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 2020
Management report as at 30 June 2020

Table of contents

Management Report 1
Financial Statement Certification 10
Consolidated Statement of Financial Position 11
Consolidated Income Statement 12
Consolidated Statement of Comprehensive Income 13
Consolidated Statement of Changes in Equity 14
Consolidated Statement of Changes in Equity 15
Consolidated Statement of Cash Flows 16
1. General 17
2. Significant Accounting Policies 18
3. Significant Accounting Judgements, Estimates and Assumptions 34
4. Standards Issued but not yet Effective 35
5. Cash and Cash Equivalents 35
6. Other Financial Assets 35
7. Accounts Receivable and Prepayments 36
8. Inventories 37
9. Assets Held for Sale 37
10. Property, Plant and Equipment 38
11. Investment Properties 40
12. Intangible Assets 43
13. Goodwill Arising on Acquisition 45
14. Accounts Payable, Other Liabilities and Provision 46
15. Share Capital and Reserves 47
16. Operating Expenses 48
17. Interest-bearing Loans and Borrowings 49
18. Income Tax 50
19. Revenue 50
20. Cost of Sales 51
21. Gain on Disposal of The Sales of Investment Properties 52
22. Other Comprehensive Income Components 52
23. Segment Information 52
24. Financial Risks, Management Objectives and Policies 52
25. Earnings Per Share 55
26. Related Party Transactions 55
27. Subsequent Events after the End of the Reporting Period 56
28. Personnel and Structural Changes 56

Management Report

Review and development of the groups business and financial position

The net turnover for the six months ended June 30, 2020 was EUR 14,702,773 compared with EUR 19,100,306 for the same period in 2019 representing a decrease of – 23.02% The net turnover is mainly composed of income from operating a real estate portfolio in Hungary and the Netherlands. The main reason of the decline in sales is the impact of COVID-19 on Hungarian rental income, the reduction in rental income from our Dutch portfolio arising from those Dutch properties sold in 2019 and the further reduction in sales in the Crystal and Glass business.

The overall income for the six months amounts to EUR 14,709,133 which is impacted by the net sales and the financial revenue (30 June 2019: 19,107,256).

The net result for the six months is a gain amounting to EUR 1,670,179.

During the year the group acquired 225,698 of its own shares at a cost of Euro 522,500.

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 2020 was 0 kg (30 June 2019: 280 kg), which is 0% (31 December 2019: 0.01%) of total production throughout the period.

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

Principle risks and uncertainties

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

- Change in laws and regulations governing the operations of the Company and its subsidiaries which may affect their business, investments and results of operations
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk
- Country risk
- Economic risk arising from COVID-19

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

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating FX risk associated with non-EUR based revenues. As of 30 June 2020 the Group does not have any open forward transactions.

Credit risk

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

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

Receivable balances are monitored on an ongoing basis.

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

Interest rate risk

In order to mitigate the interest rate risk the Group uses mainly fixed rate loans.

The loan interests are at fixed rates varying between 1.89 % and 7.25 %. For further details please refer to Note 17.

Liquidity risk

Liquidity risk is monitored as follows:

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

Country risk

The Group has operations in Luxembourg, in the Netherlands and in Hungary. By the geographical diversification of the operations, the Group mitigates the effects of country risk. Notwithstanding the, as yet unknown, impact of the global coronavirus pandemic, the Group has not identified any significant risks that may affect the financial performance of Group members associated with the countries in which the Group operates. Further as members of the European Union and the legal structure associated with it, management believes that country risk is not a matter of significant concern.

Economic risk arising from COVID-19

In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, WHO declared COVID-19 a pandemic.

The Groups businesses are in geographies where the impact of the virus was primarily managed medically with economic stimulus provided to protect businesses from any negative short-term consequences. As of the date of the financial statements, the economic impact of the virus had only a small impact upon the portfolio in the Netherlands, whilst in Hungary short term rent holidays were provided for a number of tenants and some tenants, experiencing further financial difficulty, ended their tenancy with the Group. Towards the end of the reporting period, many of the

restrictions put in place by the respective governments have been eased and whilst some restrictions, mainly around social distancing and face covering matters remain, the future impact on the Group, whilst still uncertain, has improved from the position described in the 2019 financial statements. Management continues to monitor the situation and make decisions around tenants and rents as appropriate, and based on present conditions does not foresee any major impact on the Groups financial position nor the fair value of the real estate portfolio disclosed in the financial statements.

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

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

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

All dividend preferred shares are held in treasury.

As at 30 June 2020, the Company held 29,312,086 treasury shares (of which 27,312,086 are ordinary shares and 2,000,000 are dividend preferred shares) at a historic cost of EUR 42,273,515 (31 December 2019: 29,086,388 shares – of which 27,086,388 were ordinary shares and 2,000,000 were dividend preferred shares – at a historic cost of EUR 41,751,015).

During 2020, the Company purchased 225,698 of its ordinary shares (2019: 282,979 shares) on an arm's length basis. All dividend preferred shares are owned by the Group.

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 Luxembourg S.á.r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 30 June 2020 Blackburn Luxembourg controlled 50.35% (31 December 2019: 50.35%) of Fotex Holding S.E.'s voting shares.

Corporate governance

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

On 18 October 2019, the Company updated its Corporate Governance Charter which was disclosed on its website. Its website is continuously updated to publish the most recent information available, concerning especially the financial calendar for information purposes, and the management.

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

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

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

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

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

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

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

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

The Board

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

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

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

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

All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement are required to be brought to the General Meeting of the shareholders before approval.

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

The Board shall elect a chairman from among its members.

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

“Independent persons” does not include persons who:

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

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

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

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

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

The Board is composed as follows:

Name:	Position:
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Martijn G. D. WINDELS	Member of the Board
Mr. Robert J. DOLE	Member of the Board
Mr. Alan J. GRIFFITHS	Member of the Board
Mr. Gábor MOCSKONYI	Member of the Board

The Annual General Meeting of the Company held on 29 May 2020 elected the members of the Board of Directors with a mandate expiring at the Annual General Meeting of shareholders of the Company called to approve the Company’s annual accounts as at 31 December 2020.

Each member of the Board of Directors is a high-qualified, honest and acclaimed specialist. The Company publishes the information about the career of the Board of Directors’ members on its website.

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

Composition of the Audit Committee

The Audit Committee is composed as follows:

- Mr. Alan J. Griffiths (Chairman of the Audit Committee)
- Mr. Martijn G. D. Windels (Member of the Audit Committee)
- Mr. Wiggert Karreman (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 29 May 2020. The mandate of the members of the Audit Committee will expire at the Annual General Meeting of shareholders of the Company called to approve the Company's annual accounts as at 31 December 2020.

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

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

Subject to the provisions of the Article 10 of the Articles of Incorporation of the Company, the General Meeting of

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

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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

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

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

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

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

Future Prospects

The company continues to maintain a stable and strong financial position as its current debt obligations are easily covered by the amount of cash on hand within the Group. The Group continues to monitor and review its assets/inventories on hand to see if any further divestitures or restructuring which may be required due to the current economic situation and future developments.

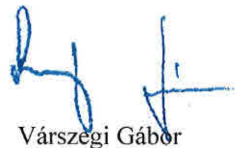
Unfortunately, as expected the negative effects of the COVID-19 Corona Virus have already impacted the first half Group results. As mentioned, certain tenants have received free months whilst others were given discounts along with lease extensions where this was possible. As such the Group has lost some income during the first six months of the year but nothing which would in any way impact it as an ongoing concern. It is expected that there will be further losses of tenants due to the long term adverse effects of the pandemic (reduced tourism and spending and increased unemployment as examples); along with discounts which may have to be given in order to assist tenants in overcoming the current crisis while ensuring that vacancy does not become rampant. This situation is most problematic in the Group's Hungarian portfolio while the tenants in Holland seem more resilient at the moment.

There still does not seem to be an exact end date in sight when this situation will be over and as such the Group and management will continue to be extremely prudent and cautious in future investments and growth expectations. The Group has successfully overcome the first wave of the pandemic by making investments into technology and changes in staffing such that we are better prepared and equipped to deal with a possible second wave or further shutdowns should these become a reality.

As the long-term effects of this virus are still unknown from an economic standpoint, we still expect medium to long term consumer habit trends to change which may have an impact on some of the property assets which the Group owns. Based on these facts we continue to maintain the expectation that non-payment by tenants and tenants defaults will increase during 2020 even further than in the first half of the year.

Finally, with Brexit just a few shorts months away and the fact that there is currently still no comprehensive deal in place between the UK and the EU the risk associated with this should not be underestimated. While at the same time the current budget deal which the EU is negotiating maybe a silver lining that may help the EU economies to claw their way back out of this economic slump.

Luxembourg, September 4th, 2020



Várszegi Gábor

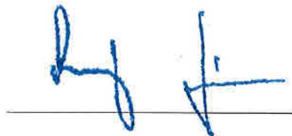
Fotex Holding S.E.

Chairman of the Board

Financial Statement Certification

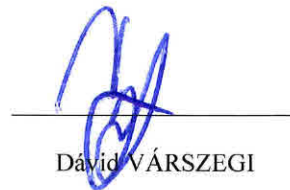
In accordance with Article 3 (2) c) of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended), we confirm that to the best of our knowledge, the consolidated financial statements as of 30 June 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, September 4th, 2020



Gábor VÁRSZEGI

Chairman of the Board of Directors



Dávid VÁRSZEGI

Member of the Board of Directors

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

	Note	30 June 2020	31 December 2019
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	71,302,653	68,278,062
Current portion of other financial assets	6	983,117	1,089,250
Accounts receivable and prepayments	7	4,831,174	7,921,582
Income tax receivable		284,043	297,694
Inventories	8	3,904,512	4,169,602
Assets held for sale	9	3,731,045	3,731,045
Total current assets		85,036,544	85,487,235
Non-current Assets:			
Property, plant and equipment	10	4,040,152	3,219,003
Right-of-use assets		129,630	162,776
Investment properties	11	128,610,893	133,649,033
Deferred tax assets		187,753	202,551
Intangible assets	12	1,741,634	1,754,351
Non-current portion of other financial assets	6	2,344,903	2,318,728
Goodwill arising on acquisition	13	9,361,396	10,099,216
Total non-current assets		146,416,361	151,405,658
Total assets		231,452,905	236,892,893
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	17	11,680,499	2,095,760
Provision	14	875,090	338,954
Accounts payable and other liabilities	14	6,959,374	11,110,689
Total current liabilities		19,514,963	13,545,403
Non-current Liabilities:			
Interest-bearing loans and borrowings	17	62,966,790	73,225,739
Other long-term liabilities	14	2,313,501	2,558,272
Deferred tax liability		4,758,740	5,133,801
Total non-current liabilities		70,039,031	80,917,812
Shareholders' Equity:			
Issued capital	15	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		131,822,041	130,152,088
Translation difference		(3,702,077)	(2,024,686)
Treasury shares, at cost	15	(42,273,515)	(41,751,015)
Equity attributable to equity holders of the parent company		141,885,390	142,415,328
Non-controlling interests in consolidated subsidiaries		13,521	14,350
Total shareholders' equity		141,898,911	142,429,678
Total liabilities and shareholders' equity		231,452,905	236,892,893

The accompanying notes on pages 17 to 56 form an integral part of these consolidated financial statements.

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

	Note	30 June 2020	30 June 2019
		EUR	EUR
Revenue	19	14,702,773	19,100,306*
Cost of sales	20	(339,132)	(1,314,567)
Gross Profit		14,363,641	17,785,739
Operating expenses	16	(11,319,825)	(12,266,912)
Gain on disposal of the sales of investment properties	21	-	18,539,808*
Operating profit (EBIT)		3,043,816	24,058,635
Interest income		6,360	6,950
Interest expenses	17	(888,014)	(1,010,088)
Income before income tax		2,162,162	23,055,497
Income tax expense	18	(491,983)	(747,579)
Net income		1,670,179	22,307,918
Attributable to:			
Equity holders of the parent company		1,669,953	22,308,208
Non-controlling interests		226	(290)
Net income		1,670,179	22,307,918
Basic earnings per share	25	0.04	0.51
Diluted earnings per share	25	0.04	0.51

*New Profit and Loss line implemented on 31 December 2019 for presenting Gain on disposal of the sales of investment properties. The amount appearing on this line was shown as Revenue in the Reporting document submitted for 30 June 2019. Net income did not change due to this structural change.

The accompanying notes on pages 17 to 56 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 2020	30 June 2019
		EUR	EUR
Net income		1,670,179	22,307,918
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	22	(1,678,446)	(186,920)
Total comprehensive income/ (loss)		(8,267)	22,120,998
Attributable to:			
Equity holders of the parent company		(7,438)	22,121,379
Non-controlling interests		(829)	(381)
		(8,267)	22,120,998

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

The accompanying notes on pages 17 to 56 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the period ended 30 June 2020

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2020	**30,543,933**	**25,495,008**	**130,152,088**	**(2,024,686)**	**(41,751,015)**	**142,415,328**	**14,350**	**142,429,678**
Net income 2020	–	–	1,669,953	–	–	**1,669,953**	226	**1,670,179**
Other comprehensive income	–	–	–	(1,677,391)	–	**(1,677,391)**	(1,055)	**(1,678,446)**
Total comprehensive income	–	–	1,669,953	(1,677,391)	–	**(7,438)**	(829)	**(8,267)**
Purchase of treasury shares (Note 15)	–	–	–	–	(522,500)	**(522,500)**	–	**(522,500)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	–	–
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
30 June 2020	**30,543,933**	**25,495,008**	**131,822,041**	**(3,702,077)**	**(42,273,515)**	**141,885,390**	**13,521**	**141,898,911**

The accompanying notes on pages 17 to 56 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2019

	Issued Capital	Additional Paid-in Capital	Retained Earnings	Translation Difference	Treasury Shares	Total	Non-controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2019	**30,543,933**	**25,495,008**	**107,303,493**	**(1,356,648)**	**(41,212,427)**	**120,773,359**	**14,855**	**120,788,214**
Net income 2019	–	–	22,848,595	–	–	**22,848,595**	652	**22,849,247**
Other comprehensive income	–	–	–	(668,038)	–	**(668,038)**	(391)	**(668,429)**
Total comprehensive income	–	–	22,848,595	(668,038)	–	**22,180,557**	261	**22,180,818**
Purchase of treasury shares Note 15)	–	–	–	–	(538,588)	**(538,588)**	–	**(538,588)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(766)	**(766)**
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
31 December 2019	**30,543,933**	**25,495,008**	**130,152,088**	**(2,024,686)**	**(41,751,015)**	**142,415,328**	**14,350**	**142,429,678**

The accompanying notes on pages 17 to 56 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 2020	30 June 2019
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	25	2,162,162	23,055,497
Depreciation and amortisation	16	3,626,667	3,686,073
Scrapped tangible assets	10	1,140	2,396
Write off of inventories	8	-	(14,987)
Derecognition of investments		-	9,029
Creation of provision and reversals	16	579,455	-
Loss/(gain) on disposals of fixed assets	10,11,12	(14,518)	(48,916)
Loss/(gain) on disposals of asset held for sale	9	-	(19,244,503)
Interest income		(6,360)	(6,950)
Effect of spread of rental related incentives and allowance		(342,202)	45,539
Interest expenses	17	888,014	1,010,088
Changes in working capital:			
Accounts receivable and prepayments		1,598,273	(4,370,398)
Inventories		261,841	78,511
Accounts payable and other liabilities		(2,081,041)	(500,843)
Cash generated from operations		6,673,431	3,700,536
Income tax paid	18	(700,883)	(1,027,553)
Net cash flow from operating activities		5,972,548	2,672,983
Cash flows from investing activities:			
Additions to investment properties	11	(1,164,247)	(856,664)
Acquisition of tangible and intangible assets	10,11,12	(818,045)	(452,755)
Sale proceeds less cost to sell of tangible and intangible assets	10,11,12	32,751	64,158
Sale proceeds less cost to sell of asset held for sale	21	-	38,965,000
Other changes of tangible and intangible assets	10,11,12	113,788	98,308
Interest received		6,322	6,908
Net cash flow used in investing activities		(1,829,431)	37,824,955
Cash flows from financing activities:			
Loan received	17	-	407,613
Dividends paid		-	-
Interest paid		(764,283)	(838,964)
Lease interest paid		(2,626)	-
Repayments of loan received	17	(744,514)	(700,000)
Payment of principal portion of lease liabilities		(20,496)	-
Purchase of treasury shares	15	(522,500)	(213,441)
Change in other long term liabilities		(132,948)	72,198
Net cash flow from financing activities		(2,187,367)	(1,272,594)
Change in cash and cash equivalents		1,955,750	39,225,344
Cash and cash equivalents at beginning of the year	5	68,278,062	24,413,098
Effect of foreign currency translation		1,068,841	141,276
Cash and cash equivalents at end of the year	5	71,302,653	63,779,718

The accompanying notes on pages 17 to 56 form an integral part of these consolidated financial statements.

1. General

Fotex Holding S.E. ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding S.E. is the 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 Company's current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg.

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

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		30/06/2020	30/06/2019	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	10,524,199	10,524,199	100.00	100.00	100.00	100.00
Fotex Netherlands B.V.	Property management	150,018,000	150,018,000	100.00	100.00	100.00	100.00
FN2 B.V.	Property management	18,000	18,000	100.00	100.00	100.00	100.00
FN3 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN4 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN5 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
Fotexnet Kft.	Internet retail and other services	1,595,501	1,595,501	100.00	100.00	100.00	100.00
Hungaroton Music Zrt.	Music archive	480,399	480,399	99.21	99.21	99.21	99.21
Keringatlan Kft.	Property management	3,751,896	3,751,896	99.99	99.99	99.99	99.99
Long Term CRE Fund B.V.	Property management	100	100	100.00	100.00	100.00	100.00
Plaza Park Kft.	Property management	18,897	18,897	100.00	100.00	100.00	100.00
Sigma Kft.	Property services	100,650	100,650	100.00	100.00	100.00	100.00
Székhely 2007 Kft.	Property services	102,949	102,949	99.27	99.27	99.28	99.28
Upington Investments S.à r.l.	Investment holding	12,500	12,500	100.00	100.00	100.00	100.00

2. Significant Accounting Policies

Basis of presentation

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

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

Comparative figures

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

Statement of compliance

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

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 30 June 2020 there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 June 2020. Control is achieved when Fotex is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

2. Significant Accounting Policies (continued)

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

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

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

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

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 average foreign currency ("FX") rates have been applied to the conversion of transactions from HUF to EUR:

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

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 30 June 2020: 356.57 HUF/EUR (31 December 2019: 330.52 HUF/EUR). The income statement is converted to EUR using the half-year Hungarian National Bank average FX rate. The exchange difference in translation of foreign operations shown in the other comprehensive income.

2. Significant Accounting Policies (continued)

Non-current assets held for sale and discontinued operations

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

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

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

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

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

Additional disclosures are provided in Note 9.

Revenue from contracts with customers

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. The Group satisfies its performance obligations upon deliveries of such goods. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

Service charges and expenses recoverable from tenants

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

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

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

2. Significant Accounting Policies (continued)

Contract balances

Contract assets

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Group's Trade debtors continue to reliably keep the deadlines therefore the level of impairment under IFRS 9 did not change.

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

Contract liabilities

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

Revenue recognition

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

Interest income

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

Dividends

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

Rental income

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

2. Significant Accounting Policies (continued)

Financial instrument

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

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

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.

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

2. Significant Accounting Policies (continued)

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

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

Derecognition

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

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

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

Impairment of financial assets

IFRS 9 requires the Group to record an allowance for expected credit loss (ECL) for all loans and other debt financial assets not held at FVPL.

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

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

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

2. Significant Accounting Policies (continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 17.

2. Significant Accounting Policies (continued)

Derecognition

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

Cash and cash equivalents

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

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

Foreign currency translation

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

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

Inventories

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

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

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

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

2. Significant Accounting Policies (continued)

Property, plant and equipment

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

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

Land is not depreciated.

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

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

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

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

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

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

Leases

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

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

2. Significant Accounting Policies (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee:

The Group has lease contracts for only few items of buildings, vehicles and other equipment.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2. Significant Accounting Policies (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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.

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

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.

2. Significant Accounting Policies (continued)

Investment properties

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

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.

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.

2. Significant Accounting Policies (continued)

Goodwill

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

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

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

Intangible assets

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

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

Intangible assets with finite lives such as production know-how and franchise fees are amortised using the straight-line method over the useful economic lives 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 preferred 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 2019 and 2018.

Treasury shares

Fotex ordinary and dividend preferred shares repurchased are included in shareholders' equity and are classified as treasury shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own shares. Accordingly, any consideration paid or received in connection with treasury shares is recognised directly in equity.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 17. The fair value of non-financial assets including investment properties is determined for the purpose of the impairment test and for disclosure purposes. Investment property fair value is disclosed in Note 11.

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

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

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

2. Significant Accounting Policies (continued)

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

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

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

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

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

Subsequent events

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

Changes in accounting policies

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

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 2020

None of those standards have more than an inconsequential impact on the group for the reporting period.

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 2020 is EUR 9,361,396 (2019: EUR 10,099,216). Further details are given in Note 13.

Impairment of Intangible Assets

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

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

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

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. Further details are given in Note 18.

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

Assets held for sale

During 2019 the Group decided to sell one of its properties in the Netherlands that are classified as assets held for sale. The Board considered the assets to meet the criteria to be classified as held for sale for the following reasons:

- The property is available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage.
- The premises located in Rijswijk met the criteria on 31 March 2019.

4. Standards Issued but not yet Effective

Management has assessed that none of the standards issued but not yet effective have more than an inconsequential impact upon the group's operations.

5. Cash and Cash Equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 71,302,653 (31 December 2019: EUR 68,278,062).

Cash includes fixed deposit of EUR 16,223,187 at rate 0 % (in 2019 cash included EUR 24,157,555 at rate 0 %). The Group has pledged via an escrow agreement in a part of its short-term deposits amounting to EUR 15,218,906 to fulfil collateral requirements (31 December 2019: EUR 23,153,271). This cash can be used to purchase assets which can then be pledged to fulfil the same collateral requirements.

6. Other Financial Assets

	30 June 2020	31 December 2019
Current	EUR	EUR
Cash deposits connected to rented properties	982,133	1,088,188
Other short-term investments	984	1,062
Other current financial assets, total	983,117	1,089,250

	30 June 2020	31 December 2019
Non-current	EUR	EUR
Cash deposits connected to rented properties	2,309,266	2,280,304
Unquoted equity instruments	35,637	38,424
Other non-current financial assets, total	2,344,903	2,318,728

6. 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 (Note 14). Deposits are only repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified the deposits which are expected to be repayable in more than one year to long-term, and the deposits which are expected to be repayable within 3-12 months were classified as short-term.

7. Accounts Receivable and Prepayments

	30 June 2020	31 December 2019
	EUR	EUR
Accounts receivable	2,013,473	5,854,549
Impairment loss on accounts receivable	(11,620)	(11,997)
Tax assets	249,405	200,603
Other receivables	399,835	475,528
Prepayments/accrued income	2,181,499	1,404,317
Impairment loss on other receivables	(1,418)	(1,418)
Total	4,831,174	7,921,582

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

Impairment loss on debtors and on other receivables at 30 June 2020 is EUR 13,038 (31 December 2019: EUR 13,415).

Aged debtors less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
30 June 2020	1,574,157	274,415	61,031	6,046	78,938	7,266	2,001,853
31 December 2019	5,095,910	694,049	33,127	12,253	841	6,372	5,842,552

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

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
30 June 2020	2,670,429	84,393	-	74,499	-	-	2,829,321
31 December 2019	1,747,322	331,708	-	-	-	-	2,079,030

8. Inventories

	30 June 2020	31 December 2019
	EUR	EUR
Merchandise and finished products	5,862,735	6,226,112
Materials	293,147	238,716
Work in progress	1,570,961	1,828,358
Inventories, gross	7,726,843	8,293,186
Impairment of merchandise and finished products	(3,289,119)	(3,548,348)
Impairment of materials	-	-
Impairment of work in progress	(533,212)	(575,236)
Impairment of inventories	(3,822,331)	(4,123,584)
Total inventories, net	3,904,512	4,169,602

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,822,331 provision made for the impairment of inventories (31 December 2019: EUR 4,123,584) is adequate, from this the current year increase is EUR 0 (in 2019: EUR 604,305), the current year reversal is EUR 0 (in 2019: EUR 94,366) which is disclosed as other operating expense (Note 16). The currency gain arisen on the retranslation of impairment is EUR 301,253 (in 2019: EUR 101,271). The change in the amount of the provision from 31 December 2019 to 30 June 2020 was solely due to FX changes.

9. Assets Held for Sale

During 2019 the Group has decided to sell one of its properties located in Rijswijk in the Netherlands. The criteria of assets held for sale was met on 31 March 2019. This property is also reclassified to this category. The net book value is EUR 3,731,045 at 30 June 2020 (31 December 2019: EUR 3,731,045) . The sale of the property will be completed after the reporting period. The agreed sales price is EUR 4,000,000 and the estimated gain on the sale is EUR 268,955.

10. Property, Plant and Equipment

Movements in property, plant and equipment during 2020 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2020	**3,197,909**	**11,167,870**	**298,390**	**14,664,169**
Additions and capitalizations	13,754	531,765	269,349	814,868
Other decrease	(102,555)	-	-	(102,555)
Disposals and write downs	-	(193,458)	-	(193,458)
Currency gain/(loss) arising on retranslation	397,727	(816,102)	(30,425)	(448,800)
30 June 2020	**3,506,835**	**10,690,075**	**537,314**	**14,734,224**
Accumulated depreciation:				
1 January 2020	**(1,828,655)**	**(9,616,511)**	-	**(11,445,166)**
Depreciation expense	(151)	(254,911)	-	(255,062)
Disposals and write downs	-	174,412	-	174,412
Currency gain/(loss) arising on retranslation	134,911	696,833	-	831,744
30 June 2020	**(1,693,895)**	**(9,000,177)**	-	**(10,694,072)**
Net book value				
30 June 2020	**1,812,940**	**1,689,898**	**537,314**	**4,040,152**
31 December 2019	**1,369,254**	**1,551,359**	**298,390**	**3,219,003**

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

At 30 June 2020, the cost of property, plant and equipment, investment properties and intangible assets fully written off (due to ordinary or extraordinary depreciation) but still in use was EUR 5,153,032 (2019: EUR 5,290,839).

10. Property, Plant and Equipment (continued)

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

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

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

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

11. Investment Properties

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

Movements in investment properties measured at cost in 2020 and 2019 were as follows:

	30 June 2020	31 December 2019
Cost:	EUR	EUR
Opening balance	**203,191,856**	**201,529,251**
Additions	1,164,247	10,030,680
Other increase	-	70,050
Disposal	-	(2,009,044)
Reclassification to assets held for sale	-	(4,459,865)
Currency gain/(loss) arising from retranslation	(5,874,726)	(1,969,216)
Closing balance	**198,481,377**	**203,191,856**
Accumulated depreciation:		
Opening balance	**(69,542,823)**	**(65,643,380)**
Depreciation expense	(3,337,633)	(6,615,246)
Impairment	-	-
Other increase	-	-
Disposal	-	922,696
Reclassification to assets held for sale	-	728,820
Currency gain/(loss) arising from retranslation	3,009,972	1,064,287
Closing balance	**(69,870,484)**	**(69,542,823)**
Net book value:		
Closing balance	**128,610,893**	**133,649,033**
Opening balance	**133,649,033**	**135,885,871**

Additions include refurbishment works carried out in several Hungarian and Dutch properties.

During 2019 the Group has decided to sell one of its properties located in Rijswijk in the Netherlands. The criteria of assets held for sale was met on 31 March 2019. This property has been reclassified to asset held for sale. The net book value is EUR 3,731,045 at 30 June 2020.

The sale of the property shall be completed after the reporting period. The agreed sales price is EUR 4,000,000 and the estimated gain on the sale is EUR 268,955.

11. Investment Properties (continued)

The net book values of investment properties at 30 June 2020 are set out below:

Category	Area	Net book value
	m^2	EUR
Retail outlets	164,773	21,883,439
Offices	86,545	81,230,476
Warehouses	62,757	3,200,827
Other structures	25,033	4,205,311
Plots of land	899,182	18,090,840
Total investment properties	1,238,290	128,610,893

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

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

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	155,987	21,465,744	174,301,960
Offices	88,652	84,108,941	142,078,815
Warehouses	62,757	1,834,719	14,373,765
Other structures	24,756	2,764,310	5,756,355
Plots of land	860,918	23, 475,319	43, 280,018
Total investment properties	1,193,070	133,649,033	379,790,913

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

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

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

11. Investment Properties (continued)

Key valuation assumptions for 2019

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

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

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

- The used yield rate per property item located in Hungary is between 6.5% and 12.75% depending on the type and location of the property (2018: 6.75%-13.00%). For the Dutch properties, the calculated yield rate is between 6.15% and 7.50% (2018: 5.65%-12.25%).

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 325 HUF/EUR exchange rate (2018: 325 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 6.75 – 8.00% discount factor and 7.5-8.00% exit interest rate. The applied FX rate was 325 HUF/EUR and the anticipated HICP rate was 2.00% p.a.

12. Intangible Assets

Movements in intangible assets during 2020 were as follows:

	Media and merchandising rights	Other*	Total
	EUR	EUR	EUR
Cost:			
1 January 2020	**6,667,194**	**702,378**	**7,369,572**
Additions	-	3,178	3,178
Other increase	-	-	-
Other decrease	-	(12,688)	(12,688)
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	(248,496)	(248,496)
30 June 2020	**6,667,194**	**444,372**	**7,111,566**
Accumulated amortisation:			
1 January 2020	**(5,008,798)**	**(606,423)**	**(5,615,221)**
Amortisation expense	-	(9,050)	(9,050)
Impairment	-	-	-
Other increase	-	-	-
Other decrease	-	1,130	1,130
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	253,211	253,211
30 June 2020	**(5,008,798)**	**(361,134)**	**(5,369,932)**
Net book value:			
30 June 2020	**1,658,396**	**83,238**	**1,741,634**
31 December 2019	**1,658,396**	**95,955**	**1,754,351**

*The column 'Other' reflects the value of software.

12. Intangible Assets (continued)

Movements in intangible assets during 2019 were as follows:

	Media and merchandising rights	Other*	Total
	EUR	EUR	EUR
Cost:			
1 January 2019	**6,667,194**	**823,456**	**7,490,650**
Additions	-	53,400	53,400
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	(78,251)	(78,251)
Currency gain/(loss) arising from retranslation	-	(96,228)	(96,228)
31 December 2019	**6,667,194**	**702,378**	**7,369,572**
Accumulated amortisation:			
1 January 2019	**(5,008,798)**	**(732,560)**	**(5,741,358)**
Amortisation expense	-	(18,910)	(18,910)
Impairment	-	-	-
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	46,860	46,860
Currency gain/(loss) arising from retranslation	-	98,187	98,187
31 December 2019	**(5,008,798)**	**(606,423)**	**(5,615,221)**
Net book value:			
31 December 2019	**1,658,396**	**95,955**	**1,754,351**
31 December 2018	**1,658,396**	**90,896**	**1,749,292**

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

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

In 2016 the Court ruled in favour of the Company, however FTC Zrt and FTC Association turned to the Supreme Court against the ruling of the Civil Court. In 2018 the Supreme Court has rejected the claim of FTC Zrt. and FTC Association, so the ruling of the Civil Court remained in force. Based on this ruling FTC Zrt. and FTC Association shall pay for compensation and grant the use of Skybox and 8 VIP tickets. As of 30 June, 2020, the agreement of the Settlement due remains outstanding. As this is now a legal certainty tested at Supreme Court level management is confident that the amount shown in the balance sheet is fully recoverable.

13. Goodwill Arising on Acquisition

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

	30 June 2020	31 December 2019
	EUR	EUR
Cost:		
1 January	16,964,850	17,440,273
Currency difference arising from retranslation	(1,239,404)	(475,423)
Closing balance	15,725,446	16,964,850
Impairment:		
1 January	(6,865,634)	(7,058,036)
Currency difference arising from retranslation	501,584	192,402
Closing balance	(6,364,050)	(6,865,634)
Net book value		
1 January	10,099,216	10,382,237
Closing balance	9,361,396	10,099,216

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 2020	31 December 2019
	EUR	EUR
Total goodwill	9,361,396	10,099,216
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,280,600)	(1,381,531)
Goodwill tested for impairment	8,080,796	8,717,685

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 period-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2020. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

13. Goodwill Arising on Acquisition (continued)

Goodwill is allocated to the following entities:

	30 June 2020	31 December 2019
	EUR	EUR
Keringatlan Kft.	7,870,303	8,490,602
Plaza Park Kft.	1,491,093	1,608,614
Net book value	9,361,396	10,099,216

The difference between the net book value as at 30 June 2020 and 31 December 2019 is solely due to the change in the exchange rate.

14. Accounts Payable, Other Liabilities and Provision

	30 June 2020	31 December 2019
	EUR	EUR
Trade payables	403,615	805,664
Taxes payable	262,931	1,108,179
Advances from customers	18,860	119,587
Accrued expenses	878,073	987,939
Deferred rental income	2,780,776	5,662,394
Amounts payable to employees	111,750	172,117
Deposits from tenants	982,133	1,088,188
Other liabilities	1,521,236	1,166,621
Total accounts payable and other current liabilities	6,959,374	11,110,689
Other long-term liabilities	2,313,501	2,558,272

Terms and conditions of the above liabilities:

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

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

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

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

The Group has received 2 to 3 months deposits of EUR 3,291,399 (2019: EUR 3,368,492) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year EUR 2,309,266 (2019: EUR 2,280,304), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 982,133 (2019: EUR 1,088,188) (Note 6).

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

Other liabilities include the following:

	30 June 2020	31 December 2019
	EUR	EUR
Dividend payable	138,773	138,773
VAT compensation	555,940	277,970
Advances received for property management services	287,632	339,891
Liabilities against social security	52,117	70,559
Other short term liabilities	486,774	339,428
Total other liabilities	1,521,236	1,166,621

Provision:

In 2020 the Group had opening provision balance in the amount of EUR 338,954 from which EUR 302,950 was created in 2019 for expenses in connection with the reorganisation of the Ajka crystal business.

Movements in provision:

	EUR
1 January 2020	338,954
Additional provisions created	579,455
Utilised during the year	-
Currency gain/(loss) arising on retranslation	(43,319)
30 June 2020:	875,090

Ajka Kristály Kft. experienced a significant downturn in its business during 2019 which has prompted management to take actions to reorganise the business to focus only on those activities that are able to generate sustainable profitability. This resulted in the reduction of headcount, the termination of glass production and the demolition of non core assets. Consequently management has recorded a provision of EUR 302,950 to complete the costs of this reorganisation that commenced during the third quarter of 2019. The amount of this provision was increased by further EUR 579,455 during 2020.

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

15. Share Capital and Reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2020, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2019: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

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

15. Share Capital and Reserves (continued)

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

All dividend preferred shares are held in treasury.

Treasury shares

The 2,000,000 dividend preferred shares issued by the Company which are shown as part of "Issued capital" with total face value of EUR 840,000 in 2020; (2019: EUR 840,000) are also shown in "Treasury shares".

As at 30 June 2020, the Company held 29,312,086 treasury shares (of which 27,312,086 are ordinary shares and 2,000,000 are dividend preferred shares) at a historic cost of EUR 42,273,515 (31 December 2019: 29,086,388 shares – of which 27,086,388 were ordinary shares and 2,000,000 were dividend preferred shares – at a historic cost of EUR 41,751,015).

During 2020, the Company purchased 225,698 of its ordinary shares (2019: 282,979 shares) on an arm's length basis. All dividend preferred shares are owned by the Group.

16. Operating Expenses

Operating expenses include the following:

	30 June 2020	30 June 2019
	EUR	EUR
Payments to personnel	(2,140,215)	(2,859,688)
Material and service type expenses	(2,821,411)	(4,711,749)
Depreciation and amortisation charge	(3,626,667)	(3,686,073)
Other expenses, net*	(2,731,532)	(1,009,402)
Total operating expenses	(11,319,825)	(12,266,912)

* Other expenses (net) include the following:

	30 June 2020	30 June 2019
	EUR	EUR
Realised and unrealized FX differences (net)	(1,398,759)	(36,435)
Taxes other than income tax	(719,975)	(718,390)
Impairment and scrapping of tangible and intangible assets	(1,140)	(2,396)
Impairment and scrapping of inventories	(3,249)	14,987
Provision usage	-	-
Provision made	(579,455)	-
Development grants	(4,679)	(336)
Other expenses/income	(24,275)	(266,832)
Total other expenses, net	(2,731,532)	(1,009,402)

17. Interest-bearing Loans and Borrowings

The details of the outstanding loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 30 June 2020 EUR	Current portion at 30 June 2020 EUR	Long-term portion at 31 December 2019 EUR	Current portion at 31 December 2019 EUR
I. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	-	3,986,908	3,585,650	207,569
II. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	-	5,804,221	5,738,994	130,020
III. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.89% p.a.	62,883,202	1,851,032	63,803,391	1,695,506
Overdraft and short term					-	278	-	10,747
Finance lease					83,588	38,060	97,704	51,918
Total			**80,115,805**		**62,966,790**	**11,680,499**	**73,225,739**	**2,095,760**

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

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

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

Included in the Group's total interest expense of EUR 888,014 (2019 I-VI months: EUR 1,010,088) is a total interest expense in relation to the loans I.-III. above of EUR 876,133 in 2019 (2019 I-VI months: EUR 1,025,104).

18. Income Tax

The tax rate of the taxable profit is 9% in Hungary.

The income tax rate applicable to Fotex Holding S.E.'s and Upington Investments S.à r.l.'s income earned in Luxembourg is 18.19% from 1 January 2019, which results in a total tax of 24.94% as decreased by Luxembourg's municipal business tax.

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

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

In both 2020 and 2019 the tax rate used in the deferred tax calculation for the Hungarian companies is 9%.

In 2020 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.32% (2019: 24.32%), for FN2 B.V. 21.04% (2019: 21.04%), for FN3 B.V. 23.01% (2019: 23.01%), for FN4 B.V. 22,01% (2019: 22,01%), for FN5 B.V. 20% (2019: 20%) and in case of Long Term CRE Fund B.V. 22.76% (2019: 22.76%) tax rate was applied.

19. Revenue

Sales revenue	30 June 2020	30 June 2019
	EUR	EUR
Rental income revenue	11,640,181	12,376,109
Revenue from contracts with customers	3,062,592	6,724,197*
Total sales revenue	14,702,773	19,100,306

The revenues generated by real estate management are decreased slightly during the fiscal year. The decrease is derived from the sale of two properties in the Netherlands in 2019 (see Note 21), which was partially offset by the revenues generated by the new tenants in other premises. Fall of revenues from contracts with customers is attributable to the drop of crystal sales.

19. Revenue (continued)

Revenue from contracts with customers

	30 June 2020	30 June 2019
	EUR	EUR
Sale of goods**	741,276	2,930,044
Revenue from service charges to tenants	1,255,371	1,227,271
Provision of services	907,693	1,940,835
Royalty revenue	48,457	166,961
Other sales revenue***	109,795	459,086
Total sales revenue	3,062,592	6,724,197

*The originally presented value as of 30 June 2020 was EUR 25,264,005. The EUR 18,539,808 difference is connected to the gain on disposal of the sales of investment properties. The gain on disposal of investment properties was presented at a new Profit and Loss line. Net income did not change due to this line split.
**Crystal and glass sales mainly reflect export sales realised in USD and EUR.
***Other sales revenues contain various minor items, such as revenues from cinema operation, marketing and consultancy fees and mainly reflect sales realised in HUF.

Revenues from selling of goods are generated primarily by sales of crystal and glass products. The reason of the decrease of sales is the decline of demand (see Note 14).

Contract balances

	30 June 2020	31 December 2019
	EUR	EUR
Trade receivables (Note7)	217,509	1,007,921
Contract liabilities (Note14)	18,860	119,587

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

20. Cost of Sales

Cost of sales include the following:

Cost of sales	30 June 2020	30 June 2019
	EUR	EUR
Raw materials and consumables	(159,477)	(739,476)
Cost of goods sold	(179,655)	(547,436)
Cost of services sold	-	(27,655)
Total cost of sales	(339,132)	(1,314,567)

21. Gain on Disposal of The Sales of Investment Properties

No sale of investment property has been completed in 2020 until the reporting date. One property is recognised as Asset held for sale (Note 9).

The details of the sales and gain as at 30 June 2019 are set out below:

EUR	Hoofddorp	Rotterdam	Total
Sales price	30,465,000	8,500,000	38,965,000
Net book value	(15,226,813)	(4,587,423)	(19,814,236)
Transaction costs and settlements	(485,375)	(125,581)	(610,956)
Net gain	14,752,812	3,786,996	18,539,808

22. Other Comprehensive Income Components

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

23. Segment Information

Due to the reorganisation of the Group's activities undertaken during 2019, which is expected to define the groups business for the foreseeable future, Management has concluded that the Group no longer operates in multiple segments, rather only in the Investment Property Management business, as this business represents more than 75% of the turnover, of the Group and none of the previously identified segments represent more than 10% of group turnover, assets and profit.

The Group's Investment Property portfolio, as disclosed in Note 11, Investment Properties, is located in the Netherlands and in Hungary. Detailed geographical segment information has not been presented in the consolidated financial statements as the cost of producing such information would exceed its merits and management believes the detailed disclosures in Note 11 are more than adequate to allow users to draw conclusions on the performance of that operating segment.

The Group is not exposed to any one customer representing more than 10% of turnover.

24. Financial Risks, Management Objectives and Policies

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

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

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

Interest rate risk

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

Foreign currency ("FX") risk

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

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

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

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 2020 the Group's maximum exposure to credit risk is EUR 79,179,683 (31 December 2019: EUR 79,222,225).

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.

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

Liquidity risk

Liquidity risk is monitored as follows:

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

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 2020 and 31 December 2019 are presented below:

	30 June 2020	31 December 2019
	EUR	EUR
Short-term and long-term borrowings (Note 17):	74,647,289	75,321,499
Trade payables and other current liabilities less deferred rental income (Note 14):	4,739,497	5,448,295
Cash and cash equivalents (Note 5):	(71,302,653)	(68,278,062)
Net debt:	8,084,133	12,491,732
Equity attributable to the Company:	141,885,390	142,415,328
Total:	149,969,523	154,907,060
Indebtedness ratio:	5.39%	8.06%

The Company's indebtedness ratio decreased from 8.06% at 31 December 2019 to 5.39% at 30 June 2020, primarily due to the increase in the cash and cash equivalents and decrease in trade payables and other current liabilities. The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

25. 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 2020	30 June 2019
	EUR	EUR
Net profit attributable to equity holders from continuing operations	1,669,953	22,308,208
Net profit attributable to shareholders	1,669,953	22,308,208
Weighted average number of shares in issue during the year	43,558,175	43,875,396
Basic earnings per share (EUR)	0.04	0.51

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

26. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International Luxembourg S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. and in Fotex Ingatlan Kft. ("Fotex Ingatlan"). Blackburn has a controlling interest in Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. As at 30 June 2020 Blackburn Luxembourg controlled 50.35% (31 December 2019: 50.35%) of Fotex Holding S.E.'s voting shares. APF International provides real estate services to the group and is partly owned by two group directors. White Oak Management provides accounting and company secretarial services to the group and is partly owned by two group directors. One director rents sundry commercial property from the group on an arm's length basis. These companies are considered to be related parties.

Related party transactions

2020 disclosures

Rental and other related fees paid to Fotex Ingatlan during 2020 were EUR 12,915 (2019 I-VI months: EUR 25,774).

Administrative and expert fees paid by Fotex Ingatlan during 2020 were EUR 17,996 (2019 I-VI months: EUR 10,638).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. during 2020 were EUR 0 (2019 I-VI months: EUR 12,000).

FN2 B.V. received a loan from Zürich Investment in 2011 that is repayable in 2021.

26. Related Party Transactions (continued)

For 2020, FN2 B.V. was charged interest of EUR 136,997 (2019 I-VI months: EUR 136,618) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For 2020, Dutch subsidiaries were charged property management fee of EUR 82,571 (2019 I-VI months: EUR 771,511) by APF International.

For 2020, the Luxembourg entities were charged professional fees of EUR 309,497 by White Oak management.

For 2020 the Hungarian entities received rental income of EUR 73,232 from one of the group directors.

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

27. Subsequent Events after the End of the Reporting Period

There were no significant event occurring after the end of the reporting that would require adjustment to or disclosure in these financial statements.

28. Personnel and Structural Changes

Structural changes: During the first six months of 2020 there were no structural changes.

Personnel changes: During the first six months of 2020 there were no major personnel changes.