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

Consolidated financial statements as at 31 December 2017
Management report and
Independent auditor's report

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Management Report

General

Fotex Holding S.E. (the "Company") is a European public limited company registered in the Luxembourg companies register under the number R.C.S. B 146.938 and regulated under the laws of the Grand Duchy of Luxembourg. The Company's current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg.

The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary are engaged in a variety of property management, manufacturing, retailing and other activities. Except for Fotex Holding S.E. (ultimate parent company) and Upington Investments S.à r.l., which are registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V., which are registered in the Netherlands, all other subsidiaries of the Group are registered and operate in Hungary. The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2017	2016
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.00	100.00
Fotex Netherlands B.V.	Property management	100.00	100.00
FN2 B.V.	Property management	100.00	100.00
FN3 B.V.	Property management	100.00	100.00
FN4 B.V.	Property management	100.00	100.00
FN5 B.V.	Property management	100.00	-
Fotexnet Kft.	Internet retail and other services	100.00	100.00
Hungaroton Music Zrt.	Music archive	99.21	99.21
Keringatlan Kft.	Property management	99.99	99.99
Long Term CRE Fund B.V.	Property management	100.00	100.00
Plaza Park Kft.	Property management	100.00	100.00
Sigma Kft.	Property services	100.00	75.05
Székhely 2007 Kft.	Property services	99.27	99.27
Upington Investments S.à r.l.	Investment holding	100.00	100.00

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

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

During 2016 The Group entered into the following transaction that affected the Group structure:

- On 26 May 2016, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN4 B.V.

Financial overview

The Group has operations in the Netherlands, Luxembourg and in Hungary. From a management point of view the Group is divided in 3 business lines, which are the followings:

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

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables below summarize the Group's revenues and profit before tax for 2017 and 2016 by business lines:

	2017	2016
Net sales:	Net Sales EUR	Net sales EUR
Investment property holding and management	30,647,373	28,855,959
Crystal and glass manufacturing	5,741,001	6,706,716
All other segments	7,492,248	6,678,595
Inter-segment elimination	(2,337,537)	(2,192,443)
Net sales	41,543,085	40,048,827

Income before income taxes:	2017	2016
	EUR	EUR
Investment property holding and management	7,384,166	5,589,860
Crystal and glass manufacturing	(687,692)	783,276
All other segments	653,002	(148,935)
Income before income taxes	7,349,476	6,224,201

The operating results of the Group vary from year to year due to changes in exchanges rates, extension of investment property portfolio, as well as general European and global economic trends. The Group tries to counterbalance such changes as best as possible by reorganizing and rationalizing business segments which The Group feels are no longer sustainable or have no viable future.

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

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

Sales revenue:	2017	2016
	EUR	EUR
Rental income revenue	26,145,870	25,029,428
Sale of goods	7,026,576	7,500,562
Revenue from service charges to tenants	3,743,192	3,527,050
Provision of services	3,446,977	2,772,955
Royalty revenue	267,318	248,240
Other sales revenue	913,152	970,592
Total sales revenue	41,543,085	40,048,827

The structure of the activities has not changed significantly in 2017 compared to 2016. It can be seen that revenues generated by real estate management are the most significant, which have increased by more than EUR 1 million during the year.

The rental income derived from investment management has increased compared to the previous year. The underlying reason for this is that the Hungarian market improved in 2017 and the investment property portfolio in the Netherlands performed well and it was expanded both during 2016 and in 2017.

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

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

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

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

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

Revenues from selling of goods are generated primarily by sales of crystal and glass products.

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

Selected financial information (EUR)	**31.12.2017**	**31.12.2016**	**31.12.2015**
Sales	41,543,085	40,048,827	41,835,721
Gross profit	35,838,461	34,348,153	34,641,018
Operating profit	10,541,322	10,088,936	8,625,179
Pre-tax profit	7,349,476	6,224,201	4,568,285
Net income*	5,609,196	4,415,558	3,057,270
Owner's equity**	128,900,072	124,790,104	123,215,222
Total assets	235,242,231	229,350,074	218,480,351
Number of ordinary and preference issued shares	72,723,650	72,723,650	72,723,650
Basic earnings per share	0.11	0.08	0.06
Return on equity	4.42%	3.56%	2.50%
Return on assets	2.41%	1.97%	1.41%

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

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

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

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

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

The level of the hazardous waste as of 31 December 2017 was 350 kg (31 December 2016: 190 kg), which is merely 0.03% (31 December 2016: 7.88%) of total production throughout the period.

No provision is recognised for covering future environment fines or expenditures in 2017.

Risks and Risk management of the Group

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

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

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

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR based revenues. In 2016, the Group entered into forward transactions in amount of EUR 4,167,097 to cover part of revenues in HUF. As of 31 December 2017 the Group does not have any open forward transactions.

Credit risk

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

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

Receivable balances are monitored on an ongoing basis.

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

Interest rate risk

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

The loan interests are at fixed rates varying between 1.79 % and 7.25 %.

Liquidity risk

Liquidity risk is monitored as follows:

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

Country risk

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

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

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

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

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

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

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

Research and development

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

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2017, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2016: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

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

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

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" with total face value of EUR 840,000 in 2017; (2016: EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2017, the Company held 20,254,351 treasury shares (of which 18,254,351 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 26,315,506 (31 December 2016: 19,898,579 shares – of which 17,898,579 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 25,771,984).

During 2017, the Company purchased 355,772 of its ordinary shares (2016: 1,258,248 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

Suggestion for Dividends to be paid

At their meeting of 27 April, 2018, the Board of Directors approved not to pay dividends on the preference shares as all dividend preference shares are owned by the Group.

The Board of Directors suggests to the Annual General Meeting of the Company not to pay any dividend on ordinary shares for the year 2017.

Significant Events after the end of the reporting period

After the reporting date Fotex Holding S.E. has purchased 8,425,920 pieces of its ordinary shares (which represent 11.91% of the total voting rights of the Company) via the Luxembourg Stock Exchange. In addition to this, Mr. Nikolaos Katsomalos has also informed the Company during this period that he is no longer a shareholder of the Company having sold all of his shares within the Company.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 31 December 2017 Blackburn Luxembourg controlled 50.35% (31 December 2016: 50.35%) of Fotex Holding S.E.'s voting shares.

Corporate governance

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

On 2 January 2018, the Company updated its Corporate Governance Charter which was disclosed on its website. Its website is continuously updated to publish the most recent information available, concerning especially the financial calendar for information purposes, and the management.

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

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

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

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

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

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

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

The Board

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

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

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

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

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

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

The Board shall elect a chairman from among its members.

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

"Independent persons" does not include persons who:

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

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

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

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

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

The Board is composed as follows:

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

The Annual General Meeting of the Company held on 29 May 2017 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 2017.

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

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

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

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

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

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

Audit Committee

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

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

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

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

Composition of the Audit Committee

The Audit Committee is composed as follows:

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

The Members of the Audit Committee were appointed at the Annual General Meeting held on 29 May 2017. 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 2017.

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

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

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

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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

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

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

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

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

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

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

Future Prospects

The financial position and performance of the Group remained stable, which was helped by the improving market conditions in Hungary in 2017.

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

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

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

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

The Group will continue seeking favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group. In the current economic environment there are good opportunities to obtain new credit loans at a low cost. Considering the shareholders' interests the Group does not intend to issue any new shares with the purpose of capital increase.

27 April 2018, Luxembourg

Várszegi Gábor

Fotex Holding S.E.

Chairman of the Board

Financial Statement Certification

In accordance with Article 3 (2) c) of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended), we confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2017 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, 27th April 2018

Gábor VÁRSZEGI	Dávid VÁRSZEGI
Chairman of the Board of Directors	Member of the Board of Directors

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Independent auditor's report

To the Shareholders of
Fotex Holding S.E.
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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Fotex Holding S.E. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

Building a better working world

Valuation of investment properties

Description

The Group's investment properties are comprised of office, retail, warehouses, land and other real estate properties. As of 31 December 2017, the carrying value of the Group's investment properties was EUR 162,725,946 (2016: EUR 169,041,402).

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

The fair values are determined based on a valuation performed by accredited independent appraisers. To determine the investment property fair value appraisers used present value of the estimated future cash flows generated from leasing such assets.

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

Auditor's response

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 29 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

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

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

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

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

Other matter

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 27 April 2018

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

	Note	31 December 2017 EUR	31 December 2016 EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	38,805,572	24,757,945
Current portion of other financial assets	6	662,004	773,124
Accounts receivable and prepayments	7	8,007,793	6,953,203
Income tax receivable		231,567	460,086
Inventories	8	6,371,677	6,832,782
Total current assets		54,078,613	39,777,140
Non-current Assets:			
Property, plant and equipment	9	3,478,607	5,883,963
Investment properties	10	162,725,946	169,041,402
Deferred tax assets	18	302,825	221,835
Intangible assets	11	1,665,093	1,712,793
Non-current portion of other financial assets	6	2,228,288	1,980,535
Goodwill arising on acquisition	13	10,762,859	10,732,406
Total non-current assets		181,163,618	189,572,934
Total assets		235,242,231	229,350,074
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	17	12,720,074	2,478,937
Provision	14	187,045	0
Accounts payable and other liabilities	14	13,216,689	11,291,158
Total current liabilities		26,123,808	13,770,095
Non-current Liabilities:			
Interest-bearing loans and borrowings	17	75,675,328	87,055,041
Other long-term liabilities	14	3,025,060	1,926,375
Deferred tax liability	18	1,500,406	1,727,027
Total non-current liabilities		80,200,794	90,708,443
Shareholders' Equity:			
Issued capital	15	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		99,684,594	95,130,780
Translation difference		(507,957)	(607,633)
Treasury shares, at cost	15	(26,315,506)	(25,771,984)
Equity attributable to equity holders of the parent company		128,900,072	124,790,104
Non-controlling interests in consolidated subsidiaries		17,557	81,432
Total shareholders' equity		128,917,629	124,871,536
Total liabilities and shareholders' equity		235,242,231	229,350,074

The accompanying notes on pages 25 to 78 form an integral part of these consolidated financial statements.

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

	Note	2017	2016
		EUR	EUR
Revenue	19	41,543,085	40,048,827
Cost of sales	20	(5,704,624)	(5,700,674)
Gross Profit		35,838,461	34,348,153
Operating expenses	16	(25,297,139)	(24,259,217)
Operating profit (EBIT)		10,541,322	10,088,936
Interest income		14,215	10,757
Interest expenses	17	(3,206,061)	(3,875,492)
Income before income tax		7,349,476	6,224,201
Income tax expense	18	(1,719,972)	(1,753,330)
Net income		5,629,504	4,470,871
Attributable to:			
Equity holders of the parent company		5,609,196	4,415,558
Non-controlling interests		20,308	55,313
Net income		5,629,504	4,470,871
Basic earnings per share	26	0.11	0.08
Diluted earnings per share	26	0.11	0.08

In order to align the presentation of the consolidated financial statements with some management key performance indicators, the presentation of the Consolidated Income Statement has been amended introducing Cost of Sales, Gross Profit and Operating Profit lines. To ensure comparability, the amount of 5,700,674 EUR was reclassified from 'Operating expenses' into 'Cost of Sales' for the year ended 31 December 2016."

The accompanying notes on pages 25 to 78 form an integral part of these consolidated financial statements.

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

	Note	2017 EUR	2016 EUR
Net income		5,629,504	4,470,871
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	21	100,128	(171,449)
Total comprehensive income/(loss)		5,729,632	4,299,422
Attributable to:			
Equity holders of the parent company		5,708,872	4,243,935
Non-controlling interests		20,760	55,487
		5,729,632	4,299,422

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

The accompanying notes on pages 25 to 78 form an integral part of these consolidated financial statements.

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

	Issued Capital	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 2017	**30,543,933**	**25,495,008**	**95,130,780**	**(607,633)**	**(25,771,984)**	**124,790,104**	**81,432**	**124,871,536**
Net income 2017	–	–	5,609,196	–	–	**5,609,196**	20,308	**5,629,504**
Other comprehensive income	–	–	–	99,676	–	**99,676**	452	**100,128**
Total comprehensive income	–	–	5,609,196	99,676	–	**5,708,872**	20,760	**5,729,632**
Purchase of treasury shares (note 15)	–	–	–	–	(543,522)	**(543,522)**	–	**(543,522)**
Shareholder dividends	–	–	(1,055,382)	–	–	**(1,055,382)**	–	**(1,055,382)**
Minority dividends	–	–	–	–	–	–	(38,846)	**(38,846)**
Purchase from Minority shareholders	–	–	–	–	–	–	(45,789)	**(45,789)**
31 December 2017	**30,543,933**	**25,495,008**	**99,684,594**	**(507,957)**	**(26,315,506)**	**128,900,072**	**17,557**	**128,917,629**

The accompanying notes on pages 25 to 78 form an integral part of these consolidated financial statements.

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

	Issued Capital	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 2016	**30,543,933**	**25,495,008**	**91,783,909**	**(436,010)**	**(24,171,618)**	**123,215,222**	**89,480**	**123,304,702**
Net income 2016	–	–	4,415,558	–	–	**4,415,558**	55,313	**4,470,871**
Other comprehensive income	–	–	–	(171,623)	–	**(171,623)**	174	**(171,449)**
Total comprehensive income	–	–	4,415,558	(171,623)	–	**4,243,935**	55,487	**4,299,422**
Purchase of treasury shares (note 15)	–	–	–	–	(1,600,366)	**(1,600,366)**	–	**(1,600,366)**
Shareholder dividends	–	–	(1,068,687)	–	–	**(1,068,687)**	–	**(1,068,687)**
Minority dividends	–	–	–	–	–	–	(63,535)	**(63,535)**
31 December 2016	**30,543,933**	**25,495,008**	**95,130,780**	**(607,633)**	**(25,771,984)**	**124,790,104**	**81,432**	**124,871,536**

The accompanying notes on pages 25 to 78 form an integral part of these consolidated financial statements.

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

	Note	for the year ended 31 December 2017	2016
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	22	7,349,476	6,224,201
Depreciation and amortisation	16	8,114,775	8,215,840
Impairment loss of intangible and tangible assets	16	-	466,678
Scrapped tangible assets		1,033,795	13,171
Write off of inventories		399,772	185,556
Impairment loss of debtors and reversals	7	(737)	(152,093)
Creation of provision	16	187,754	-
Loss on disposals of fixed assets	9,10,11	(263,526)	(15,263)
Interest income		(14,215)	(10,757)
Effect of spread of rental related incentives and allowance		(222,457)	139,250
Interest expenses	17	3,206,061	3,875,492
Changes in working capital:			
Accounts receivable and prepayments		(206,207)	472,801
Inventories		61,333	(919,194)
Accounts payable and other liabilities		910,695	1,002,061
Cash generated from operations		20,556,519	19,497,743
Income tax paid	18	(1,719,802)	(1,515,313)
Net cash flow from operating activities		18,836,717	17,982,430
Cash flows from investing activities:			
Acquisition of investment properties		(2,247,767)	-
Acquisition of tangible and intangible assets	9,10,11	(674,529)	(1,757,702)
Sale proceeds of tangible and intangible assets	9,10,11	2,973,196	18,230
Other changes of tangible and intangible assets		(25,437)	-
Repayments of loans granted		193,154	2,552
Interest received		14,209	6,775
Net cash flow used in investing activities		232,826	(1,730,145)
Cash flows from financing activities:			
Loan received	17	-	76,315,805
Dividends paid		(1,100,813)	(1,131,876)
Interest paid		(3,046,225)	(2,661,897)
Repayments of loan received		(1,530,020)	(69,097,426)
Purchase of treasury shares		(543,522)	(1,600,366)
Change in other long term liabilities		949,442	31,083
Net cash flow from financing activities		(5,271,138)	1,855,323
Change in cash and cash equivalents		13,798,405	18,107,608
Cash and cash equivalents at beginning of the year	5	24,757,945	7,667,840
Effect of foreign currency translation		249,222	(1,017,503)
Cash and cash equivalents at end of the year	5	38,805,572	24,757,945

The accompanying notes on pages 25 to 78 form an integral part of these consolidated financial statements.

1. General

Further to the decision of the shareholders, as of 31 December, 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January, 2009, registered FOTEX HOLDING S.E. Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING S.E. European public limited company) as of 1 January, 2009. Following the transformation into a European public limited company, the Company's Extraordinary General Meeting held on 4 June, 2009 decided to move the Company's registered office to Luxembourg. The Company has been registered in the Luxembourg companies register under the number R.C.S. B 146.938. The Company's current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August 2009.

Fotex Holding S.E. ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding S.E. is the ultimate parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. which are registered in the Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

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

Subsidiaries	**Principal Activities**	**Issued capital EUR**		**Ownership (%)**		**Voting rights %**	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	10,524,199	10,524,199	100.00	100.00	100.00	100.00
Fotex Netherlands B.V.	Property management	150,018,000	150,018,000	100.00	100.00	100.00	100.00
FN2 B.V.	Property management	18,000	18,000	100.00	100.00	100.00	100.00
FN3 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN4 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN5 B.V.	Property management	100	-	100.00	-	100.00	-
Fotexnet Kft.	Internet retail and other services	1,595,501	1,595,501	100.00	100.00	100.00	100.00
Hungaroton Music Zrt.	Music archive	480,399	480,399	99.21	99.21	99.21	99.21
Keringatlan Kft.	Property management	3,751,896	3,751,896	99.99	99.99	99.99	99.99
Long Term CRE Fund B.V.	Property management	100	100	100.00	100.00	100.00	100.00
Plaza Park Kft.	Property management	18,897	18,897	100.00	100.00	100.00	100.00
Sigma Kft.	Property services	100,650	100,650	100.00	75.05	100.00	75.05
Székhely 2007 Kft.	Property services	102,949	102,949	99.27	99.27	99.28	99.28
Upington Investments S.à r.l.	Investment holding	12,500	12,500	100.00	100.00	100.00	100.00

2. Significant Accounting Policies

Basis of presentation

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

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

Comparative figures

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

The comparative figures for the year ended 31 December 2016 have been reclassified between the two exercises in order to align the presentation of the consolidated financial statements with some management key performance indicators.

The presentation of the Consolidated Income Statement has been amended introducing Cost of Sales, Gross Profit and Operating Profit lines. To ensure comparability, the amount of EUR 5,700,674 was reclassified from 'Other operating expenses' into 'Cost of Sales' for the year ended 31 December 2016."

These reclassifications impact neither the result for the year ended 31 December 2016 nor the net equity as at that date.

Statement of compliance

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

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December, 2017 there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December 2017. 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.

2. Significant Accounting policies (continued)

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

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").

2. Significant Accounting policies (continued)

Foreign currency translation

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

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

	2017	2016
First half year	309.46 HUF/EUR	312.68 HUF/EUR
Second half year	308.97 HUF/EUR	310.27 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 31 December 2017: 310.14 HUF/EUR (31 December 2016: 311.02 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.

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 2017. Adoption of these revised Standards and Interpretations did not have any effect on the financial performance or position of the Group.

Please refer to Note 4 for details on the new standards that will be effective in the future and the Group's assessment of their impact on the consolidated financial statements.

Cash and cash equivalents

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

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

Foreign currency translation

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

2. Significant Accounting Policies (continued)

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

Inventories

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

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

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

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

Property, plant and equipment

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

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

Land is not depreciated.

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.

2. Significant Accounting Policies (continued)

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

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

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

Leases

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

Group as a lessee:

Leases where the Lessor does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:

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

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.

Financial Instruments

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

2. Significant Accounting Policies (continued)

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

The Group's financial assets include cash, short-term deposits, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in the fair value recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

2. Significant Accounting Policies (continued)

Subsequent measurement

Loans and borrowings

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

Fair value of financial instruments

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

Amortised cost of financial instruments

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

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Due from loans and trade receivables and advances to customers

For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Group determines that objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2. Significant Accounting policies (continued)

The Group mainly recognised an allowance for doubtful debts of 100% against all receivables over 360 days since historical experience has been that receivables that are past due beyond 360 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 90 days and 360 days based on estimated unrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Net trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the

amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

De-recognition of financial instruments

Financial assets

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

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

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

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

Financial liabilities

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

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

2. Significant Accounting Policies (continued)

Provisions

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

Investment properties

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

Land is not depreciated.

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

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

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

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

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

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 have the same useful life as its relevant building.Management experience on the real property operations market supports the above assumptions.

Goodwill

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

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

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

Intangible assets

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

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

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

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

2. Significant Accounting Policies (continued)

Income taxes

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

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

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

Capital management

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Treasury shares

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

Revenue recognition

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

Sale of goods

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

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

Interest income

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

Dividends

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

2. Significant Accounting Policies (continued)

Rental income

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

Service charges and expenses recoverable from tenants

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

Fair value measurement

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 10.

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

Subsequent Events

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

3. Significant accounting judgments, estimates and assumptions

Judgements

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

Operating Lease Commitments – Group as Lessor

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

Estimates and assumptions

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

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 is EUR 10,762,859 (2016: EUR 10,732,406). Further details are given in Note 13.

Impairment of Intangibles

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 11.

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

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

Deferred Tax Assets

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

Fair Value of Investment Properties

The Group has determined and presented in the notes the fair value of investment property either as the present value of the estimated future cash flows generated from leasing such assets or using comparable prices. Future cash flows were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 12.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

Classification and measurement of financial assets

The Group does not expect any impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Loans given as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

4. Standards issued but not yet effective (continued)

Classification and measurement of financial liabilities

IFRS 9 doesn't change the basic accounting model for financial liabilities inder IAS 39. Two measurement categories continue to exist: FVTPL and amortised cost. Financial liabilities held for trading are measured at FVTPL and all other liabilities are measured at amortised cost. The Group do not intend to apply fair value option.

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group assessed its current doubtful receivables and impairment accounting approach and concluded that no significant changes are expected in the amount of impairment as a result of the application of IFRS 9.

IFRS 16 Leases

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

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

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group plans to adopt the new standard on the required effective date. The Group has reviewed their contracts with their customers and identified the performance obligations. Revenue is recognised when these obligations are satisfied and it is in line with IFRS15. The Group has assessed that the new standard will not have any impact on its results.

4. Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015 IASB postponed the effective date of this amendment indefinitely pending the outcome of its research on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group will apply these amendments when they become effective. The Group is currently assessing the impact of Amendments to IFRS 10 and IAS 28 and plans to adopt the new standard on the required effective date.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

The International Accounting Standards Board (IASB or Board) issued amendments that effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group thinks that this change will not be relevant in its case.

IFRS 17 Insurance Contracts

The International Accounting Standards Board (IASB or Board) issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The new standard will be effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group thinks that this new standard will not be relevant in its case.

IAS 40 Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. The amendments are effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that these amendments will not have effect on the financial statement of the Group.

4. Standards issued but not yet effective (continued)

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

IAS 23 Borrowing Costs:

The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

IAS 7: Disclosure Initiative (Amendments)

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendment has no impact on the Group.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

The International Accounting Standards Board (IASB or Board) issued Annual Improvements to IFRS Standards 2014–2016, amending the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

Short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that: An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

4. Standards issued but not yet effective (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- The beginning of the reporting period in which the entity first applies the interpretation
- Or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The Group is currently assessing the impact and plans to adopt the new standard on the required effective date.

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 38,805,572 (31 December 2016: EUR 24,757,945).

Cash includes fixed deposit of EUR 2,070,326 at rate 0.05%, (in 2016 cash included EUR 2,069,668 at rate 0.05%).

6. Other financial assets

Current	31 December 2017 EUR	31 December 2016 EUR
Cash deposits connected to rented properties	660,876	581,509
Short-term loans to other parties *	-	190,486
Other short-term investments	1,128	1,129
Other current financial assets, total	662,004	773,124

Non-current	31 December 2017 EUR	31 December 2016 EUR
Cash deposits connected to rented properties	2,177,189	1,928,027
Unquoted equity instruments	50,390	50,257
Long-term loans to other parties **	709	2,251
Other non-current financial assets, total	2,228,288	1,980,535

Cash deposits connected to rented properties:

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

* Short-term loans to other parties:

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

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

The non-current part of other long-term loans includes loans given to employees in amount of EUR 709 (31 December 2016: EUR 2,251).

7. Accounts receivable and prepayments

	31 December 2017	31 December 2016
	EUR	EUR
Accounts receivable	6,017,897	5,143,241
Impairment loss on accounts receivable	(109,234)	(557,988)
Tax assets	86,947	633,066
Other receivables	503,249	883,566
Prepayments/accrued income	1,517,594	1,302,279
Impairment loss on other receivables	(8,660)	(450,961)
Total	8,007,793	6,953,203

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

Impairment loss on debtors and on other receivables at 31 December 2017 is: EUR 117,894 (31 December 2016: EUR 1,008,949).

Movements in impairment loss:

	EUR
1 January 2016	1,220,765
Charge for the year	118,853
Unused amount reversed	(270,946)
Utilised*	(66,829)
Currency gain/(loss) arising on retranslation	7,106
31 December 2016	1,008,949
Charge for the year	17,468
Unused amount reversed	(18,205)
Utilised*	(896,458)
Currency gain/(loss) arising on retranslation	6,140
31 December 2017	117,894

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

7. Accounts receivable and prepayments (continued)

Aged debtors less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2017	5,341,376	218,014	102,456	159,922	49,933	36,962	5,908,663
31 December 2016	4,369,174	152,353	59,927	-	3,374	425	4,585,253

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

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2017	1,391,779	176,609	102,822	0	10,595	417,325	2,099,130
31 December 2016	1,361,193	243,239	329,658	8,263	3,606	421,991	2,367,950

8. Inventories

	31 December 2017	31 December 2016
	EUR	EUR
Merchandise and finished products	6,533,428	6,695,689
Materials	391,056	418,683
Work in progress	2,391,591	2,274,561
Inventories, gross	9,316,075	9,388,933
Impairment of merchandise and finished products	(2,564,109)	(2,159,884)
Impairment of materials	(8,841)	(8,816)
Impairment of work in progress	(371,448)	(387,451)
Impairment of inventories	(2,944,398)	(2,556,151)
Total inventories, net	6,371,677	6,832,782

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 2,944,398 provision made for the impairment of inventories (31 December 2016: EUR 2,556,151) is adequate, from this the current year reversal is EUR 310,205 (in 2016: EUR 628,089) which is disclosed as other operating expense (Note 16). In addition to the impairment, EUR 5,287,058 were recognised as an expense in connection with the sale of inventories (2016: EUR 5,087,393).

9. Property, plant and equipment

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

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2017	**6,632,430**	**18,073,063**	**39,396**	**24,744,889**
Additions	27,357	622,832	-	650,189
Other increase	-	12,740	-	12,740
Other decrease	-	-	(32,591)	(32,591)
Disposals and write downs	(3,053,977)	(795,480)	-	(3,849,457)
Currency gain/(loss) arising on retranslation	175,600	51,537	210	227,347
31 December 2017	**3,781,410**	**17,964,692**	**7,015**	**21,753,117**
Accumulated depreciation:				
1 January 2017	**(2,776,163)**	**(16,084,763)**	**-**	**(18,860,926)**
Depreciation expense	(61,231)	(485,026)	-	(546,257)
Disposals and write downs	502,065	664,323	-	1,166,388
Other increase	-	-	-	-
Other decrease	14,336	-	-	14,336
Currency gain/(loss) arising on retranslation	(2,006)	(46,045)	-	(48,051)
31 December 2017	**(2,322,999)**	**(15,951,511)**	**-**	**(18,274,510)**
Net book value				
31 December 2017	**1,458,411**	**2,013,181**	**7,015**	**3,478,607**
31 December 2016	**3,856,267**	**1,988,300**	**39,396**	**5,883,963**

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

At 31 December 2017, 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 5,251,145 (2016: EUR 5,171,122). The cost of property, plant and equipment temporarily out of use is EUR 0 (2016: EUR 0).

9. Property, plant and equipment (continued)

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

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2016	**6,836,603**	**18,177,799**	**211,271**	**25,225,673**
Transfer to capitalisation	-	173,057	(173,057)	-
Additions	33,538	426,759	-	460,297
Other decrease	(636)	(690,147)	-	(690,783)
Disposals and write downs	-	(139,474)	-	(139,474)
Currency gain/(loss) arising on retranslation	(237,075)	125,069	1,182	(110,824)
31 December 2016	**6,632,430**	**18,073,063**	**39,396**	**24,744,889**
Accumulated depreciation:				
1 January 2016	**(2,404,313)**	**(16,309,583)**	-	**(18,713,896)**
Depreciation expense	(365,654)	(478,379)	-	(844,033)
Disposals and write downs	-	136,507	-	136,507
Other increase	(461,341)	-	-	(461,341)
Other decrease	464,665	676,303	-	1,140,968
Currency gain/(loss) arising on retranslation	(9,520)	(109,611)	-	(119,131)
31 December 2016	**(2,776,163)**	**(16,084,763)**	-	**(18,860,926)**
Net book value				
31 December 2016	**3,856,267**	**1,988,300**	**39,396**	**5,883,963**
31 December 2015	**4,432,290**	**1,868,216**	**211,271**	**6,511,777**

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

10. Investment properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation. An external valuation was rendered to the Group about all of its investment properties as of 31 December 2017. The key valuation methodology and major assumptions used in the valuation are set out below in this note.

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

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

Among the additions the most significant item was the acquisition of a new real estate in Netherlands (in amount of EUR 2,049,742). The value of disposal is composed of demolished warehouses and is included in the EUR 1,034,480 of the Scrapping of inventories and PPE and investment properties line of Operating expenses as presented in the Note 16.

10. Investment properties (continued)

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

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	165,993	26,328,693	155,766,814
Offices	102,674	105,599,192	162,950,018
Warehouses	62,757	1,874,091	10,111,309
Other structures	25,090	3,791,596	9,152,730
Plots of land	901,324	25,132,374	35,699,018
Total investment properties	1,257,838	162,725,946	373,679,889

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

Movements in investment properties in 2016 were as follows:

	Investment properties
Cost:	EUR
1 January 2016	**225,638,213**
Additions	1,277,230
Other increase	-
Disposal	(923,163)
Currency loss arising from retranslation	776,035
31 December 2016	**226,768,315**
Accumulated depreciation:	
1 January 2016	**(50,654,790)**
Depreciation expense	(7,302,986)
Impairment	-
Other increase	-
Disposal	456,725
Currency gain arising from retranslation	(225,862)
31 December 2016	**(57,726,913)**
Net book value:	
31 December 2016	**169,041,402**
31 December 2015	**174,983,423**

Additions refer to the acquisition of a warehouse in Hungary and the capitalised value of refurbishment works. The value of disposal is composed of the value of demolished warehouses and is included in the EUR 466,678 of the Impairment of intangible assets and PPE and investment properties line of Operating expenses as presented in the Note 16.

10. Investment properties (continued)

The fair values of investment properties at 31 December 2016 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	166,063	28,182,663	154,899,233
Offices	96,069	109,190,729	151,356,328
Warehouses	87,881	3,067,683	13,266,466
Other structures	25,090	3,989,278	9,719,285
Plots of land	925,524	24,611,049	33,286,904
Total investment properties	1,300,627	169,041,402	362,528,216

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

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

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

Key valuation assumptions for 2017

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

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

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

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

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

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 310 HUF/EUR exchange rate (2016: 310 HUF/EUR) though this relates only to a small number of properties.

Discounted cash flow valuation method was based on the following assumptions; a 10-years rental period was assumed with 7.00 – 8.25% discount factor and 8.00-8.5% exit interest rate. The applied FX rate was 310 HUF/EUR and the anticipated HICP rate was 2.00% p.a.

10. Investment properties (continued)

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

	2017	2016
	EUR	EUR
Yield rate drops by 50 bps	17,284,414	16,060,832
Rent rate drops by 5%	(13,453,691)	(13,038,800)

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

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

The total area of land, beneath existing buildings and the unused land proportion of warehouses and similar properties, which were excluded from the fair value assessment is 535,541 m2 (2016: 570,479 m2).

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

	2017	2016
	EUR	EUR
Revenues from the rent of investment properties*	25,453,301	24,455,160
Unrecoverable net operating costs	(2,523,575)	(2,302,735)
Costs that do not generate direct sales revenues	-	-
Net income from the rent of investment properties	22,929,726	22,152,425

*The calculation is based on rent roll table as of year-end.

11. Intangible assets

Movements in intangible assets during 2017 were as follows:

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

11. Intangible assets (continued)

Movements in intangible assets during 2016 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2016	**6,667,194**	**815,074**	**7,482,268**
Additions	-	20,175	20,175
Other increase	-	-	-
Transfer to investment property	-	(55)	(55)
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	(7,894)	(7,894)
31 December 2016	**6,667,194**	**827,300**	**7,494,494**
Accumulated amortisation:			
1 January 2016	**(5,008,798)**	**(706,722)**	**(5,715,520)**
Amortisation expense	-	(68,821)	(68,821)
Impairment	-	-	-
Other increase	-	(3,869)	(3,869)
Transfer to investment property	-	-	-
Disposals and write downs	-	-	-
Currency gain/(loss) arising from retranslation	-	6,509	6,509
31 December 2016	**(5,008,798)**	**(772,903)**	**(5,781,701)**
Net book value:			
31 December 2016	**1,658,396**	**54,397**	**1,712,793**
31 December 2015	**1,658,396**	**108,352**	**1,766,748**

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

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

In 2016 the Court ruled in favour of the Company but FTC Zrt and FTC Association turned to the Supreme Court to against the ruling of the Civil Court. The Supreme Court has not issued any ruling on the matter yet.

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

12. Fair value

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

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

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 10):			
Retail outlets	31 December 2017	155,766,814	155,766,814
Offices	31 December 2017	162,950,018	162,950,018
Warehouses	31 December 2017	10,111,309	10,111,309
Other structures	31 December 2017	9,152,730	9,152,730
Plots of land	31 December 2017	35,699,018	35,699,018
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 17)			
VIII. mortgage	31 December 2017	7,011,560	7,011,560
IX. mortgage	31 December 2017	1,555,753	1,555,753
X. mortgage	31 December 2017	2,471,915	2,471,915
XI. loan	31 December 2017	4,258,942	4,258,942
XIV. loan	31 December 2017	6,108,687	6,108,687
XV. loan	31 December 2017	68,462,588	68,462,588

For each class of assets and liabilities not measured at fair value in the statement of financial position, but for which fair value is disclosed. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values. The fair value of fixed rate debt is disclosed in Note 17.

Fair values of loans XIV. and XV. for 2016 were restated in this financial statement, because a calculation error was discovered in 2017. The total effect of restatement is EUR 7,883,778 decrease in fair value. The restatement does not have effect on balance sheet, profit and loss statement or equity of the Group.

12. Fair value (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2016:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 10):			
Retail outlets	31 December 2016	154,899,233	154,899,233
Offices	31 December 2016	151,356,328	151,356,328
Warehouses	31 December 2016	13,266,466	13,266,466
Other structures	31 December 2016	9,719,285	9,719,285
Plots of land	31 December 2016	33,286,904	33,286,904
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 17)			
VIII. mortgage	31 December 2016	7,215,970	7,215,970
IX. mortgage	31 December 2016	1,597,659	1,597,659
X. mortgage	31 December 2016	2,537,614	2,537,614
XI. loan	31 December 2016	4,353,108	4,353,108
XIV. loan	31 December 2016	6,235,107	6,235,107
XV. loan	31 December 2016	69,839,079	69,839,079

13. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2017 and 2016:

	31 December 2017	31 December 2016
	EUR	EUR
Cost:		
1 January	18,028,492	17,907,581
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	51,157	120,911
Closing balance	18,079,649	18,028,492
Impairment:		
1 January	(7,296,086)	(7,247,154)
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	(20,704)	(48,932)
Closing balance	(7,316,790)	(7,296,086)
Net book value		
1 January	10,732,406	10,660,427
Closing balance	10,762,859	10,732,406

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

Goodwill is therefore tested as follows:

	31 December 2017	31 December 2016
	EUR	EUR
Total goodwill	10,762,859	10,732,406
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,472,314)	(1,468,148)
Goodwill tested for impairment	9,290,545	9,264,258

The goodwill tested for impairment is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2017. 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:

	31 December 2017	31 December 2016
	EUR	EUR
Keringatlan Kft.	9,048,540	9,022,937
Plaza Park Kft.	1,714,319	1,709,469
Net book value	10,762,859	10,732,406

14. Accounts payable, other liabilities and provision

	31 December 2017	31 December 2016
	EUR	EUR
Trade payables	782,098	525,946
Taxes payable	2,625,688	2,031,123
Advances from customers	16,725	59,112
Accrued expenses	1,205,703	707,221
Deferred rental income	5,294,500	4,625,370
Amounts payable to employees	201,528	190,129
Deposits from tenants	660,876	581,509
Other liabilities	2,429,571	2,570,748
Total accounts payable and other current liabilities	13,216,689	11,291,158
Other long term liabilities	3,025,060	1,926,375

Terms and conditions of the above liabilities:

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

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

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

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

The Group has received 2 to 3 months deposits of EUR 2,837,560 (2016: EUR 2,507,884) 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 2,176,685 (2016: EUR 1,926,375), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 660,876 (2016: EUR 581,509).

The Group has identified an error in presentation of other liabilities and accrued expenses for 2016. A reclassification was necessary from other liabilities to accrued expenses in amount of EUR 392,544. The restatement does not have effect on balance sheet, profit and loss statement or equity of the Group.

Among accrued expenses the Group shows an accrual for guarantee payable in amount of EUR 334,400, which cause a slight increase in 2017 compared to 2016.

Deferred rental income shows an increase of EUR 669,130 which is the combined result of the increased business volume and the different timing of charging the rental fee to tenants.

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

Among taxes payable the Group shows VAT, corporate income tax and local tax liabilities, which increased slightly in 2017 compared to 2016.

Provision:

During the financial year of 2017 provisions of EUR 187,045 have been accounted for the expenses expected to arise in connection with termination of employment. In 2016 the Group did not have provisions.

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 2017, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2016: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

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

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

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" 2017: EUR 840,000; (2016: EUR 840,000) are also shown in "Treasury shares". During 2017, no dividend preference shares are held by management.

As at 31 December 2017, the Company held 20,254,351 treasury shares (of which 18,254,351 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 26,315,506 (31 December 2016: 19,898,579 shares – of which 17,898,579 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 25,771,984).

During 2017, the Company purchased 355,772 of its ordinary shares (2016: 1,258,248 shares) on an arm's length basis. All dividend preference shares are owned by the Group.

16. Operating expenses

	31 December 2017	31 December 2016
	EUR	EUR
Payments to personnel	(5,469,913)	(5,384,263)
Material and service type expenses	(7,775,522)	(8,061,361)
Other expenses, net*	(3,936,929)	(2,597,753)
Depreciation and amortisation charge	(8,114,775)	(8,215,840)
Total operating expenses	(25,297,139)	(24,259,217)

In order to align the presentation of the consolidated financial statements with some management key performance indicators, the presentation of the Consolidated Income Statement has been amended introducing Cost of Sales, Gross Profit and Operating Profit lines. To ensure comparability, the amount of 5,700,674 EUR was reclassified from 'Other operating expenses' into 'Cost of Sales' for the year ended 31 December 2016."

* Other expenses (net) include the following:

	31 December 2017	31 December 2016
	EUR	EUR
Realised and unrealized FX differences (net)	22,070	552,844
Taxes other than income tax	(1,794,629)	(1,694,490)
Impairment and scrapping of tangible and intangible assets	(1,033,795)	(466,678)
Impairment and scrapping of inventories	(399,772)	(185,556)
Provision	(187,754)	-
Development grants	(312,712)	(493,432)
Other expenses/income	(230,337)	(310,441)
Total other expenses, net	(3,936,929)	(2,597,753)

17. Interest-bearing loans and borrowings

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

In 2011, when the Group acquired its ownership in Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are recognised as liabilities to related parties in the consolidated financial statements. These four loans (Loans VIII.-XI.) are owed by The Group to Zürich Investments Inc.

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

17. Interest-bearing loans and borrowings (continued)

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 31 Dec 2017 EUR	Current portion at 31 Dec 2017 EUR	Long-term portion at 31 Dec 2016 EUR	Current portion at 31 Dec 2016 EUR
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	-	6,852,224	6,520,850	180,779
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	-	1,459,357	1,390,008	82,009
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	-	2,299,700	2,191,944	129,756
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,386,073	23,399	3,300,570	138,503
XIV. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	5,994,112	130,020	6,124,089	130,020
XV. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.79% p.a.	66,295,143	1,691,844	67,527,580	1,567,290
Overdraft and short term					-	263,530	-	250,580
Total			**90,885,756**		**75,675,328**	**12,720,074**	**87,055,041**	**2,478,937**

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

The net book values of these properties at 31 December 2017 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 8,021,241
4205 AZ Gorichem, Stadhuisplein 1a, 70 and 70a	EUR 10,627,819
2034 MA Haarlem, Schipholpoort 20	EUR 4,126,707
3439 LD Nieuwegein, Ravenswade 15	EUR 9,764,999
3528 BJ Utrecht, Papendorpseweg 65	EUR 12,815,570
2123 JH Hoofddorp, Polarisavenue 1	EUR 15,805,588
1101 CE Amsterdam Southeast, Entrée 500	EUR 12,417,373

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

Included in the Group's total interest expense of EUR 3,206,061 (2016: EUR 3,875,492) is a total interest expense in relation to the loans I.-XV. above of EUR 3,197,871 in 2017 (2016: EUR 3,864,504).

17. Interest-bearing loans and borrowings (continued)

The scheduled maturity of loans at 31 December 2017 and 2016 is set out in EUR in the table below:

Due in	within 1 year	between 1-2 years	between 2-3 years	between 3-4 years	over 4 years	Total
2017	12,720,072	-	-	9,380,185	66,295,145	88,395,402
2016	2,478,937	10,102,802	-	-	76,952,239	89,533,978

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

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

Fair value of loans having a fixed interest rate:

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

Item	Fair value at 31 Dec 2016 EUR	Book value at 31 Dec 2016 EUR
VIII. loan	7,215,970	6,701,629
IX. loan	1,597,659	1,472,017
X. loan	2,537,614	2,321,700
XI. loan	4,353,108	3,439,073
XIV. mortgage	6,235,107	6,254,109
XV. mortgage	69,839,079	69,094,870
Total	**91,778,537**	**89,283,398**

Fair values of loans XIV. and XV. for 2016 were restated in this financial statement, because a calculation error was discovered in 2017. The total effect of restatement is EUR 7,883,778 decrease in fair value. The restatement does not have effect on balance sheet, profit and loss statement or equity of the Group.

18. Income tax

Income tax (payable)/receivable:	2017	2016
	EUR	EUR
Opening income tax (payable)/receivable	(664,661)	(606,186)
Income tax charge	(2,033,037)	(1,890,400)
Settlement of income tax	1,485,894	1,831,925
Closing income tax (payable)/receivable	(1,211,804)	(664,661)

Income tax expense:	2017	2016
	EUR	EUR
Tax expense	2,033,037	1,890,400
Deferred tax income	(313,065)	(137,070)
Income tax expense	1,719,972	1,753,330

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

	2017	2016
	EUR	EUR
Income before minority interests and income taxes	7,349,476	6,224,201
Tax at statutory rate	1,141,356	1,110,176
Effect of tax losses for which no corresponding deferred tax asset recognized	80,024	-
Effect of tax rate differences	597,302	526,980
Differences arising from Hungarian tax rate change	-	(172,471)
Effect of recurring tax relief	(277,398)	(481,507)
Effect of other permanent differences	(473,761)	148,243
Local business tax and innovation contribution	722,356	552,979
Tax losses used during the year on unrecognised deferred tax assets	-	(3,165)
Reversed deferred tax asset on prior year's carried forward loss	(69,907)	72,095
Income tax expense	1,719,972	1,753,330

18. Income tax (continued)

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

The income tax rate applicable to Fotex Holding S.E.'s and Upington Investments S.à r.l.'s income earned in Luxembourg is 20.33% from 1 January 2017, which results in a total tax of 27.08% (2016: 22,47% and 29,22%) as increased by Luxembourg's municipal business tax (Fotex Holding S.E. and Upington Investments S.à r.l. moved their registered seat from Capellen to Luxembourg in 2012). The applicable tax rate decreased to 19,26% from 1 January 2018, which results in a total tax of 26.01% increased 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 2017 and 2016 the tax rate used in the deferred tax calculation for the Hungarian companies is 9% because of the tax rate change as from 1 January, 2017.

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

Deferred tax assets and deferred tax liabilities as at 31 December 2017 and 2016 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the consolidated income statement items were determined based on average foreign exchange rates for 2017.

In 2017 the Dutch and Luxembourg entities had positive tax base, which is also the case in 2016 (except for Long Term CRE Fund B.V.)

18. Income tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2017	2016	2017	2016
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(41,907)	(101,841)	60,451	(29,920)
Temporary difference between the book value and acquisition value of buildings	(985,992)	(1,040,346)	57,522	233,155
Capitalisations of small value assets	(13,261)	(11,606)	(1,628)	2,456
Difference from loan transaction charges	(111,820)	(151,084)	39,842	(83,043)
Deferred tax related to rental discount	(173,981)	(125,118)	(48,693)	35,897
Temporary difference on loan origination fees	(173,445)	(297,032)	124,905	74,199
Gross deferred income tax liabilities	(1,500,406)	(1,727,027)	232,399	232,744
Deferred income tax assets				
Provision	16,834	-	16,898	-
Impairment of debtors	9,866	46,389	(36,793)	(95,046)
Tax losses carried forward	93,758	24,047	69,907	(72,088)
Revaluation difference on related party transactions	182,367	151,399	30,654	71,460
Gross deferred income tax assets	302,825	221,835	80,666	(95,674)
Deferred income tax income / (expense)			313,065	137,070
Net deferred income tax liability	(1,197,581)	(1,505,192)		

19. Revenue

Sales revenue	2017	2016
	EUR	EUR
Rental income revenue	26,145,870	25,029,428
Sale of goods*	7,026,576	7,500,562
Revenue from service charges to tenants	3,743,192	3,527,050
Provision of services	3,446,977	2,772,955
Royalty revenue	267,318	248,240
Other sales revenue**	913,152	970,592
Total sales revenue	41,543,085	40,048,827

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

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

20. Cost of sales

In order to align the presentation of the consolidated financial statements with some management key performance indicators, the presentation of the Consolidated Income Statement has been amended introducing Cost of Sales. To ensure comparability, the amount of 5,700,674 EUR was reclassified from 'Other operating expenses' into 'Cost of Sales' for the year ended 31 December 2016."

Cost of sales	2017	2016
	EUR	EUR
Raw materials and consumables	2,056,680	2,112,542
Cost of goods sold	1,396,884	1,331,569
Cost of services sold	2,251,060	2,256,563
Total cost of sales	5,704,624	5,700,674

21. 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.

22. Segment information

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

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

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

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

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

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

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

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

22. Segment information (continued)

Net sales:	2017 Net Sales external EUR	2017 Net Sales inter-segment EUR	2017 Net sales EUR	2016 Net Sales external EUR	2016 Net Sales inter-segment EUR	2016 Net sales EUR
Investment property management	30,167,746	479,627	30,647,373	28,384,954	471,005	28,855,959
Crystal and glass manufacturing	5,738,417	2,584	5,741,001	6,706,716	-	6,706,716
All other segments	5,636,922	1,855,326	7,492,248	4,957,157	1,721,438	6,678,595
Inter-segment elimination	-	(2,337,537)	(2,337,537)	-	(2,192,443)	(2,192,443)
Net sales	41,543,085	-	41,543,085	40,048,827	-	40,048,827

Material-type expenses:	2017 Material-type expenses external EUR	2017 Material-type expenses inter-segment EUR	2017 Material-type expenses EUR	2016 Material-type expenses external EUR	2016 Material-type expenses inter-segment EUR	2016 Material-type expenses EUR
Investment property management	(5,492,121)	(1,703,717)	(7,195,838)	(5,948,319)	(1,634,901)	(7,583,220)
Crystal and glass manufacturing	(493,612)	(130,366)	(623,978)	(527,718)	(137,579)	(665,297)
All other segments	(1,789,789)	(413,375)	(2,203,164)	(1,585,324)	(347,478)	(1,932,802)
Inter-segment elimination	-	2,247,458	2,247,458	-	2,119,958	2,119,958
Material-type expenses	(7,775,522)	-	(7,775,522)	(8,061,361)	-	(8,061,361)

During 2017 the Group decided to show its cost of sales in a separate line in the Income Statement. (Previously it was included in Material-type expenses among Operating expenses). The segment note was adjusted accordingly. The amount of cost of sales was EUR 5,704,624 as of 31 December 2017 (EUR 5,700,674 as of 31 December 2016).

Income before income taxes:	2017 EUR	2016 EUR
Investment property management	7,384,166	5,589,860
Crystal and glass manufacturing	(687,692)	783,276
All other segments	653,002	(148,935)
Income before income taxes	7,349,476	6,224,201

22. Segment information (continued)

Depreciation and amortisation:	2017	2016
	EUR	EUR
Investment property management	(7,290,660)	(7,319,589)
Crystal and glass manufacturing	(223,200)	(221,727)
All other segments	(600,915)	(674,524)
Depreciation and amortisation:	(8,114,775)	(8,215,840)

	31 December 2017	31 December 2017	31 December 2017	31 December 2016	31 December 2016	31 December 2016
Assets:	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Investment property management	214,229,620	1,840,985	216,070,605	207,831,604	622,308	208,453,912
Crystal and glass manufacturing	11,353,477	2,218	11,355,695	11,790,504	2,598	11,793,102
All other segments	9,659,134	1,654,660	11,313,794	9,727,966	1,631,897	11,359,863
Inter-segment elimination	-	(3,497,863)	(3,497,863)	-	(2,256,803)	(2,256,803)
Net assets	235,242,231	-	235,242,231	229,350,074	-	229,350,074

	31 December 2017	31 December 2017	31 December 2017	31 December 2016	31 December 2016	31 December 2016
Liabilities and accruals:	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR
Investment property management	103,213,535	1,377,156	104,590,691	101,853,098	1,467,686	103,320,784
Crystal and glass manufacturing	1,117,083	328,455	1,445,538	784,324	236,769	1,021,093
All other segments	1,993,984	1,800,727	3,794,711	1,841,116	562,884	2,404,000
Inter-segment elimination	-	(3,506,338)	(3,506,338)	-	(2,267,339)	(2,267,339)
Liabilities and accruals:	106,324,602	-	106,324,602	104,478,538	-	104,478,538

Tangible and intangible asset additions:	2017	2016
	EUR	EUR
Investment property management	2,753,968	1,491,474
Crystal and glass manufacturing	78,150	353,665
All other segments	90,178	85,620
Tangible asset additions:	2,922,296	1,930,759

23. Financial risks, management objectives and policies

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

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

Interest rate risk

The Group entered into EUR loans to buy properties in the Netherlands. The loan interests fixed rates varying between 1.79% and 7.25%. The Group transferred four formerly intra-group loans which are uncovered as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, from 1 July 2011, the transferred loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

Foreign currency ("FX") risk

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

The Group also has a translation risk on transactions – which occurs when the Group buys or sells in a currency other than its presentation currency. Nearly 22.93% of the Group's revenues (2016: 20.92%) and 53.14% of costs (2016: 52.54%) are from transactions made in other than the presentation currency of the Group.

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

		Increase (stronger EUR)/decrease (weaker EUR) in HUF/EUR rate	Impact on the pre-tax profit
			EUR
2017	revenues	+10%	(952,377)
		-10%	952,377
	costs	+10%	1,647,560
		-10%	(1,647,560)
2016	revenues	+10%	-837,676
		-10%	837,676
	costs	+10%	1,573,981
		-10%	-1,573,981

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.

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

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

	Increase/decrease in HUF/EUR rate	Impact on the book value of financial assets and liabilities
		EUR
2017	+10%	(123,732)
	-10%	123,732
2016	+10%	66,699
	-10%	(66,699)

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

	2017	2016
	EUR	EUR
Financial liabilities	6,304,576	4,948,287
Financial assets	7,541,893	4,281,301

Financial liabilities (other liabilities and accrued expenses) and financial assets (trade receivables and accrued income) denominated in HUF increased significantly in 2017 comapred to 2016.

In 2016 Keringatlan has entered into forward contracts to cover its foreign currency risk. As at 31 December, 2016 the fair value of outstanding foreign exchange forward contracts amounted to a liability of 54,455 EUR. The ineffectiveness was not recognised in the profit and loss statement considering the immaterial value of the transactions.

Credit risk

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

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

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 December 2017 the Group's maximum exposure to credit risk is EUR 49,558,570 (31 December 2016: EUR 33,811,497). The main reason of this increase is cash denominated in HUF increased by EUR 14,047,627 in 2017 compared to 2016.

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

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

Liquidity risk

Liquidity risk is monitored as follows:

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

The Group's liabilities based on contracted not discounted payments at 31 December 2017 and 2016 are presented below according to maturity.

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

31 December 2016	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	33,322	490,016	286	2,322	-	525,946
Taxes payable	772,429	1,205,315	53,379	-	-	2,031,123
Advances from customers	-	44,393	-	14,719	-	59,112
Accrued expenses	88,110	483,314	135,797	-	-	707,221
Amounts payable to employees	-	189,609	-	-	520	190,129
Deposits from tenants	-	4,688	576,821	-	-	581,509
Other liabilities	205,819	1,471,978	892,951	-	-	2,570,748
Total current liabilities	**1,099,680**	**3,889,313**	**1,659,234**	**17,041**	**520**	**6,665,788**
Loans received	-	1,725,257	2,994,720	32,904,177	62,589,057	100,213,211
Other long-term liabilities				1,926,375		1,926,375
Total	**1,099,680**	**5,614,570**	**4,653,954**	**34,847,593**	**62,589,577**	**108,805,374**

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

Marurity of other liabilities and accrued expenses were restated for 2016 in line with the restatement of accounts payable note (Note 14). A reclassification was necessary from other liabilities to accrued expenses in amount of EUR 392,544 in category 'within 3 months'.

Capital management

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

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 31 December 2017 and 2016 are presented below:

	31 December 2017	31 December 2016
	EUR	EUR
Short-term and long-term borrowings (Note 17):	88,395,402	89,533,978
Trade payables and other current liabilities less deferred rental income (Note 14):	7,922,189	6,665,788
Cash and cash equivalents (Note 5):	(38,805,572)	(24,757,945)
Net debt:	57,512,019	71,441,821
Equity attributable to the Company:	128,900,072	124,790,104
Total:	186,412,091	196,231,925
Indebtedness ratio*:	30.85%	36.41%

The Company's indebtedness ratio decreased from 36.41% at 31 December 2016 to 30.85% at 31 December 2017, primarily due to repayment of seven loans (I., II., V., VI., VII., XII. and XIII.), and the addition of two new loans (FHG – XIV. and Hypobank – XV.). The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

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

24. Investments in subsidiaries

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

- On 12 September 2017, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN5 B.V.

- Fotex Holding S.E. purchased all remaining shares (24.95%) of Sigma Kft. from minority owners so now Sigma Kft. is fully controlled by The Group.

During 2016 The Group entered into the following transaction that affected the Group structure.

- On 26 May 2016, Fotex Netherlands B.V. established a subsidiary in the Netherlands, FN4 B.V.

25. Operating Leases

Group as lessee

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

Besides the Group leases 173 parking spaces located in Hoofddorp and Rotterdam.

Since September 2001, the Group has been leasing retail sites within "MOM Park"; the relating contract had a term of 6 years, in March 2007, the Group announced its intention to use its option on the outlets rented in "MOM Park", whereby the rental contracts were extended till September 2018. At 31 December 2017, the leased area in MOM Park totalled 2,688 m2 (2016: 2,688 m2).

One of the contracts on retail outlets in Budapest classified as other centres and shops expired in December 2016, one will expire in 2018, the other sites are rented for indefinite period. The rents of the four outlets in Győr expire in December 2022 and in 2024, for which the relating leasing fee is presented for the entire contracted period as at 31 December 2017.

As at 31 December 2017, operating lease commitment in case of other centres and shops also includes the contracted fees for the rented parking spaces in Hoofddorp, which rent expires in June, 2022.

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

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

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

At 31 December 2016, the Group had the following minimum leasing fee commitments:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2017	596,252	448,724	1,044,976
2018	432,342	448,188	880,530
2019	-	444,676	444,676
Thereafter	-	1,051,807	1,051,807
Total	1,028,594	2,393,395	3,421,989

25. Operating Leases (continued)

In 2017, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 590,304 (2016 Jan-Dec: EUR 590,241), and EUR 451,052 (2016 Jan-Dec: EUR 452,357) for January to December in relation to other shops and outlets.

Some of the retail shop premises are still rented from local municipalities. These rentals may be cancelled by the lessor with a notice period of at least one year. The rent relates to a total area of 737 m2 (2016: 737 m2) at a rental cost of EUR 73,527 for January to December 2017 (2016: EUR 72,269).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2016, the Group did not exercise any such right in 2017.

Group as lessor

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

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

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

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

The Group's fixed rental fee revenue as of 31 December 2016 (EUR):

Due in	2017	2018	2019	After 2019	Total
	12,243,844	11,280,346	10,545,910	42,034,720	76,104,820

26. 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:

	2017	2016
	EUR	EUR
Net profit attributable to equity holders from continuing operations	5,609,196	4,415,558
Net profit attributable to shareholders	5,609,196	4,415,558
Weighted average number of shares in issue during the year	52,875,246	53,286,390
Basic earnings per share (EUR)	0.11	0.08

The diluted earnings per share agree with basic earnings per share in 2017 and 2016 as there is no dilution effect in these years.

27. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Fotex Holding S.E.. As at 31 December 2017, Blackburn Luxembourg controlled 50.35% (31 December 2016: 50.35%) of Fotex Holding S.E's voting shares. These companies are considered to be related parties.

Related party transactions

2017 disclosures

Rental and other related fees paid to Fotex Ingatlan during 2017 were EUR 308,034 (2016: EUR 400,333).

Administrative and expert fees paid by Fotex Ingatlan during 2017 were EUR 18,290 (2016: EUR 29,542).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. for 2017 were EUR 94,800 (2016: EUR 97,430).

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

For 2017, Fotex Netherlands B.V. was charged interest of EUR 780,821 (2016: EUR 780,821) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 15).

For 2017, FN2 B.V. was charged interest of EUR 275,500 (2016: EUR 275,500) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For 2017, Long Term CRE Fund B.V. was not charged interest (2016: EUR 489,316) by Blackburn Inc.

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 822,750 in 2017 (2016: EUR 761,133) was short term benefits.

28. Subsequent Events after the end of the reporting period

After the reporting date Fotex Holding S.E. has purchased 8,425,920 pieces of its ordinary shares (which represent 11.91% of the total voting rights of the Company) via the Luxembourg Stock Exchange. In addition to this, Mr. Nikolaos Katsomalos has also informed the Company during this period that he is no longer a shareholder of the Company having sold all of his shares within the Company.