	28,278
Disposal	(1,107,848)
Currency gain/(loss) arising from retranslation	53,973
31 December 2017	**227,990,485**
Accumulated depreciation:	
1 January 2017	**(57,726,913)**
Depreciation expense	(7,494,659)
Impairment	-
Other increase	-
Disposal	47,452
Currency gain/(loss) arising from retranslation	(90,419)
31 December 2017	**(65,264,539)**
Net book value:	
31 December 2017	**162,725,946**
31 December 2016	**169,041,402**

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 1,033,795 of the Scrapping of tangible and intangible assets line of Operating expenses as presented in the Note 14.

9. Investment properties (continued)

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

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	165,993	26,328,693	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	162,725,946	373,679,889

The fair value of investment property is determined based on an external real estate valuation using recognised valuation techniques.

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

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

Key valuation assumptions for 2017

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:

- Due to the steady current economic situation in the Hungarian real estate market the range of yields on the office building segment dropped by 25-50 bps in comparison to 2016, while on the retail segment this drop was 50-100 bps.

- 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 7.00% and 13.25% depending on the type and location of the property (2016: 6.15%-13.5%). For the Dutch properties, the calculated yield rate is between 5.9% and 12. 5% (2016: 6.15%-12.75%).

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 310 HUF/EUR exchange rate (2016: 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 – 8.25% discount factor and 8.00-8.5% exit interest rate. The applied FX rate was 310 HUF/EUR and the anticipated HICP rate was 2.00% p.a.

10. 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	-	17,354	17,354
Other increase	-	76,204	76,204
Other decrease	-	(34,919)	(34,919)
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	(202,785)	(202,785)
30 June 2018	**6,667,194**	**719,393**	**7,386,587**
Accumulated amortisation:			
1 January 2018	**(5,008,798)**	**(856,842)**	**(5,865,640)**
Amortisation expense	-	(23,545)	(23,545)
Impairment	-	-	-
Other increase	-	(25)	(25)
Other decrease	-	53,533	53,533
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	205,383	205,383
30 June 2018	**(5,008,798)**	**(621,496)**	**(5,630,294)**
Net book value:			
30 June 2018	**1,658,396**	**97,897**	**1,756,293**
31 December 2017	**1,658,396**	**6,697**	**1,665,093**

10. 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.

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 but FTC Zrt and FTC Association turned to the Supreme Court to against the ruling of the Civil Court. The Supreme Court has not issued any ruling on the matter yet.

In 2017 and in the first half of 2018 there was no development in the legal case mentioned above therefore no further impairment was recognized in connection with FTC merchandising rights.

11. Goodwill arising on acquisition

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

	30 June 2018	31 December 2017
	EUR	EUR
Cost:		
1 January	18,079,649	18,028,492
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	(1,015,674)	51,157
Closing balance	17,063,975	18,079,649
Impairment:		
1 January	(7,316,790)	(7,296,086)
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	411,041	(20,704)
Closing balance	(6,905,749)	(7,316,790)
Net book value		
1 January	10,762,859	10,732,406
Closing balance	10,158,226	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:

	30 June 2018	31 December 2017
	EUR	EUR
Total goodwill	10,158,226	10,762,859
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,389,603)	(1,472,314)
Goodwill tested for impairment	8,768,623	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.

11. Goodwill arising on acquisition (continued)

Goodwill is allocated to the following entities:

	30 June 2018	31 December 2017
	EUR	EUR
Keringatlan Kft.	8,540,213	9,048,540
Plaza Park Kft.	1,618,013	1,714,319
Net book value	10,158,226	10,762,859

The difference between the net book value as at 30 June 2018 and 31 December 2017 is solely due to the change in the exchange rate.

12. Accounts payable, other liabilities and provision

	30 June 2018	31 December 2017
	EUR	EUR
Trade payables	652,882	782,098
Taxes payable	3,004,927	2,625,688
Advances from customers	245,338	16,725
Accrued expenses	747,906	1,205,703
Deferred rental income	5,350,335	5,294,500
Amounts payable to employees	177,730	201,528
Deposits from tenants	904,489	660,876
Other liabilities	1,302,059	2,429,571
Total accounts payable and other current liabilities	12,385,666	13,216,689
Other long-term liabilities	2,063,405	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 2,952,611 (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 2,048,122 (2017: EUR 2,176,685), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 904,489 (2017: EUR 660,876).

Among accrued expenses the Group shows an accrual for guarantee payable in amount of EUR 334,400 in 2017. In 2018 this amount has been reversed, which cause a decrease in 2018 compared to 2017.

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

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

Provision:

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

13. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 30 June 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.

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 30 June 2018, the Company held 28,680,271 treasury shares (of which 26,680,271 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 41,026,836 (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 8,425,920 of its ordinary shares (2017: 355,772 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

14. Operating expenses

	30 June 2018	30 June 2017
	EUR	EUR
Payments to personnel	(2,772,868)	(2,650,450)
Material and service type expenses	(3,938,374)	(3,496,553)
Other expenses, net*	(924,430)	(883,921)
Depreciation and amortisation charge	(4,067,501)	(4,182,172)
Total operating expenses	(11,703,173)	(11,213,096)

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:

	30 June 2018	30 June 2017
	EUR	EUR
Realised and unrealized FX differences (net)	(79,655)	(46,029)
Taxes other than income tax	(725,492)	(748,177)
Impairment and scrapping of tangible and intangible assets	(17,019)	(46,379)
Impairment and scrapping of inventories	(8,080)	(5,509)
Provision reversals	184,699	-
Development grants	-	(162)
Other expenses/income	(278,883)	(37,665)
Total other expenses, net	(924,430)	(883,921)

15. 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 the first six months of 2018 Loan VIII. was fully repaid to Zürich Investments Inc.

15. Interest-bearing loans and borrowings (continued)

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 30 June 2018 EUR	Current portion at 30 June 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.	-	1,488,466	-	1,459,357
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	-	2,344,731	-	2,299,700
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,447,746	22,644	3,386,073	23,399
XIV. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	5,928,959	130,020	5,994,112	130,020
XV. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.79% p.a.	65,686,205	1,688,851	66,295,143	1,691,844
Overdraft and short term					-	6,869	-	263,530
Total			**90,885,756**		**75,062,910**	**5,681,581**	**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..

The net book values of these properties at 30 June 2018 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 7,858,353
4205 AZ Gorinchem, Stadhuisplein 1a, 70 and 70a	EUR 10,409,902
2034 MA Haarlem, Schipholpoort 20	EUR 4,044,707
3439 LD Nieuwegein, Ravenswade 15	EUR 9,590,549
3528 BJ Utrecht, Papendorpseweg 65	EUR 12,576,733
2123 JH Hoofddorp, Polarisavenue 1	EUR 15,516,200
1101 CE Amsterdam Southeast, Entrée 500	EUR 12,195,396

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 1,439,472 (2017 I-VI months: EUR 1,704,650) is a total interest expense in relation to the loans I.-XV. above of EUR 1,435,551 in 2018 (2017 I-VI months: EUR 1,700,635).

16. Income tax

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 20.33% from 1 January 2017, which results in a total tax of 27.08% (2016: 22,47% and 29,22%) 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 2017 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.28% for FN2 B.V. 24.19% (2016: 24.07%), for FN3 B.V. 23.53% (2016: 22.96%), for FN4 B.V. 21,73% (2016: 20%), for FN5 B.V. 20% (2016: -) and in case of Long Term CRE Fund B.V. 20.72% (2016: 20%) tax rate was applied.

17. Revenue

Sales revenue	30 June 2018	30 June 2017
	EUR	EUR
Rental income revenue	12,816,312	12,777,757
Sale of goods*	2,994,908	3,619,407
Revenue from service charges to tenants	2,050,364	1,747,062
Provision of services	1,883,340	1,575,138
Royalty revenue	95,699	75,715
Other sales revenue**	686,881	432,080
Total sales revenue	20,527,504	20,227,159

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

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

18. 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	30 June 2018	30 June 2017
	EUR	EUR
Raw materials and consumables	(721,762)	(1,148,197)
Cost of goods sold	(712,763)	(634,958)
Cost of services sold	(966,765)	(1,138,958)
Total cost of sales	(2,401,290)	(2,922,113)

19. 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.

20. 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).

20. Segment information (continued)

Net sales:	30 June 2018 Net Sales external EUR	30 June 2018 Net Sales inter-segment EUR	30 June 2018 Net sales EUR	30 June 2017 Net Sales external EUR	30 June 2017 Net Sales inter-segment EUR	30 June 2017 Net sales EUR
Investment property management	14,841,073	208,348	15,049,421	14,488,943	238,412	14,727,355
Crystal and glass manufacturing	2,586,362	158,100	2,744,462	3,264,806	140	3,264,946
All other segments	3,100,069	1,097,182	4,197,251	2,473,410	838,320	3,311,730
Inter-segment elimination	-	(1,463,630)	(1,463,630)	-	(1,076,872)	(1,076,872)
Net sales	20,527,504	-	20,527,504	20,227,159	-	20,227,159

Material-type expenses:	30 June 2018 Material-type expenses external EUR	30 June 2018 Material-type expenses inter-segment EUR	30 June 2018 Material-type expenses EUR	30 June 2017 Material-type expenses external EUR	30 June 2017 Material-type expenses inter-segment EUR	30 June 2017 Material-type expenses EUR
Investment property management	(2,760,204)	(976,870)	(3,737,074)	(2,468,281)	(808,174)	(3,276,455)
Crystal and glass manufacturing	(279,601)	(60,809)	(340,410)	(248,362)	(68,125)	(316,487)
All other segments	(898,569)	(269,496)	(1,168,065)	(779,910)	(176,162)	(956,072)
Inter-segment elimination	-	1,307,175	1,307,175	-	1,052,461	1,052,461
Material-type expenses	(3,938,374)	-	(3,938,374)	(3,496,553)	-	(3,496,553)

Income before income taxes:	30 June 2018 EUR	30 June 2017 EUR
Investment property management	4,666,633	4,108,222
Crystal and glass manufacturing	185,385	276,533
All other segments	138,447	4,642
Income before income taxes	4,990,465	4,389,397

20. Segment information (continued)

Depreciation and amortisation:	30 June 2018 EUR	30 June 2017 EUR
Investment property management	(3,586,689)	(3,743,242)
Crystal and glass manufacturing	(120,187)	(111,844)
All other segments	(360,625)	(327,086)
Depreciation and amortisation:	(4,067,501)	(4,182,172)

	30 June 2018	30 June 2018	30 June 2018	31 December 2017	31 December 2017	31 December 2017
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	191,878,814	16,736,028	208,614,842	214,229,620	1,840,985	216,070,605
Crystal and glass manufacturing	10,662,722	51,693	10,714,415	11,353,477	2,218	11,355,695
All other segments	9,666,023	1,993,215	11,659,238	9,659,134	1,654,660	11,313,794
Inter-segment elimination	-	(18,780,936)	(18,780,936)	-	(3,497,863)	(3,497,863)
Net assets	212,207,559	-	212,207,559	235,242,231	-	235,242,231

	30 June 2018	30 June 2018	30 June 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	94,108,320	1,638,691	95,747,011	103,213,535	1,377,156	104,590,691
Crystal and glass manufacturing	710,987	501,056	1,212,043	1,117,083	328,455	1,445,538
All other segments	1,790,372	17,611,220	19,401,592	1,993,984	1,800,727	3,794,711
Inter-segment elimination	-	(19,750,967)	(19,750,967)	-	(3,506,338)	(3,506,338)
Liabilities and accruals:	96,609,679	-	96,609,679	106,324,602	-	106,324,602

Tangible and intangible asset additions:	30 June 2018 EUR	31 December 2017 EUR
Investment property management	300,066	2,753,968
Crystal and glass manufacturing	145,397	78,150
All other segments	60,247	90,178
Tangible asset additions:	505,710	2,922,296

21. 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.

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.

Credit risk

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

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

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 30 June 2018 the Group's maximum exposure to credit risk is EUR 33,378,252 (31 December 2017: EUR 49,558,570). The main reason of this decrease is cash denominated in HUF decreased by EUR 14,855,685 in 2018 compared to 2017.

21. 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

Capital management

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

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 30 June 2018 and 31 December 2017 are presented below:

	30 June 2018	31 December 2017
	EUR	EUR
Short-term and long-term borrowings (Note 15):	80,744,491	88,395,402
Trade payables and other current liabilities less deferred rental income (Note 12):	7,035,331	7,922,189
Cash and cash equivalents (Note 4):	(23,949,887)	(38,805,572)
Net debt:	63,829,935	57,512,019
Equity attributable to the Company:	115,583,333	128,900,072
Total:	179,413,268	186,412,091
Indebtedness ratio*:	35.58%	30.85%

The Company's indebtedness ratio increased from 30.85% at 31 December 2017 to 35.58% at 30 June 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.

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

22. Investments in subsidiaries

During the first six months of 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.

23. 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 173 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. At 30 June 2018, the leased area in MOM Park totalled 999 m2 (2017: 2,688 m2).

24. 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:

	30 June 2018	30 June 2017
	EUR	EUR
Net profit attributable to equity holders from continuing operations	4,314,820	3,758,015
Net profit attributable to shareholders	4,314,820	3,758,015
Weighted average number of shares in issue during the year	46,805,867	52,772,481
Basic earnings per share (EUR)	0.09	0.07

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

25. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International S.à r.l. (“Blackburn Luxembourg”), a Luxembourg company and Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”) and Fotex Holding S.E.. As at 30 June 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 for the first 6 months of 2018 were EUR 30,220 (2017 I-VI months: EUR 197,166).

Administrative and expert fees paid by Fotex Ingatlan for the first 6 months of 2018 were EUR 7,621 (2017 I-VI months: EUR 10,753).

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. for the first 6 months of 2018 were EUR 0 (2017 I-VI months: EUR 28,800).

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

For the first 6 months of 2018, Fotex Netherlands B.V. was charged interest of EUR 280,351 (2017 I-VI months: EUR 387,202) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

For the first 6 months of 2018, FN2 B.V. was charged interest of EUR 136,618 (2017 I-VI months: EUR 136,618) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

2017 disclosures

Rental and other related fees paid to Fotex Ingatlan for the first 6 months of 2017 were EUR 197,166 (2016 I-VI months: EUR 199,406).

Administrative and expert fees paid by Fotex Ingatlan for the first 6 months of 2017 were EUR 10,753 (2016 I-VI months: EUR 12,006).

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. for the first 6 months of 2017 were 28,800 EUR (2016 I-VI months: EUR 45,000).

For the period I-VI months 2017, Fotex Netherlands B.V. was charged interest of EUR 387,202 (2016 I-VI months: EUR 388,222) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

For the period I-VI months 2017, FN 2 B.V. was charged interest of EUR 136,618 (2016 I-VI months: EUR 136,997) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

For the period I-VI months 2017, Long Term CRE Fund B.V. was not charged interest (2016 I-VI months: EUR 168,159) by Blackburn Inc.

26. Subsequent Events after the end of the reporting period

No significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

27. Personnel and structural changes

Structural changes: During the first six months of 2018 there were no structural changes.

Personnel changes: During the first six months of 2018 there were no personnel changes.