

Fotex Holding S.E.

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**Interim condensed consolidated financial statements as at 30 June 2023
Management report as at 30 June 2023**

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Management Report

Review and development of the groups business and financial position

The net turnover for the six months ended June 30, 2023, was EUR 19,935,033 compared with EUR 17,180,247 for the same period in 2022 representing an increase of 16%. The net turnover is mainly composed of income from operating a real estate portfolio in Hungary and the Netherlands. The main reason of the increase in sales is the impact from the acquisition of the Pathé Arena property at the end of December 2022, the improvement of the Hungarian Forint compared to the 2022 comparable period and an overall improvement in business activity in Hungary.

The overall income for the six months amounts to EUR 19,939,428 which is impacted by the net sales and the financial revenue (30 June 2022: EUR 17,190,423).

The net result for the six months is a gain amounting to EUR 4,552,042 (30 June 2022: EUR 3,294,097).

During the period the group acquired 178,841 of its own shares at a cost of Euro 540,237.

The group sold 900,000 dividend preference shares to key members of management at 0.42 Euro per share and paid a dividend of Euro 90,000 which has been included as part of the salary cost of the group.

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 that are relevant for the period to date and the remaining second half of the year:

- 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
- Liquidity risk
- Country risk

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

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating FX risk associated with non-EUR based revenues. As of 30 June 2023, 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.

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.

Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board, 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 Inगतlan Kft. (“Fotex Inगतlan”) and is the ultimate controlling party for Fotex Holding S.E. and Fotex Inगतlan. APF International provides real estate services to the group and is partly owned by two group directors. Whiteoak Management provides accounting and company secretarial services to the group and is 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.

There were no material related party transactions during the period.

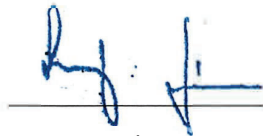
Significant Events after the end of the reporting period

There were no material significant events after the reporting period.

Management Responsibility Statement

We confirm that, to the best of our knowledge, the condensed consolidated interim financial information as of 30 June 2023, which has been prepared in accordance with IAS 34, as adopted by the European Union, 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, 22 August, 2023



Gábor VÁRSZEGI

Chairman of the Board of Directors



David VÁRSZEGI

Member of the Board of Directors

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

	<u>Note</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits		41,050,487	83,656,881
Current portion of other financial assets		1,322,825	808,641
Accounts receivable and prepayments		4,875,279	4,543,727
Inventories		3,721,094	3,997,154
Total current assets		<u>50,969,685</u>	<u>93,006,403</u>
Non-current Assets:			
Property, plant and equipment		8,819,123	6,784,312
Investment properties	8	128,911,024	129,855,321
Deferred tax assets		245,437	330,319
Intangible assets		1,889,815	1,620,183
Non-current portion of other financial assets		3,049,482	3,054,705
Goodwill arising on acquisition		7,685,794	7,685,794
Total non-current assets		<u>150,600,675</u>	<u>149,330,634</u>
Total assets		<u>201,570,360</u>	<u>242,337,037</u>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	7, 8	-	47,036,021
Accounts payable and other liabilities		7,185,483	8,706,560
Total current liabilities		<u>7,185,483</u>	<u>55,742,581</u>
Non-current Liabilities:			
Other long-term liabilities		3,713,009	3,083,691
Deferred tax liability		5,478,238	5,563,120
Total non-current liabilities		<u>9,191,247</u>	<u>8,646,811</u>
Shareholders' Equity:			
Issued capital		30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		179,512,773	174,960,731
Translation difference		(5,736,331)	(8,592,511)
Treasury shares, at cost		(44,637,977)	(44,475,740)
Equity attributable to equity holders of the parent company		<u>185,177,406</u>	<u>177,931,421</u>
Non-controlling interests in consolidated subsidiaries		16,224	16,224
Total shareholders' equity		<u>185,193,630</u>	<u>177,947,645</u>
Total liabilities and shareholders' equity		<u>201,570,360</u>	<u>242,337,037</u>

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

	Note	30 June 2023	30 June 2022
		EUR	EUR
Revenue	3, 4, 5	19,935,033	17,180,247
Cost of sales		(279,973)	(503,238)
Gross Profit		19,655,060	16,677,009
Operating expenses		(13,591,835)	(12,142,472)
Operating profit (EBIT)		6,063,225	4,534,537
Interest income		4,395	10,176
Interest expenses		(273,091)	(748,742)
Income before income tax		5,794,529	3,795,971
Income tax expense	6	(1,242,487)	(501,874)
Net income		4,552,042	3,294,097
Attributable to:			
Equity holders of the parent company		4,552,042	3,294,097
Non-controlling interests		-	-
Net income		4,552,042	3,294,097
Basic earnings per share		0.11	0.075
Diluted earnings per share		0.11	0.075

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

	Note	30 June 2023	30 June 2022
		EUR	EUR
Net income		4,552,042	3,294,097
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*		2,856,180	(2,971,471)
Total comprehensive income/ (loss)		<u>7,408,222</u>	<u>322,626</u>
Attributable to:			
Equity holders of the parent company		7,408,222	322,626
Non-controlling interests		-	-
		<u>7,408,222</u>	<u>322,626</u>

Fotex Holding S.E. and Subsidiaries
Interim Condensed Consolidated Statement of Changes in Equity
Figures in EUR
for the period ended 30 June 2023

	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 2023	30,543,933	25,495,008	174,960,731	(8,592,511)	(44,475,740)	177,931,421	16,224	177,947,645
Net income 2023	-	-	4,552,042	-	-	4,552,042	-	4,552,042
Other comprehensive income	-	-	-	2,856,180	-	2,856,180	-	2,856,180
Total comprehensive income	-	-	4,552,042	2,856,180	-	7,408,222	-	7,408,222
Purchase of treasury shares	-	-	-	-	(162,237)	(162,237)	-	(162,237)
30 June 2023	30,543,933	25,495,008	179,512,773	(5,736,331)	(44,637,977)	185,177,406	16,224	185,193,630

Fotex Holding S.E. and Subsidiaries
Interim Condensed Consolidated Statement of Changes in Equity
Figures in EUR
for the period ended 30 June 2023

	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 2022	30,543,933	25,495,008	167,015,099	(5,502,729)	(43,569,317)	173,981,994	14,598	173,996,592
Net income 2022	-	-	3,294,097	-	-	3,294,097	-	3,294,097
Acquisition of minority interest	-	-	-	-	-	-	1,626	1,626
Other comprehensive income	-	-	-	(2,971,471)	-	(2,971,471)	-	(2,971,471)
Total comprehensive income	-	-	3,294,097	(2,971,471)	-	322,626	-	322,626
Purchase of treasury shares	-	-	-	-	(418,113)	(418,113)	-	(418,113)
30 June 2022	30,543,933	25,495,008	170,309,196	(8,474,200)	(43,987,430)	173,886,508	16,224	173,902,732

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

	Note	30 June 2023	30 June 2022
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	3, 4, 5	5,794,529	3,795,971
Depreciation and amortisation		3,106,778	2,957,603
Scrapped tangible assets		87,154	8,133
Gain on disposal of fixed assets		(98,161)	-
Interest income		(4,395)	(10,176)
Scrapped inventories		99,521	-
Interest expenses		273,091	748,742
Changes in working capital:			
Accounts receivable and prepayments		(779,482)	(756,723)
Inventories		176,539	250,549
Accounts payable and other liabilities		(1,919,783)	(781,247)
Cash generated from operations		6,735,791	6,212,852
Income tax paid		(329,430)	(2,388,111)
Net cash flow from operating activities		6,406,361	3,824,741
Cash flows from investing activities:			
Additions to investment properties		(1,314,014)	(579,188)
Acquisition of tangible and intangible assets		(679,800)	(572,937)
Proceeds from disposal of fixed assets		149,270	
Other changes of tangible and intangible assets		-	1,626
Interest received		4,395	10,176
Net cash flow received/(used) from investing activities		(1,840,149)	(1,140,323)
Cash flows from financing activities:			
Interest paid		(219,154)	(699,982)
Repayments of loan received		(47,036,021)	(700,000)
Purchase of treasury shares		(162,237)	(418,113)
Net cash flow from financing activities		(47,417,412)	(1,818,095)
Change in cash and cash equivalents		(42,851,200)	866,323
Cash and cash equivalents at beginning of the year		83,656,881	110,417,472
Effect of foreign currency translation		244,806	(1,250,558)
Cash and cash equivalents at end of the period		41,050,487	110,033,237

1. Basis of presentation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report.

2. Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2022 annual financial statements, except for the following amendments which apply for the first time in 2023.

The following new standards and amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes).

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023. IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed. Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as Fotex.

The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the interim condensed consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, providing guidance to help entities meet the accounting policy disclosure requirements. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments had no effect on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the annual consolidated financial statements of the Group.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendment to IAS 8, which added the definition of accounting estimates, clarifies that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

2. Significant accounting policies (continued)

These amendments had no effect on the interim condensed consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the interim condensed consolidated financial statements of the Group.

3. Significant events and transactions

There have been no significant events and transactions that have occurred since 31 December 2022, specifically:

- There have been no significant acquisitions nor disposals of investment properties
- There have been no significant acquisitions nor disposals of tangible and intangible assets
- There have been no significant changes in the activities of the group
- In April 2023, the group repaid all of its external debt. For more details see note 7
- During the period the company issued 900,000 preference shares to certain members of management and paid a Euro 90,000 dividend treated as part of the compensation cost for the period. For more details see note 7.
- There has been no significant impact on the group arising from the conflict in Ukraine.

Fotex Holding S.E. and Subsidiaries
Notes to interim condensed consolidated financial statements
30 June 2023
Figures in EUR

4. Revenue

Revenue		
Sales revenue	2023	2022
	EUR	EUR
Rental income revenue	13,371,303	11,095,047
Revenue from contracts with customers	6,563,730	6,085,200
Total sales revenue	<u>19,935,033</u>	<u>17,180,247</u>

The revenues generated by the group increased during the period. The main reasons for this increase in sales is the impact from the acquisition of the Pathé Arena in Amsterdam at the end of December 2022, the improvement of the Hungarian Forint compared to the 2022 comparable period, the further development of crystal sales and an overall improvement in the business activity in Hungary.

Revenue from contracts with customers

	2023	2022
	EUR	EUR
Revenue from service charges to tenants	3,148,084	3,108,775
Ancillary mall revenue	1,637,582	1,251,967
Sale of goods	1,510,122	1,364,458
Royalty revenue	137,641	261,500
Other sales revenue	130,301	98,500
Total sales revenue	<u>6,563,730</u>	<u>6,085,200</u>

Revenues from selling of goods are generated primarily by sales of crystal and glass products in EUR and USD. The reason of the increase of sales is the increase in demand.

Geographical breakdown of revenues:

	2023	2022
	EUR	EUR
Hungary	13,024,154	11,560,955
Netherlands	6,910,879	5,619,292
Total sales revenue	<u>19,935,033</u>	<u>17,180,247</u>

5. Seasonal business

The groups' core activity is the provision of real estate to tenants through its investment property portfolio. These assets earn rent on a systematic basis throughout the year, with no contractual adjustments that effect the flow of income to the group. As a result, group revenues are unaffected by any seasonality. The costs of the running the business are also similarly unaffected. As a result, these financial statements require no further information to assist the user in understanding the seasonal effects on the business at the half year, nor for the remainder of the full year.

6. Taxation

Tax is charged at 21.4 % for the six months ended 30 June 2023 (30 June 2022: 13.2%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the pre-tax income of the six month period. The increase in the tax for the 6 month period is mainly arising from the increase in effective rate in the Netherlands due to a limitation in depreciation deductions as well as an overall increase in profitability from new property purchases in the Netherlands where the incremental rate is 25.5%.

7. Issues, repurchases and repayments of debt and equity securities.

Loans

The group repaid all of its outstanding loans in accordance with the normal terms of the loan agreements. As of June 30th, 2023, the group has no external debt.

Equities

The group sold 900,000 dividend preference shares to key members of management at 0.42 Euro per share and paid a dividend of Euro 90,000 which has been included as part of the compensation cost of the group.

During the period the group acquired 178,841 of its own shares at a cost of Euro 540,237.

Fotex Holding S.E. and Subsidiaries
Notes to interim condensed consolidated financial statements
30 June 2023
Figures in EUR

8. Fair Value

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

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents

Management formally assesses the fair values of its assets and liabilities as of December 31 each year. For the purposes of the disclosed financial information, management has assessed that there are no material differences between the fair values as of June 30, 2023, and December 31, 2022.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June, 2023 and December 31, 2022:

	Date of valuation	Fair value measurement using	
		Total	Significant unobservable inputs (Level 3)
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties:			
Retail outlets	31 December 2022	167,756,130	167,756,130
Offices	31 December 2022	131,787,482	131,787,482
Warehouses	31 December 2022	15,738,780	15,738,780
Other structures	31 December 2022	8,520,308	8,520,308
Plots of land	31 December 2022	7,695,430	7,695,430
Total		331,498,130	331,498,130

Assets in the above table are not presented at fair value in the statement of financial position, but their fair value is disclosed. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts.

9. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board, 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”). 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

There were no material related party transactions during the period.

10. Subsequent Events after the End of the Reporting Period

There were no material significant events after the reporting period.