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

Consolidated financial statements for the year ended 31 December 2016,
Management report and
Independent auditor's report

Table of contents

Management Report

General

Fotex Holding SE (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 SE (ultimate parent company) and Upington Investments S.à r.l., who are registered in Luxembourg, and Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 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:

Subsidiary:	Principal Activities:	2016	2015
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.00	100.00
Fotex Netherlands B.V.	Property management	100.00	100.00
FN 2 B.V.	Property management	100.00	100.00
FN 3 B.V.	Property management	100.00	100.00
FN 4 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	75.05	75.05
Székhely 2007 Kft.	Property services	99.27	99.28
Upington Investments S.à r.l.	Investment holding	100.00	100.00

During 2016 Fotex 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, FN 4 B.V.

During 2015 Fotex Group entered into the following transactions that affected the Group structure.

- The owner of Ajka Kristály Kft. increased the capital by EUR 2,923,646 on 8 April, 2015.
- The owner of Plaza Park Kft. decreased the capital by EUR 1,152,683 on 22 June 2015.
- On 3 August 2015, Fotex Netherlands B.V. established a subsidiary in the Netherlands, LT CRE Fund BV.
- At 30 September, 2015 the Group disposed 100% of Balaton Bútor Kft. As a result Balaton Bútor Kft. has not been a Fotex Group member since 30 September, 2015.
- The owner of Fotex Netherlands B.V. increased the capital by EUR 150,000,000 on 8 December, 2015.

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 following:

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

**Furniture manufacturing business line was sold in FY 2015Q3*

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.

The following tables below summarize the Group's revenues and profit before tax for 2016 and 2015 by business lines:

Net sales:	2016 Net Sales EUR	2015 Net sales EUR
Investment property holding and management	28,855,959	28,541,301
Crystal and glass manufacturing	6,706,716	6,508,702
All other segments	6,678,595	9,156,202
Inter-segment elimination	(2,192,443)	(2,370,484)
Net sales	40,048,827	41,835,721

Income before income taxes:	2016 EUR	2015 EUR
Investment property holding and management	5,589,860	5,861,887
Crystal and glass manufacturing	783,276	283,866
All other segments	(148,935)	(1,577,468)
Profit before income taxes	6,224,201	4,568,285

Profit before income taxes in other business line in 2015 included impairment of FTC merchandising rights (EUR 1,000,000) and property, plant and equipments (EUR 569,783).

The operating results of Fotex Group vary from year to year due to changes in exchanges rates, discontinuation of lines of business, as well as general European and global economic trends. Fotex Group tries to counterbalance such changes as best as possible by reorganizing and rationalizing business segments which Fotex 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:	2016 EUR	2015 EUR
Rental income revenue	25,029,428	24,379,187
Sale of goods	7,500,562	10,722,198
Revenue from service charges to tenants	3,527,050	3,637,536
Provision of services	2,772,955	2,325,422
Royalty revenue	248,240	350,796
Other sales revenue	970,592	420,582
Total sales revenue	40,048,827	41,835,721

The structure of the activities has not changed significantly in 2016 when compared to 2015. It can be seen that revenues generated by real estate management are the most significant, which have improved slightly during the year. In 2015 and 2016 the investment portfolio was extended by the acquisition of a retail real estate and an office building as well in the Netherlands.

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 2016 and the investment property portfolio in the Netherlands performed well.

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; which resulted in an increase in the rental fees in local currency for the tenants, thus worsened leasing opportunities,this trend has changed in 2016 as the HUF/EUR FX rate was 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 (both in 2016 and 2015) and furniture products (only in 2015).

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

Selected financial information (EUR)	**31.12.2016**	**31.12.2015**	**31.12.2014**
Sales	40,048,827	41,835,721	40,803,046
Gross profit*	34,348,153	34,641,018	33,661,509
Operating profit**	10,088,936	8,625,179	11,137,104
Pre-tax profit	6,224,201	4,568,285	6,881,507
Net income***	4,415,558	3,057,270	5,926,990
Owner's equity****	124,790,104	123,215,222	121,285,075
Total assets	229,350,074	218,480,351	215,791,448
Number of ordinary and preference issued shares	72,723,650	72,723,650	72,723,650
Basic earnings per share	0.08	0.06	0.11
Return on equity	3.56%	2.50%	4.87%
Return on assets	1.97%	1.41%	2.73%

* *revenue less cost of sales*
** *gross profit less operating expenses*
*** *net income attributable to equity holders of the Company*
**** *equity attributable to equity holders of the Company*

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 2016 was 190 kg (31 December 2015: zero kg), which is merely 7.88% (2015: 0.00%) of the hazardous waste produced throughout the whole year.

No provision is recognised for covering future environment fines or expenditures in 2016.

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 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 addition, the Group entered into forward transactions in amount of EUR 4,167,097 to cover part of revenues in HUF for the financial year of 2016.

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 limits the increase of the interest rate by applying a cap.

The loan interests vary between 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 Fotex 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 have been totally 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 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 2016, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2015: 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 2016; (2015: EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2016, the Company held 19,898,579 treasury shares – of which are 17,898,579 ordinary shares and 2,000,000 are dividend preference shares – at a historic cost of EUR 25,771,984 (31 December 2015: 18,640,331 shares – of which 16,640,331 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 24,171,618).

During 2016, the Company purchased 1,258,248 of its ordinary shares (2015: 241,615 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 25 April, 2017, 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 that the Company pays EUR 0.02 dividend per ordinary share eligible to receive dividends for the year 2016. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries. The Board of Directors suggests to the Annual General Meeting of the shareholders that, subject to their final decision, the payment date of dividend is to be on 20 June, 2017.

The Annual General Meeting of the shareholders of the Company will decide on the amount of dividends to be paid on the ordinary shares for the year 2016 and on the date of payment of dividend.

Significant Events after the end of the reporting period

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

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 31 December 2016 Blackburn Luxembourg controlled 50.35% (31 December 2015: 50.35%) of the Company's voting shares. These companies are considered to be related parties.

Corporate governance

In the course of 2016, 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.

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

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. Jan Thomas LADENIUS	Member of the Board
Mr. Bob 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 22 August 2016 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 2016.

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. Jan Thomas Ladenius (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 22 August 2016. 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 2016.

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 Association of the Company, the General Assembly 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.

There is no system of control of employee share scheme where the control rights are not exercised directly by the employees.

Future Prospects

The financial position and performance of the Group remained stable, which was helped by the improving market conditions in Hungary in 2016.

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.

25 April 2017, Luxembourg

Várszegi Gábor

Fotex Holding SE

Chairman of the Board

Building a better working world

Ernst & Young
Société anonyme

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

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

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

Independent auditor's report

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

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 25 May 2016, we have audited the accompanying consolidated financial statements of Fotex Holding S.E. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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Responsibility of the "réviseur d'entreprises agréé" (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fotex Holding S.E. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, which is included in the consolidated management report, together with the corporate governance charter as published on the Company's website (www.fotex.hu/relations/corporate) as of the date of this report, which is the responsibility of the Board of Directors, contains the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 25 April 2017

Fotex Holding SE and Subsidiaries
Consolidated Statement of Financial Position
Figures in EUR

	Note	31 December 2016	31 December 2015
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	24,757,945	7,667,840
Current portion of other financial assets	6	773,124	610,459
Accounts receivable and prepayments	7	6,953,203	7,571,369
Income tax receivable	18	460,086	265,662
Inventories	8	6,832,782	6,099,144
Total current assets		39,777,140	22,214,474
Non-current Assets:			
Property, plant and equipment	9	5,883,963	6,511,777
Investment properties	10	169,041,402	174,983,423
Deferred tax assets	18	221,835	315,151
Intangible assets	11	1,712,793	1,766,748
Non-current portion of other financial assets	6	1,980,535	2,028,351
Goodwill arising on acquisition	13	10,732,406	10,660,427
Total non-current assets		189,572,934	196,265,877
Total assets		229,350,074	218,480,351
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	17	2,478,937	41,924,668
Accounts payable and other liabilities	14	11,291,158	9,724,489
Total current liabilities		13,770,095	51,649,157
Non-current Liabilities:			
Interest-bearing loans and borrowings	17	87,055,041	39,608,422
Other long-term liabilities	14	1,926,375	1,971,998
Deferred tax liability	18	1,727,027	1,946,072
Total non-current liabilities		90,708,443	43,526,492
Shareholders' Equity:			
Issued capital	15	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		95,130,780	91,783,909
Translation difference		(607,633)	(436,010)
Treasury shares, at cost	15	(25,771,984)	(24,171,618)
Equity attributable to equity holders of the parent company		124,790,104	123,215,222
Non-controlling interests in consolidated subsidiaries		81,432	89,480
Total shareholders' equity		124,871,536	123,304,702
Total liabilities and shareholders' equity		229,350,074	218,480,351

The accompanying notes on pages 22 to 74 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Note	for the year ended 31 December 2016 EUR	2015 EUR
Revenue	19	40,048,827	41,835,721
Operating expenses	16	(29,959,891)	(33,210,542)
Interest income		10,757	63,766
Interest expenses	17	(3,875,492)	(4,120,660)
Income before income tax		6,224,201	4,568,285
Income tax expense	18	(1,753,330)	(1,474,774)
Net income		4,470,871	3,093,511
Attributable to:			
Equity holders of the parent company		4,415,558	3,057,270
Non-controlling interests		55,313	36,241
Net income		4,470,871	3,093,511
Basic earnings per share	25	0.08	0.06
Diluted earnings per share	25	0.08	0.06

The accompanying notes on pages 22 to 74 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statement of Comprehensive Income
Figures in EUR

	Note	for the year ended 31 December 2016 EUR	2015 EUR
Net income		4,470,871	3,093,511
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	20	(171,449)	800,444
Total comprehensive income/(loss)		4,299,422	3,893,955
Attributable to:			
Equity holders of the parent company		4,243,935	3,856,276
Non-controlling interests		55,487	37,679
		4,299,422	3,893,955

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

The accompanying notes on pages 22 to 74 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 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)**
Reversed written off goodwill reserve (note15)	–	–	–	–	–	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	–	–	–	–	–	–	–	–
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 22 to 74 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2015	**30,543,933**	**25,495,008**	**(243,350)**	**90,597,301**	**(1,235,016)**	**(23,872,801)**	**121,285,075**	**155,953**	**121,441,028**
Net income 2015	–	–	–	3,057,270	–	–	**3,057,270**	36,241	**3,093,511**
Other comprehensive income	–	–	–	–	799,006	–	**799,006**	1,438	**800,444**
Total comprehensive income	–	–	–	3,057,270	799,006	–	**3,856,276**	37,679	**3,893,955**
Purchase of treasury shares (note 15)	–	–	–	–	–	(298,817)	**(298,817)**	–	**(298,817)**
Shareholder dividends	–	–	–	(1,627,312)	–	–	**(1,627,312)**	–	**(1,627,312)**
Minority dividends	–	–	–	–	–	–	–	(104,152)	**(104,152)**
Reversed written off goodwill reserve (note15)	–	–	243,350	(243,350)	–	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	–	–	–	–	–	–	–	–
31 December 2015	**30,543,933**	**25,495,008**	–	**91,783,909**	**(436,010)**	**(24,171,618)**	**123,215,222**	**89,480**	**123,304,702**

The accompanying notes on pages 22 to 74 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Cash Flow Statement
Figures in EUR

	Note	for the year ended 31 December 2016	2015
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	21	6,224,201	4,568,285
Depreciation and amortisation	16	8,215,840	7,824,184
Impairment loss of intangible and tangible assets	16	466,678	1,569,783
Scrapped tangible assets		13,171	27,082
Write off/(reversal) of inventories		185,556	29,403
Impairment loss of debtors and reversals	7	(152,093)	636,700
Impairment loss of other financial assets and disposals		-	69,526
Loss/(gain) on disposals of fixed assets	9,10,11	(15,263)	(57,853)
Loss/(gain) on disposal of subsidiary and other investments		-	284,428
Interest income		(10,757)	(63,766)
Effect of spread of rental related incentives and allowance		139,250	245,679
Interest expenses	17	3,875,492	4,120,660
Changes in working capital:			
Accounts receivable and prepayments		472,801	(867,491)
Inventories		(919,194)	(345,097)
Accounts payable and other liabilities		1,002,061	(123,255)
Cash generated from operations		19,497,743	17,918,268
Income tax paid	18	(1,515,313)	(784,140)
Net cash flow from operating activities		17,982,430	17,134,128
Cash flows from investing activities:			
Acquisition of investment properties		-	(17,710,084)
Acquisition of tangible and intangible assets	9,10,11	(1,757,702)	(1,730,997)
Sale proceeds of tangible and intangible assets	9,10,11	18,230	76,560
Sale/(purchase) of financial investments		-	1,080,499
Repayments of loans granted		2,552	3,166
Interest received		6,775	59,382
Net cash flow used in investing activities		(1,730,145)	(18,221,474)
Cash flows from financing activities:			
Loan received	17	76,315,805	17,599,236
Dividends paid		(1,131,876)	(1,655,977)
Interest paid		(2,661,897)	(3,993,664)
Repayments of loan received		(69,097,426)	(17,210,513)
Sale/(purchase) of treasury shares		(1,600,366)	(298,817)
Change in other long term liabilities		31,083	129,949
Net cash flow from financing activities		1,855,323	(5,429,786)
Change in cash and cash equivalents		18,107,608	(6,517,132)
Cash and cash equivalents at beginning of the year	5	7,667,840	13,173,781
Effect of foreign currency translation		(1,017,503)	1,011,191
Cash and cash equivalents at end of the year	5	24,757,945	7,667,840

The accompanying notes on pages 22 to 74 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 SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE 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 at 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 SE ("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 SE 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., FN 2 B.V., FN 3 B.V., FN 4 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 %**	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
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
FN 2 B.V.	Property management	18,000	18,000	100.00	100.00	100.00	100.00
FN 3 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN 4 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	75.05	75.05	75.05	75.05
Székhely 2007 Kft.	Property services	102,949	102,949	99.27	99.28	99.28	99.28
Upington Investments S.à r.l.	Investment holding	12,500	12,500	100.00	100.00	100.00	100.00

The consolidated financial statements of Fotex Holding SE and its subsidiaries for the year ended 31 December, 2016 were formally approved by the Board of Directors on 25 April, 2017 and will be presented to the Annual General Meeting of shareholders for approval on 29 May, 2017.

2. Significant Accounting Policies

Basis of presentation

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

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

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

Statement of compliance

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

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December, 2016 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 SE (Societas Europaea) from 1 January 2009, Fotex Holding SE 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 2016. Control is achieved when Fotex is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

2. Significant Accounting policies (continued)

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

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

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

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

As a result of its transformation into a European public limited company, the Company's financial records have been kept in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements of 2016 are prepared in Euro ("EUR").

Foreign currency translation

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

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

From 2016 the income statement has been converted to EUR using the half-year Hungarian National Bank ("MNB") average FX rate:

	2016	2015
First quarter		308.78 HUF/EUR
Second quarter		306.11 HUF/EUR
First half year	312.68 HUF/EUR	
Third quarter		312.04 HUF/EUR
Fourth quarter		312.56 HUF/EUR
Second half year	310.27 HUF/EUR	

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 December 2016: 311.02 HUF/EUR (31 December 2015: 313.12 HUF/EUR), the exchange difference in translation of foreign operations shown in the other comprehensive income.

2. Significant Accounting policies (continued)

Changes in accounting policies

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

New and amended standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that could be relevant to its operations and effective for accounting periods beginning on 1 January 2016. Adoption of these revised Standards and Interpretations did not have any effect on the financial performance or position of the Group.

The following standards and amendments are not applicable for the Group due to the nature of the Group activities:

- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements

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

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

2. Significant Accounting Policies (continued)

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.

Freehold land is not depreciated.

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

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.

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, held-to-maturity investments, and available-for-sale financial assets, 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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Fair value of financial instruments

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

Amortised cost of financial instruments

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

Impairment of financial assets

The Group 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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

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.

2. Significant Accounting Policies (continued)

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.

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.

Freehold land is not depreciated.

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

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

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

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

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

2. Significant Accounting Policies (continued)

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.

2. Significant Accounting Policies (continued)

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

Income taxes

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

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

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

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

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

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

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

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

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

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)

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.

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.

2. Significant Accounting Policies (continued)

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 2016 is EUR 10,732,406 (2015: EUR 10,600,427). Further details are given in Note 13.

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

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 10.

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 which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

The International Accounting Standards Board (IASB or Board) issued IFRS 16 Leases (IFRS 16 or the new standard), which requires lessees to recognise assets and liabilities for most leases.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

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 is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. Standards issued but not yet effective (continued)

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

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

Amendments to IAS 7: Disclosure Initiative

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity 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. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group is currently assessing the impact of Amendments to IAS 12 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 24,757,945 (31 December 2015: EUR 7,667,840).

Cash includes fixed deposit of EUR 2,069,668 at rate 0.08%, (in 2015 cash included EUR 69,559 at rate 0.08%).

6. Other financial assets

Current	31 December 2016 EUR	31 December 2015 EUR
Cash deposits connected to rented properties	581,509	424,115
Short-term loans to other parties *	190,486	185,223
Other short-term investments	1,129	1,121
Other current financial assets, total	773,124	610,459

Non-current	31 December 2016 EUR	31 December 2015 EUR
Cash deposits connected to rented properties	1,928,027	1,973,646
Unquoted equity instruments	50,257	49,930
Long-term loans to other parties **	2,251	4,775
Other non-current financial assets, total	1,980,535	2,028,351

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 2,251 (31 December 2015: EUR 4,775).

7. Accounts receivable and prepayments

	31 December 2016	31 December 2015
	EUR	EUR
Accounts receivable	5,143,241	5,697,280
Impairment loss on accounts receivable	(557,988)	(777,339)
Tax assets	633,066	651,629
Other receivables	883,566	1,029,132
Prepayments/accrued income	1,302,279	1,414,093
Impairment loss on other receivables	(450,961)	(443,426)
Total	6,953,203	7,571,369

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

Impairment loss on debtors and on other receivables at 31 December 2016 is: EUR 1,008,949 (31 December 2015: EUR 1,220,765).

Movements in impairment loss:

	EUR
1 January 2015	647,428
Charge for the year	669,121
Unused amount reversed	(32,421)
Utilised*	**(65,563)
Currency gain/(loss) arising on retranslation	2,200
31 December 2015	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

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

**Contains the write off the impairment loss of Balaton Bútor.

7. Accounts receivable and prepayments (continued)

Aged debtors less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
31 December 2016	4,369,174	152,353	59,927	-	3,374	425	4,585,253
31 December 2015	4,282,578	198,344	83,634	221,457	58,604	75,324	4,919,941

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

	Not overdue and not impaired	Overdue but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
31 December 2016	1,361,193	243,239	329,658	8,263	3,606	421,991	2,367,950
31 December 2015	1,889,486	93,488	239,981	9,412	-	419,061	2,651,428

8. Inventories

	31 December 2016	31 December 2015
	EUR	EUR
Merchandise and finished products	6,695,689	6,374,245
Materials	418,683	449,879
Work in progress	2,274,561	2,169,035
Inventories, gross	9,388,933	8,993,159
Impairment of merchandise and finished products	(2,159,884)	(2,428,873)
Impairment of materials	(8,816)	(16,646)
Impairment of work in progress	(387,451)	(448,496)
Impairment of inventories	(2,556,151)	(2,894,015)
Total inventories, net	6,832,782	6,099,144

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 2,556,151 provision made for the impairment of inventories (31 December 2015: EUR 2,894,015) is adequate, from this the current year reversal is EUR 628,089 (in 2015: EUR 329,051) which is disclosed as other operating expense (Note 16). In addition to the impairment EUR 5,087,393 of inventories were recognised as an expense (2015: EUR 7,164,297).

9. Property, plant and equipment

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.

At 31 December 2016, the cost of property, plant and equipment fully written off (due to ordinary or extraordinary depreciation) was EUR 5,171,122 (2015: EUR 8,693,372). The cost of property, plant and equipment temporarily out of use is EUR 0 (2015: EUR 0).

9. Property, plant and equipment (continued)

Movements in property, plant and equipment during 2015 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2015	**8,624,546**	**18,561,583**	**117,584**	**27,303,713**
Additions	92,013	430,029	96,450	618,492
Other increase	34,551	46,792	-	81,343
Other decrease	(49,640)	(31,008)	-	(80,648)
Disposals and write downs	-	(938,857)	(2,456)	(941,313)
Transfer to investment property	(1,915,969)	-	-	(1,915,969)
Currency gain/(loss) arising on retranslation	51,102	109,260	(307)	160,055
31 December 2015	**6,836,603**	**18,177,799**	**211,271**	**25,225,673**
Accumulated depreciation:				
1 January 2015	**(2,713,576)**	**(16,327,982)**	-	**(19,041,558)**
Depreciation expense	(166,719)	(543,708)	-	(710,427)
Disposals and write downs	-	648,158	-	648,158
Other increase	(15,071)	(6,505)	-	(21,576)
Other decrease	30,171	13,775	-	43,946
Transfer to investment property	474,400	-	-	474,400
Currency gain/(loss) arising on retranslation	(13,518)	(93,321)	-	(106,839)
31 December 2015	**(2,404,313)**	**(16,309,583)**	-	**(18,713,896)**
Net book value				
31 December 2015	**4,432,290**	**1,868,216**	**211,271**	**6,511,777**
31 December 2014	**5,910,970**	**2,233,601**	**117,584**	**8,262,155**

* 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 2016. 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 2016 were as follows:

	Investment properties
Cost:	EUR
1 January 2016	**225,638,213**
Additions	1,277,230
Other increase	-
Disposal	(923,163)
Transfer from own property	-
Currency gain/(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
Transfer from own property	-
Currency gain/(loss) 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

Movements in investment properties in 2015 were as follows:

	Investment properties
Cost:	EUR
1 January 2015	**205,461,412**
Additions	17,710,084
Other increase	211,422
Disposal	(46,957)
Transfer from own property	1,915,969
Currency loss arising from retranslation	386,283
31 December 2015	**225,638,213**
Accumulated depreciation:	
1 January 2015	**(42,394,832)**
Depreciation expense	(7,060,256)
Impairment	(569,783)
Other increase	(34,600)
Disposal	1,303
Transfer from own property	(474,400)
Currency gain arising from retranslation	(122,222)
31 December 2015	**(50,654,790)**
Net book value:	
31 December 2015	**174,983,423**
31 December 2014	**163,066,580**

Property rented by Balaton Bútor has been transferred from own property to investment property as the subsidary has been sold to third party in September, 2015.

10. Investment properties (continued)

The fair values of investment properties at 31 December 2015 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	161,464	30,959,994	143,493,173
Offices	95,196	113,869,869	136,206,645
Warehouses	82,097	2,683,131	9,243,420
Other structures	25,152*	4,126,809	9,166,851
Plots of land	917,674	23,343,620	31,538,001
Total investment properties	1,281,583	174,983,423	329,648,090

*The area of other structures disclosed in 2015 contained an error (31,135 m^2).

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 2016

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 dropped by 1.6 bps in comparison to prior year.
- Rents on investment properties have been calculated based on the contractual rental fees and market comparative method considering 3% and 5%, respectively, renovation fund and 95% occupation rate.
- The used yield rate per property item located in Hungary is between 6.15% and 13.5% depending on the type and location of the property (2015: 7.75%-13.5%). For the Dutch properties, the calculated yield rate is between 6.15% and 12.75% (2015: 6.4%-13.0%).
- 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 (2015: 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 8.00 – 8.50% discount factor and 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:

	2016	2015
	EUR	EUR
Yield rate drops by 50 bps	16,060,832	17,988,933
Rent rate drops by 5%	(13,038,800)	(10,805,740)

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 as adjusted for individual circumstances (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 570,479 m2 (2015: 562,629 m2).

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

	2016	2015
	EUR	EUR
Revenues from the rent of investment properties*	24,455,160	23,237,821
Unrecoverable net operating costs	(2,302,735)	(1,581,220)
Costs that do not generate direct sales revenues	-	(89,414)
Net income from the rent of investment properties	22,152,425	21,567,187

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

11. Intangible assets

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**

11. Intangible assets (continued)

Movements in intangible assets during 2015 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2015	**6,667,194**	**587,928**	**7,255,122**
Additions	-	33,210	33,210
Other increase	-	64,178	64,178
Transfer to investment property	-	(213,844)	(213,844)
Disposals and write downs	-	(268)	(268)
Currency gain/(loss) arising from retranslation	-	343,870	343,870
31 December 2015	**6,667,194**	**815,074**	**7,482,268**
Accumulated amortisation:			
1 January 2015	**(4,008,798)**	**(306,195)**	**(4,314,993)**
Amortisation expense	-	(53,501)	(53,501)
Impairment	(1,000,000)	-	(1,000,000)
Other increase	-	(72,768)	(72,768)
Transfer to investment property	-	41,726	41,726
Disposals and write downs	-	268	268
Currency gain/(loss) arising from retranslation	-	(316,252)	(316,252)
31 December 2015	**(5,008,798)**	**(706,722)**	**(5,715,520)**
Net book value:			
31 December 2015	**1,658,396**	**108,352**	**1,766,748**
31 December 2014	**2,658,396**	**281,733**	**2,940,129**

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 2016 no 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 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	6,568,160	6,568,160
XV. loan	31 December 2016	77,389,804	77,389,804

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.

12. Fair value (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2015:

		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 2015	143,493,173	143,493,173
Offices	31 December 2015	136,206,645	136,206,645
Warehouses	31 December 2015	9,243,420	9,243,420
Other structures	31 December 2015	9,166,851	9,166,851
Plots of land	31 December 2015	31,538,001	31,538,001
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 17)			
V. mortgage	31 December 2015	10,377,439	10,377,439
VI. mortgage	31 December 2015	12,704,698	12,704,698
VII. mortgage	31 December 2015	8,988,906	8,988,906
VIII. loan	31 December 2015	7,428,448	7,428,448
IX. loan	31 December 2015	1,638,783	1,638,783
X. loan	31 December 2015	2,601,727	2,601,727
XI. loan	31 December 2015	4,394,465	4,394,465
XII. loan	31 December 2015	6,533,333	6,533,333
XIII. loan	31 December 2015	11,419,182	11,419,182

13. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2016 and 2015:

	31 December 2016	31 December 2015
	EUR	EUR
Cost:		
1 January	17,907,581	17,897,785
Disposal of fully written off goodwill (*)	-	(91,689)
Currency difference arising from retranslation	120,911	101,485
Closing balance	18,028,492	17,907,581
Impairment:		
1 January	(7,247,154)	(7,297,279)
Disposal of fully written off goodwill (*)	-	91,689
Currency difference arising from retranslation	(48,932)	(41,564)
Closing balance	(7,296,086)	(7,247,154)
Net book value		
1 January	10,660,427	10,600,506
Closing balance	10,732,406	10,660,427

(*) As Balaton Bútor Kft. was sold in 2015, both the gross amount of goodwill and the impairment losses related to this entity were derecognised in the reporting year.

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 2016	31 December 2015
	EUR	EUR
Total goodwill	10,732,406	10,660,427
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,468,148)	(1,458,302)
Goodwill tested for impairment	9,264,258	9,202,125

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 2016. 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 2016	31 December 2015
	EUR	EUR
Keringatlan Kft.	9,022,937	8,962,423
Plaza Park Kft.	1,709,469	1,698,004
Net book value	10,732,406	10,660,427

14. Accounts payable, other liabilities and provision

	31 December 2016	31 December 2015
	EUR	EUR
Trade payables	525,946	706,902
Taxes payable	2,031,123	1,861,785
Advances from customers	59,112	33,361
Accrued expenses	314,677	729,061
Deferred rental income	4,625,370	4,479,674
Amounts payable to employees	190,129	219,366
Deposits from tenants	581,509	424,115
Other liabilities	2,963,292	1,270,225
Total accounts payable and other current liabilities	11,291,158	9,724,489
Other long term liabilities	1,926,375	1,971,998

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 2,507,884 (2015: EUR 2,396,113) 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 1,926,375 (2015: EUR 1,971,998), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 581,509 (2015: EUR 424,115).

Provision:

During the financial year of 2016 provisions haven't been accounted for.

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 2016, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2015: 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 as detailed in Note 14 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" 2016: EUR 840,000; (2015: EUR 840,000) are also shown in "Treasury shares". During 2016, no dividend preference shares are held by management.

As at 31 December 2016, the Company held 19,898,579 treasury shares (of which are 17,898,579 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 25,771,984 (31 December 2015: 18,640,331 shares – of which 16,640,331 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 24,171,618).

During 2016, the Company purchased 1,258,248 of its ordinary shares (2015: 241,615 shares) on an arm's length basis. All dividend preference shares are now owned by the Group.

16. Operating expenses

	31 December 2016	31 December 2015
	EUR	EUR
Payments to personnel	(5,384,263)	(5,796,314)
Material-type expenses	(13,762,035)	(14,325,326)
Other expenses, net*	(2,597,753)	(5,264,718)
Depreciation and amortisation charge	(8,215,840)	(7,824,184)
Total operating expenses	(29,959,891)	(33,210,542)

* Other expenses (net) include the following:

	31 December 2016	31 December 2015
	EUR	EUR
Realised and unrealized FX differences (net)	552,844	(146,594)
Taxes other than income tax	(1,694,490)	(1,487,438)
Impairment of intangible assets, PPE and investment properties	(466,678)	(1,569,783)
Impairment of receivables	-	(636,700)
Development grants	(493,432)	(512,377)
Other expenses/income	(495,997)	(911,826)
Total other expenses, net	(2,597,753)	(5,264,718)

17. Interest-bearing loans and borrowings

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained three mortgage loans from FGH Bank N.V. in 2009 (Loans I.-III.) and a further loan in 2010 (Loan IV.) to fund the purchase of properties. In 2011, FN 2 B.V., a subsidiary of Fotex Netherlands B.V., took out another mortgage loan (Loan V.) for property purchase purposes from Berlin-Hannoversche Hypothekenbank AG. As at 26 March, 2012, FN 2 B.V. took out a mortgage loan (Loan VI.) from Berlin- Hannoversche Hypothekenbank AG to fund the purchase of a property acquired at the end of 2011. The mortgage loans are not cross-collaterised loans.

On 30 October, 2012, FN 2 B.V. took out an additional mortgage loan (Loan VII.) from Berlin-Hannoversche Hypothekenbank AG to finance the purchase of an office building in Amsterdam.

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

On 30 January, 2015, Fotex Netherlands B.V. took out an additional mortgage loan (Loan XII.) from FGH Bank N.V. to fund the purchase of properties.

Mortgage loans III. and IV. were fully repaid on 8 May, 2015.

On 10 August, 2015, Long Term CRE Fund B.V. took out a loan (Loan XIII.) from Blackburn International Inc. to fund the purchase of property Assen.

Mortgage loans I., II., V., VI., VII., XII. and XIII. were fully repaid in 2016.

17. Interest-bearing loans and borrowings (continued)

On 20 July, 2016 FN 4 B.V. took out a loan (Loan XIV.) from FHG Bank to fund the purchase of property Nieuwegein.

On 20 July, 2016 FN B.V., FN 2 B.V., FN 3 B.V.and Long Term CRE Fund B.V. took out a loan (Loan XV.) from Hypobank to refinance the previous loans (Loan I., II., V., VI., VII., XII., and XIII.)

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 31 Dec 2016 EUR	Current portion at 31 Dec 2016 EUR	Long-term portion at 31 Dec 2015 EUR	Current portion at 31 Dec 2015 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One-month Euribor + 2.7% (rounding +0.05)	-	-	-	16,588,977
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-months Euribor + 2.26% (rounding +0.05)	-	-	-	3,304,718
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	-	-	-	10,268,132
VI. mortgage	26/03/2012	31/03/2017	13,800,000	fixed 3.59% p.a.	-	-	12,117,764	345,000
VII. mortgage	30/10/2012	15/10/2017	8,750,000	fixed 3.43% p.a.	-	-	8,327,827	87,500
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	6,520,850	180,779	6,292,484	1,370
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,390,008	82,009	1,349,065	298
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	2,191,944	129,756	2,128,621	471
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,300,570	138,503	3,228,104	755
XII. mortgage	30/1/2015	31/12/2020	6,500,000	fixed 3.27 % p.a.	-	-	6,164,557	147,438
XIII. loan	10/8/2015	31/12/2016	11,180,000	fixed 4.50 % p.a.	-	-	-	11,180,000
XIV. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	6,124,089	130,020	-	-
XV. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.79% p.a.	67,527,580	1,567,290		
Overdraft and short term					-	250,580	-	9
Total			**164,615,756**		**87,055,041**	**2,478,937**	**39,608,422**	**41,924,668**

17. Interest-bearing loans and borrowings (continued)

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., FN 2 B.V. and FN 4 B.V..

The net book values of these properties at 31 December 2016 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	8,347,020 EUR
4205 AZ Gorichem, Stadhuisplein 1a, 70 and 70a	11,063,654 EUR
2034 MA Haarlem, Schipholpoort 20	4,290,706 EUR
3439 LD Nieuwegein, Ravenswade 15	10,113,899 EUR
3528 BJ Utrecht, Papendorpseweg 65	13,293,241 EUR
2123 JH Hoofddorp, Polarisavenue 1	16,384,363 EUR
1101 CE Amsterdam Southeast, Entrée 500	12,861,328 EUR

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

The scheduled maturity of loans at 31 December 2016 and 2015 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
2016	2,478,937	10,102,802	-	6,124,089	70,828,150	89,533,978
2015	41,924,668	20,445,591	9,770,170	-	9,392,661	81,533,090

Included in the Group's total interest expense of EUR 3,875,492 (2015: EUR 4,120,660) is a total interest expense in relation to the loans I.-XV. above of EUR 3,864,504 in 2016 (2015: EUR 4,110,809).

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.

17. Interest-bearing loans and borrowings (continued)

Fair value of loans having a fixed interest rate:

Item	Fair value at 31 Dec 2016	Book value at 31 Dec 2016
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	6,568,160	6,254,109
XV. mortgage	77,389,804	69,094,870
Total	**99,662,315**	**89,283,398**

Item	Fair value at 31 Dec 2015	Book value at 31 Dec 2015
V. mortgage	10,377,439	10,268,132
VI. mortgage	12,704,698	12,462,764
VII. mortgage	8,988,906	8,415,327
VIII. loan	7,428,448	6,293,854
IX. loan	1,638,783	1,349,363
X. loan	2,601,727	2,129,092
XI. loan	4,394,465	3,228,859
XII. loan	6,533,333	6,311,995
XIII. loan	11,419,182	11,180,000
Total	**66,086,981**	**61,639,386**

18. Income tax

Income tax (payable)/receivable:	2016	2015
	EUR	EUR
Opening income tax (payable)/receivable	(606,186)	347,499
Income tax charge	(1,890,400)	(1,737,825)
Settlement of income tax	1,831,925	784,140
Closing income tax (payable)/receivable	(664,661)	(606,186)

Income tax expense:	2016	2015
	EUR	EUR
Tax expense	1,890,400	1,737,825
Deferred tax income	(137,070)	(263,051)
Income tax expense	1,753,330	1,474,774

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

	2016	2015
	EUR	EUR
Income before minority interests and income taxes	6,224,201	4,568,285
Tax at statutory rate	1,110,176	759,565
Effect of tax losses for which no corresponding deferred tax asset recognized	-	1,964
Effect of tax rate changes	(182,755)	(60,881)
Differences arising from Dutch and Luxembourg tax rates	709,735	802,980
Differences arising from Hungarian tax rate change	(172,471)	-
Effect of recurring tax relief	(481,507)	(535,831)
Effect of permanent differences	148,243	(167,764)
Local business tax and innovation contribution	552,979	632,628
Tax losses used during the year on unrecognised deferred tax assets	(3,165)	(11,198)
Reversed deferred tax asset on prior year's carried forward loss	72,095	53,311
Income tax expense	1,753,330	1,474,774

18. Income tax (continued)

From 1 January 2011, the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19% in Hungary. For the purposes of the tax rate reconciliation, Fotex has used a blended tax rate of 17.84% (2015: 16.63%) based on the tax rates used in the biggest tax payers of the Group (Keringatlan Kft., Plaza Park Kft., Székhely 2007 Kft., Fotexnet Kft., Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 B.V.).

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

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à r.l.'s income earned in Luxembourg is 22.47% from 1 January 2013, which results in a total tax of 29.22% as increased by Luxembourg's municipal business tax (Fotex Holding SE and Upington Investments S.à r.l. moved their registered seat from Capellen to Luxembourg in 2012); the income tax rate for Fotex Netherlands B.V., FN 2 B.V., FN 3 B.V., FN 4 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.

Deferred tax assets and liabilities for 2016 were calculated as follows:

In 2016 the tax rate used in the deferred tax calculation for the Hungarian companies is 9% because of the tax rate change since 1 January, 2017. In 2015 for Keringatlan Kft. a tax rate of 15.38% has been applied whilst for the remaining Hungarian companies a rate of 10% has been used based on expected profitability.

For the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.22% (2015: 23.02%), for FN 2 B.V. a 24.07% (2015: 24.21%), for FN 3 B.V. 22.96% (2015: 22.98%), for FN 4 B.V. 20% (2015: - %) and in case of Long Term CRE Fund B.V. 20% (2015: 20%) tax rate was applied.

Deferred tax assets and deferred tax liabilities as at 31 December 2016 and 2015 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 2016.

In 2016 the Dutch and Luxembourg entities except for Long Term CRE Fund B.V. had positive tax base, which is also the case in 2015 the exception was Long Term CRE Fund B.V..

18. Income tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2016	2015	2016	2015
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(101,841)	(71,510)	(29,920)	30,528
Value adjustment on acquisition of buildings	(1,040,346)	(1,264,403)	233,155	79,021
Capitalisations of small value assets	(11,606)	(13,963)	2,456	13,428
Difference from loan transaction charges	(151,084)	(67,782)	(83,043)	12,413
Deferred tax related to rental discount	(125,118)	(159,849)	35,897	46,573
Fair value difference of loans	(297,032)	(368,565)	74,199	42,644
Gross deferred income tax liabilities	(1,727,027)	(1,946,072)	232,744	224,607
Deferred income tax assets				
Impairment of debtors	46,389	140,259	(95,046)	69,583
Tax losses carried forward	24,047	95,318	(72,088)	(53,311)
Revaluation difference on related party transactions	151,399	79,573	71,460	22,172
Gross deferred income tax assets	221,835	315,150	(95,674)	38,444
Deferred income tax income / (expense)			137,070	263,051
Net deferred income tax liability	(1,505,192)	(1,630,922)		

19. Revenue

Sales revenue	2016	2015
	EUR	EUR
Rental income revenue	25,029,428	24,379,187
Sale of goods*	7,500,562	10,722,198
Revenue from service charges to tenants	3,527,050	3,637,536
Provision of services	2,772,955	2,325,422
Royalty revenue	248,240	350,796
Other sales revenue**	970,592	420,582
Total sales revenue	40,048,827	41,835,721

*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.

20. 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.

21. 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 in 3 business lines from 2011:

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

**Furniture manufacturing business line was sold in FY 2015Q3*

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).

21. Segment information (continued)

Net sales:	2016 Net Sales external EUR	2016 Net Sales inter-segment EUR	2016 Net sales EUR	2015 Net Sales external EUR	2015 Net Sales inter-segment EUR	2015 Net sales EUR
Investment property management	28,384,954	471,005	28,855,959	27,944,548	596,753	28,541,301
Crystal and glass manufacturing	6,706,716	-	6,706,716	6,508,702	-	6,508,702
All other segments	4,957,157	1,721,438	6,678,595	7,382,471	1,773,731	9,156,202
Inter-segment elimination	-	(2,192,443)	(2,192,443)	-	(2,370,484)	(2,370,484)
Net sales	40,048,827	-	40,048,827	41,835,721	-	41,835,721

Material-type expenses:	2016 Material-type expenses external EUR	2016 Material-type expenses inter-segment EUR	2016 Material-type expenses EUR	2015 Material-type expenses external EUR	2015 Material-type expenses inter-segment EUR	2015 Material-type expenses EUR
Investment property management	(8,018,456)	(1,669,565)	(9,688,021)	(6,813,723)	(1,646,560)	(8,460,283)
Crystal and glass manufacturing	(3,285,462)	(143,449)	(3,428,911)	(3,707,904)	(177,117)	(3,885,021)
All other segments	(2,458,117)	(372,421)	(2,830,538)	(3,803,699)	(522,623)	(4,326,322)
Inter-segment elimination	-	2,185,435	2,185,435	-	2,346,300	2,346,300
Material-type expenses	(13,762,035)	-	(13,762,035)	(14,325,326)	-	(14,325,326)

Income before income taxes:	2016 EUR	2015 EUR
Investment property management	5,589,860	5,861,887
Crystal and glass manufacturing	783,276	283,866
All other segments	(148,935)	(1,577,468)
Income before income taxes	6,224,201	4,568,285

Depreciation and amortisation:	2016 EUR	2015 EUR
Investment property management	(7,319,589)	(6,994,730)
Crystal and glass manufacturing	(221,727)	(215,360)
All other segments	(674,524)	(614,094)
Depreciation and amortisation:	(8,215,840)	(7,824,184)

21. Segment information (continued)

Assets:	31 December 2016 Consolidated assets EUR	31 December 2016 Intra-business line assets EUR	31 December 2016 Total assets EUR	31 December 2015 Consolidated assets EUR	31 December 2015 Intra-business line assets EUR	31 December 2015 Total assets EUR
Investment property management	207,831,604	622,308	208,453,912	184,194,514	61,128	184,255,642
Crystal and glass manufacturing	11,790,504	2,598	11,793,102	8,658,182	-	8,658,182
All other segments	9,727,966	1,631,897	11,359,863	25,627,655	959,588	26,587,243
Inter-segment elimination	-	(2,256,803)	(2,256,803)	-	(1,020,716)	(1,020,716)
Net assets	229,350,074	-	229,350,074	218,480,351	-	218,480,351

Liabilities and accruals:	31 December 2016 Consolidated liabilities EUR	31 December 2016 Intra-business line payables EUR	31 December 2016 Total liabilities EUR	31 December 2015 Consolidated liabilities EUR	31 December 2015 Intra-business line payables EUR	31 December 2015 Total liabilities EUR
Investment property management	101,853,098	1,467,686	103,320,784	93,175,602	969,728	94,145,330
Crystal and glass manufacturing	784,324	236,769	1,021,093	580,004	103,079	683,083
All other segments	1,841,116	562,884	2,404,000	1,420,043	13,920	1,433,963
Inter-segment elimination	-	(2,267,339)	(2,267,339)	-	(1,086,727)	(1,086,727)
Liabilities and accruals:	104,478,538	-	104,478,538	95,175,649	-	95,175,649

Tangible and intangible asset additions:	2016 EUR	2015 EUR
Investment property management	1,491,474	18,371,585
Crystal and glass manufacturing	353,665	446,157
All other segments	85,620	623,339
Tangible asset additions:	1,930,759	19,441,081

22. 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 Fotex 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 20.92% of the Group's revenues (2015: 12.61%) and 52.54% of costs (2015: 54.42%) 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
2016	revenues	+10%	-837,676
		-10%	837,676
	costs	+10%	1,573,981
		-10%	-1,573,981
2015	revenues	+10%	-527,514
		-10%	527,514
	costs	+10%	1,807,181
		-10%	-1,807,181

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.

22. 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 SE 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
2016	+10%	66,699
	-10%	-66,699
2015	+10%	-20,909
	-10%	20,909

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:

	2016	2015
	EUR	EUR
Financial liabilities	4,948,287	3,598,585
Financial assets	4,281,301	3,807,670

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 is 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 2016 the Group's maximum exposure to credit risk is EUR 33,811,497 (31 December 2015: EUR 17,303,593).

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.

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

Liquidity risk

Liquidity risk is monitored as follows:

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

The Group's liabilities based on contracted not discounted payments at 31 December 2016 and 2015 are presented below according to maturity.

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	90,770	135,797	-	-	314,677
Amounts payable to employees	-	189,609	-	-	520	190,129
Deposits from tenants	-	4,688	576,821	-	-	581,509
Other liabilities	205,819	1,864,522	892,951	-	-	2,963,292
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**

31 December 2015	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	104,572	602,330	–	–	–	706,902
Taxes payable	347,926	1,513,859	–	–	–	1,861,785
Advances from customers	–	33,361	–	–	–	33,361
Accrued expenses	–	729,061	–	–	–	729,061
Amounts payable to employees	454	218,395	517	–	–	219,366
Deposits from tenants	–	–	424,115	–	–	424,115
Other liabilities	342,535	685,105	242,585	–	–	1,270,225
Total current liabilities	**795,487**	**3,782,111**	**667,217**	**–**	**–**	**5,244,815**
Loans received	–	1,074,946	43,914,885	40,539,781	3,935,108	89,464,720
Other long-term liabilities	–	–	–	1,971,998	–	1,971,998
Total	**795,487**	**4,857,057**	**44,582,102**	**42,511,779**	**3,935,108**	**96,681,533**

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

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 2016 and 2015 are presented below:

	31 December 2016	31 December 2015
	EUR	EUR
Short-term and long-term borrowings (Note 17):	89,533,978	81,533,090
Trade payables and other current liabilities less deferred rental income (Note 14):	6,665,788	5,244,815
Cash and cash equivalents (Note 5):	(24,757,945)	(7,667,840)
Net debt:	71,441,821	79,110,065
Equity attributable to the Company:	124,790,104	123,215,222
Total:	196,231,925	202,325,287
Indebtedness ratio*:	36.41%	39.10%

The Company's indebtedness ratio decreased from 39.10% at 31 December 2015 to 36.41% at 31 December 2016, 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.

23. Investments in subsidiaries

During 2016 Fotex 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, FN 4 B.V.

During 2015 Fotex Group entered into the following transactions that affected the Group structure.

- The owner of Ajka Kristály Kft. increased the capital by EUR 2,923,646 on 8 April, 2015.
- The owner of Plaza Park Kft. decreased the capital by EUR 1,152,683 on 22 June 2015.
- On 3 August 2015, Fotex Netherlands B.V. established a subsidiary in the Netherlands, LT CRE Fund BV.
- At 30 September, 2015 the Group disposed 100% of Balaton Bútor Kft. As a result Balaton Bútor Kft. has not been a Fotex Group member since 30 September, 2015.
- The owner of Fotex Netherlands B.V. increased the capital by EUR 150,000,000 on 8 December, 2015.

24. 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 2016, the leased area in MOM Park totalled 2,688 m2 (2015: 3,119 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 December 2023, for which the relating leasing fee is presented for the entire contracted period as at 31 December 2016.

As at 31 December 2016, 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.

24. Operating Leases (continued)

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 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	0	444,676	444,676
Thereafter	0	1,051,807	1,051,807
Total	1,028,594	2,393,395	3,421,989

At 31 December 2015, the Group was committed to pay the following minimum leasing fees:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2016	631,123	450,228	1,081,351
2017	636,048	446,906	1,082,954
2018	480,730	445,577	926,307
Thereafter	0	1,385,200	1,385,200
Total	1,747,901	2,727,911	4,475,812

In 2016, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 590,241 (2015 Jan-Dec: EUR 685,298), and EUR 452,357 (2015 Jan-Dec: EUR 452,840) 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 (2015: 737 m2) at a rental cost of EUR 72,269 for January to December 2015 (2015: EUR 73,677).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2015, the Group did not exercise any such right in 2016.

24. Operating Leases (continued)

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 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 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

The Group's fixed rental fee revenue as of 31 December 2015 (EUR):

Due in	2016	2017	2018	After 2018	Total
	12,368,988	12,386,824	11,224,765	48,615,234	84,595,811

25. Earnings Per Share

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

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

	2016	2015
	EUR	EUR
Net profit attributable to equity holders from continuing operations	4,415,558	3,057,270
Net profit attributable to shareholders	4,415,558	3,057,270
Weighted average number of shares in issue during the year	53,286,390	54,227,817
Basic earnings per share (EUR)	0.08	0.06

The diluted earnings per share agree with basic earnings per share in 2016 and 2015 as there is no dilution effect in these years.

26. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, Zürich Investments Inc. ("Zürich"), a British Virgin Islands company and Ajka Crystal LLC (California, USA). Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 31 December 2016, Blackburn Luxembourg controlled 50.35% (31 December 2015: 50.35%) of the Company's voting shares. These companies are considered to be related parties.

Related party transactions

2016 disclosures

Rental and other related fees paid to Fotex Ingatlan for 2016 were EUR 400,333 (2015: EUR 414,845).

Administrative and expert fees paid by Fotex Ingatlan for 2016 were EUR 29,542 (2015: EUR 63,004).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2016 were zero EUR (2015: EUR 9,000), and to Fotex Netherlands B.V. for 2016 EUR 97,430 has been invoiced (2015: EUR 189,000).

For the financial year 2016, Fotex Netherlands B.V. was charged interest of EUR 780,821 (2015: EUR 780,822) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For the financial year 2016, FN 2 B.V. was charged interest of EUR 275,500 (2015: EUR 275,500) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 17).

For the financial year 2016, Long Term CRE Fund B.V. was charged interest of EUR 489,316 (2015: EUR 198,484) by Blackburn Inc.

Transactions with other related parties

Internet services and computer rent invoiced to Fotex Ingatlan by Fotexnet in 2016 was EUR 5,741 (2015: EUR 5,845).

Inventory sold to Fotex Ingatlan by Ajka Kristály Kft. in 2016 were zero EUR (2015: EUR 22,059). The amount of the related cost of sales in 2016 was zero EUR (2015: EUR 13,786).

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 761,133 in 2016 (2015: EUR 576,488) which was solely in the form of short term benefits.

27. Subsequent Events after the end of the reporting period

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

FOTEX
HOLDING SE PUBLIC COMPANY LIMITED BY SHARES

Financial Statement Certification

In accordance with Article 3 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, we confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2016 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 SE. 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 SE. 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, 25th April 2017

Gábor VÁRSZEGI
Chairman of the Board

Dávid VÁRSZEGI
Member of the Board

FOTEX HOLDING S.E.
26-28, RUE EDWARD STEICHEN
L-2540 LUXEMBOURG
TEL.: (+352) 27 112 7020
FAX: (+352) 27 112 7200
E-MAIL: INFO@FOTEX.LU

VAT: LU - 23482745
R.C.S. LUXEMBOURG : B 146938
MATRICULE : 2009 8400 010