Fotex Holding

PROSPECTUS

for the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Regulated Market of the Luxembourg Stock Exchange of 70,723,650 ordinary shares (the "**Shares**") of Fotex Holding, a European company (*société européenne*) with its registered office at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg and registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B 146938 (the "**Company**").

The Shares will be listed on the Official List of the Luxembourg Stock Exchange and will be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. No application has been made for an offer of securities of the Company to the public in Luxembourg on the basis of this prospectus.

The Shares have been accepted for clearance through Clearstream Banking, société anonyme, Luxembourg ("**Clearstream Luxembourg**") under common code number 041407409. The ISIN code of the Shares is HU0000096409.

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENTS, YOU SHOULD IMMEDIATELY CONSULT AN AUTHORISED FINANCIAL ADVISOR.

This document constitutes a prospectus (in the form of a single document) for the purposes of article 5.3 of the Directive 2003/71/EC (together with any applicable implementing measures in any EU Member State, the "**Prospectus Directive**") and the Luxembourg law of 10 July 2005 relating to prospectuses for securities, as amended, (the "**Prospectus Law**") and the rules promulgated thereunder, implementing the Prospectus Directive in Luxembourg. This prospectus has been filed with and approved by the Luxembourg Commission de Surveillance du Secteur Financier (the "**CSSF**") for the purpose of the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Regulated Market of the Luxembourg Stock Exchange. In approving this prospectus, the CSSF assumes no responsibility as to the economic and financial opportunity of the transaction contemplated therein or the quality and the solvency of the Company in line with article 7 (7) of the Prospectus Law. This prospectus and any supplement to this prospectus (to be drawn up in accordance with article 16 of the Prospectus Directive) will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Distribution of this prospectus may, in certain jurisdictions, be subject to specific regulations or restrictions. Persons in possession of this prospectus are urged to inform themselves of any such restrictions which may apply in their jurisdiction and to observe them. The Company disclaims all responsibility for any violation of such restrictions by any person. Prospective investors should inform themselves as to: (a) the legal requirements within their own jurisdictions for the purchase or holding of Shares; (b) any foreign exchange restrictions which may affect them; and (c) the income and other tax consequences which may apply in their own jurisdictions relevant to the purchase, holding, redeeming or disposal of Shares.

AN INVESTMENT IN THE SHARES IS SUBJECT TO CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE RISKS ASSOCIATED WITH SUCH AN INVESTMENT WHEN READING THE INFORMATION CONTAINED IN THIS PROSPECTUS AND BE AWARE OF THE RISK OF LOSING SUCH INVESTMENT IN ITS ENTIRETY BEFORE DECIDING TO INVEST. THIS PROSPECTUS CONTAINS CERTAIN RISK FACTORS, WHICH ARE DESCRIBED IN THE SECTION "RISK FACTORS" AND MUST BE CAREFULLY TAKEN INTO CONSIDERATION. THE OCCURRENCE OF SOME OR ALL OF THESE RISKS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY, ITS BUSINESS, IMAGE, FINANCIAL SITUATION, EARNINGS, OR ABILITY TO ACHIEVE ITS OBJECTIVES. HOWEVER, PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION.

Dated 14 February 2012

RESPONSIBILITY STATEMENT

The Company is responsible for the information contained in this prospectus. The Company, having taken all reasonable care to ensure that such is the case, confirms that, to the best of its knowledge as at the date of this prospectus, the information contained in this prospectus is in accordance with the facts and contains no omission likely to affect its import.

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SUMMARY

This summary must be read as an introduction to this prospectus and any investment decision should be based on a consideration of this prospectus as a whole, including any supplement thereto and any documents incorporated by reference therein.

Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (an "**EEA State**"), no civil liability will attach to the Company in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus. Where a claim relating to the information contained in this prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the prospectus before the legal proceedings are initiated.

The Company

The Company is a European company (*société européenne*) governed by Luxembourg laws, with its registered office at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg and registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B 146938.

The Company was incorporated in 1984 in Hungary and was transformed into a European company (*société européenne*) on 31 December 2008.

On 4 June 2009, the Company took the Luxembourg nationality, its registered office was transferred to Luxembourg and the Articles were restated in order to comply with the Luxembourg legislation.

The Company has been established for an unlimited period.

The total assets/liabilities of the Company was EUR 164,690,359.- as of 31 December 2010 and EUR 186,161,369.- as of 30 September 2011 (EUR 161,167,307.- as of 30 September 2010). The net income of the Company was EUR 6,387,106.- as of 31 December 2010 and EUR 2,724,285.- as of 30 September 2011 (EUR 5,053,604.- as of 30 September 2010).

The Shares

The Shares are ordinary shares representing the share capital of the Company.

The Company and the Shares are governed by Luxembourg law.

The currency of the Shares is the euro and their nominal value is equal to EUR 0.42.

The Shares have been accepted for clearance through Clearstream Luxembourg under common code number 041407409. The ISIN code of the Shares is HU0000096409.

The Shares have been listed on the regulated market of the Budapest Stock Exchange for more than 20 years (ISIN code HU0000096409). Keler Central Clearing House and Depository (Budapest) Ltd was appointed as domestic depositary in relation to the listing of the Shares on the regulated market of the Budapest Stock Exchange. It will be considered by the Directors as to whether to terminate the listing of the Shares with the Budapest Stock Exchange once they have been listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, although no guarantee can be given that this decision will be taken in this respect. It is therefore possible that there will be a dual listing of the Shares for a more or less longer period.

Risk Factors

The Company's business, financial condition or results of operations could be materially adversely affected by any of the risks and uncertainties described in detail in "**RISK FACTORS**". The following is a summary list of the risk factors:

Risks Related to the Company

- Majority shareholders.
- Structure of the Fotex Group.
- Laws and regulations governing the operations of the Company and its subsidiaries may adversely affect their business, investments and results of operations.
- Financial difficulties or bankruptcy of one or more of the Company's subsidiaries could have an adverse impact on its business.
- The Company's subsidiaries' results of operations could be affected by fluctuations in foreign exchange rates.
- The Company's income tax liability may substantially increase if the tax laws and regulations in countries in which it (and/or any of its subsidiaries) operate change or become subject to adverse interpretations or inconsistent enforcement.
- Some of the Company's (and/or any of its subsidiaries') operations depend on joint ventures, consortia and other forms of cooperation, and their business could be adversely affected if their partners fail to observe their commitments.
- The Company may need additional capital in the future to fund its operations.
- The Company may seek to expand its business partly through acquisitions which, by their nature, involve numerous risks and could have an adverse effect on its financial condition and results of operations.
- The Company is a holding company which depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future operational needs or for shareholder distributions.
- If the Company is unable to retain its (and/or any of its subsidiaries') management team and other key personnel, their business could suffer.
- The Historical Financial Statements may not accurately reflect the Company's future performance.

Risks Relating to the Shares

- The Luxembourg Stock Exchange trading market is less liquid than other major exchanges, which could affect the price of the Shares.
- The future market for the Shares may have limited liquidity.
- The Shares are subject to market fluctuations.
- The market price of the Shares may experience significant volatility.
- Foreign currency exchange rates are subject to fluctuations.

The above risks are not the only ones that the Company faces. Some risks are not yet known to the Company and some that the Company does not currently believe to be material could later turn out to be material.

IMPORTANT INFORMATION

About this prospectus

This prospectus is available on the Company's website at www.fotex.eu and on the Luxembourg Stock Exchange's website at www.bourse.lu and on the Budapest Stock Exchange's website at www.bse.hu.

This prospectus has been produced in connection with the listing of the Shares on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Regulated Market of the Luxembourg Stock Exchange. In making any investment decision regarding the Shares, prospective investors must rely on their own examination of the Company, including the merits and risks involved in an investment in the Company.

This document constitutes a prospectus (in the form of a single document) for the purposes of the Prospectus Directive and has been prepared in accordance with the Prospectus Law and the rules promulgated thereunder. This prospectus has been filed with and approved by the CSSF for the purpose of the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Regulated Market of the Luxembourg Stock Exchange.

Prospective investors should rely only on the information contained in this prospectus. The Company has not authorised any other person to provide prospective investors with any information or to make any representations in connection with the Shares. If anyone provides prospective investors with any information or makes any representations, such information or representations should not be relied upon.

Prospective investors should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus. The business, financial condition, results of operations and prospects of the Company could have changed since that date. The Company expressly disclaims any duty to update this prospectus, except as required by applicable law. A supplement to this prospectus will be issued should events between the approval of this prospectus and the admission of the Shares to trading on the Regulated Market of the Luxembourg Stock Exchange require significant changes to be made to the substance of this prospectus, in accordance with the Prospectus Law.

The Company makes no representation to prospective investors as to the legality of an investment in the Shares and prospective investors should not construe anything in this prospectus as legal, business or tax advice. Prospective investors should consult their own advisors as to the legal, tax, business, financial and related aspects of an investment in the Shares.

Forward-looking statements

This prospectus includes statements that are, or may be deemed to be, "forward-looking statements".

These forward-looking statements usually contain the terms "believes", "estimates", "anticipates", "intends", "considers", "expects", "seeks", "target", "strategy", "objective", "aim", "continue", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this prospectus and include statements regarding the intentions, beliefs or current expectations of the Company concerning, among other things, the financing strategies, results of operations, financial condition, liquidity, prospects and dividend payments and policy of the Company and the markets in which it, directly and indirectly, will invest and the resources available to it from its affiliates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Although management believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of the Company.

The actual investment performance of the Company, its results of operations, financial condition, liquidity, dividend payments and the development of its financing strategies and the operation of the markets in which it is directly or indirectly invested and the actual resources available to it, may differ materially from the impression created by the forward-looking statements contained in this prospectus. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend payments of the Company, the development of its financing strategies and the operation of the markets in which it is directly or indirectly invested are consistent with the forward-looking statements contained in this prospectus, those results or developments or markets or resources may not be indicative of results or developments or markets or resources in subsequent periods. Important factors that may cause these differences include, but are not limited to, the risk factors set forth in "Risk Factors", changes in economic conditions generally, legislative/regulatory changes, changes in taxation regimes, the cost and availability of capital for future investments, the availability and cost of suitable financing.

Prospective investors are advised to read this prospectus in its entirety and, in particular, the section entitled "Risk Factors" for a further discussion of the factors that could affect the future performance of the Company. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this prospectus may not occur.

These forward-looking statements speak only as at the date of this prospectus. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligations to update or revise any forwardlooking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

The Company qualifies all of its forward-looking statements by these cautionary statements.

Defined terms and conventions

Certain capitalised terms are defined the first time they appear in this prospectus, although definitions may be repeated more than once for ease of reference. See also below for definitions of certain legal and technical terms used in this prospectus (some of which are also defined in other sections of this Prospectus).

In this prospectus, the "Company" refers to (i) Fotex Holding or (ii) Fotex Holding together with its subsidiaries, in each case as the context requires.

In this prospectus, references to "euro", "euros" or "€" are to the euro, the official currency of the European Union member states participating in the European Monetary Union and references to "HUF" and "Ft" are to the Hungarian forint, the official currency of Hungary. Certain information in this prospectus presented in HUF has been translated into euros. By including the euros equivalents, the Company does not represent that the HUF amounts actually represent the euros amounts shown or that these amounts could be converted into euros at the rates indicated.

In addition, unless indicated otherwise, or the context otherwise requires, the following definitions apply throughout this prospectus:

2008 Audited Consolidated Financial Statements	the Company's audited consolidated financial statements for the year ended 31 December 2008
2009 Audited Consolidated Financial Statements	the Company's audited consolidated financial statements for the year ended 31 December 2009
2010 Audited Consolidated Financial Statements	the Company's audited consolidated financial statements for the year ended 31 December 2010
Articles	the articles of incorporation of the Company, as amended
Audit Committee	the audit committee of the Company
Audited Consolidated Financial Statements	the 2008 Audited Financial Statements, the 2009 Audited Financial Statements and the 2010 Audited Consolidated Financial Statements
Auditor	the auditor of the Company

Board	The board of directors of the Company
Clearstream Luxembourg	Clearstream Banking, société anonyme, Luxembourg
Company	Fotex Holding, a European company (*société européenne*) with its registered office at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg and registered with the Luxembourg Registre de Commerce et des Sociétés under number B 146938
CSSF	the *Commission de Surveillance du Secteur Financier*, the Luxembourg financial supervisory authority
Directors	the members of the Board
EEA	the European Economic Area
EEA State	a member state of the EEA
EU	The European Union
EU Member State	a member state of the EU
External Auditor	the external auditor of the Company
Historical Financial Statements	the Unaudited Consolidated Interim Financial Statements and the Audited Consolidated Financial Statements
IFRS	the international financial reporting standards
Luxembourg Stock Exchange	the *Société de la Bourse de Luxembourg*, the Luxembourg stock Exchange
Managing Director	the managing director (*délégué à la gestion journalière*) of the Company
Preferred Dividend	the annual dividend to which the holders of the Preferred Shares are entitled
Preferred Shares	the dividend bearing preferred shares of the Company
Prospectus Directive	the Directive 2003/71/EC (together with any applicable implementing measures in any EU Member State)
Prospectus Law	the Luxembourg law of 10 July 2005 relating to prospectuses for securities, as amended, and the rules promulgated thereunder
Q1 Unaudited Consolidated Interim Financial Statements	the Company's unaudited consolidated interim financial statements for the period ended 31 March 2011
Q2 Unaudited Consolidated Interim Financial Statements	the Company's unaudited consolidated interim financial statements for the period ended 30 June 2011
Q3 Unaudited Consolidated Interim Financial Statements	the Company's unaudited consolidated interim financial statements for the period ended 30 September 2011
Register	the register of shareholders of the Company
Shares	the ordinary shares of the Company
Takeover Law	the Luxembourg law dated 19 May 2006 implementing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids

Unaudited Consolidated Interim Financial Statements	the Q1 Unaudited Consolidated Interim Financial Statements, the Q2 Unaudited Consolidated Interim Financial Statements and the Q3 Unaudited Consolidated Interim Financial Statements

The fiscal years presented in this prospectus are the years ended 31 December 2010, 2009 and 2008, which the Company refers to as "2010", "2009" and "2008" respectively.

No incorporation of websites

The contents of any websites of the Company or of any of its affiliates do not form part of this Prospectus.

Presentation of financial information

The Company's audited consolidated financial statements for the year ended 31 December 2008 (the "**2008 Audited Consolidated Financial Statements**"), the Company's audited consolidated financial statements for the year ended 31 December 2009 (the "**2009 Audited Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the year ended 31 December 2010 (the "**2010 Audited Consolidated Financial Statements**", together with the 2008 Audited Financial Statements and the 2009 Audited Financial Statements, the "**Audited Consolidated Financial Statements**") have been prepared in accordance with IFRS.

The Company's audited statutory financial statements for the year ended 31 December 2008 and the Company's audited statutory financial statements for the period ended 30 June 2009 have been prepared in accordance with HAS (Hungarian GAAP). The Company's audited statutory financial statements from 30 June 2009 until the year ended 31 December 2009 and the Company's audited statutory financial statements for the year ended 31 December 2010 have been prepared in accordance with LUX GAAP.

The Company's unaudited consolidated interim financial statements for the period ended 31 March 2011 (the "**Q1 Unaudited Consolidated Interim Financial Statements**"), the Company's unaudited consolidated interim financial statements for the period ended 30 June 2011 (the "**Q2 Unaudited Consolidated Interim Financial Statements**"), and the Company's unaudited consolidated interim financial statements for the period ended 30 September 2011 (the "**Q3 Unaudited Consolidated Interim Financial Statements**" together with the Q1 Unaudited Consolidated Interim Financial Statements and the Q2 Unaudited Consolidated Interim Financial Statements, the "**Unaudited Consolidated Interim Financial Statements**" and, together with the Audited Consolidated Financial Statements, the "**Historical Financial Statements**") have been prepared in accordance with IFRS.

The 2008 Audited Consolidated Financial Statements have been audited by Ernst & Young Kft., member of the Chamber of Hungarian Auditors with address at Váci road (Rd.) 20, H-1132 Budapest, Hungary. The 2009 Audited Consolidated Financial Statements and the 2010 Audited Consolidated Financial Statements have been audited by Ernst & Young, Société Anonyme.

The Unaudited Consolidated Interim Financial Statements are published solely for illustrative purposes and have not been audited.

The Historical Financial Statements are attached to this prospectus. See section "HISTORICAL FINANCIAL STATEMENTS".

RISK FACTORS

You should consider carefully the following risk factors and other information in this prospectus. The risks described below may not be the only ones that the Company faces. Additional risk factors not currently known or which are currently deemed immaterial may also affect its operations. The Company's business, financial condition, results of operations or prospects could be materially adversely affected by any of these risks. The price of the Shares could decline due to any of these risks, and, as a result, you may lose part or all of your investment.

The order in which the risks described below are presented does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. If any of the following risks were actually to materialise, the business, financial condition, results of operations of the Company as well as the value of an investment in the Company could be affected in a material and adverse manner.

The Company disclaims any responsibility to advise Shareholders of the risks and investment considerations associated with the Shares as they may come into existence following the date of this Prospectus.

These risks are not the only ones that the Company faces. Some risks are not yet known to the Company and some that the Company does not currently believe to be material could later turn out to be material.

Risks related to the Company

Majority shareholders

As at the date of this prospectus, a significant number of Shares are held by a limited number of shareholders.

This may have the effect of among other things, delaying, preventing or deterring a change of control in the Company, which could deprive shareholders of the Company of an opportunity to receive a premium for their Shares and may negatively affect the market price of the Shares.

These shareholders may be able to influence significantly the affairs and actions of the Company, including matters requiring shareholder approval, such as the approval of significant corporate actions and the composition of the Board. The interests of these shareholders may differ from the interests of the other shareholders of the Company and thus an investor may disagree as to whether any action opposed or supported by these shareholders is in the best interests of shareholders generally.

Structure of the Fotex Group

The Company is a financial holding company, holding and administering participating interests in other companies. It does not conduct business of its own. Dividends from the Company's direct and indirect subsidiaries, together with any intercompany revenues, are the Company's sole source of funds to pay expenses and any dividends. The inability of the Company's direct and indirect subsidiaries to pay dividends and fees due in an amount sufficient to enable the Company to meet its cash requirements at the holding company level could have a material adverse effect on its business and its ability to pay dividends.

Laws and regulations governing the operations of the Company and its subsidiaries may adversely affect their business, investments and results of operations.

The Company as well as its subsidiaries are subject to laws and regulations enacted by national, regional and local governments. In particular, the Company will be required to comply with regulations applicable to a company listed on the Official List of the Luxembourg Stock Exchange. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time-consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and such laws and regulations or those changes could have a material adverse effect on the business, investments and results of operations of the Company or its subsidiaries.

Financial difficulties or bankruptcy of one or more of the Company's subsidiaries could have an adverse impact on its business.

Some of the Company's subsidiaries have experienced and still continue to experience financial and operational challenges throughout the recent financial downturn. Among others, the subsidiary Ajka Kristály Üvegipari Kft.. requested bankruptcy protection in 2009 and on 26 October 2009, managed to sign a solvency agreement with its creditors. The continuation or exacerbation of this financial downturn could lead some of the Company's subsidiaries to face additional operational stresses, increased financial difficulties or even bankruptcy. In the medium term, these factors, combined with constrained availability of credit, may have a negative impact on the Company's activities. Any of the foregoing could negatively impact the Company's business, financial condition and results of operations.

The Company's subsidiaries' results of operations could be affected by fluctuations in foreign exchange rates.

Some of the Company's subsidiaries operate in HUF and not in EUR (the Company's reporting currency). Accordingly, fluctuations in exchange rates could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company's income tax liability may substantially increase if the tax laws and regulations in countries in which it (and/or any of its subsidiaries) operate change or become subject to adverse interpretations or inconsistent enforcement.

Taxes payable by companies in many of the countries in which the Company (and/or any of its subsidiaries) operate are substantial and include value-added tax, excise duties, profit taxes, payroll related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and continuing budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on the Company's (and/or any of its subsidiaries') financial condition and results of operations. In addition to the usual tax burden imposed on taxpayers, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose the Company (and/or any of its subsidiaries) to significant fines and penalties and to enforcement measures despite their best efforts at compliance, and could result in a greater than expected tax burden.

It is also possible that tax authorities in the countries in which the Company (and/or any of its subsidiaries) operate will introduce additional revenue raising measures. The introduction of any such provisions may affect their overall tax efficiency and may result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on their financial condition and results of operations.

The Company (and/or any of its subsidiaries) may also face a significant increase in their income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which they operate, or treaties between those jurisdictions, are modified in an adverse manner. This may adversely affect their cash flows, liquidity and ability to pay dividends.

Some of the Company's (and/or any of its subsidiaries') operations depend on joint ventures, consortia and other forms of cooperation, and their business could be adversely affected if their partners fail to observe their commitments.

The Company (and/or any of its subsidiaries) may participate in joint ventures and consortia and own minority interests in certain companies. The plans for these joint ventures and consortia assume that partners observe any of their obligations or financing commitments. If any of these partners fails to observe any of their obligations or commitments, the affected joint venture, consortium or other project may not be able to operate in accordance with its business plans. Any of these events may have a material adverse effect on the Company.

The Company may need additional capital in the future to fund its operations.

The Company cannot guarantee that additional financing will be available when needed for strategic capital projects in the future and that it will be able to prolong its present loans at their maturity, or that, if available, it will be able to obtain financing on terms favorable to it. In addition, the cost to implement any given strategic capital project ultimately may prove to be greater than originally anticipated.

If the Company cannot raise funds on acceptable terms, it may not be able to execute its business plan or take advantage of future opportunities. Any of these events could adversely affect the Company's ability to achieve its development goals and could have a material adverse effect on its business, financial condition results of operations or cash flows.

The Company may seek to expand its business partly through acquisitions which, by their nature, involve numerous risks and could have an adverse effect on its financial condition and results of operations.

The Company may rely in part on acquisitions and the establishment of subsidiaries or joint ventures and on further investment into its existing subsidiaries. However, the Company may not successfully identify appropriate targets, consummate transactions on satisfactory terms, successfully integrate acquired businesses, effectively manage newly acquired operations or realize anticipated cost savings in connection with a particular acquisition or joint venture. Furthermore, it may be unable to arrange financing for acquired businesses (including acquisition financing) on favorable terms to it and, as a result, elect to fund acquisitions with cash that could otherwise be allocated for other uses in its existing operations. These risks could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Company is a holding company which depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future operational needs or for shareholder distributions.

Because the Company is a holding company, it is dependent on the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses, meet its debt service obligations, pay any cash dividends or distributions on its shares or conduct share buy-backs. Some of the Company's operating subsidiaries have outstanding debt obligations or are subject to agreements that impose restrictions or prohibitions on such operating subsidiaries' ability to pay dividends.

If the income and cash flows of its operating subsidiaries are substantially reduced, the Company may not be in a position to meet its operational needs or to make shareholder distributions. The Company's ability to pay dividends in the future cannot be guaranteed.

If the Company is unable to retain its (and/or any of its subsidiaries') management team and other key personnel, their business could suffer.

The Company's (and/or any of its subsidiaries') key personnel have an extensive knowledge of their business. The loss of any one of these key personnel would constitute a loss of knowhow. The loss of key personnel could also adversely affect their ability to continue their development or to implement their strategy. The Company's (and/or any of its subsidiaries') success is dependent on the loyalty of their executive officers and other key employees and their ability to continue to attract, motivate and retain highly qualified personnel. Their inability to do so could have a material adverse effect on their business, financial condition, results of operations or cash flows.

The Historical Financial Statements may not accurately reflect the Company's future performance.

This prospectus contains the Historical Financial Statements. These Historical Financial Statements are not indicative of the Company's future performance.

Risks relating to the Shares

The Luxembourg Stock Exchange trading market is less liquid than other major exchanges, which could affect the price of the Shares.

The Regulated Market of the Luxembourg Stock Exchange is less liquid than major markets in certain other parts of Europe and the US. Because the Regulated Market of the Luxembourg Stock Exchange is less liquid than major markets in certain other parts of Europe and the US, investors may face difficulty when disposing of their Shares, especially in large blocks.

The future market for the Shares may have limited liquidity

There can be no guarantee that (i) there will be sufficient demand for the Shares to sustain any secondary market for them to develop, (ii) such a secondary market will provide holders of the Shares with substantial liquidity or (iii) such liquidity will continue for the duration of the existence of the Company. The Company is not obligated to create a market for the Shares. Limited liquidity will adversely affect the timing of a holder's resale of Shares or the price in the case of a resale. Investors may be unable to realize their investments through the resale of their Shares or may only be able to sell their Shares at a price materially lower than the initial purchase price.

The Shares are subject to market fluctuations.

The Company cannot assure you that a trading market will develop for the Shares or, if such a market develops, that it will provide significant and sustained liquidity. If an active trading market does not develop, the liquidity and price of the Shares may be adversely affected.

The market price of the Shares may experience significant volatility.

Stock markets have experienced significant fluctuations in recent years, which have not always been related to the performance of the specific companies whose shares are traded. Such fluctuations, as well as general economic conditions, may materially affect the price of the Shares. The price of the Shares may also be materially affected by a number of factors, some specific to the Company and its operations and some which may affect publicly quoted companies generally. These factors could include the Company's financial performance, large purchases or sales of Shares, legislative or regulatory changes in the concerned industry and general economic conditions.

There is no guarantee that the price of the Shares will increase in the future. The price of the Shares can go down as well as up and the past should not be taken as a guide to the future.

Foreign currency exchange rates are subject to fluctuations.

The Shares are, and any dividends to be paid in respect of them will be, denominated in Euro. An investment in Shares by an investor whose principal currency is not Euro exposes the investor to foreign currency exchange rate risk. Any depreciation of Euro in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms, and any appreciation of Euro will increase the value in foreign currency terms.

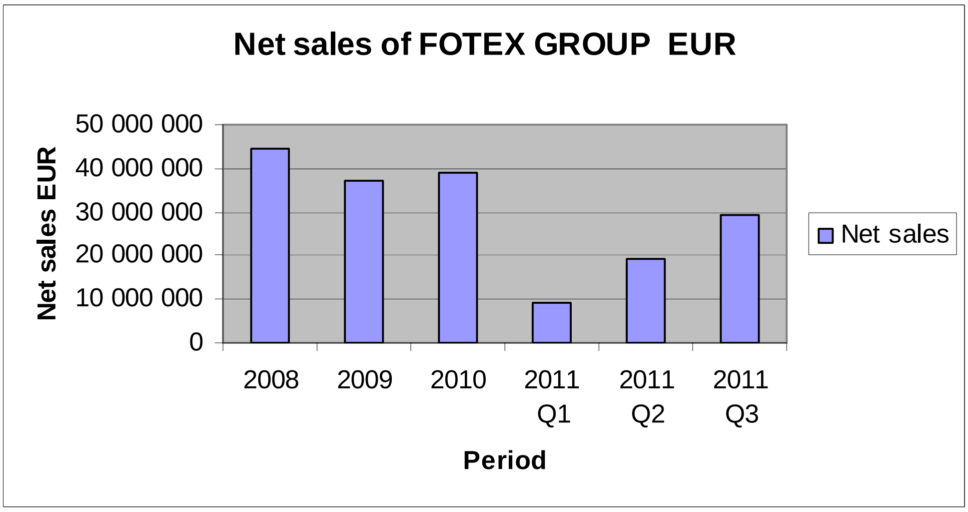
SELECTED FINANCIAL INFORMATION

The following selected audited consolidated financial information on the Company as of and for the years ended 31 December 2008, 2009 and 2010 and selected unaudited consolidated interim financial information on the Company as of and for the periods ended 30 September 2010 and 2011 is derived from, should be read in conjunction with, and is qualified in its entirety by reference to the Historical Financial Statements as presented in the section "*Important Information - Presentation of financial information*".

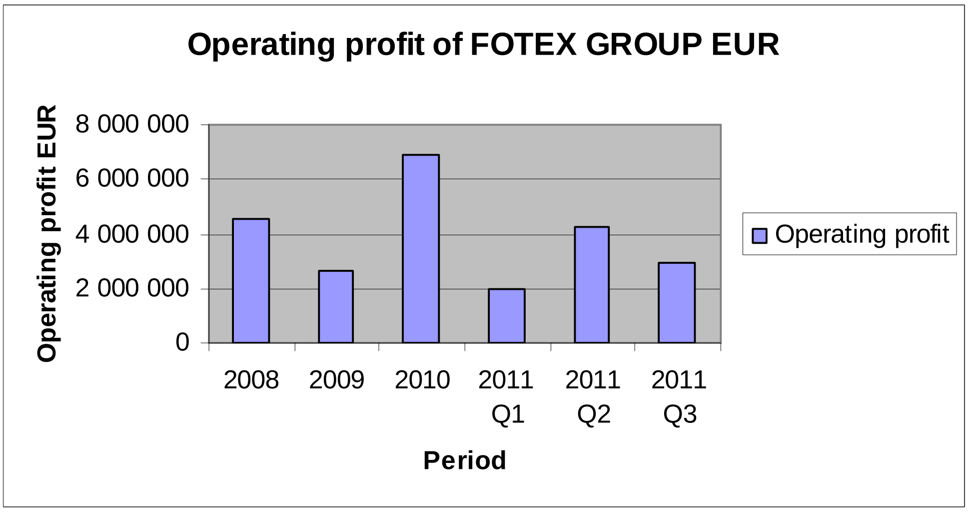
FINANCIAL INFORMATION (EUR)

	31.12.2008.	**31.12.2009**	**31.12.2010**	**30.09.2010**	**30.09.2011**
Sales	44 374 272	37 270 569	38 995 678	27 625 436	29 197 458
Gross profit	31 216 236	28 403 976	30 008 607	21 384 146	22 894 281
Operating profit	4 552 105	2 606 747	6 910 565	5 864 565	2 902 058
Pre tax profit	5 622 842	3 335 434	7 050 770	6 011 351	4 103 399
Net profit*	3 154 769	2 224 780	6 375 028	5 044 557	2 697 751
Dividend per Share	0	0	0	0	0
Owner's equity**	110 314 862	109 954 362	114 276 069	113 247 656	111 181 713
Total assets	120 610 462	147 481 417	164 690 359	161 167 307	186 161 369
Number of issued shares	72 723 650	72 723 650	72 723 650	72 723 650	72 723 650
Earnings per share	0,05	0,04	0,11	0,08	0,05
Return on equity	2,63%	2,02%	5,69%	4,52%	2,39%
Return on assets	2,43%	1,66%	4,08%	3,27%	1,54%

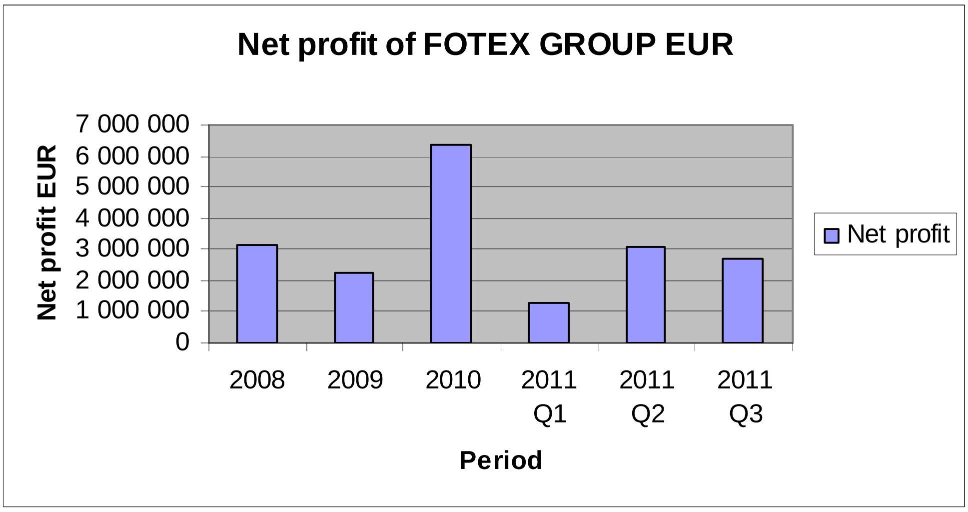
* *net profit attributable to equity holders of the Company*
** *equity attributable to equity holders of the Company*



Net sales of FOTEX GROUP EUR
Net sales EUR
50 000 000
40 000 000
30 000 000
20 000 000
10 000 000
0
2008
2009
2010
2011 Q1
2011 Q2
2011 Q3
Period
Net sales



Operating profit of FOTEX GROUP EUR
Operating profit EUR
8 000 000
6 000 000
4 000 000
2 000 000
0
2008
2009
2010
2011 Q1
2011 Q2
2011 Q3
Period
Operating profit



Net profit of FOTEX GROUP EUR
Net profit EUR
7 000 000
6 000 000
5 000 000
4 000 000
3 000 000
2 000 000
1 000 000
0
2008
2009
2010
2011 Q1
2011 Q2
2011 Q3
Period
Net profit

Capitalization and indebtedness

The following table presents the unaudited capitalisation and indebtedness of the Fotex Group as at 30 September 2011:

Debts	*30.09.2011* EUR
Short-term loans and borrowings*:	1,347,967
Long term loans and borrowings*:	63,039,130
Total loans and borrowings:	64,387,097
Shareholders' equity	
Share capital:	30,543,933
Capital reserve:	32,895,729
Goodwill write off reserve:	(1,292,105)
Retained earnings:	69,158,018
Treasury shares, at cost:	(20,123,862)
Fair value revaluation reserve:	0
Equity attributable to the equity holders of the parent Company:	111,181,713
Total capitalization:	*175,568,810*

*The loans and borrowings are secured by mortgage on the real estates properties owned by Fotex Netherlands BV and FN 2 BV. The book values of these real estates on 30 September 2011 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	10,058,024 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	13,291,858 EUR
Haarlem, Schipholpoort 20	5,152,037 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,739,391 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	17,943,266 EUR
3528 BJ Utrecht, Papendorpseweg 65	15,802,001 EUR

There has been no material change to the above table since 30 September 2011.

Working capital

In the opinion of the Company, as the Company is a financial holding company which holds and administers participating interests in other companies and does not conduct any direct business of its own, the present working capital of the Company is sufficient to meet the Company's present financial requirements.

INFORMATION ON THE COMPANY

The Company is a European company (*société européenne*) governed by Luxembourg laws, with its registered office at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg and registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B 146938.

Overview

The Company was incorporated in 1984 in Hungary as a limited liability company under the denomination of FOTEX Első Amerikai-Magyar Fotószolgáltatási Kft. (*Fotex the First American-Hungarian Photo Service Company*).

The purpose of the Company at that time was to perform quick photo processing. In 1988, it started contact lenses production, selling its products first in wholesale and later in its own retail stores. Between 1988 and 1995, the Company purchased shares in different companies and started to develop its group structure.

In 1990, the Company obtained the listing of its shares at the Budapest Stock Exchange (ISIN HU0000096409).

In the following 15 years, the Company acquired participations in various companies and increased and rationalized its investment portfolio.

In 2005, following the ongoing increase of the Company's group, the name of the Company was changes into Fotex Első Amerikai-Magyar Vagyonkezelő Nyrt (*Fotex the First American-Hungarian Holding Company PLC*).

In order to achieve an expansion within Europe and to reach the flexibility needed for the future expansion targets, the Company was transformed into a European company (*société européenne*) in 2008.

Further to this transformation, the Company was renamed Fotex Holding SE on 1 January 2009.

On 4 June 2009, the extraordinary general meeting of the Company held before a Luxembourg notary resolved to transfer the Company's registered office to Luxembourg.The Company took the Luxembourg nationality and the Articles were restated in order to comply with the Luxembourg legislation. The purpose of this transfer was to expand the Company's activities to an international level and to develop new markets due to their business strategies.

Registration in Luxembourg

Further to the transfer of its registered office from Hungary to Luxembourg, the Company was registered (and continues to be registered) with the Luxembourg *Registre de Commerce et des Sociétés* on 9 July 2009, under number B.146938.

Duration of the Company

The Company has been established for an unlimited period.

Registered office

The registered office of the Company is at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg.

Telephone number for the Company is (+352) 26 37 55 65.

The Fotex Group

Business and key subsidiaries

Since its inception in 1984, the Company's main goal has always been to produce and distribute high quality products directly and later throughout its subsidiaries and to ensure quality and service in retailing. Taking into account the trends and changes in the market, it has constantly acquired further participations and, depending on the circumstances, rationalized and/or diversified its core business.

The Company continued to rationalize its exiting conglomerate by the way of mergers as necessary, abandoned less efficient activities and launched new, highly efficient activities in a continuous response to changes in the market environment. During the mid-90s, the Company often increased its capital from third party funds to finance its acquisitions. Since 1997, the Company has operated solely as a financial holding company and as such is involved in strategic issues regarding the management, improvement and funding of the Fotex Group's operations; and has delegated operating decision making and execution to the individual group members.

The aggregate of the Company's direct participation in its subsidiaries and indirect participations through its subsidiaries as at 30 September 2011 is presented in the following table:

SUBSIDIARY (country of incorporation)	PRINCIPAL ACTIVITIES	ISSUED CAPITAL (EUR)		OWNERSHIP (%)		VOTING RIGHTS (%)	
		30/09/2011	*30/09/2010*	*30/09/2011*	*30/09/2010*	*30/09/2011*	*30/09/2010*
Ajka Kristály Üvegipari Kft. (Hungary)	Crystal manufacturing and retail	5,050,721	5,050,721	100.0	100.0	100.0	100.0
Balaton Bútor Kft. (Hungary)	Furniture manufacturer	1,325,100	1,325,100	100.0	100.0	100.0	100.0
Balaton Glas Hotel Kft. (Hungary)	Property management	-	879,979	-	100.0	-	100.0
Downington Sàrl. (Luxembourg)	Investment holding	-	2,050,000	-	100.0	-	100.0
Europrizma Kft. (Hungary)	Administration services	-	35,879	-	100.0	-	100.0
Fotex Cosmetics Kft. (Hungary)	Cosmetics retailer	870,723	870,723	100.0	100.0	100.0	100.0
Fotexnet Kft. (Hungary)	Internet retail and other services	56,963	28,349	87.9	99.97	89.2	100.0
Hungaroton Music Zrt. (Hungary)	Music archive	480,399	480,399	99.2	99.2	99.2	99.2
Hungaroton Records Kft. (Hungary)	Music release and music retailing	1,707,078	1,707,078	99.8	99.8	100.0	100.0

Keringatlan Kft. (Hungary)	Property management	20,558,176	20,558,176	100.0	100.0	100.0	100.0
Fotex Netherlands B.V. (The Netherlands)	Property management	18,000	18,000	100.0	100.0	100.0	100.0
FN 2 B.V. (The Netherlands)	Property management	18,000	-	100.0	-	100.0	-
Primo Zrt.* (Hungary)	Clothing retailing and wholesaling	1,859,657	1,859,657	99.9	100.0	100.0	100.0
Sigma Kft. (Hungary)	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székhely 2007 Kft. (Hungary)	Property management	86,109	86,109	99.1	99.1	99.1	99.1
Upington Investments S.à r.l. (Luxembourg)	Investment holding	12,500	12,500	100.0	100.0	100.0	100.0
Plaza Park Kft. (Hungary)	Property management	1,171,580	-	100.0	-	100.0	-

**As at 17 October 2011, Proprimo Kft. was demerged from Primo Zrt. and at the same time the share capital has been decreased:*

Proprimo Kft. (Hungary)	Consulting	17,157	-	99.9	100.0	100.0	100.00
Primo Zrt.** **(Hungary)**	Clothing retailing and wholesaling	17,157	-	99.9	100.0	100.0	100.00

**** Primo Zrt. has been sold as of 12 December 2011 so Primo Zrt. is not part of the Fotex Group since 12 December 2011.*

Currently, the main activities of the Fotex Group are divided in the following seven different business lines, acting in particular through the following Company's subsidiaries:

- *furniture production and sales*

The Company holds 100% of the Hungarian company Balaton Bútor Kft., a limited liability company with registered address at Hazgyari ut 4. Veszprem, H-8200, Hungary.

Balaton Bútor Kft. produces high quality furniture. Its main products include chairs, tables, restaurant and hotel furniture and unique designed items sold directly via retail stores to customers and via wholesale channels to business consumers. This company is well known in Hungary and in other European countries.

- *investment property management*

The Fotex Group has built up a significant real estate operation over the years. This“division” is now one of its core segments.

By restructuring the Fotex Group’s operations and by gradually phasing out trading, the Fotex Group’s core activity shifted towards property management and development. The Fotex Group’s existing properties are predominantly leased out to third parties. The majority of the Fotex Group’s assets are properties owned by the parent company and its subsidiaries. The Fotex Group owns approximately 350,000 square meters in buildings and structures and has a land bank with nearly 800,000 square meters of land. These properties are held as investments and are utilized by the means of rental agreements and leases. Structures totalling 47,000 square meters (offices) and land totalling 25,000 square meters can be found in Holland; while the rest is all in Hungary.

Of the Fotex Group’s properties in Hungary, land of approximately 730,000 square meters and structures of 190,000 square meters can be developed further and are located mainly in Budapest and in the suburban areas (Budaörs, Kistarcsa etc.) or in larger cities across the country (Debrecen, Veszprém, Győr, Nagykanizsa etc.).

Keringatlan Kft. was founded by Fotex Group in 1999 explicitly to utilise and manage the properties owned by the Fotex Group. Keringatlan Kft. continuously grew as the Fotex Group’s operations were shaped through contributing properties across the Fotex Group companies and through mergers. Today, most of the Fotex Group’s properties in Hungary are owned directly by Keringatlan Kft. and indirectly through a subsidiary (Plaza Park Kft.). Keringatlan Kft. also utilises two of the properties which Fotex Holding SE owns directly in Hungary: plots totally 69,000 square meters of land with 3,000 square meters of buildings located in the city of Agárd as well as another 99,000 square meters of developable land which has 2,000 square meters of buildings located in Budaörs.

Keringatlan Kft.'s activities are property management, real estate trading, real estate development, sales of properties, and other real estate related services.

Keringatlan Kft. directly owns 256 thousand square meters of property and manages 224 seperate properties. A significant portion of its real estate (about 145 thousand square meters) are retail units. Of these retail units, 43 thousand square meters are in two shopping malls located in Budapest, and 68 thousand square meters are in shopping centers located in different bigger cities in Hungary while the remaining 34 thousand square meters are traditional retail shops. Keringatlan Kft. also directly owns 7 thousand square meters of office buildings and 20 thousand square meters of real estate which are classified as other (resorts, hotels, industrial halls etc...).

Since October 2010, Keringatlan Kft. has outsourced its facility management activity to Székhely 2007 Kft., a Hungarian limited liability company whose registered seat is Nagy J. u. 12. Budapest, 1126 Hungary and which is 99,12% owned by the Fotex Group.

Székhely Kft’s responsibilities include technical maintenance, refurbishment and improvement of the Fotex Group’s facilities, monitoring and maintenance of the heating systems, ensuring continuous energy supply to the tenants, supervising the plumbing facilities, roads, electricity etc. Székhely Kft. also owns developeable land with a total area of nearly 23,000 square meters and a building with nearly 1,000 square meters in the centre of the town of Veszprém.

Keringatlan Kft. founded Fotex Netherlands B.V., a Dutch limited liability company with the seat 1017 WV Amsterdam, Sarphatikade 13. Netherlands, in order to further develop and manage real estate projects in the Netherlands. The Company holds close to 100% ownership in Fotex Netherlands B.V.. Fotex Netherlands BV has 5 separate properties at different locations in The Netherlands. The 5 properties together have 33 thousand square meters of buildings.

On 24 June 2011, Fotex Netherlands B.V. founded FN 2 B.V. with seat at 1017 WV Amsterdam, Sarphatikade 13. Netherlands, aiming to further develop and manage the real estate portfolio in The Netherlands. Recently FN 2 BV has purchased an office building with a total of 7 thousand square meters in the city of Utrecht.

The Fotex Group has acquired 100% ownership in Plaza Park Kft (LLC) on 1 July 2011. The Company holds close to 100% ownership in Plaza Park Kft, whose main activity is property management. By acquiring Plaza Park Kft, the real estate portfolio of the Fotex Group has expanded by 93 thousand square meters of land and 7,080 square meters of buildings.

The Company holds a 75.05% ownership in Sigma Kft., a Hungarian limited liability company with registered address at Nagy Jenő u. 12, Budapest, H-1126, Hungary. The main business of Sigma Kft. is to lease the Fotex Group's real estate portfolio.

- *crystal and glass*

The Company holds 100% of Ajka Kristály Üvegipari Kft. a Hungarian limited liability company with registered address at Alkotmány street 4., H-8400, Ajka, Hungary.

Ajka Kristály Üvegipari Kft. produces glass products, both in tableware (stemware, tumblers) and in giftware (vases, bowls) which are exported for world famous brands such as Wedgwood, Tiffany's, Rosenthal, Waterford Crystal, Fabergé, Polo Ralph Laurent, Christian Dior, Moser and other high end French crystal manufacturers. In addition Ajka Kristály Üvegipari Kft. sells products under its own brand name.

The company's products are delicate hand-made crystal which requires exquisite craft and skills and are renowned the world over. Despite the backlash of the economic crisis in luxury merchandise, the company's products are in high demand across the European Union as well as in other countries such as Japan and the US. Most of the Ajka Kristály Üvegipari Kft's former competitors in the glass industry were driven out of business across Europe as demand had slumped in the wake of the economic crisis and, in the western part of Europe due to the labour-intensive nature of crystal production, while in eastern eastern europe due to the capital-intensive nature of this business as well as the increasingly higher quality standards required by customers. Owing to its systematic economic policies and modest but essential development programmes, by today, Ajka Kristály Üvegipari Kft. has managed to significantly strengthen its position in the market of select manufacturers.

Since 1992, besides glass production, Ajka Kristály Üvegipari Kft. also runs an exclusive porcelain painting workshop which produces hand painted items for special orders from customers such as Fabergé, Augarten and John Jenkins.

- *Furniture produce and distribution*

The Company holds 100% of Balaton Bútor Kft., a furniture making Hungarian limited liability company seated at 8200 Veszprém Házgyári út 4., Hungary. The legal predecessor of the factory was founded in 1896. The factory boasts a technical experience spanning more than a 100 years and represents high labour, industrial engineering and technology standards.

Balaton Bútor Kft. produces high quality furniture for both households and institutional customers and include chairs, tables, shelves and drawers, furniture for hotels. The company also manufactures bespoke designer articles that are renowned both in Hungary and other European countries. More than 40% of the company's sales revenues are realised in EU countries, primarily in Germany and in Scandinavia and builds on its continuously evolving yet well-based market relationships that span decades.

- *music records production and distribution*

The Company holds 99.2% of Hungaroton Music Zrt., a Hungarian company limited by shares with registered address at Reitter Ferenc u. 45-49, H-1135 Budapest, Hungary, as well as an indirect 99.8% shareholding in Hungaroton Records Kft., a Hungarian limited liability company with registered address at Rottenbiller u. 47, Budapest H-1075 Hungary.

Hungaroton Music Zrt. has a large archive of classical and pop music as it owns the music archives of Hungaroton, the former state owned vinyl records making company which was founded in 1951. The Zrt. currently manages the existing archives of the company. In the past twenty years, many new pieces of music have been recorded and distributed by the Hungaroton Records Kft. This company utilises both these in house recordings and those in Hungaroton Music Zrt's archives.

Hungaroton, which was founded in 1951, was the biggest Hungarian music label with the most extensive music catalogue: until the end of the eighties, Hungaroton had prepared each and every Hungarian classical and pop music record as well as prose, operetta and educational audio recording. In the nineties, the label specialized on classical music: its entire music catalogue of approximately 10 thousand recordings includes at least a 100 thousand different tracks and 40 to 50 new recordings are added to the catalogue each year. 95% of Hungarian classical music recordings are the label's own recordings and had recorded music played or composed by the finest Hungarian music artists and composers as well as outstanding international artists. The pop music catalogue has seen around a one thousand new recordings over the past twenty years.

Besides various awards from Diapason, Goldberg, Le Monde de la Musique, Pizzicato and other music industry magazines, the most prestigious awards won by Hungaroton include three MIDEM-awards for the Dohnányi violin concertos (1999), the collective works of Bartók (2002) and for the first SACD of the New Bartók Series (The Wooden Prince, Kossuth – a symphonic poem) and the Classical Internet Awards (2004) for a Bartók SACD conducted by Zoltán Kocsis. Since 2011, the label has been gradually shifting from traditional trading methods to e-commerce. The recently opened Hungaroton Music Store (http://hungaroton.hu) digital music shop, along with the iTunes palette, are the largest Hungarian digital label catalogues that currently include more than 5,000 different titles and are continuously expanding. The company's classical e-music catalogue is also distributed via Naxxos. Without a doubt, the company's future lies in moving towards new digital sales channels.

- *household goods and cosmetics*

The Company holds 100% of Fotex Cosmetics Kft., a Hungarian limited liability company with registered address at Nagy Jenő u. 12, Budapest, H-1126, Hungary.

Fotex Cosmetics Kft. used to be the exclusive distributor of luxury cosmetics brands in Hungary (Revlon, Max Factor, Bourjois, Kenzo, Givenchy, Cartier, Shiseido, Carita, Darphin) but later switched to perfumery retail. In addition, based on special agreements with La Prairie and Shiseido, the company also continues to run an exclusive beauty salon under the brand name 'House of Beauty'.

- *clothing*

The Company holds close to 100% indirect ownership in Primo Zrt., a Hungarian company limited by shares with registered address at Reitter Ferenc u. 45-49, H-1135 Budapest.

Primo Zrt. has the exclusive right to distribute Pierre Cardin trademarked men's shirt within Hungary and it holds the exclusive rights for distributing Guy Laroche men's fashion articles in Hungary, Czech Republic, Poland, Rumania, Slovakia and the Common Wealth of Independent States. Primo Zrt. is also authorized to manufacture Pierre Cardin and Guy Laroche branded fashion articles.

With the emergence and development of e-trading, Primo Zrt. started operating its e-commerce shop with exclusive Pierre Cardin and Guy Laroche fashion products.

- *other (administration and holding activities)*

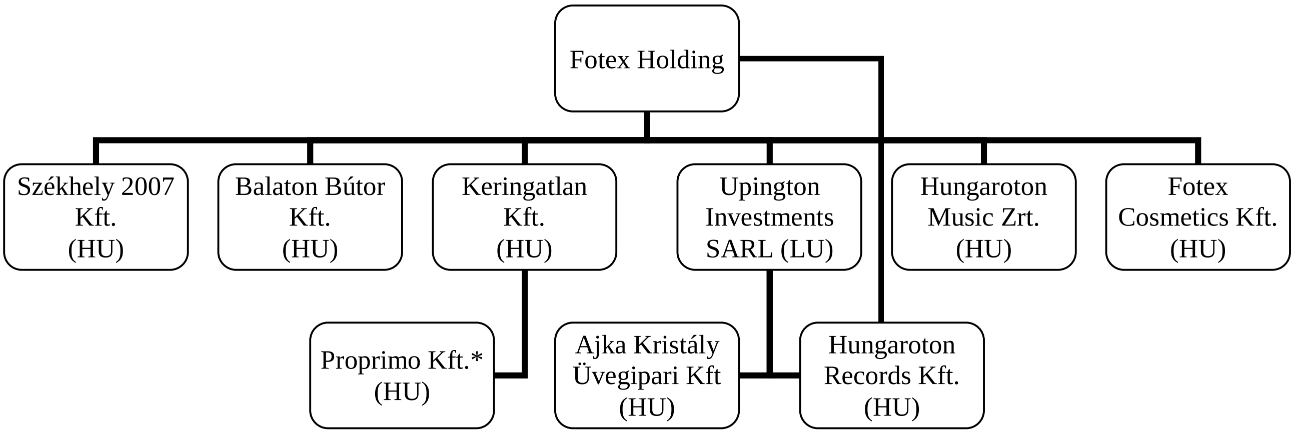
From Primo Zrt., a new company was demerged in October 2011: the new company is called Proprimo Kft. and has its registered located at Nagy J. u. 12. Budapest, Hungary. The company will carry out consulting activities, while Primo Zrt. continues carrying out the main activity of the predecessor company.

Fotex Group holds a 87.9% stake in Fotexnet Kft., a Hungarian limited liability company with its registered seat at Budapest, Nagy J. u. 12., Hungary. The Kft. operates a web shop that provides a reliable and renowned sales channel to third party business partners. The Kft. provides extensive internet-based services as well as carries out various promotion activities, prepares studies and develops various software. The Kft. is responsible for Fotex Group's IT operations and development.

The Company holds 100% of Upington Investments S.à r.l., a Luxembourg private limited liability company with registered address at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg. Upington Investments S.à r.l. is dealing with financial investments realized in the member countries of the European Union.

Structure chart

The Company is a holding company with no business operations of its own. The following chart summarises the Company's current operational structure, including significant subsidiaries (the "**Fotex Group**").



**As at 17 October 2011, Proprimo Kft. was demerged from Primo Zrt. and at the same time the share capital has been decreased. Primo Zrt. has been sold as of 12 December 2011 so Primo Zrt. is not part of the Fotex Group since 12 December 2011.*

Revenues

The breakdown of the Fotex Group's total revenues for 2008, 2009, 2010 and 2011 are as follows :

- by category of activity

Segment	**31/12/08**	**31/12/09**	**31/12/10**	**30/09/10**	**30/09/11**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Furniture	4 765 140	3 398 571	2 633 290	1 650 549	1 540 784
Investment property	21 502 891	22 889 976	23 111 138	16 539 901	18 593 123
Electrical, household goods and cosmetics	2 007 781	1 042 531	809 758	542 194	423 777
Crystal and glass	7 307 036	4 250 165	7 291 681	5 372 726	5 418 498
Music	3 478 384	2 310 324	1 898 344	1 225 690	647 152
Clothing	1 500 924	879 959	692 236	508 174	391 802
Advertising	137 566	3 091	-	-	-
Other	3 674 550	2 495 952	2 559 231	1 786 202	2 182 322
Total:	**44 374 272**	**37 270 569**	**38 995 678**	**27 625 436**	**29 197 458**

- by geographic market

Country	31/12/08 EUR	%	31/12/09 EUR	%	31/12/10 EUR	%	31/09/10 EUR	%	31/12/11 EUR	%
Hungary	36 464 187	82,17	31 168 367	83,63	27 689 881	71,01	19 804 048	71,69	19 640 326	67,27
USA	1 217 114	2,74	430 999	1,16	875 963	2,25	681 251	2,47	608 175	2,08
Ireland	641 525	1,45	1 622 979	4,35	2 634 435	6,76	2 145 889	7,77	2 024 026	6,93
Germany	932 028	2,10	647 768	1,74	1 363 721	3,50	914 051	3,31	1 423 554	4,88
Great Britain	1 007 144	2,27	290 000	0,78	533 553	1,37	393 563	1,42	391 486	1,34
Italy	1 451 995	3,27	257 238	0,69	398 512	1,02	321 379	1,16	451 824	1,55
The Nether-lands	169 751	0,38	1 502 665	4,03	3 677 360	9,43	2 283 711	8,27	3 537 394	12,12
Switzerland	21 491	0,05	7 080	0,02	9 316	0,02	5 544	0,02	5 878	0,02
Japan	370 100	0,83	231 738	0,62	134 818	0,35	87 572	0,32	82 763	0,28
Austria	277 637	0,63	27 020	0,07	10 383	0,03	9 660	0,03	7 174	0,02
Sweden	344 155	0,78	263 747	0,71	177 763	0,46	137 912	0,50	84 013	0,29
France	454 960	1,03	232 073	0,62	919 128	2,36	508 889	1,84	604 417	2,07
Finland	84 780	0,19	0	0,00	0	0,00	14 898	0,05	147	0,00
Belgium	67 707	0,15	90 235	0,24	9 070	0,02	7 400	0,03	3 459	0,01
Denmark	851	0,00	1 709	0,00	80	0,00	0	0,00	321	0,00
Norway	161 300	0,36	61 944	0,17	183 606	0,47	140 404	0,51	55 861	0,19
Hong-Kong	44 267	0,10	35 627	0,10	30 931	0,08	17 688	0,06	20 513	0,07
Slovakia	7 230	0,02	10 502	0,03	14 122	0,04	8 810	0,03	2 290	0,01
Spain	6 375	0,01	3 997	0,01	2 596	0,01	15 523	0,06	472	0,00
Czech Republic	219 049	0,49	12 051	0,03	9 383	0,02	1 984	0,01	6 120	0,02
Poland	18 481	0,04	53 081	0,14	44 299	0,11	42 130	0,15	4 215	0,01
Canada	112 595	0,25	120 435	0,32	147 691	0,38	4 352	0,02	185 925	0,64
Australia	0	0,00	1 024	0,00	0	0,00	0	0,00	911	0,00
Greece	4 188	0,01	87 063	0,23	48 345	0,12	23 664	0,09	852	0,00
Turkey	0	0,00	1 185	0,00	0	0,00	0	0,00	383	0,00
Taiwan	7 226	0,02	6 148	0,02	0	0,00	0	0,00	0	0,00
Korea	8 097	0,02	0	0,00	6 306	0,02	4 788	0,02	13 165	0,05
Iran	71 605	0,16	8 675	0,02	0	0,00	0	0,00	0	0,00
Venezuela	0	0,00	45 226	0,12	26 362	0,07	9 093	0,03	0	0,00
Luxemburg	0	0,00	0	0,00	0	0,00	0	0,00	0	0,00
Moldova	9 163	0,02	15 159	0,04	9 370	0,02	8 141	0,03	10 118	0,03
Romania	45 810	0,10	8 347	0,02	7 054	0,02	2 823	0,01	5 476	0,02
Ukraine	22 378	0,05	10 770	0,03	4 716	0,01	1 722	0,01	0	0,00
Other	131 083	0,30	15 719	0,04	26 916	0,07	28 550	0,10	26 200	0,09
Total:	**44 374 272**	**100**	**37 270 569**	**100**	**38 995 678**	**100**	**27 625 436**	**100**	**29 197 458**	**100**

Investments

The Fotex Group's significant investments for 2008, 2009, 2010 and 2011 are as follows:

in 2008:

- *investment in 3rd party business shares and establishment of subsidiaries*

Investing Company	*Business share*	*Transaction type*	*Face value of business share*	*Amount of investment*	*Country of investment*	*Method of finance*
Ajka Kristály Kft	Herendi Kristály Kft	purchase	1,710,000 HUF	1,560,000 HUF	Hungary	Internal
Kontúr Zrt	Kontúr 2008 Kft	establishment	100,000 HUF	100,000 HUF	Hungary	Internal

- *investment in financial securities (over 100 million HUF)*

Investing Company	*Security*	*Type of security*	*Pcs*	*Nominal value*	*Purchase price*	*Method of finance*
Downington S.à r.l	OTPHB 5.27% 09/19/16	corporate bonds	3,481	1,000 EUR	3,481,000 EUR	Internal
Downington S.à r.l	OTPHB 5.27% 09/19/16	corporate bonds	1,619	1 000 EUR	1,619,000 EUR	Internal

Company

Downington S.à r.l Upington S.à r.l	Shares	corporate shares	8,576,309	100 HUF	4,455,817,556 HUF	Internal

- *investment in properties (over 100 million HUF)*

Investing Company	*Property*	*Type of investment*	*Transaction type*	*Amount of investment*	*Country of investment*	*Method of finance*
/	/	/	/	/	/	/

in 2009:

- *investment in 3rd party business shares and establishment of subsidiaries*

Investing Company	*Business share*	*Transaction type*	*Face value of business share*	*Amount of investment*	*Country of investment*	*Method of finance*
Keringatlan Kft	Fotex Netherlands BV	establishment	18 000 EUR	18 000 EUR	The Netherlands	Internal

- *investment in financial securities (over 100 million HUF)*

Investing Company	*Security*	*Type of security*	*Pcs*	*Nominal value*	*Purchase price*	*Method of finance*
Downington S.à r.l	OTPHB 5.27% 09/19/16	corporate bonds	2,000	1,000 EUR	1,018,406 EUR	Internal
Downington S.à r.l	MOL 3.875% 10/05/15	corporate bonds	1,000	1 000 EUR	524,380 EUR	Internal
Company	Share	corporate shares				Internal
Company	Preferred Shares	corporate shares	916,510	0,42 EUR	177,459,821 HUF	Internal
Downington S.à r.l	Shares	corporate shares				Internal

- *investment in properties (over 100 million HUF)*

Investing Company	*Property*	*Type of investment*	*Transaction type*	*Amount of investment*	*Country of investment*	*Method of finance*
Fotex Netherlands BV	2719 EP Zoetermeer, Einstainplan 20	Office building and plot	Purchase	10 859 270 EUR	The Netherlands	internal and external
Fotex Netherlands BV	Gorinchem, Stadhuisplein 1a, 70 and 70a	Office building and plot	Purchase	14 344 337 EUR	The Netherlands	internal and external
Fotex Netherlands BV	Haarlem, Schipholpoort 20	Office building and plot	Purchase	5 466 632 EUR	The Netherlands	internal and external
Fotex Netherlands BV	3012 BL Rotterdam, Witte de Withstraat 25	Office building and plot	Purchase	6 026 014 EUR	The Netherlands	internal and external

in 2010:

- *investment in 3rd party business shares and establishment of subsidiaries*

Investing Company	*Business share*	*Transaction type*	*Face value of business share*	*Amount of investment*	*Country of investment*	*Method of finance*
Keringatlan Kft	Li-De Ker	establishment	250,000 HUF	250,000 HUF	Hungary	Internal

- *investment in financial securities (over 100 million HUF)*

Investing Company	*Security*	*Type of security*	*Pcs*	*Nominal value*	*Purchase price*	*Method of finance*
/	/	/	/	/	/	/

- *investment in properties (over 100 million HUF)*

Investing Company	*Property*	*Type of investment*	*Transaction type*	*Amount of investment*	*Country of investment*	*Method of finance*
Fotex Netherlands BV	8017 JV Zwolle, Zuiderzeelaan 43-51	Office building and plot	Purchase	18 709 056 EUR	The Netherlands	internal and external

in 2011:

- *investment in 3rd party business shares and establishment of subsidiaries*

Investing Company	*Business share*	*Transaction type*	*Face value of business share*	*Amount of investment*	*Country of investment*	*Method of finance*
Upington S.à r.l	Plaza Park Kft	purchase	300,000 HUF	19,951,324 EUR	Hungary	internal and external
Fotex Netherlands BV	FN 2 BV	establishment	18,000 EUR	18,000 EUR	The Netherlands	Internal

- *investment in financial securities (over 100 million HUF)*

Investing Company	*Security*	*Type of security*	*Pcs*	*Nominal value*	*Purchase price*	*Method of finance*
Company	Share	corporate shares	816,976	0,42 EUR	264,860,737 HUF	Internal

- *investment in properties (over 100 million HUF)*

Investing Company	*Property*	*Type of investment*	*Transaction type*	*Amount of investment*	*Country of investment*	*Method of finance*
FN 2 BV	3528 BJ Utrecht, Papendorpse weg	Office building and plot	Purchase	15 922 400 EUR	The Netherlands	internal and external
FN 2 BV	Hoofddorp	Office building and plot	Purchase	19 287 733 EUR	The Netherlands	internal and external

The Company's management has made no firm commitment in relation to future investments.

Research and development

The Company directly has no activity in relation to research and development and the research and development activity carried out through its subsidiaries is not significant.

Property, plants and equipments

The table below contains information on the Fotex Group's properties, furniture, machinery, equipment as at 31 December 2010.

	Land, buildings, improvements	*Furniture, machinery, equipment, fittings*	*Construction in progress*	*Total*
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	7,379,174	20,205,460	1,115,426	28,700,060
Additions	853,793	946,258	-	1,800,051
Disposals and write downs	(218,866)	(1,728,509)	(654,668)	(2,602,043)
Currency loss arising from retranslation	(210,011)	(579,858)	(23,801)	(813,670)
31 December 2010	7,804,090	18,843,351	436,957	27,084,398
Accumulated depreciation:				
1 January 2010	(1,637,449)	(16,868,950)	-	(18,506,399)
Depreciation expense	(201,457)	(838,697)	-	(1,040,154)
Disposals and write downs	64,764	1,692,875	-	1,757,639
Currency gain arising from retranslation	57,618	488,282	-	545,900
31 December 2010	(1,716,524)	(15,526,490)		(17,243,014)

Net book value

31 December 2010	6,087,566	3,316,861	436,957	9,841,384
31 December 2009	5,741,725	3,336,510	1,115,426	10,193,661

On 31 December 2010, the cost of tangible assets fully written off (due to ordinary or extraordinary depreciation) was EUR 5,606,963 (in 2009: EUR 6,763,885). The cost of tangible assets temporarily out of use is EUR 16,951 (in 2009: EUR 17,040).

The Fotex Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Fotex Group companies as retail outlets and for other operating activity purposes. The Fotex Group gradually abandoned its retail activity and has developped an investment property activity by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated financial statements at historic cost less accumulated depreciation. The Fotex Group has made an internal valuation of all its investment properties as of 31 December 2010. The key valuation methodology and major assumptions used in the valuation are set out in the 2010 Audited Consolidated Financial Statements.

Movements in investment properties in 2010 were as follows:

	Investment properties *EUR*
Cost:	
1 January 2010	106,662,915
Additions	19,381,054
Currency loss arising from retranslation	(1,845,546)
31 December 2010	124,198,423
Accumulated depreciation:	
1 January 2010	(18,233,210)
Depreciation expense	(4,096,516)
Currency gain arising from retranslation	516,112
31 December 2010	(21,813,614)
Net book value:	
31 December 2010	102,384,809
31 December 2009	88,429,705

The fair values of investment properties on 31 December 2010 are set out below:

Category	*Area* m2	*Net book value* EUR	*Estimated fair value* EUR
Retail outlets	145,716	33,883,648	163,121,683
Offices	39,008	47,879,633	65,063,516
Warehouses	97,111	3,141,146	15,138,744
Other structures	38,830	3,239,595	5,263,805
Plots of land	677,670	14,240,787	23,430,835
Total investment properties	998,335	102,384,809	272,018,583

The above schedules disclosing the investments do not contain the effects of the following significant transactions:

- FN 2 BV has purchased an office building having 7,122 square meters in Utrecht. The initial recognition value of the office building in Utrecht was EUR 15,922,400

- acquisition of Plaza Park Kft with the consequence that the real estate portfolio of the Fotex Group has extended with 95,193 square meters plot and 7,080 square meters superstructure. The fair value of properties at the date of acquisition was EUR 16,032,452

There are mortgages on the properties of Fotex Group in The Netherlands.

Recent trends in production, sales and inventory, and costs and selling prices

The Company has no direct activity in relation to production or sales and has no inventory.

Profit forecasts or estimates

The Company provides no profit forecast or estimate in this prospectus

Legal and arbitration proceedings

To the best of the Company's knowledge, for the period of 12 months prior to the date of this prospectus, there were no governmental, legal or arbitration proceedings (whether pending or threatened) which may have, or had in the recent past, significant effects on the Company's or the Fotex Group's financial position or profitability.

Significant change

There has been no significant change in the financial or trading position of the Company since 30 September 2011.

OPERATING AND FINANCIAL REVIEW

Financial condition

The cash and short term deposits of the Company are stable while due to the reorganization of the Fotex Group activities and the general change in its business has resulted in a constant reduction in the Fotex Group inventory levels. As a whole the the Fotex Group and its business have remained stable over the period in question. All the while the the Fotex Group continues to expand its core line business of property investment and management as well as the loans (by offering banks mortages on newly acquired properites) which are required to expand this line of business. In addition to this, the the Fotex Group continues to buy its own shares in the open market while income continues to grow and earnings have remained strong over the period.

Operating results

The operating results of the Fotex Group varies from year to year due to changes in exchanges rates, goverment tax rates, discontinuation of lines of business, as well as general European and global economic trends. The Fotex Group tries to counterbalance such changes as best as possible by purchasing forward rates for its companies (as a hedge against exchange rate volatility) as well as continously reorganizing and rationalizing business segments which the Fotex Group feels are no longer sustainable or have no viable future.

Below are tables (from the Historical Financial Statements) concerning the financial condition of the Company. More financial informations are available in the Historical Financial Statements as well as in the section "Selected Financial Information".

Balance sheet

	Unaudited		*Audited*	
	30 September		*31 December*	
	2011	*2010*	*2009*	*2008*
	EUR	*EUR*	*EUR*	*EUR*
Assets				
Current Assets:				
Cash and short-term deposits	19,022,500	17,245,883	12,997,087	18,130,262
Other current financial assets	745,896	515,301	957,318	741,005
Accounts receivable and prepayments	5,493,549	6,483,893	5,426,818	4,552,749
Income tax receivable	-	440,601	1,116,079	273,503
Inventories	6,714,593	7,637,998	7,669,126	8,882,884
Total current assets	31,976,538	32,323,676	28,166,428	32,580,403
Non Current Assets:				
Property, plant & equipment		9,841,384	10,193,661	11,060,881
Investment properties	137,853,596	102,384,809	88,429,705	55,509,060
Deferred tax asset	400,312	419,51	419,236	318,14
Intangible assets	2,797,972	2,814,996	2,844,347	3,976,717
Other non-current financial assets	1,453,385	6,838,490	7,066,520	6,566,598
Goodwill arising on acquisition	11,679,566	10,067,494	10,361,520	10,598,663
Total non current assets	154,184,831	132,366,683	119,314,989	88,030,059

Total assets	186,161,369	164,690,359	147,481,417	120,610,462
Liabilities and Shareholders' Equity				
Current Liabilities:				
Interest-bearing loans, borrowings and overdrafts	1,347,967	848,825	426,994	–
Provisions	169,005	217,373	474,542	394,365
Income tax liability	261,589			
Accounts payable and other liabilities	6,639,927	8,912,889	8,931,819	6,905,821
Total current liabilities	8,418,488	9,979,087	9,833,355	7,300,186
Non-current Liabilities:				
Interest-bearing loans and borrowings	63,039,130	37,852,693	24,881,480	–
Other long-term liabilities	1,373,348	1,939,830	2,040,474	2,197,507
Deferred tax liability	2,042,162	550,981	688,133	762,41
Total non-current liabilities	66,454,640	40,343,504	27,610,087	2,959,917
Shareholders' Equity:				
Issued capital	30,543,933	30,543,933	30,543,933	27,465,688
Additional paid-in capital	32,895,729	32,895,729	32,895,729	32,895,729
Goodwill write-off reserve	(1,292,105)	(1,534,125)	(1,856,818)	(2,179,511)
Retained earnings	69,158,018	71,637,487	67,493,126	70,745,443
Treasury shares, at cost	(20,123,862)	(19,266,955)	(19,121,608)	(18,612,487)
Equity attributable to equity holders of the parent company	111,181,713	114,276,069	109,954,362	110,314,862
Minority interests in consolidated subsidiaries	106,528	91,699	83,613	35,497
Total shareholders' equity	111,288,241	114,367,768	110,037,975	110,350,359
Total liabilities and shareholders' equity	186,161,369	164,690,359	147,481,417	120,610,462

Income statement

	Unaudited		*Audited*	
	30 September		*31 December*	
	2011	*2010*	*2009*	*2008*
	EUR	*EUR*	*EUR*	*EUR*
Revenue	29,197,458	38,995,678	37,270,569	44,374,272
Operating expenses	(26,295,399)	(32,085,113)	(34,663,822)	(39,822,167)
Interest income	765,894	1,455,905	1,337,042	1,075,568
Profit on sale of available for sale financial assets	2,376,463			
Interest expenses	(1,941,017)	(1,315,700)	-608,355	-4,831

Income before income taxes	4,103,399	7,050,770	3,335,434	5,622,842
Income tax expense	(1,379,114)	-663,664	(1,028,073)	(2,429,524)
Net income	2,724,285	6,387,106	2,307,361	3,193,318
Attributable to:				
Equity holders of the parent company	2,697,752	6,375,028	2,224,780	3,154,769
Non-controlling interests	26,533	12,078	82,581	38,549
Net income	2,724,285	6,387,106	2,307,361	3,193,318
Basic earnings per share	0,05	0,11	0,04	0,05
Diluted earnings per share	0,05	0,11	0,04	0,05

Cash flow

	Unaudited		*Audited*	
	30 September		*31 December*	
	2011	*2010*	*2009*	*2008*
	EUR	*EUR*	*EUR*	*EUR*
Cash flows from operating activities:				
Income before non-controlling interests and income taxes	4,103,399	7,050,770	3,335,434	5,622,842
Depreciation and amortisation	4,460,771	5,156,519	4,094,204	4,210,060
Provisions used and reversed	-47,171	-257,169	89,001	321,195
Impairment of intangible assets	789,051	-	1,118,324	733,503
Scrapped tangible assets	-4,053	131,709	23,985	175,093
Write off of inventories, impairment loss of debtors and other receivables	1,485	816,886	1,330,542	1,004,393
Gain on disposals of fixed assets	701,875	574	-28,537	-175,558
Gain on disposal of other investments	-765,894	-	-55,777	-199
Interest income	1,941,017	(1,455,905)	(1,337,042)	(1,075,568)
Interest expenses		1,315,700	608,355	4,831
Changes in assets and liabilities:				
Decrease/(Increase) of accounts receivable and prepayments	2,885,983	(1,068,202)	(1,736,606)	2,976,067
Decrease/(Increase) of inventories	659,688	-253,015	603,581	283,22
Increase of accounts payable and other liabilities	(3,920,673)	781,429	2,595,350	-667,289
Cash generated from operations	10,805,478	12,219,296	10,640,814	13,412,590
Income tax paid	-196,133	-286,956	(1,425,080)	(1,137,181)
Net cash flow from operating activities	10,609,345	11,932,340	9,215,734	12,275,409
Cash flows from investing activities:				

Acquisition of tangible and intangible assets	(16,722,763)	(21,956,568)	(36,504,437)	(4,602,010)
Sale proceeds of tangible and intangible assets	9,159	10,806	53,525	217,696
Purchase of financial investments	-891,807	-90,618	(1,330,091)	(4,935,418)
Repayments of loans granted	246,142	1,078,669	115,754	0
Interest received	329,617	955,021	788,599	1,001,401
Net cash flow used in investing activities	(17,029,652)	(20,002,690)	(36,876,650)	(8,318,331)
Cash flows from financing activities:				
Loan granted	98,816			-319,541
Loan received	10,775,927	14,068,473	25,308,474	–
Dividends paid	-10,809	-	-46,345	-56,967
Interest paid	(1,374,884)	(1,438,917)	-587,13	-4,724
Purchased treasury shares	-856,907	-145,347	-509,121	(17,734,595)
Change in subordinate and other long term liabilities	-607,634			
Net cash flow from financing activities	8,024,509	12,484,209	24,165,878	(18,115,827)
Change in cash and cash equivalents	1,604,202	4,413,859	(3,495,038)	(14,158,749)
Cash and cash equivalents at beginning of the year	17,480,416	12,997,087	18,130,262	33,003,248
Effect of foreign currency translation	-62,118	-165,063	(1,638,137)	-714,237
Cash and cash equivalents at end of the year	19,022,500	17,245,883	12,997,087	18,130,262

DIRECTORS, MANAGING DIRECTOR AND EMPLOYEE

The Board

Applicable rules

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 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 shall elect a chairman from among its members.

The Articles provides that the Directors can be natural or legal persons and that the majority thereof must be "independent persons".

According to the Articles, 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 or were employed by the Company or its subsidiaries during the five years preceding their appointment as Director;

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.

Composition of the Board

At the date of this prospectus, 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 Independent	Member of the Board

Mr. Jan Thomas LADENIUS Independent	Member of the Board
Mr. Bob DOLE Independent	Member of the Board
Mrs. Anna RAMMER	Member of the Board
Titan Independent	Member of the Board

Mr. Gábor VÁRSZEGI has been appointed as chairman of the Board through a decision of the Board taken on 1 October 2009.

Set out below are the names of the Directors and their principal business activities outside the Company:

- Mr. Gábor VÁRSZEGI

Mr. Gábor VÁRSZEGI studied at the Gemological Institute of America. In 1981, after completing his studies, he was appointed the President of the American Diamond Company. In 1982, he became the head of Blackburn International Inc. From 1984 onwards, he was named Managing Director of Fotex LLC. After Fotex LLC transformed into Fotex Ltd, he became General Manager. Throughout the years, Mr. VÁRSZEGI has been a shareholder, director and member of supervisor committees of several Hungarian, European and overseas corporations. In addition he has also headed the advisory boards of several charitable foundations. From 1997 onwards, Mr. VÁRSZEGI was named the Honorary Consul of the Republic of Grenada in Hungary, which he remains to this day.

His professional address is 5, Rue de Bruxelles, L-8223 Mamer, Grand Duchy of Luxembourg.

His mandate as a Director started in October 2009 and will expire in 2012.

Mr. VÁRSZEGI's past memberships of administrative, management or supervisory bodies and partnerships within the last five years are as follows:

	Member of Supervisory Board
Ajka Kristály Üvegipari Kft	19. 03. 1990 - 25. 08. 2010
Hungaroton Records Kft	01. 03. 1998 - 03. 07. 2006
Azúr Ingatlan Kft.	01. 06. 2005 - 02. 06. 2007
	Member of Board of Directors
Hungaroton Music Rt	27.11.1995 - 28. 04. 2008
Primo Zrt.	29.11.1994 - 08. 03.1999
Domus Zrt.	08. 01. 1997 - 31. 09. 2009
Keravill Rt.	01. 11. 1993 - 10. 12. 2004
	Chairman
Sándor Károly Foundation	18. 01. 2002 - 22. 08. 2011
MTK Hungária FC	08. 12. 1995 – 08. 09. 1998

- Mr. Dávid VÁRSZEGI

Mr. Dávid VÁRSZEGI studied at the New York University from 1999 until 2002, where he received a Bachelor of Science in Marketing and International Business while also studying in Politics. Between 2003 and 2004, he continued his studies at the Harvard Extension School from which he received a Certificate of Special Studies in Administration and Management with a primary focus on real estate and finance. In June 2004, he became the advisor to the chairman of the board, and in November 2005 he was appointed as Deputy Chief Executive Officer of Fotex Plc.

Mr. Dávid VÁRSZEGI is the son of Mr. Gábor VÁRSZEGI.

His professional address is U.6/B, Gyori, H-1127 Budapest, Hungary.

His mandate as a Director started in October 2009 and will expire in 2012.

Mr. VÁRSZEGI's current and past memberships of administrative, management or supervisory bodies and partnerships within the last five years are as follows:

	Member of Supervisory Board
Fotex Cosmetics Kft.	01. 03. 2004 – 01. 07. 2006
Fotexnet Kft.	01. 10. 2004 - 01. 08. 2006
Hungaroton Records Kft	25. 11. 2004 - 03. 07. 2006
Keringatlan Kft.	29. 09. 2006 - 19. 06. 2008
AZÚR INGATLAN Kft.	01. 06. 2005 – 02. 06. 2007
Fotex-Ofotért Kft.	27. 04. 2004 – 15. 12. 2005

	Member of Board of Directors
Domus Zrt.	25. 04. 2003 – 31. 09. 2009
Kontúr Zrt.	26. 04. 2004 – 30. 05. 2007
Keringatlan Kft.	18. 10. 2010 -
Székhely Kft.	24. 09. 2010 -
Upington Investments S.à r.l.	10. 11. 2005 -
Downington	16. 03. 2006 – 07. 04. 2011
Fotex Netherlands B.V.	04. 03. 2009 -
FN2 B.V.	24. 06. 2011 -

- Mrs. ANNA RAMMER

Mrs. Anna RAMMER is an economist by trade, and an expert on economics and tax law. She is also a statutory auditor and acknowledged accountant, and a judicial tax-contributions accountant. Mrs. Rammer graduated from the Karl Marx Economic Science University in 1982. She then worked for Domus Ltd. as an analytical economist. Later she joined the Information Technology Research Institute Computer Media Ltd where she was appointed as Economic Director. From 1995 to 2009 she was the Deputy Financial Director of FOTEX Plc, from 2007 she is also the managing director of Keringatlan Kft.

Her professional address is 106, Mariaremetei ut, H-1028 Budapest, Hungary.

Her mandate as a Director started in October 2009 and will expire in 2012.

Mrs. RAMMER's current and past memberships of administrative, management or supervisory bodies and partnerships within the last five years are as follows:

	Member of Supervisory Board
Hungaroton Music Zrt	24. 04. 1998 – 28. 04. 2014

Keringatlan Kft.	02. 11. 1999 – 15. 08. 2007
Domus Zrt.	25. 04. 2003 – 27. 11. 2006
Fotex-Ofotért Kft.	26. 04. 2001 – 15. 12. 2005
Kontúr Zrt.	26. 04. 2004 – 09. 10. 2006
	Member of Board of Directors
Balaton Bútorgyár Zrt.	23. 04. 2002 – 15. 12. 2008
Keringatlan Kft.	15. 08. 2007 -

- Mr. Bob DOLE - Independent

In addition to becoming the US Senate Majority Leader and the Republican Presidential nominee in 1996, Mr. Bob Dole served as Chairman of the powerful US Senate Finance Committee, his party's nominee for Vice President, a member of the US House of Representatives, and Chairman of the US Republican Party.

His professional address is N.W.700 N., Hampshire Ave, USA – 20027 Washington D.C., USA.

His mandate as a Director started in October 2009 and will expire in 2012.

Mr. DOLE's current memberships of administrative, management or supervisory bodies and partnerships within the last five years are as follows:

	Director
Bob Dole Enterprises Inc.	1997 -

- Mr. Wiggert KARREMAN - Independent

Mr. Wiggert A.C. KARREMAN studied tax law at the University of Amsterdam. In 1999, he started work as a tax consultant with audit firm Arthur Andersen, which later in the Netherlands became part of Deloitte Belastingadviseurs B.V., specializing principally in the structuring of international property funds. In his last position, as International Tax Manager, he worked, among other things, for parties with a focus on Dutch, French, Belgian, German, Italian, Hungarian and American property. He joined APF International, as a controller from 2006.

As from 2007, he joined the Board of APF International in the position of director and he also became one of the shareholders of mentioned company, which is an initiator of real estate investment funds and a real estate investment manager based in Amsterdam.

His professional address is 6, Oldengaerde, NL-8226 RZ Lelystad, the Netherlands.

His mandate as a Director started in October 2009 and will expire in 2012.

Mr. KARREMAN's current memberships of administrative, management or supervisory bodies and partnerships within the last five years are as follows:

	Director
APF International B.V.	01. 09. 2007 -
Karreman Management & Holding B.V. (100%)	01. 01. 2008 -

- Mr. Jan Thomas LADENIUS - Independent

Mr Jan Thomas LADENIUS worked from 1966 to 1973 for contractors Wilma in Weert. From 1974 to 1980, he worked as a property developer for Westland/Utrecht Projectontwikkeling. In 1980, he joined the Nederlandse Credietbank as director of property. He set up Ladenius Projektontwikkeling B.V. in 1986 and developed a range of housing and office projects up to 1995, when he began to focus principally on advising and supporting foreign and other investors in the area of the acquisition of good, leased immoveable property.

From 1995 to July 2005, he also helped set up and manage the Dutch property partnerships AKRONned I through VII. He is one of the directors and co-founders of APF International which is an initiator of real estate investment funds and a real estate investment manager based in Amsterdam.

His professional address is 107 L, Reguliersgracht, NL-1017 LP Amsterdam, the Netherlands.

His mandate as a Director started in October 2009 and will expire in 2012.

Mr. LADENIUS's current memberships of administrative, management or supervisory bodies and partnerships within the last five years are as follows:

	Director
APF International B.V. (50%)	2007 -
Ladenius Holding B.V. (100%)	2007 -
Suinedal B.V. (50%)	2007 -

- Titan – Independent

Titan is a Luxembourg private limited liability company (*société à responsabilité limitée*) incorporated on 23 September 2011, registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B.164838.

Its registered office is 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg.

Its mandate as a Director started in December 2011 and will expire in 2012.

Mr. Bastiaan SCHREUDERS is acting as authorized representative of the company Titan. Mr. SCHREUDERS was born on 12 December 1954 in Breda (The Netherlands). He holds a Master's Degree in Law (LL.M) from the University of Utrecht and is a post graduate in Financial Analysis. He is the Chief Executive Officer of Trident Trust Company (Luxembourg Sàrl). He has almost 30 years of relevant experience in the financial sector, amongst others with Bank Pierson Heldring & Pierson N.V. (Amsterdam), Banque Nationale de Paris S.A. (Paris), and Banque MeesPierson (Luxembourg) S.A. (at the time supervised by the CSSF). Furthermore, he was Managing Director of MeesPierson Intertrust B.V. (Amsterdam) and later the Chief Executive Officer of Fortis Intertrust Group worldwide (based with the head office in Geneva).

Titan has no memberships of administrative, management or supervisory bodies or partnerships other than its mandates in the Company.

The Managing Director

On 4 June 2009, the Board has appointed Mr. Gábor VÁRSZEGI as managing director (*délégué à la gestion journalière*) of the Company (the "**Managing Director**") for an unlimited term of office.

As Managing Director, Mr. Gábor VÁRSZEGI is entrusted with the day-to-day management of the Company.

In relation to the day-to-day management, the Company shall be validly bound *vis-à-vis* third parties by the sole signature of the Managing Director

Current and past directorships

The Directors' current and past external memberships of administrative, management or supervisory bodies and partnerships within the last five years, if any, are indicated above.

During the previous five years, none of the Directors has been convicted of any fraudulent offences, served as an officer or director of any company subject to a bankruptcy proceeding, receivership or liquidation (other than a solvent winding-up or similar process), been the subject of any official public incrimination and/or sanctions by a statutory or regulatory authority (including designated professional bodies) or been disqualified by any court of competent jurisdiction from acting as a member of the administrative, management or supervisory body of any issuer or from participating in the management or conduct of the affairs of any issuer.

Shareholdings

Based on the information available as at 28 October 2011, the interests of the Directors in the share capital of the Company are as follows:

- the following Directors hold the following number of Preferred Shares:

Name	*Number of Preferred Shares owned*
Mr. Gábor VÁRSZEGI	640,000
Mr. Dávid VÁRSZEGI	400,000
Mrs. Anna RAMMER	350,000

- Mr. Gábor VÁRSZEGI owns indirectly the following number of Shares through the following companies:

Name of the company	*Number of Shares indirectly owned*
Blackburn International Inc. (Panama) 100% held by Mr. Gábor VÁRSZEGI	11,982,321
Blackburn International Luxembourg (Luxembourg) 100% held by Mr. Gábor VÁRSZEGI	11,161,000
Fotex Ingatlan Kft. 100% held indirectly by Mr. Gábor VÁRSZEGI	12,478,012

Conflicts of interest

To the best of the Company's knowledge, there are no actual or potential conflicts of interest between any duties Directors owe to the Company and their private interests and/or other duties they may also have.

No Director has entered into a service agreement with the Company or its subsidiaries providing benefits upon termination of employment.

Remuneration and benefits

During the year ended 31 December 2010, the aggregate remuneration (including any contingent or deferred compensation) and benefits paid by the Fotex Group to the Directors (including the Managing Director) for services in all capacities to the Fotex Group was EUR 603,391 which amount has been increased by the Preferred Dividend in amount of EUR 651,000 after approval by the annual general meeting of the Company.

No pension, retirement or similar benefits are paid by the Fotex Group to the Directors (including the Managing Director).

The Company does not have agreements with its Directors that provide for payments or benefits upon termination.

The Fotex Group has not granted loans or guarantees in favour of any of the Directors nor entered into unusual transactions with the Directors.

The Audit Committee

Applicable rules

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.

Composition of the Audit Committee

At the date of this prospectus, the Audit Committtee is composed as follows:

Name:	*Position:*
Mr. Wiggert KARREMAN	Member of the Audit Committee
Mr. Jan Thomas LADENIUS	Member of the Audit Committee
Titan	Member of the Audit Committee

Mr. Jan Thomas LADENIUS has been appointed as chairman of the Audit Committee through a decision of the Audit Committee taken on 14 December 2011.

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

Corporate Governance

The Company is committed to adopt best practice corporate governance standards, including to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

Information concerning these Ten Principles of Corporate Governance can be found on the website of the Luxembourg Stock Exchange at www. bourse.lu.

Before the transfer of its registered office from Hungary to Luxembourg, the Company was a Hungarian company. Moreover, the Shares are listed on the regulated market of the Budapest Stock Exchange. The Company applies the recommendations and suggestions that are included into the Corporate Governance Recommendations prepared by the Corporate Governance Committee of the Budapest Stock Exchange.

Information concerning these Corporate Governance Recommendations can be found on the website of the Budapest Stock Exchange at www. bse.hu.

Employee

At the date of this prospectus, the Company has one employee.

Senior employees within the Fotex Group may be offered interest in the capital of the Company through the allocation of Preferred Shares which grant rights to the Preferred Dividend. The acquisition and holding of these Preferred Shares are goverened by specific contractual conditions, in particular concerning the maintaining of the (employment or mandate) relationship with the relevant entity within the Fotex Group and the realisation of profit at the level of the business in relation to which the allocation has been made.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

As of the date of this prospectus, the share capital of the Company amounts to EUR 30,543,933.-. The share capital of the Company is fully paid up. It is composed of 70,723,650 Shares and 2,000,000 Preferred Shares, with a nominal value of EUR 0.42 each.

The following chart presents information with respect to the owners of Shares with a significant interest in the Company's capital or voting rights (more than 5%), as at 1 December 2011. The following information is based on shareholdings disclosure information provided to the Company from time to time according to applicable legislation.

Significant Shareholders of the Company

Name of the shareholder	*Number of Shares*	*Percentage of Shares*	*Percentage of voting rights*
Blackburn International Inc. (Panama)	11,982,321	16.94%	20,20%
Blackburn International Luxembourg (Luxembourg)	11,161,000	15.78%	18,82%
Fotex Ingatlan Kft. (Hungary)	12,478,012	17.64%	21,04%
Fotex Group (the Company and some of its subsidiaries)	11,409,460	16,13%	/

Subject to the holders of the Preferred Shares who have no voting rights, none of the Company's shareholders have voting rights different from any other shareholders.

As at the date of this prospectus, to the best of the Company's knowledge, the following persons owned, directly or indirectly, the following number of Shares and Preferred Shares:

Mr. Gábor VÁRSZEGI, Chairman of the Board and Managing Director, owned:

- 640,000 Preferred Shares, directly;
- the following Shares, indirectly through the following entities:

Name of the entity	*Number of Shares*
Blackburn International Inc. (Panama) *100% held by Gábor VÁRSZEGI*	11,982,321
Blackburn International Luxembourg (Luxembourg) *100% held by Gábor VÁRSZEGI*	11,161,000

Fotex Ingatlan Kft. (Hungary) *100% held indirectly by Gábor VÁRSZEGI*	12,478,012

Mr. Dávid VÁRSZEGI, Director, owned 400,000 Preferred Shares directly.

In order to ensure that the above shareholdings in the Company are not abused, (i) any decision or arrangement in connection with these persons is effectively controlled by the "independent" Directors and (ii) any transaction between these persons (or companies in which these persons have interests) and the Company or any of its subsidiaries are ruled by transfer pricing agreements to ensure that these transactions happen on an arm's length basis.

Related Party Transactions

The Company has business relationships and engages in certain commercial and financial transactions with a number of entities within the Fotex Group. The related party transactions entered into by the Company from time to time are, among others, of the following type:

- *trademark concession*: the Company is the owner of the "Fotex" trademark and authorises to use thereof, against payment of fees;
- *revenue from recharged services*: the Company centralises the purchase of certain services for the entire Fotex Group and charges to those of its subsidiaries that actually use these services;
- *property management fee*: the Company provides guidance in the fields of property management to those of its subsidiaries which requires it, against payment of fees;
- *inter-company loans*: the Company grants loans to and receives loans from other companies within the Fotex Group;
- *loan guarantee services*: the Company grants guarantees in relation to loans concluded by other companies within the Fotex Group;
- *investing in group companies*: the Company buys and sells shareholding in group's companies to optimize the structure of the Fotex Group.

Terms and conditions of these transactions are in line with market terms and conditions.

There were no significant related party transactions in either 2008 or in 2009. See Note 25 to the 2009 Audited Financial Statements in this respect.

See Note 25 to the 2010 Audited Financial Statements for information on related party transactions that took place in 2010.

See Note 24 to the Q3 Interim Financial Statements for information on related party transactions that took place for the period ending on 30 September 2011.

LISTING OF THE SHARES

Clearing and Settlement

The Shares will be in registered form only and will be freely transferable. Ownership of the Shares will be recorded in the register of shareholders, which will be kept at the Company's registered office in Luxembourg, Grand Duchy of Luxembourg.

The Company will apply for listing of the Shares on the Official List of the Luxembourg Stock Exchange and admission to trading on the Regulated Market of the Luxembourg Stock Exchange.

Any trades of the Shares on the Luxembourg Stock Exchange will be settled through the book-entry system maintained by Clearstream Luxembourg and its participants.

The Luxembourg Stock Exchange

The regulated market of the Luxembourg Stock Exchange is a regulated market for the purpose for the Markets in Financial Instruments Directive (MiFID Directive 2004/39/EC).

Shares on the Luxembourg Stock Exchange's regulated market are traded, through financial institutions that are members of the Luxembourg Stock Exchange, on each trading day from 9:00 a.m. to 5:30 p.m. (CET), with a pre-opening session from 7:15 a.m. to 9:00 a.m. and a post-closing session from 5:30 p.m. to 5:35 p.m. (during which pre-opening and post-closing sessions trades are recorded but not executed until the opening auction at 9:00 a.m. and the closing auction at 5:35 p.m., respectively). In addition, from 5:35 p.m. to 5:40 p.m., trading can take place at the closing auction price.

The Luxembourg Stock Exchange may suspend trading in a company's shares if purchases and sales recorded in the system would inevitably result in a price beyond a certain threshold, determined on the basis of a percentage fluctuation from a reference price. Once trading has commenced, suspensions for a reservation period of three minutes (subject to extension by the Luxembourg Stock Exchange) are possible if the price varies either by more than 5% from a reference price (for example, the opening auction price) or by more than 2.50% from the last trade on such securities. The Luxembourg Stock Exchange may also suspend trading of a security admitted to trading on the regulated market of the Luxembourg Stock Exchange in certain circumstances including the occurrence of unusual trading activity in a security. In addition, the CSSF may also require the Luxembourg Stock Exchange to suspend trading.

Clearstream Luxembourg

The following is a brief description of Clearstream Luxembourg. The Company will not have any responsibility for the performance by Clearstream Luxembourg, or its participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Clearstream Luxembourg is the central securities depositary for the Luxembourg market, responsible for holding and transferring physical or dematerialized securities. Clearstream Luxembourg is an international central securities depositary, providing, as its core services, the clearance and settlement of transactions in global and international securities and domestic securities traded across borders. These services are carried out by means of a computer based book-entry system operated from Luxembourg. Clearstream Luxembourg is registered as a bank in Luxembourg and as such is subject to regulation by the CSSF. Participants in Clearstream Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream Luxembourg.

Market

The Shares are expected to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange. The Shares have been accepted for clearance through Clearstream Luxembourg under common code number 041407409. The ISIN code of the Shares is HU0000096409.

ADDITIONAL INFORMATION

Share capital

As of the date of this prospectus, the share capital of the Company amounts to EUR 30,543,933.-. The share capital of the Company is fully paid up.

The share capital of the Company is composed of two types of shares:

- the Shares, being 70,723,650 *ordinary shares*, with a nominal value of EUR 0.42 each;

  and

- 2,000,000 *dividend bearing preferred shares*, with a nominal value of EUR 0.42 each (the "**Preferred Shares**").

There are no shares or other types of securities (such as *parts de fondateur* ou *parts bénéficiaires*) not representing the share capital of the Company.

The Company has issued no securities convertible into shares or other types of securities representing the share capital of the Company.

Legislation under which the Shares have been created

The Shares are governed by Luxembourg law.

Currency of the Shares

The currency of the Shares is the euro and their nominal value is equal to EUR 0.42.

Form of the shares

The Shares and the Preferred Shares are in a registered/dematerialised form.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares and the amount paid up on each share in the register of shareholders of the Company (the "**Register**") which is kept at the registered office of the Company. Each transfer of shares is made by a written declaration of transfer recorded in the Register, such declaration to be dated and signed by the transferor and the transferee or by their duly appointed agent.

The Register shall be kept at the registered office of the Company.

Voting rights

Each Share carries the right to one vote.

Subject to what is set out in the applicable legal provisions, the holders of the Preferred Shares do not have voting rights.

Free holding and transferability

The Shares are freely transferable. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold the Shares or exercise the voting rights attached thereto.

Listing of the Shares

The Shares only (and not the Preferred Shares) will be listed on the Official List of the Luxembourg Stock Exchange and will be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

Distribution rights

- Dividends

Subject to certain limitations set out by Luxembourg law, each Share is entitled to participate equally in dividends when and if declared by the annual general meeting of shareholders of the Company out of funds legally available for such purposes. Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favor of the Company five years after the date on which the dividends have been declared. Neither the Articles nor Luxembourg law contain restrictions on the payment of dividends specifically applicable to non-Luxembourg resident holders of Shares.

The holders of the Preferred Shares are entitled to receive an annual dividend as determined by the general meeting of shareholders of the Company (the "**Preferred Dividend**"). The Preferred Dividend may not exceed 50% of the given year's average stock exchange price of the Shares but may not be less than twice the 12-month interest rate of the European Central Bank on 1 January of the year in which it is paid. The Preferred Dividend may only be paid if the consolidated financial statements of the Company for the previous year, prepared in accordance with IFRS, showed a profit and within the limits of the applicable legal provisions. The total amount of the Preferred Dividend may not exceed 30% of the annual income of the Company after consolidated taxes in accordance with IFRS (excluding minority interest).

No dividend was distributed to the holders of Shares for the periods covered by the Historical Financial Statements.

- Liquidation proceeds

In the event of the liquidation, dissolution or winding-up of the Company, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata to their respective shareholdings.

The Shares and the Preferred Shares carry the same rights in the event of liquidation or dissolution of the Company.

Preferential subscription rights

Unless limited or cancelled by the Board as described below, holders of the Shares have a pro rata preferential right to subscribe for newly issued shares, except for Shares issued for consideration other than cash.

The Articles provide that preferential subscription rights may be limited or cancelled by the Board in the event of an increase of the share capital decided by the Board within the limits of the authorized share capital.

Variation of rights

A change of the rights of the holders of the Shares requires the approval given by the shareholders at an extraordinary general meeting of shareholders of the Company.

Additional payments on issued and outstanding shares may only be imposed on shareholders with the unanimous consent of all the shareholders.

Repurchase of shares

The Company may repurchase its own shares subject to the conditions provided for by the 1915 Law. Any repurchase of shares is conditional upon (i) the prior authorisation given by the shareholders, (ii) such repurchase only relating to fully paid-up shares and (iii) such repurchase, including shares previously acquired by the Company and held by it and shares acquired by a person acting in his own name but on the Company's behalf, not resulting in the value of the Company's net assets falling below an amount lower than an amount corresponding to Company's issued and outstanding share capital increased by the legal reserve and any statutory reserves the Company is not permitted to distribute.

The table below presents the status of the holding of Shares by the Company and any of its subsidiaries as at the date of this prospectus:

	Number of Shares	*Percentage of Shares*
the Company	1,085,570	1,53%
Proprimo Zrt.	1,231,080	1,74%
Keringatlan Kft.	50,000	0,07%
Upington Investments S.à r.l.	9,042,810	12,78%

Increase or reduction of the share capital

The share capital of the Company may be increased or reduced from time to time by a decision of the shareholders of the Company to amend the Articles.

On 1 January 2008, the share capital of the Company was HUF 7,272,365,000 consisting of 70,723,650 Shares and 2,000,000 Preferred Shares. The Preferred Shares were issued in November 2007.

Further to the transformation of the Company into a European company and the transfer of its registered office in Luxembourg, the Company's share capital was translated from HUF to EUR (EUR 30,543,933). Thereafter, the share capital of the Company remains unchanged.

The table below presents the changes made to the share capital of the Company for the period covered by the Historical Financial Statements:

Date	*Currency*	*Amount of the share capital*	*Description*
31.12.2008	HUF/(EUR equivalent)	7,272,365/(27,465,688)	/
31.12.2009	EUR	30,543,933	Conversion of the share capital at the time the Company is transferred to Luxembourg.
31.12.2010	EUR	30,543,933	/

The number of Shares as of 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011 is equal to 70,723,650.

Articles of incorporation

Below is a summary of certain provisions of the Articles and of Luxembourg legislation applicable to the Shares.

Prospective investors should read in full the Articles, and not just rely on the summary provided below.

Corporate object

According to article 3 of the Articles, the corporate object of the Company is as follows:

> *The object of the Company is to acquire participating interests in any form whatsoever in Luxembourg or foreign companies, to acquire any kind of transferable securities via purchases, subscriptions or any other means as well as to dispose thereof via sales, exchanges or any other means, to manage and develop its portfolio and to acquire, sell and develop patents and licences associated thereto.*
>
> *The Company may lend and borrow with or without collateral. It may take part in the creation and development of other companies and lend them its support.*
>
> *In general, the Company may carry out any commercial or financial transaction or any transaction involving movable or immovable assets that is directly or indirectly linked to its corporate object or is likely to facilitate the expansion and development thereof.*

Members of the administrative, management and supervisory bodies

- The Board

The Articles provide that the Board is composed of a minimum of five and a maximum of eleven Directors.

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 shall elect a chairman from among its members.

The Articles provides that the Directors can be natural or legal persons and that the majority thereof must be "independent persons".

According to the Articles, 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 or were employed by the Company or its subsidiaries during the five years preceding their appointment as Director;
>
> 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.

Conflicts of interest between the Company and the members of the Board shall be settled in accordance with Luxembourg law.

The remuneration of members of the Board shall be fixed by the general meeting of shareholders of the Company.

- The Managing Director

The Articles provide that the Board may delegate all or part of its powers relating to the day-to-day management of the Company to the Managing Director as well as appoint one or more directors, managers, authorised representatives, employees or other agents who are not necessarily shareholders of the Company to represent the Company in this regard, or confer special mandates or powers or permanent or temporary duties on persons or agents of its choosing. Delegation to a member of the Board shall be subject to the prior approval of the general meeting of shareholders of the Company.

In the context of the day-to-day management of the Company, the Company shall be validly bound *vis-à-vis* third parties by the sole signature of the Managing Director.

- The Audit Committee

The Articles provide that the general meeting of shareholders of the Company may appoint an Audit Committee composed of a minimum of three and a maximum of five people elected from among the members of the Board deemed to be independent persons (as this term is defined in the Articles) for a period not exceeding their mandate. The Audit Committee shall elect a chairman from among its members.

The quorum shall be met at meetings of the Audit Committee when its members have been validly called to attend and when a minimum of two-thirds or three of its members are present. All of the decisions of the Audit Committee 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.

The members of the Audit Committee may be re-elected and they may be dismissed at any time by the general meeting of shareholders of the Company, with or without cause.

The members of the Audit Committee may be shareholders of the Company.

- The Auditor

The Articles provide that the supervision of the Company shall be entrusted to the Auditor. It shall be appointed by the general meeting of shareholders of the Company.

The Auditor is appointed from among the independent auditors that are members of the *Institut des Réviseurs d'Entreprises Luxembourgeois* (Luxembourg Institute of Auditors) for a maximum period which will end at the annual general meeting of the Company to take place during the third year following its appointment. It shall remain in office until its successors is elected. It may be re-elected and it may be dismissed at any time by the general meeting, with or without cause.

General meetings of shareholders of the Company

Luxembourg law distinguishes between ordinary general meetings of shareholders and extraordinary general meetings of shareholders. Extraordinary general meetings (convened to vote on any amendment of the Articles and certain other matters) are subject to the quorum and majority requirements described below. All other general meetings of shareholders (including the annual general meeting) are ordinary general meetings of shareholders.

- Annual general meeting

The annual general meeting of shareholders of the Company (to approve the annual accounts of the Company) shall be held each year on 26 April at 2.30 pm Luxembourg time at the registered office of the Company or at any other place indicated in the convening notice. If this day is not a business day in the Grand Duchy of Luxembourg, the meeting shall be postponed by two business days.

- Ordinary general meetings

At an ordinary general meeting, there is no quorum requirement and resolutions are adopted by a simple majority, irrespective of the number of shares present or represented.

- Extraordinary general meetings

An extraordinary general meeting must have a quorum of at least 50% of the issued share capital. If this quorum is not reached, the extraordinary general meeting may be reconvened to a later date, subject to appropriate notification procedures, with no quorum requirement. Irrespective of whether the proposed amendment is subject to a vote at the first or at a subsequent extraordinary general meeting, the amendment is subject to the approval of at least two-thirds of the votes cast.

- Procedure

Procedure applicable in relation to general meetings of the Company will comply with Luxembourg law, including the Luxembourg law dated 24 May 2011 concerning the exercise of certain rights of shareholders at general meetings of listed companies.

The Board, the Audit Committee or the Auditor may convene a general meeting. Such a meeting must also be convened if shareholders representing at least 10% of the share capital of the Company address a written request to this effect to the Company, indicating the object of and reasons for convening such a general meeting. If the Board fails to convene a general meeting within thirty days of such a request, the concerned shareholders may ask the President of the Luxembourg commercial court to convene the general meeting.

Any shareholder may participate in general meetings by appointing another person (who does not have to be a shareholder) as his proxy.

Change in control

The Articles does not contain provisions that would have an effect of delaying, deferring or preventing a change in control of the Company.

Disclosure of share ownership

The Articles does not contain provisions governing the ownership threshold above which shareholder ownership must be disclosed.

The Luxembourg law dated 11 January 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market provides that, if a person acquires or disposes of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Company and the CSSF of the proportion of voting rights held by it further to such event. A person must also notify the Company and the CSSF of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights.

The shareholders of the Company are advised to consult with their legal advisers to determine whether the notification obligations apply to them.

Mandatory Bids, Squeeze-out Rights and Sell-out Rights

Mandatory Bids: The Luxembourg law dated 19 May 2006 implementing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the " Takeover Law") provides that if a person, acting alone or in concert with others, acquires securities of the Company which, when added to any existing holdings of the Company's securities, give such person voting rights representing 33 1/3% of the voting rights attached to the issued shares in the Company, this person is obliged to make an offer for the remaining shares in the Company. In a mandatory bid situation the "fair price" is considered to be the highest price paid for the securities during the 12-month period preceding the mandatory bid.

Squeeze-out Rights: The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and after such offer the offeror holds 95% of the voting rights, the offeror may require the holders of the remaining securities to sell those securities (of the same class) to the offeror. The price offered for such securities must be a "fair price". The price offered in a voluntary offer would be considered a "fair price" in the squeeze-out proceedings if 90% of the ordinary shares of the Company carrying voting rights were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the offer.

Sell-out Rights: The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and if after such offer the offeror holds 90% of the securities carrying voting rights and 90% of the voting rights, the remaining security holders may require that the offeror purchases the remaining securities of the same class. The price offered in a voluntary offer would be considered "fair" in the sell-out proceedings if 90% of the ordinary shares of the Company carrying voting rights were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the offer.

Supervision of the Company

The Auditor

The Luxembourg private limited liability company (*société à responsabilité limitée*) Van Cauter - Snauwaert & Co S.à r.l., registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B.52610, was appointed as auditor of the Company (the "**Auditor**").

The Auditor is a *cabinet de révision agréé* (approved audit firm) member of the *Institut des Réviseurs d'Entreprises Luxembourgeois* (Luxembourg Institute of Auditors).

Its registered office is 80, Rue des Romains, L-8041 Strassen, Grand Duchy of Luxembourg.

The Auditor was appointed by the Company to take care of the audit of the statutory annual accounts (Lux GAAP) of the Company, in particular because its fees are lower than fees of big international audit firms.

Its mandate as Auditor started in October 2009 and will expire in 2012.

The External Auditor

The Luxembourg public company limited by shares (*société anonyme*) Ernst & Young, Société Anonyme, registered with the Luxembourg *Registre de Commerce et des Sociétés* under number B.47771, was appointed as *réviseur d'entreprises agréé* (external auditor) of the Company (the "**External Auditor**").

The External Auditor is a *cabinet de révision agréé* (approved audit firm) member of the *Institut des Réviseurs d'Entreprises Luxembourgeois* (Luxembourg Institute of Auditors). It was appointed to audit the consolidated financial statements of the Company.

Its registered office is 7, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg.

The External Auditor was appointed by the Company to take care of the audit of the consolidated annual accounts (IFRS) of the Company.

Its mandate as External Auditor started in January 2010 and will expire in 2015.

Legal matters

Dechert Luxembourg, *Avocats à la Cour*, legal advisors of the Company as to Luxembourg laws, have advised the Company on certain Luxembourg company and securities law matters in connection with the listing of the Shares on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Regulated Market of the Luxembourg Stock Exchange.

Material contracts

The Company is not aware of contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or other members of the Fotex Group within the two years immediately preceding the date of this prospectus and which contain any provision under which the Company or another member of the Fotex Group has any obligation or entitlement which is material to the Fotex Group as at the date of this prospectus.

TAXATION

This section describes the material Luxembourg tax implications for investors in respect of the acquisition, ownership and disposition of the Shares.

This summary does not cover all aspects of Luxembourg taxation which may be relevant to, or the actual tax effect that any of the matters described herein will have on, a decision by particular investors to purchase, own or dispose of the Shares. This summary does not address foreign tax laws. It is based on the laws in force in Luxembourg as at the date of this prospectus and subject to any change in law that might take effect after such date. Investors should be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Moreover, a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax consequences of the holding of the Shares

Tax Residence

A holder of Shares will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Shares, or the execution, performance, delivery and/or enforcement of the Shares.

Withholding Tax

Under current Luxembourg tax law, dividends distributed by the Company to its shareholders will be subject to a 15% withholding tax computed on the gross amount of the dividends distributed. The Company will assume responsibility for the withholding of such taxes.

This rate could be reduced pursuant to double taxation treaties concluded between Luxembourg and the country of residence of the non-resident shareholders. Withholding tax is usually reduced by refunding to the shareholder the excess of the total amount withheld over the withholding tax actually owed under the pertinent double taxation treaty upon the shareholder's application for a refund to the Luxembourg tax authorities.

No withholding tax is levied if the dividends are paid (i) to a joint-stock company which is a fully taxable Luxembourg resident company, (ii) to a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended or to its permanent establishment located in Luxembourg, (iii) to a company resident in a country with which Luxembourg has concluded a double taxation treaty and which is fully liable to a tax corresponding to Luxembourg corporate income tax or its permanent establishment located in Luxembourg, (iv) to a joint-stock company or a cooperative company resident in a Member State of the European Economic Area ("**EEA**") and which is fully liable to a tax corresponding to Luxembourg corporate income tax, or to its permanent establishment located in Luxembourg, provided that, at the date of the payment, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 1.2 million.

No Luxembourg withholding tax will be levied on liquidation proceeds distributed by the Company without any conditions.

Income Tax

Taxation of Dividends

- Non-Luxembourg resident holders of Shares

Dividends received by non-resident individuals or non-resident companies which do not have a permanent establishment in Luxembourg are not subject to any tax in Luxembourg, apart from the dividend withholding tax, if applicable.

- Luxembourg resident holders of Shares

According to the Luxembourg participation exemption regime, dividends and liquidation proceeds received from the Company by (i) a joint-stock company which is a fully taxable Luxembourg resident company, (ii) a permanent establishment located in Luxembourg of a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended, (iii) a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg, or (iv) a permanent establishment located in Luxembourg of a joint-stock company or of a cooperative company resident in a Member State of the EEA, will be exempt from income tax in Luxembourg provided that, at the date of the distribution, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 1.2 million. Shares held through a tax transparent entity are considered as a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Dividends received from the Company by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, which do not fall within the scope of the Luxembourg participation exemption regime, will be subject to Luxembourg corporate income tax (including the solidarity surcharge and the municipal business tax) at the ordinary rate. Dividends received by a Luxembourg resident individual shareholder will be subject to Luxembourg income tax (including the solidarity surcharge) at the ordinary progressive rate. Half of the dividends received from the Company will, however, be excluded from the taxable basis of the Luxembourg resident (individual or corporate) shareholder.

Upon their income tax assessment, resident shareholders and non-resident shareholders holding the Shares via a permanent establishment (including a permanent representative) or fixed base in Luxembourg, may credit the dividend withholding tax against their final income tax liability.

- Luxembourg companies benefitting from a special tax regime

Luxembourg companies, which benefit from a special tax regime under (i) the law of 17 December 2010 on undertakings for collective investment or (ii) the law of 13 February 2007 on specialised investment funds or (ii) the law of 11 May 2007 on family estate management companies, are not subject to tax on dividends received from the Company.

Taxation of Capital Gains

- Non-Luxembourg resident holders of Shares

No Luxembourg income tax will be payable as a result of a disposal of the Shares by a non-resident (individual or corporate) shareholder, unless the participation directly or indirectly held by the shareholder, together with his/her close relatives, represents more than 10% of the share capital of the Company, and the relevant shareholder (i) was a Luxembourg resident taxpayer for more than 15 years and has become a non-resident taxpayer less than five years before the sale of the Shares, or (ii) has held the Shares for less than six months at the time of the sale. These conditions could be relaxed by double taxation treaties concluded between Luxembourg and the country of residence of the shareholders.

- Luxembourg resident holders of Shares

Capital gains realized on the disposal of Shares (including their sale, exchange, contribution or any other kind of alienation) by resident individuals acting in the course of their private wealth are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation.

Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the Shares are disposed of within 6 months of their acquisition or if the disposal precedes the acquisition of the Shares.

A participation is considered substantial where a resident individual has held, alone or together with his/her close relatives, directly or indirectly, at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. A shareholder is also deemed to alienate a substantial participation if, within the five years preceding the transfer, he acquired, free of charge, a participation constituting a substantial participation in the hands of the alienator (or the alienators in case of several successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition are subject to income tax according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation).

Capital gains realized on the disposal of Shares by Luxembourg resident individual shareholders, acting in the course of their professional/business activity, are subject to income tax at ordinary rates.

Capital gains realized upon the disposal of the Shares by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, will be fully subject to corporate income tax (including the solidarity surcharge and the municipal business tax) in Luxembourg, except if the Luxembourg participation regime is applicable.

According to the Luxembourg participation exemption regime, capital gains realized upon the disposal of Shares by (i) a joint-stock company which is a fully taxable Luxembourg resident company, or (ii) a permanent establishment located in Luxembourg of a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended, or (iii) a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg, or (iv) a permanent establishment located in Luxembourg of a joint-stock company or of a cooperative company resident in a Member State of the EEA, will be exempt from income tax in Luxembourg provided that, at the date of the distribution, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 6 million. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

- Luxembourg companies benefitting from a special tax regime

Luxembourg companies, which benefit from a special tax regime under (i) the law of 17 December 2010 on undertakings for collective investment or (ii) the law of 13 February 2007 on specialised investment funds or (iii) the law of 11 May 2007 on family estate management companies, are not subject to tax on capital gains realized on the disposal of Shares.

Net Wealth Tax

Luxembourg resident companies, which do not benefit from a special tax regime under (i) the law of 17 December 2010 on undertakings for collective investment or (ii) the law of 13 February 2007 on specialised investment funds, (iii) the law of 22 March 2004 on securitization, (iv) the law of 15 June 2004 on the investment company in risk capital, or (v) the law of 11 May 2007 on family estate management companies, are subject to net wealth tax on their net assets. However, Shares held by fully taxable Luxembourg resident companies will be excluded from their taxable basis for net wealth tax purposes, provided the conditions of the participation exemption regime (which are the same as for dividends, except that the twelve months holding period is not required) are met.

Non-resident companies will be subject to net wealth tax on their assets which are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment, except as otherwise provided for by a tax treaty concluded by Luxembourg and the country of residence of the non-resident company.

Other Taxes

No Luxembourg registration tax, stamp duty or any other similar tax or duty will be due by the shareholders as a consequence of the acquisition, transfer, exchange or redemption of the Shares.

There is no Luxembourg value added tax payable in respect of payments in consideration for the acquisition of the Shares or in respect of the payment of dividends or principal under the Shares or the transfer of the Shares.

No Luxembourg estate or inheritance taxes are levied on the transfer of the Shares upon the death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No Luxembourg gift tax is levied on the transfer of the Shares by way of a gift, unless the gift is recorded in a Luxembourg notarized deed or otherwise registered in Luxembourg.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS BEING LEGAL OR TAX ADVICE. SHAREHOLDERS OR PROSPECTIVE SHAREHOLDERS ARE THEREFORE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF ANY PURCHASE, OWNERSHIP OR DISPOSAL OF THE SHARES. THE SPECIFIC TAX SITUATION OF EACH SHAREHOLDER CAN ONLY BE ADEQUATELY ADDRESSED BY INDIVIDUAL TAX ADVICE.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 75, Parc d'activités, L-8308 Capellen, Grand Duchy of Luxembourg :

- the present prospectus;
- the Articles;
- the Historical Financial Statements.

The Articles are also available for inspection at the Luxembourg *Registre de Commerce et des Sociétés* at 13, rue Erasme, L-2961 Luxembourg, Grand Duchy of Luxembourg.

The present prospectus is available on the Company's website at www.fotex.eu and on the website of the Luxembourg Stock Exchange at www.bourse.lu and on the website of the Budapest Stock Exchange at www.bse.hu.

DIRECTORY

The Company	Fotex Holding 75, Parc d'activités L-8308 Capellen Grand Duchy of Luxembourg
Auditor	Van Cauter - Snauwaert & Co S.à r.l. 80, Rue des Romains L-8041 Strassen Grand Duchy of Luxembourg
External Auditor	Ernst & Young, Société Anonyme 7, rue Gabriel Lippmann L-5365 Munsbach Grand Duchy of Luxembourg
Luxembourg legal advisors	Dechert Luxembourg Avocats à la Cour 74, rue de Merl L-2146 Luxembourg

HISTORICAL FINANCIAL STATEMENTS

THE 2008 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fotex Nyrt. and Subsidiaries
Consolidated Balance Sheets

	Notes	At December 31, 2008	2007
		THUF	THUF
Assets			
Current Assets:			
Cash and short term deposits	5	5,447,642	8,361,373
Other current financial assets	6	130,948	180,683
Accounts receivable and prepayments	7	1,205,477	1,871,417
Income tax receivable		72,418	188,075
Inventories	8	2,352,010	2,639,687
Total current assets		9,208,495	13,241,235
Non Current Assets:			
Property, plant & equipment	9	2,928,700	2,491,522
Investment properties	10	14,697,689	15,105,072
Deferred tax asset	16	84,237	190,835
Intangible assets	11	1,052,955	1,235,681
Other non-current financial assets	6	1,156,848	205,533
Goodwill arising on acquisition	12	2,806,314	2,806,314
Total non current assets		22,726,743	22,034,957
Total assets	18	31,935,238	35,276,192
Liabilities and Shareholders' Equity			
Current Liabilities:			
Provision		104,420	19,374
Accounts payable and accrued expenses	13, 18	2,199,609	2,150,202
Total current liabilities		2,304,029	2,169,576
Non-current Liabilities:			
Deferred tax liability	16	201,871	230,065
Total non-current liabilities		201,871	230,065
Shareholders' Equity:			
Issued capital	14	7,272,365	7,272,365
Additional paid-in capital		8,710,131	8,710,131
Goodwill write-off reserve	14	(577,091)	(663,459)
Retained earnings	14	18,731,978	18,004,521
Treasury shares, at cost	14	(4,717,444)	(461,627)
Equity attributable to equity holders of the parent		29,419,939	32,861,931
Minority interest in consolidated subsidiaries		9,399	14,620
Total shareholders' equity		29,429,338	32,876,551
Total liabilities and shareholders' equity		31,935,238	35,276,192

See accompanying notes to consolidated financial statements.

Fotex Nyrt. and Subsidiaries
Consolidated Statements of Income

	Comment	At December 31, 2008	At December 31, 2007		
			Continuing operations	Discontinued operations	Total
		THUF	THUF	THUF	THUF
Revenue	18	11,157,940	12,586,765	3,074,684	15,661,449
Cost of sales		(3,232,315)	(4,008,039)	(2,475,195)	(6,483,234)
Gross income		7,925,625	8,578,726	599,489	9,178,215
Selling, general and administration expenses	15	(6,789,820)	(7,815,140)	(1,064,778)	(8,879,918)
Interest income		270,402	284,535	1,053	285,588
Interest expense		(1,209)	(4,599)	–	(4,599)
Income / (Loss) before income taxes	18	1,404,998	1,043,522	(464,236)	579,286
Income tax expense	16	(607,574)	(168,637)	–	(168,637)
Net Income / (Loss)		797,424	874,885	(464,236)	410,649
Attributable to:					
Equity holders of the parent		787,309	863,628	(464,236)	399,392
Minority interests		10,115	11,257	–	11,257
Net income / (loss)		797,424	874,885	(464,236)	410,649
Earnings / (Loss) per share (HUF)	22	12.57	12.48	(6.71)	5.77

See accompanying notes to consolidated financial statements.

Fotex Nyrt. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

	Share Capital	Additional Paid-in Capital	Goodwill Write-off Reserve	Retained Earnings	Treasury Shares	Total	Minority Interest	Total equity
	THUF	THUF	THUF	THUF	THUF	THUF	THUF	THUF
January 1, 2007	7,072,365	8,710,131	(749,827)	17,659,395	(261,627)	32,430,437	17,469	32,447,906
Net income – 2007	–	–	–	399,392	–	399,392	11,257	410,649
Capital increase (Note 14)	200,000	–	–	–	(200,000)	–	–	–
Dividends to minority	–	–	–	–	–	–	(8,825)	(8,825)
Acquisition of minority interest	–	–	–	–	–	–	(5,566)	(5,566)
Amortisation of goodwill write-off reserve (Note 14)	–	–	86,368	(86,368)	–	–	–	–
Foreign currency translation	–	–	–	32,102	–	32,102	–	32,102
Other	–	–	–	–	–	–	285	285
December 31, 2007	7,272,365	8,710,131	(663,459)	18,004,521	(461,627)	32,861,931	14,620	32,876,551
January 1, 2008	7,272,365	8,710,131	(663,459)	18,004,521	(461,627)	32,861,931	14,620	32,876,551
Net income – 2008	–	–	–	787,309	–	787,309	10,115	797,424
Acquired by senior employees (Note 14)	–	–	–	–	200,000	200,000	–	200,000
Acquisition of treasury shares (Note 14)	–	–	–	–	(4,455,817)	(4,455,817)	–	(4,455,817)
Dividends to minority	–	–	–	–	–	–	(14,313)	(14,313)
Acquisition of minority interest	–	–	–	–	–	–	(100)	(100)
Amortisation of goodwill write-off reserve (Note 14)	–	–	86,368	(86,368)	–	–	–	–
Foreign currency translation	–	–	–	26,516	–	26,516	–	26,516
Other	–	–	–	–	–	–	(923)	(923)
December 31, 2008	7,272,365	8,710,131	(577,091)	18,731,978	(4,717,444)	29,419,939	9,399	29,429,338

See accompanying notes to consolidated financial statements.

Fotex Nyrt. and Subsidiaries
Consolidated Statements of Cash Flows

	Year ended December 31,	
	2008	2007
	THUF	THUF
Operating activities:		
Income before minority interest and income taxes	1,404,998	579,286
Depreciation and amortisation	1,058,021	1,009,778
Impairment of goodwill	–	396,552
Provision	85,046	–
Impairment of intangible fixed assets	194,217	180,000
Retirement of tangible and intangible fixed assets	46,361	36,289
Retirement and provision on inventory, receivables and other investment	261,564	60,503
Income on disposal of fixed assets and intangibles	(44,109)	(25,107)
Income on disposal of other investment	(50)	(54,109)
Interest income	(270,402)	(285,588)
Interest expense	1,209	4,599
Changes in assets and liabilities:		
Accounts receivable and prepayments	788,003	(370,778)
Inventory	74,991	821,027
Accounts payable and accrued expenses	2,470	(641,365)
Cash generated from operations	3,602,319	1,711,087
Interest paid	(1,186)	(4,909)
Income tax paid	(285,717)	(276,227)
Preference dividend paid	(184,313)	–
Net cash flow from operating activities	3,131,103	1,429,951
Investing activities:		
Purchase of tangible and intangible assets	(1,156,255)	(1,552,987)
Sale of tangible and intangible assets	54,696	172,932
Net purchase and sales of state bonds	(654,452)	(262,599)
Interest received	251,602	291,460
Acquisition of subsidiaries net of cash acquired	–	(50,000)
Purchase of shares in subsidiaries from minority shareholders	–	(5,566)
Net cash flows used in investing activities	(1,504,409)	(1,406,760)
Financing activities:		
Loans granted	(84,608)	(208,768)
Acquisition of treasury shares	(4,455,817)	–
Net cash flow used in financing	(4,540,425)	(208,768)
Change in cash and cash equivalents	(2,913,731)	(185,577)
Cash and cash equivalents at beginning of year	8,361,373	8,546,950
Cash and cash equivalents at end of year	5,447,642	8,361,373

See accompanying notes to consolidated financial statements.

All amounts in HUF '000 unless otherwise indicated

1. General

Fotex Első Amerikai-Magyar Vagyonkezelő Nyilvánosan Működő Részvénytársaság ("Fotex" or the "Company") is a public company limited by shares incorporated under the laws of the Republic of Hungary. The Company is primarily the holding company of a Group of subsidiaries incorporated in Hungary, Cyprus and Luxembourg and engaged in a variety of property management, manufacturing, retailing and other activities. The registered office of Fotex Nyrt. is located at Nagy Jenő utca 12, 1126 Budapest, Hungary. All subsidiaries are registered and operate in Hungary except for Upington Investment Ltd and Downington Holding S.á.r.l. which are registered in Cyprus and Luxembourg respectively. The ownership of principal consolidated subsidiaries, after considering indirect shareholdings, is:

		% Holding	
Subsidiary:	Principal Activities:	2008	2007
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer (Note 20)	100.0	–
Balaton Bútorgyár Zrt. (Balaton)	Furniture retailing and wholesaling (Note 20)	–	99.9
Balaton Glas Hotel Kft.	Property management	100.0	100.0
Bebufa Kft.	Furniture manufacturer (Note 20)	–	99.9
Domus Zrt.	Property management and furniture retailer	99.4	99.4
Downington Holding S.á.r.l.	Investment holding	100.0	100.0
DVD Rent Kft.	DVD rental and cinema management (Note 20)	–	100.0
Europrizma Kft.	Advertising	100.0	100.0
Europtic Kft.	Advertising	100.0	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotex Records Kft.	Property management (Note 20)	–	100.0
Fotexnet Kft.	Internet retail and other services (Note 20)	98.6	98.0
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Kont- Vesz Kft	Property management (Note 20)	100.0	–
Kontúr Zrt.	Property management (Note 20)	99.9	99.9
Norba Kft.	Furniture manufacturer (Note 20)	–	99.8
Primo Zrt.	Clothing retailing and wholesaling	100.0	99.9
Sigma Kft.	Property services	75.1	75.1
Székhely Kft	Property management (Note 20)	99.1	99.8
Upington Investments Ltd.	Investment holding	100.0	100.0

1. General (continued)

The consolidated financial statements of Fotex Nyrt. and Subsidiaries for the year ended December 31, 2008 were reviewed and authorized for approval on the General Meeting in accordance with a resolution of the directors on March 27, 2009.

2. Significant Accounting Policies

Basis of presentation

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

Statement of compliance

The members 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") and all applicable IFRS's that have been 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").

Effective January 1 2005, the change in the Hungarian Accounting Act allows the Group to prepare its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At this particular time, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex Nyrt. and its subsidiaries (the "Group") as at December 31, each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, revenues and expenses and gains and losses resulting from intra-group transactions that are recognized in assets or liabilities at year end, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Minority interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the minority interest’s share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

Changes in accounting policies

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

Initial application of new or revised Standards and Interpretations

In the current year, 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 are relevant to its operations and effective for accounting periods beginning on January 1, 2008. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies. The changes in accounting policies result from the adoption of the following new or revised Standards:

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of these changes are as follows:

IFRIC 11 IFRS 2 – Group and Treasury Share Transaction
IFRIC Interpretation 11 was issued in November 2006, and becomes effective for annual periods beginning on or after March 1, 2007. The Group has adopted IFRIC Interpretation 11 as of January 1, 2008, insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity’s equity instrument to be accounted for as an equity-settled scheme, even if the entity buys the instrument from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly. The Group has not issued instruments caught by this interpretation.

2. Significant Accounting Policies (continued)

Changes in accounting policies (continued)

IFRIC 12 Service Concessions Arrangements
IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and hence this Interpretation has no impact on the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 18 Employee Benefits. The Group has no defined benefit schemes; therefore the adoptation of this interpretation had no impact on the financial position or performance of the Group.

Improvements to IFRSs
In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Group has early adopted the following amendments to standards:

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- IAS 16 Property, Plant and Equipment: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- IAS 38 intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Cash and cash equivalents comprise cash in 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 purposes of the cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

Foreign currency translation

The consolidated financial statements are presented in HUF, which is the Company's functional and presentation currency. 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 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.

Inventory

Inventory is stated at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items. The value of work in progress and finished goods includes an applicable portion of direct materials, labour and overheads in manufacturing subsidiaries, but excluding borrowing costs.

Net realizable 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 are stated at purchase price or production cost less accumulated depreciation and any impairment in value. 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.

2. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

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

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

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 derecognition 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.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee:
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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Financial assets

Initial recognition
Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through income 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 recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, held to maturity investments.

2. Significant Accounting Policies (continued)

Financial assets (continued)

<u>Subsequent measurement</u>
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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group has no derivative embedded contract as of December 31, 2008 and December 31, 2007.

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 consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group has held-to-maturity investments during the year ended December 31, 2008.

2. Significant Accounting Policies (continued)

Financial assets (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

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
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

2. Significant Accounting Policies (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are 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.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using 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.

The Group has no loans and borrowings as of December 31, 2008 and December 31, 2007.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

2. Significant Accounting Policies (continued)

Impairment of financial assets

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

Due from loans and advances to customers
For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no 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. 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 future 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)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition 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.

2. Significant Accounting Policies (continued)

Derecognition of financial instruments (continued)

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.

<u>Financial liabilities</u>
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 derecognition 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.

Pensions

All pensions are either funded privately by employees or the state via certain social security charges included in the gross cost of the employees wage.

2. Significant Accounting Policies (continued)

Investment properties

Investment properties are measured initially at cost, including transactions 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 recognized at cost and depreciated systematically over its useful life.

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

	Years
Buildings	50

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.

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)

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities. Following 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, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) 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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is 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 capitalized 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.

2. Significant Accounting Policies (continued)

Intangible assets (continued)

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 life that range from 5 to 23 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 is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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

Investment in associates

The Group's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. The reporting dates of the associate and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

2. Significant Accounting Policies (continued)

Income taxes

Current 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 substantively 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.

Companies – 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 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. According to current Hungarian regulations, such gains are available for distribution.

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.

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.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

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 financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

3. Significant accounting judgements, estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the 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 December 31, 2008 is THUF 2,806,314 (2007: THUF 2,806,314). Further details are given in Note 12.

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 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 such intangible assets as at December 31, 2008 is THUF 1,000,000 (2007: THUF 1,000,000). Further details are given in Note 11.

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 incomes together with future tax planning strategies. The carrying value of recognised tax losses at December 31, 2008 was THUF 461,781 (2007: THUF 1,173,350) and the unrecognised tax losses at December 31, 2008 was THUF 714,766 (2007: THUF 1,428,284). Further details are given in Note 16.

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

Fair Value of Investment Properties and Land, Buildings and Improvement among Property, Plant and Equipments
The Group has determined and presented in the notes the fair value of investment property and land, building and improvements as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows were determined separately for the following categories of investment property: commercial outlets, offices, warehouses and other real estate property using average rental fees currently realizable 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

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective for December 2008 year-ends. The Group has not early adopted these standards and interpretations for 2008.

IAS 1 Revised Presentation of Financial Statements
The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after January 1, 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 23 Borrowing Costs
A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for annual periods beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after January 1, 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

4. Standards issued but not yet effective (continued)

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27
Consolidated and Separate Financial Statements
The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after January 1, 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 in January 2008 which becomes effective for financial years beginning on or after January 1, 2009. It clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has no such scheme.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied, however, the Group does not intend to apply this possibility.

4. Standards issued but not yet effective (continued)

IFRS 8 Operating Segments
IFRS 8 Operating Segments was issued in November 2006, and becomes effective for annual periods beginning on or after January 1, 2009.
This standard requires disclosure of information about the Group’s operating segment and replaces the requirement to determine primary (business) and secondary (geographical) reporting segment of the Group. The Group determined not to early adopt this standard, so the current year segment information had been prepared similar to last year under IAS 14 Segment Reporting. As a consequence there is no revised comparative information regarding this standard.

Improvements to IFRSs
As stated in Note 2 the Group has early adopted some of the amendments to standards following the 2007 'Improvement to IFRSs' project. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- IFRS 7 Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 16 Property, Plant and Equipment: Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- IAS 18 Revenue: Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19 Employee Benefits: Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- IAS 27 Consolidated and Separate Financial Statements: When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- IAS 34 Interim Financial Reporting: Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

4. Standards issued but not yet effective (continued)

- IAS 36 impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
- IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- IAS 40 Investment Property: Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

IFRIC 13 Customer Loyalty Programmes
IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after July 1, 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's financial statements as no such schemes currently exist.

IFRIC 15 Agreement for the Construction of Real Estate
IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after January 1, 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statement because the Group does not conduct such activity.

All amounts in HUF ’000 unless otherwise indicated

4. Standards issued but not yet effective (continued)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after October 1, 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group is currently assessing which accounting policy to adopt for the recycling on disposal of the net investment.

The Group expects that adoption of the pronouncements listed above will have no impact on the Group’s financial statements in the period of initial application.

5. Cash and short term deposits

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is THUF 5,447,642 (2007: THUF 8,361,373).

Cash includes fixed deposits and discounted treasury notes within three months maturity of THUF 3,122,776 (December 31, 2007 5,680,198) at rates ranging from 2% to 8% (2007 3% to 6%). The Company has EUR, USD and HUF deposits. The lower rates are on foreign currencies while the higher ones on HUF.

As at December 31, 2008, the Group has HUF 606 million (December 31, 2007 THUF 115 million) restricted cash as security for rental deposits received. Rental deposits are repayable when the rental agreements terminate.

6. Other financial assets

	2008	2007
	THUF	THUF
Government securities held to maturity	329	33,170
Short term part of long term loan provided to other parties	130,268	147,081
Other short term investments held to maturity	351	432
Total other current financial assets	130,948	180,683

Government securities represent discounted treasury notes over three month maturity.

All amounts in HUF ’000 unless otherwise indicated

6. Other financial assets (continued)

	2008	2007
	THUF	THUF
Held to- maturity investment	687,101	37,205
Loan provided to senior employees	77,000	–
Long term part of loan granted to other parties	392,747	168,328
Total other non current financial assets	1,156,848	205,533

Held to -maturity investment
The held to-maturity investment mainly represents the OTP Bonds. The Group holds 5,100 pieces of subordinated OTP Bonds on nominal value of EUR 1,000 per piece. OTP Bonds were purchased by the subsidiary registered in Luxembourg for EUR 2,491,447 on December 1, 2008 and on December 2, 2008. The OTP Bonds were issued at 100% of the face value with September 19, 2006 as payment date, and September 19, 2016 as maturity date. The bond bears a coupon of 5.27%, with annual interest payments on each September 19. The held- to maturity investment in amount of THUF 658,533 is measured at amortised cost using the effective interest rate of 18% as at the end of December 31, 2008. The fair value of the OTP Bonds at December 31, 2008 is THUF 655,930.

Loan provided to senior employees
A loan of HUF 122 million was provided by Fotex Nyrt at market interest rate to certain senior employees. This loan was used by these employees to purchase preference shares as described in Note 14. From the loan THUF 45,000 was reclassified to other financial assets as short term part of the loan.

The long term loan granted to other parties mainly represents the following loans provided by Domus Zrt. to legal entities which took over the discontinued operation of Domus Lánc Kft. in 2007:

There is a THUF 390,469 (December 31, 2007 THUF 261,105) loan to Domus VIVA Kft. with interest of EURO-LIBOR 12 month rate. The loan is secured by mortgage on the property of Domus VIVA Kft and immediate collection right over the bank account of Domus VIVA Kft. The maturity of the loan is August 31, 2012. The interest income received on the amount was THUF 15,187 (December 31, 2007 THUF 2,513). From the loan THUF 55,680 (December 31, 2007 THUF 106,747) was reclassified to other financial assets as short term part of the loan.

There is a THUF 49,583 (December 31, 2007 THUF 30,876) loan to Modusz Alba Kft. with interest of EURO-LIBOR 12 month rate. The loan is secured by mortgage on the property of Modusz Alba Kft and immediate collection right over the bank account of Modusz Alba Kft. The maturity of the loan is August 31, 2012. The interest income received on the amount was THUF 950 (December 31, 2007 THUF 322). From the loan THUF 12,516 (December 31, 2007 THUF 23,980) was reclassified to other financial assets as short term part of the loan.

There is a THUF 34,144 (December 31, 2007 THUF 18,212) loan to Domus Store Kft. with interest of EURO-LIBOR 12 month rate. The loan is secured by mortgage on the property of Domus Store Kft and immediate collection right over the bank account of Domus Store Kft. The maturity of the loan is October 31, 2010. The interest income received on the amount was THUF 599 (December 31, 2007 THUF 123). From the loan THUF 17,072 (December 31, 2007 THUF 16,354) was reclassified to other financial assets as short term part of the loan.

All amounts in HUF ’000 unless otherwise indicated

7. Accounts Receivable and Prepayments

	2008 THUF	2007 THUF
Trade receivables	1,026,342	1,236,147
Taxes recoverable	95,759	141,941
Caution paid as part of a tender	–	250,100
Other receivables and prepayments	259,132	401,007
Provision for doubtful debts	(157,564)	(146,340)
Provision for other receivables	(18,192)	(11,438)
Total accounts receivable and prepayments	1,205,477	1,871,417

For terms and conditions relating to related party receivables, refer to Note 23.
Trade receivables are non-interest bearing and are generally on 0-60 days’ terms.
Taxes recoverable are generally recovered after a three months period.

In December 2007 Keringatlan Kft. was required to pay HUF 250 million advance as part of a tender regarding real estate acquisition. The tender was not successful and the advance was returned at the beginning of 2008.

As at December 31, 2008, trade and other receivables at nominal value of 175,756 THUF (2007: 157,778 THUF) were impaired and fully provided for.

Movements in the provision for impairment of receivables were as follows:

	Individually impaired THUF	Collectively impaired THUF	Total THUF
At January 1, 2007	167,598	1,037	168,635
Charge for the year	983	18,061	19,044
Utilised	(29,901)	–	(29,901)
At December 31, 2007	138,680	19,098	157,778
Charge for the year	46,572	–	46,572
Utilised	(1,044)	–	(1,044)
Unused amounts reversed	(23,608)	(3,942)	(27,550)
At December 31, 2008	160,600	15,156	175,756

As at December 31, the ageing analysis of trade receivables is as follows after impairments:

	Neither past due nor impaired	Past due but not impaired					
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2008	605,223	143,959	64,637	23,440	6,875	24,644	868,778
2007	683,174	258,856	93,415	24,084	19,091	11,187	1,089,807

All amounts in HUF ’000 unless otherwise indicated

8. Inventories

	2008	2007
	THUF	THUF
Products held for resale and finished goods	2,489,378	2,476,459
Raw materials and consumables	417,877	489,716
Work in progress	471,723	498,646
Total inventory	3,378,978	3,464,821
Provision for products held for resale and finished goods	(851,008)	(649,174)
Provision for raw materials and consumables	(105,960)	(105,960)
Provision for work in progress	(70,000)	(70,000)
Provision for inventory	(1,026,968)	(825,134)
Net book value	2,352,010	2,639,687

Management identified a number of companies within the Group in which slow moving inventory has been experienced. Based on a review management concluded that a provision of THUF 1,026,968 (December 31, 2007: THUF 825,134) is appropriate.

All amounts in HUF '000 unless otherwise indicated

9. Property, plant and equipment

Movements in property, plant and equipment for the year ended December 31, 2008 were as follows:

	Land, Buildings and Improvements	Furniture, Fixtures and Equipment	Construction in Progress	Total
	THUF	THUF	THUF	THUF
Cost:				
January 1, 2008	1,387,275	5,742,603	364,671	7,494,549
Additions	47,728	235,290	25,362	308,380
Disposals and write downs	–	(406,976)	(1,722)	(408,698)
Transfer from Investment property (note 10)	554,160	–	–	554,160
December 31, 2008	1,989,163	5,570,917	388,311	7,948,391
Depreciation:				
January 1, 2008	(403,095)	(4,599,932)	–	(5,003,027)
Depreciation expense	(54,721)	(299,067)	–	(353,788)
Disposals and write downs	–	343,841	–	343,841
Transfer from Investment property (note 10)	(6,717)	–	–	(6,717)
December 31, 2008	(464,533)	(4,555,158)	–	(5,019,691)
Net book value:				
December 31, 2008	1,524,630	1,015,759	388,311	2,928,700
December 31, 2007	984,180	1,142,671	364,671	2,491,522

As of December 31, 2008 gross value of tangible fixed assets fully depreciated or fully impaired was THUF 2,231,855 (2007: THUF 2,389,803). Carrying amount of temporarily idle tangible assets was THUF 19,635 (2007: THUF 37,521) at year end.

As at December 31, 2006 year end management reassessed its real estate portfolio and determined that in line with its business strategy, it will present such real estate that is leased and is available for lease to third parties as investment property. Real estate which remains categorized as land, buildings and improvements as presented above is measured in the Balance Sheet at historic cost less accumulated depreciation. Its fair value is disclosed in note 10 to the Financial Statements.

All amounts in HUF '000 unless otherwise indicated

9. Property, plant and equipment (continued)

	Land, Buildings and Improvements	Furniture, Fixtures and Equipment	Construction in Progress	Total
	THUF	THUF	THUF	THUF
Cost:				
January 1, 2007	5,362,713	5,828,170	966,539	12,157,422
Additions	631,905	479,692	(601,868)	509,729
Disposals and write downs	(195,768)	(565,259)	–	(761,027)
Transfer to Investment property (note 10)	(4,411,575)	–	–	(4,411,575)
December 31, 2007	1,387,275	5,742,603	364,671	7,494,549
Depreciation:				
January 1, 2007	(1,133,484)	(4,784,157)	–	(5,917,641)
Depreciation expense	(218,174)	(318,752)	–	(536,926)
Disposals and write downs	95,598	502,977	–	598,575
Transfer to Investment property (note 10)	852,965	–	–	852,965
December 31, 2007	(403,095)	(4,599,932)	–	(5,003,027)
Net book value:				
December 31, 2007	984,180	1,142,671	364,671	2,491,522
January 1, 2007	4,229,229	1,044,013	966,539	6,239,781

10. Investment properties

The Group controls a significant real estate 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. Currently the Group is undergoing a reorganization process whereby it is gradually abandoning its retail activity and becoming an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the Balance Sheet at historic cost less accumulated depreciation, while its fair value is determined and disclosed in the notes to the Financial Statements.

Movements in investment property for the year ended December 31, 2008 were as follows:

	Investment Properties
	THUF
Cost:	
January 1, 2008	18,551,851
Additions	868,655
Disposal	(71,961)
Transfer to Property, Plant and Equipment	(554,160)
December 31, 2008	18,794,385
Depreciation:	
January 1, 2008	(3,446,779)
Depreciation expense	(675,054)
Disposal	18,420
Transfer to Property, Plant and Equipment	6,717
December 31, 2008	(4,096,696)
Net book value:	
December 31, 2008	14,697,689
December 31, 2007	15,105,072

The fair value of real estate which is classified as Investment property as at December 31, 2008 is analysed as follows:

Category	Area	Carrying value	Fair value Low	Fair value Medium	Fair value High
	m^2	THUF	THUF	THUF	THUF
Retail outlets	145,701	10,312,341	48,006,598	54,442,482	59,928,035
Office	6,552	194,110	763,795	866,191	953,467
Warehouse	97,677	1,000,112	8,077,703	9,160,620	10,083,632
Other buildings	38,992	993,147	1,819,841	2,063,813	2,271,760
Land	658,763	2,197,980	7,654,423	8,680,594	9,555,239
Total investment property	947,685	14,697,689	66,322,360	75,213,700	82,792,133

10. Investment properties (continued)

Movements in investment property for the year ended December 31, 2007 was as follows:

	Investment Properties
	THUF
Cost:	
January 1, 2007	13,134,543
Additions	1,005,733
Transfer from Property, Plant and Equipment	4,411,575
December 31, 2007	18,551,851
Depreciation:	
January 1, 2007	(2,172,684)
Depreciation expense	(421,130)
Transfer from Property, Plant and Equipment	(852,965)
December 31, 2007	(3,446,779)
Net book value:	
December 31, 2007	15,105,072
January 1, 2007	10,961,859

The fair value of real estate which was reclassified to Investment property as at December 31, 2007 was analysed as follows:

Category	Area	Carrying value	Fair value Low	Fair value Medium	Fair value High
	m^2	THUF	THUF	THUF	THUF
Retail outlets	144,581	10,433,722	58,822,434	66,338,697	76,286,048
Office	6,317	184,335	1,927,542	2,173,841	2,499,804
Warehouse	97,609	1,154,410	9,928,042	11,196,636	12,875,548
Other buildings	58,009	1,427,714	4,496,223	5,070,745	5,831,093
Land	676,629	1,904,891	16,773,985	18,917,346	21,753,963
Total investment property	983,144	15,105,072	91,948,226	103,697,265	119,246,456

The fair value of investment properties was determined by management based on the present values of the future cash flows, determined separately for the presented categories of real estate, based on the currently realized rental rates. Present values were calculated using a uniform discount rate that is considered appropriate for the valuation of real estate property on the relevant markets and incorporates the following significant assumptions: demand for property to be leased will decrease prospectively on the relevant markets the level of rental fees will be maintained at current rates, there will be full utilization rate for properties and the rental fee will cover the entire area. The average yields of rented out investment properties were estimated based on primary market yields and on the location of the properties. For valuation purposes, unrented investment properties were considered at an EUR 2.77/month rent plus 3% extra margin.

10. Investment properties (continued)

The fair value of land has been determined based on average market prices and in a value much lower than in the comparable period in view of expected falling market prices due to the current financial crisis. The land underneath the rented buildings amounting to 90,665 m2 has not been included in the valuation.The rental fees determined in EUR and converted into HUF on MNB average rate has been considered stable.

Fair values are presented as a range of low, medium and high values. The medium values of rented properties were calculated at a yield range of 7.9%-8.7% (2007: 7.1%) and a recovery period of 11.5-12.5 years (2007: 14 years) as the net present values of future cash flows based on realisable rents identified separately for each of the presented categories. The EUR rental fee has been converted to HUF on the yearly average MNB foreign exchange rate. The discount rate for the low and high range was determined as +/- 1% to the average, respectively against the base discount rate. This range is commonly used for sensitivity analyses on the valuation of real estate property. Consideration should also be given to the uncertainty that exists in other assumptions made, such as inflation rates, currency rate of HUF to EUR, rental fees realizable on the market and the actual utilization of property. These factors have a linear effect on the fair values calculated and consequently, no sensitivity analysis on these factors is presented.

In the case of properties held for own use, retail outlets were valued on the same basis as rented investment properties. All other properties were considered on the same basis as unrented investment properties.
In the comparable period, the value of these properties was determined based on the present value of the estimated future cash flows that would be generated if these assets were leased to third parties at rental rates consistent with those currently realized by the Group for the presented categories and based on the same assumptions and calculation methodology as described above for investment properties.

The fair value of real estate which remains categorized as land, buildings and improvements as at December 31, 2008 is analyzed as follows:

Category	Area	Carrying value	Low	Fair value Medium	High
	m^2	THUF	THUF	THUF	THUF
Retail outlets	190	176,032	40,514	45,945	50,575
Office	276	15,921	20,281	23,000	25,317
Warehouse	46	3,393	3,055	3,465	3,814
Other buildings	76,363	1,274,104	5,203,142	5,900,688	6,495,234
Land	215,528	55,180	2,504,303	2,840,036	3,126,195
Total land, buildings and improvements	292,403	1,524,630	7,771,295	8,813,134	9,701,135

The fair value of real estate which remains categorized as land, buildings and improvements as at December 31, 2007 is analyzed as follows:

Category	Area	Carrying value	Low	Fair value Medium	High
	m^2	THUF	THUF	THUF	THUF
Retail outlets	770	107,539	313,273	353,302	406,279
Office	841	18,576	256,619	289,410	332,806
Warehouse	8,171	30,922	831,043	937,232	1,077,769
Other buildings	62,538	727,328	4,847,261	5,466,639	6,286,350
Land	183,188	99,816	4,541,326	5,121,611	5,889,586
Total land, buildings and improvements	255,507	984,180	10,789,522	12,168,194	13,992,790

All amounts in HUF '000 unless otherwise indicated

11. Intangible Assets

Movements in intangible assets for the year ended December 31, 2008 was as follows:

	Media and merchandising rights	Other	Total
	THUF	THUF	THUF
Cost:			
January 1, 2008	1,834,520	302,850	2,137,370
Additions	–	44,206	44,206
Disposals and write downs	–	(21,534)	(21,534)
December 31, 2008	1,834,520	325,522	2,160,042
Amortisation:			
January 1, 2008	(834,520)	(67,169)	(901,689)
Amortisation expense	–	(29,179)	(29,179)
Impairment	–	(194,217)	(194,217)
Disposals and write downs	–	17,998	17,998
December 31, 2008	(834,520)	(272,567)	(1,107,087)
Net book value:			
December 31, 2008	1,000,000	52,955	1,052,955
December 31, 2007	1,000,000	235,681	1,235,681

"Other" primarily consists of rental rights for retail operations.

In 2003 Fotex Nyrt. acquired certain media and merchandising rights associated with the football club, FTC, as part of its exit from its ownership of the club which it acquired in 2001 valued at HUF 1.9 billion (approximately Euro 8 million). The merchandising rights with the exclusion of clothing are unlimited and both the media and merchandising rights are granted into perpetuity. Up to December 31, 2005 there were no indications of impairment. Management has assessed the recoverability and the value of the asset based on the estimated revenue streams that are presently and potentially available, discounted at an appropriate interest rate to arrive at the fair value. Based on managements' estimation, the impairment of HUF 754 million which had been recorded,in addition to the amoritisation of the right up to the change in IAS 38 which ceased the regular amortisation expense of HUF 80 million represents the recoverable value of the right.as of December 31, 2008.

All amounts in HUF '000 unless otherwise indicated

11. Intangible Assets (continued)

Movements in intangible assets for the year ended December 31, 2007 was as follows:

	Media and merchandising rights	Other	Total
	THUF	THUF	THUF
Cost:			
January 1, 2007	1,834,520	397,106	2,231,626
Additions	–	37,525	37,525
Disposals and write downs	–	(131,781)	(131,781)
December 31, 2007	1,834,520	302,850	2,137,370
Amortisation:			
January 1, 2007	(654,520)	(125,566)	(780,086)
Amortisation expense	–	(51,722)	(51,722)
Impairment	(180,000)	–	(180,000)
Disposals and write downs	–	110,119	110,119
December 31, 2007	(834,520)	(67,169)	(901,689)
Net book value:			
December 31, 2007	1,000,000	235,681	1,235,681
January 1, 2007	1,180,000	271,540	1,451,540

12. Goodwill arising on Acquisition

Movements in goodwill (purchased as part of prior business combinations) were as follows for the years ended December 31:

	2008	2007
	THUF	THUF
Cost:		
At January 1	5,567,224	5,525,120
Addition	–	42,104
Disposal	–	–
At December 31	5,567,224	5,567,224
Amortisation and Impairment		
At January 1	(2,760,910)	(2,364,358)
Impairment charge for the year	–	(396,552)
At December 31	(2,760,910)	(2,760,910)
Net book value		
At January 1	2,806,314	3,160,762
At December 31	2,806,314	2,806,314

At year end management reviewed goodwill carried in the books for impairment and considered that no further impairment is necessary.

All amounts in HUF '000 unless otherwise indicated

13. Accounts payable and accrued expenses

	2008	2007
	THUF	THUF
Trade payables	605,059	583,141
Taxes payable (excluding income taxes)	239,233	219,187
Advances from customers	7,401	25,369
Accrued expenses	265,532	268,467
Deferred rental income	172,000	24,695
Declared dividend in connection with management incentive preference share scheme (Note 14)	46,500	170,000
Payable to employees	60,823	101,781
Deposit received for rental	663,645	530,667
Other miscellaneous payables	139,416	226,895
Total accounts payable and accrued expenses	2,199,609	2,150,202

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 20-30 day term.
Other payables are non-interest bearing and have an average term of 1 to 3 months.
Payable to employees are non-interest bearing and represent a one month salary with contributions.
Rental deposits are generally payable on 30-day term when the rental agreements terminate.

14. Issued capital and reserves

Issued Capital

The authorised and issued share capital is THUF 7,272,365. The par value of the shares is HUF 100. At December 31, 2008 the Company's issued share capital consists of 72,723,650 shares (December 31, 2007: 72,723,650 shares) which include 70,723,650 ordinary shares and 2,000,000 dividend preference shares. The dividend preference shares were issued in November 2007 as described below.

Of the issued shares, 10,113,269 shares costing THUF 4,717,444 (December 31, 2007, 3,536,960 shares costing THUF 461,627) are held as treasury shares. During 2008 the company purchased 8,576,309 shares for THUF 4,455,817 on market value and sold 2,000,000 dividend preference shares to employees as part of preference share scheme for THUF 200,000.

14. Issued capital and reserves (continued)

Preference share scheme

The general meeting of the Company on August 31, 2007 authorized the Board of Directors to increase the equity capital by a maximum amount of HUF 785,818,000, by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

These preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The reason for the preference share scheme available to members of management is to establish a direct link between share rates and profits achieved and profits shared by strengthening proprietorship within management thereby increasing shareholder value. Fotex Nyrt. has an option to redeem the dividend preference shares within 5 years. If Fotex Nyrt. does not exercise its option within 5 years from the date of the issue of dividend preference shares to employees then the owner of the dividend preference share will be entitled to exercise its rights after the date of the termination. The dividend rate on the preference shares shall not exceed 50% of the given year’s average stock-exchange price of Fotex shares, but shall not be less than an amount equivalent to the double sum of the central bank base interest rate, valid on January 1 of the given year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS income after taxes minus minority interest. The determination and approval of the amount of the preference dividend payable is to the authority of the annual general meeting of the Company.

In November 2007 Fotex Nyrt. issued 2,000,000 preference shares with a face value of HUF 200 million. As at December 31, 2007 the dividend preference share had been presented as treasury shares as none of the share was allocated to senior employees. On April 28, 2008 dividend preference shares were purchased by senior employees on par value from the loan provided by Fotex Nyrt. at market interest rate (refer Note 6). According to the decision of the General Meeting in 2008 preference dividend of HUF 85 per share was paid on each dividend preference share in 2008 in amount of HUF HUF 170 million. This preference dividend to the management was disclosed as personnel expense in the financial statements at 2007. The payment of the preference dividend did not generate any additional tax liability for the Group.

The Board of Directors suggested HUF 46.5 million dividend for the dividend preference share for the approval of the forthcoming shareholder’s meeting.

Goodwill Write-off Reserve

In 1990, in connection with the transformation of the Company to an Rt. and associated increase in share capital, certain intangible assets of Fotex Nyrt. (principally the “Fotex” name) were valued by an independent appraisal at approximately HUF 2,2 billion. This amount is shown as an intangible asset in the Company’s Hungarian statutory financial statements and is amortised over 24 years. This amount is not shown as an asset, rather as a deduction from shareholders’ equity in these financial statements.

All amounts in HUF '000 unless otherwise indicated

14. Issued capital and reserves (continued)

Retained Earnings

Retained earnings available for distribution are based on the financial statements of the Company prepared in accordance with Hungarian Accounting Standards, as opposed to these financial statements that are prepared under International Financial Reporting Standards. The distributable reserves according to Hungarian Accounting Standards of Fotex Nyrt. at December 31, 2008 amount to THUF 742,523 (December 31, 2007 THUF 2,141,878).

15. Selling, General and Administration Expenses

	December 31, 2008	December 31, 2007		
	Continuing operations THUF	Continuing operations THUF	Discontinued operations THUF	Total THUF
Personnel expense	2,548,293	3,029,916	494,895	3,524,811
Material type costs	2,342,738	2,255,347	553,635	2,808,982
Other expenses	840,768	1,524,049	12,298	1,536,347
Depreciation and amortization	1,058,021	1,005,828	3,950	1,009,778
Total selling, general and administration expenses	6,789,820	7,815,140	1,064,778	8,879,918

Major element among "Other expenses"

	2008 THUF	2007 THUF
Impairment of Goodwill (Note 12)	–	(396,552)
Impairment of intangibles (Note 11)	(194,217)	(180,000)
Impairment on Inventories (Note 8)	(212,686)	(71,360)
Impairment on Trade Receivables (Note 7)	(46,572)	(19,044)
Realised foreign exchange loss net	53,295	(77,491)
Unrealised foreign exchange gain /(loss) net	87,084	(39,500)
Tax expenses (mainly building tax)	(270,669)	(247,706)
Indemnity payment	–	(190,000)
Other expenses	(257,003)	(314,694)
Total "Other expenses"	(840,768)	(1,536,347)

All amounts in HUF ’000 unless otherwise indicated

16. Income Taxes

	2008	2007
	THUF	THUF
Current income tax expense	529,170	273,637
Deferred income tax	78,404	(105,000)
Income tax expense	607,574	168,637

The effective income tax rate varied from the statutory income tax rate due to the following items:

	2008	2007
	THUF	THUF
Income before minority interest and income taxes	1,404,998	579,286
Tax at statutory rate of 16%	224,800	92,686
Effect of tax losses for which no corresponding deferred tax asset recognized	303,034	202,680
Effect of tax losses from previous periods for which corresponding deferred tax asset recognized for the first time in the current period.	–	(152,623)
Utilisation of previously unrecognized tax losses	–	–
Differences arising from Cyprus and Luxembourg tax rates	(57,127)	(35,860)
Non deductible expense	(155,411)	(190,873)
Adjustments in respect to current income tax of previous years	20,407	–
Solidarity tax at statutory rate of 4%	92,698	58,036
Local business tax	160,530	177,102
Innovation tax	18,643	17,489
Income tax expense	607,574	168,637

Fotex Nyrt. and its subsidiaries are subject to periodic audit by the Hungarian Tax Authority (“APEH”). Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by APEH.

Corporate income tax rate is 16%, however, effective from September 1, 2006 the Hungarian government introduced an additional, so called solidarity tax of 4% payable on statutory accounting incomes made in the period from September 1, 2006.

As the above mentioned solidarity tax is assumed be valid in future years, an effective tax rate of 20% is taken into consideration when calculating deferred tax assets and liabilities.

In 2005 Upington, an investment holding company was established in Cyprus which had an effective tax rate of 10%. In addition, Downington, a financial holding company was established in Luxembourg during 2006 where the effective tax rate for financial holding income is 0%.

All amounts in HUF ’000 unless otherwise indicated

16. Income Taxes (continued)

Deferred tax assets and deferred tax liabilities at December 31, 2008 and 2007 are attributable to the items detailed in the tables below:

	Consolidated balance sheet		Consolidated income statement	
	2008	2007	2008	2007
	THUF	THUF	THUF	THUF
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(136,156)	(129,587)	(6,569)	(9,026)
Eliminated intercompany transactions	(26,848)	(31,556)	4,707	4,183
Capitalisations of small value assets	(38,867)	(30,079)	(8,787)	(11,251)
Fair value adjustments on acquisition	–	(38,843)	38,843	3,532
Gross deferred income tax liabilities	(201,871)	(230,065)	28,194	(12,562)
Deferred income tax assets				
Provisions	10,352	3,099	7,253	(35,061)
Tax losses carried forward	73,885	187,736	(113,851)	152,623
Gross deferred income tax assets	84,237	190,835	(106,598)	117,562
Deferred income tax			(78,404)	105,000
Net deferred income tax liability	(117,634)	(39,230)		

Certain Group companies have tax losses that are available to be carried forward and offset against taxable income of the companies in future years as shown below:

Expiry	THUF
Indefinite	1,004,823
2009	143,780
2010	10,887
2011	6,193
2012	10,864
Total	1,176,547

Deferred tax assets have not been recognised in respect of these losses in the past as they have arisen in subsidiaries that have been loss-making for some time. Due to the Group reorganisation and merger process which started in 2006 it has become possible for the Group to utilise certain past losses as several loss-making entities merged during the previous and current years into profit-making entities.

All amounts in HUF ’000 unless otherwise indicated

17. Discontinued operations

In 2007 the Company took a strategic decision to exit the furniture retail operation performed by Domus Lánc Kft. As a result on March 31st, 2007 Domus Lánc Kft. merged into Domus Zrt. After the merger Domus Lánc Kft. which was a furniture retailer continued its operation as part of Domus Zrt. to the end of August 2007 with a continuously decreasing activity. After the end of September 2007 the remaining furniture inventory was mainly purchased by three entities. Those entities were established by former employees of Domus Lánc Kft. The three entities also had an obligation for the purchase of the inventory owned by Domus Zrt. as of December 31, 2007. As Domus Lánc Kft. was not sold as an operating entity rather it has gradually ceased its activity there was no business disposal.

The net assets and liabilities of Domus Lánc Kft. included in the consolidated balance sheet as set out in the table below.

	2007 THUF
Net assets disposed of:	
Cash	–
Accounts receivable and prepayments	151,773
Inventory	209,650
Fixed assets	–
Accounts payable and accrued expenses	–
	361,423

The account receivable and prepayments represented receivable from the three entities which acquired Domus Lánc Kft. inventories. The inventory represented those items which were sold to these three entities under a sales commission agreement.

18. Segment Information

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Group policy. Segment results are determined before any adjustments for minority interest.

The Group has operations in Cyprus, Luxembourg and in Hungary. However, the majority (over 97%) of activities is carried out in Hungary; consequently no geographical segment information is disclosed.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group’s balance sheet.

Corporate and other items mainly comprise general and administrative expenses that relate to the Group as whole, assets not directly attributable to the operations of the segments such as short and long term investments and liabilities that are incurred for financing rather than operating purposes.

Capital expenditure represents the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

All amounts in HUF ’000 unless otherwise indicated

18. Segment Information (continued)

	2008	2008	2008	2007	2007	2007
Revenue (a):	Net Sales external THUF	Net Sales inter-segment THUF	Net Sales THUF	Net Sales external THUF	Net Sales inter-segment THUF	Net Sales THUF
Furniture	1,198,198	53,000	1,251,198	1,226,482	75,439	1,301,921
Investment property	5,406,916	395,820	5,802,736	5,158,670	449,550	5,608,220
Electrical, household goods and cosmetics	504,858	506	505,364	628,858	6,159	635,017
Crystal and glass	1,837,359	5,669	1,843,028	2,895,449	8,195	2,903,645
Music	874,642	40,413	915,055	973,814	3,175	976,989
Clothing	377,408	0	377,408	478,214	–	478,214
Advertising	34,591	134,165	168,756	27,735	62,813	90,548
Corporate and other	923,968	403,841	1,327,809	1,197,543	574,871	1,772,414
Inter-segment elimination		(1,033,414)	(1,033,414)	–	(1,180,203)	(1,180,203)
Revenue from continued operations	11,157,940	–	11,157,940	12,586,765	–	12,586,765
Revenue from discontinued furniture operations (Note 17)	–	–	–	3,074,684	–	3,074,684
Revenue from operations	11,157,940	–	11,157,940	15,661,449	–	15,661,449

a) Revenue relating to crystal and glass products and rental are principally foreign currency sales. Approximately half of the revenue relating to manufactured furniture are export revenue. Other sales are generally Hungarian Forint sales.

Net income before tax:	2008 THUF	2007 THUF
Furniture	(167,809)	104,457
Investment property	2,593,365	1,816,835
Electrical, household goods and cosmetics	(24,409)	21,272
Crystal and glass	(501,914)	(470,005)
Music	(140,887)	(101,203)
Clothing	41,639	39,976
Advertising	8,218	(1,613)
Corporate and other	(403,205)	(366,197)
Net income before tax from continued operations	1,404,998	1,043,522
Net loss from discontinued furniture operations (Note 17)	–	(464,236)
Net income relating from operations	1,404,998	579,286

All amounts in HUF '000 unless otherwise indicated

18. Segment Information (continued)

Total Assets:	2008 Assets external THUF	2008 Assets inter-segment THUF	2008 Assets THUF	2007 Assets external THUF	2007 Assets inter-segment THUF	2007 Assets THUF
Furniture	1,029,753	16,543	1,046,296	1,000,929	33,635	1,034,564
Investment property	18,001,339	170,116	18,171,455	17,543,035	33,824	17,576,859
Electrical, household goods and cosmetics	642,873	2,008	644,881	935,852	4,262	940,114
Crystal and glass	2,634,667	89	2,634,756	2,836,341	1,955	2,838,296
Music	551,088	152	551,240	832,347	99	832,446
Clothing	530,788	151,719	682,507	744,244	1,000	745,244
Advertising	114,574	3,818	118,392	187,230	9,193	196,423
Corporate and other	8,430,156	1,499,605	9,929,761	11,196,214	1,594,120	12,790,334
Inter-segment elimination		(1,844,050)	(1,844,050)	–	(1,678,088)	(1,678,088)
Total assets	31,935,238	–	31,935,238	35,276,192	–	35,276,192

Liabilities:	2008 Liabilities external THUF	2008 Liabilities inter-segment THUF	2008 Liabilities THUF	2007 Liabilities external THUF	2007 Liabilities inter-segment THUF	2007 Liabilities THUF
Furniture	116,307	8,079	124,386	174,418	69,533	243,951
Investment property	954,396	330,855	1,285,251	678,276	607,526	1,285,802
Electrical, household goods and cosmetics	108,995	18,963	127,958	120,441	32,222	152,663
Crystal and glass	365,082	1,424,539	1,789,621	298,188	1,069,184	1,367,372
Music	91,596	16,549	108,145	173,976	220,250	394,226
Clothing	36,909	3,114	40,023	40,848	2,520	43,368
Advertising	59,960	15,783	75,743	62,879	15,063	77,942
Corporate and other	772,655	158,838	931,493	850,615	-39,252	811,363
Inter-segment elimination		(1,976,720)	(1,976,720)		(1,977,046)	(1,977,046)
Liabilities	2,505,900	–	2,505,900	2,399,641	–	2,399,641

All amounts in HUF '000 unless otherwise indicated

18. Segment Information (continued)

Capital expenditure:	2008	2007
	THUF	THUF
Furniture	36,281	174,548
Investment property	1,023,371	1,079,743
Electrical, household goods and cosmetics	46,715	29,552
Crystal and glass	50,976	96,411
Music	4,370	31,284
Clothing	428	1,678
Advertising	1,374	448
Corporate and other	57,725	101,797
Capital expenditure	1,221,241	1,515,462

Depreciation and amortisation:	2008	2007
	THUF	THUF
Furniture	38,485	49,204
Investment property	776,500	639,301
Electrical, household goods and cosmetics	27,897	32,696
Crystal and glass	117,675	165,163
Music	14,950	40,987
Clothing	4,322	5,723
Advertising	1,191	2,041
Corporate and other	77,001	74,663
Depreciation and amortization	1,058,021	1,009,778

19. Financial risk management objectives and policies

The Group's principle financial liabilities, other than derivatives, comprise trade payables and hire purchase contracts. The Group has various financial assets such as trade receivables, cash and short term deposits and granted loans. The Company's cash is primarily held with major banks located in Hungary, Cyprus and Luxembourg. The financial liabilities and financial assets arise directly from the operations of the Group.

During the year the Group has entered into a small number of derivative transactions, primarily forward currency contracts. The purpose was to manage the currency risk arising from the Group's operations. There were no open derivative transactions as of December 31, 2008.

The main risk arising from the Group's financial instruments are foreign currency risk and credit risk. The Management is reviewing and managing each of these risks which are summarized below.

19. Financial risk management objectives and policies (continued)

Asset risk

Management is reviewing its strategy relating to its investment in Ajka in view of the losses experienced in that company. Whatever the ultimate strategy of the group will be management believes that it will recover the value of the assets presently in use.

Interest rate risk

As the Group has no external financing liability there is no interest rate risk which could be managed.

Currency risk

The financial instruments that potentially subject the Company to currency risk consist principally of foreign currency trade receivables, payables and cash deposits in foreign currency. There is a currency risk which is associated to the EUR based rental agreements. The major part of the EUR based rental fees is invoiced in HUF on a daily spot rate. In order to limit the potential exchange loss as a result of any adverse change in the EUR-HUF exchange rates, the Group generally determines a minimum EUR-HUF exchange rate in the rental agreements for conversion purposes.

The Group also has a transactional currency exposure. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit’s functional currency. Approximately 17% of the Group’s sales are dominated in currencies other than the functional currency of the operating unit making the sales, while costs are denominated in the unit’s functional currency. The Group manages this risk in certain cases using forward currency contracts.

All amounts in HUF '000 unless otherwise indicated

19. Financial risk management objectives and policies (continued)

Currency risk (continued)

Management presents below the impact of EUR rate fluctuations on export sales and thus on the Group's pre-tax profit (all other variables are considered constant):

		Increase/decrease in EUR rate	Effect on profit before tax
			THUF
2008		+5%	95,172
		-5%	(90,640)
2007		+5%	119,906
		-5%	(125,909)

According to management, the real threat to the profits of subsidiaries affected by foreign exchange risks is posed by changes in market demand (reflected in the number or orders) in line with global market tendencies rather than on foreign exchange rate fluctuations.

The Group holds significant amounts in foreign currencies which are exposed to EUR rate fluctuations as follows:

		Increase/decrease in EUR rate	Effect on cash and cash equivalents
			THUF
2008		+5%	149,418
		-5%	(142,303)
2007		+5%	304,104
		-5%	(289,462)

Credit risk

Credit risk is decreased via the dispersion across the customer base. The Group manages its credit risk by advance payments, request of bank guarantees and cash deposits. In addition, the Group is monitoring on a regular basis the available business information regarding major creditors on the market. Receivable balances are monitored on an ongoing basis.

Liquidity risk

The Group monitors its risk regarding liquidity with the following tools:

- Monitoring of the daily available (restricted and non-restricted) free cash and cash equivalents balance by entities
- Monitoring of the entities' cash-flow on a weekly basis
- As part of the management information system the Group monitors the economic operation of the entities on a monthly basis

All amounts in HUF ’000 unless otherwise indicated

19. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group’s financial liabilities at December 31, 2008 and December 31, 2007 based on contractual undiscounted payments.

Year ended December 31, 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	THUF	THUF	THUF	THUF	THUF	THUF
Trade payables	181,028	401,736	10,022	12,273	–	605,059
Taxes payable (excluding income taxes)	66,491	170,616	2,126	–	–	239,233
Advances from customers	–	7,401	–	–	–	7,401
Accrued expenses	13,488	227,290	15,504	9,250	–	265,532
Deferred rental income	–	172,000	–	–	–	172,000
Declared dividend in connection with management incentive preference share scheme (Note 14)	–	46,500	–	–	–	46,500
Payable to employees	162	60,661	–	–	–	60,823
Deposit received for rental	–	7,308	27,491	619,657	9,189	663,645
Other miscellaneous payables	886	31,183	102,220	5,127		139,416
Total accounts payable and accrued expenses	262,055	1,124,695	157,363	646,307	9,189	2,199,609

All amounts in HUF '000 unless otherwise indicated

19. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Year ended December 31, 2007	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	THUF	THUF	THUF	THUF	THUF	THUF
Trade payables	82,668	500,473	–	–	–	583,141
Taxes payable (excluding income taxes)	–	219,187	–	–	–	219,187
Advances from customers	–	25,369	–	–	–	25,369
Accrued expenses	–	254,241	–	14,226	–	268,467
Deferred rental income	–	24,695	–	–	–	24,695
Declared dividend in connection with management incentive preference share scheme (Note 14)	–	170,000	–	–	–	170,000
Payable to employees	–	101,781	–	–	–	101,781
Deposit received for rental	–	13,643	–	571,473	–	585,116
Other miscellaneous payables	–	172,446	–	–	–	172,446
Total accounts payable and accrued expenses	82,668	1,481,835	–	585,699	–	2,150,202

Capital management

From the sales of its interest in Fotex Optika Kft. in 2005 the Group has significant own cash balance which has been used for the internal financing, as necessary. During 2006 the Group replaced its external bank loans by internal financing. As a consequence on Group level, the financing expenses and risks significantly reduced.

Fair values

At December 31, 2008 and 2007 the carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses approximated their fair values due to the short term maturities of these assets and liabilities. Receivables are stated after making allowance for doubtful debts.

20. Investments in subsidiaries

During 2008 Fotex Nyrt. entered into certain transactions and mergers as further described below:

- DVD Rent Kft. merged into Fotexnet Kft. as at February 29, 2008.
- Fotex III Kft, Fotex Kont Kft and Norba Kft. merged into Kontúr Zrt. at February 29, 2008. Fotex III Kft. and Fotex Kont Kft was not consolidated subsidiary of Fotex Nyrt before merger
- Kont –Vesz Kft. demerged from Székhely Kft. at July 31, 2008
- Bebufa Kft and Balaton Bútorgyár Zrt. merged at December 15, 2008. The name of the new company is Balaton Bútor Kft.
- Fotex Records Kft. merged into Hungaroton Records Kft. at January 1, 2008
- The General Meetings of Fotex Nyrt. hold on September 26 and December 9, 2008 Fotex Nyrt. decided to transfer the company into European Incorporation from January 1, 2009. According to the decision of General Meeting Fotex Első Amerikai-Magyar Vagyonkezelő Nyilvánosan Működő Részvénytársaság was deleted by the Court of Registration at December 31, 2008. According to the declaration of Court of Registration dated on January 9, 2009 Fotex Holding SE Public Company Limited by Shares was registered on December 31, 2008. The consolidated financial statement of Fotex Nyrt includes every transaction of the entities for 2008.

Entities included in the above mentioned mergers are continuing there activities after the mergers.

During 2007 Fotex Nyrt. entered into certain transactions and mergers as further described below:

- Dália Kft. merged into Keringatlan Kft. as at February 28, 2007.
- Domus Lánc Kft. and Domus IBC Kft. merged into Domus Zrt. as at March 31, 2007.
- Azúr Kft. merged into Keringatlan Kft. as at August 31, 2007.
- Székhely 2007 Kft. demerged from Balaton Bútorgyár Zrt. as at September 30, 2007.
- The Group fully acquired Norba Kft. as at September 30 , 2007 for a purchase price of THUF 50,000. The net asset of Norba Kft. was THUF 42,411 respectively at acquisition resulting in goodwill of THUF 7,589.

21. Operating Leases

The Group leases retail sites within shopping centers "Duna Plaza", "MOM Park" and "Csepel Plaza" located in Budapest and at four other locations in Budapest based on non-cancellable operating lease agreements.

The "Duna Plaza" agreement, extended in 1999, allowed and committed the Group to rent the retail outlets until September 2009. In 2007 the size of the rented area was decreased by 5,543 m^2 based on mutual agreement from 7,221 m^2 area to 1,678 m^2. In 2008 the Group decreased the rented area by 180 m^2 from 1,687 to 1,498.

21. Operating Leases (continued)

From September 2001 the Group leases retail sites within "MOM Park", the relating contract has a term of 7 years. In March, 2007 the Group announced its intention to use their option on the outlets rented in "MOM Park", whereby the rental contracts may be extended with a further five years. The Group decreased the rented area from January 1, 2008 by 2,056 m^2 from 5,374 m^2 to 3,318 m^2 rented area.

The rental contract on retail outlets in shopping center "Csepel Plaza" was extended until December, 2010. The contract on the outlet in the shopping center in Pécs was valid till October, 2007 and was not extended. The contracts on the four retail outlets classified as other centers and shops expire in December 2010, November and December 2013 and in February, 2016.

The rental fees are denominated in Euros and are increased by the customer price index reported by the European Union's Statistical Office commencing from January 1, 2000 in case of "Duna Plaza", from January 1, 2002 in case of "MOM Park" and from January 1, 2000 or 2001 in the case of other centres. The Group also leases office space in Fotex Plaza as described in note 23. At present the Group is committed to pay the following minimum rentals:

2008	Fotex Plaza	Duna Plaza	MOM Park	Other centers and shops	Total
Operating lease commitment	THUF	THUF	THUF	THUF	THUF
2009	175,862	43,119	187,259	61,578	467,818
2010	–	–	194,373	62,699	257,072
2011	–	–	201,815	54,871	256,686
2012	–	–	209,586	58,135	267,721
After	–	–	156,473	769,841	926,314
Total	175,862	43,119	949,506	1,007,124	2,175,611

Operating lease payments for the year ended December 31, 2008 amounted to THUF 58,714 (December 31, 2007 THUF 87,956) for Duna Plaza, THUF 168,903 (December 31, 2007 THUF 271,895) for "MOM Park" and THUF 61,324 for the other centers and shops (December 31, 2007 THUF 17,539).

A portion of 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. Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. During 2007 and 2008 the Group did not exercise any such rights.

All amounts in HUF '000 unless otherwise indicated

22. Earnings Per Share

Basic earnings per share data is calculated based on the weighted average number of ordinary shares outstanding during the period excluding treasury shares held by the Company. Fully diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding as calculated for basic earnings per share and as adjusted for giving effect to the assumed issuance of all potentially dilutive securities. Net income is adjusted in the fully diluted earnings per share calculation for any income or expense associated with the potentially dilutive 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:

	2008 THUF	2007 THUF
Net income attributable to equity holders from continuing operations (THUF)	787,309	863,628
Loss attributable to equity holders from discontinued operations (THUF)	–	(464,236)
Net income attributable to shareholders (THUF)	787,309	399,392
Weighted average number of shares in issue during the year	62,610,381	69,186,690
Basic earnings per share from continuing operations(HUF)	12.57	12.48
Basic loss per share from discontinued operations(HUF)	–	(6.71)
Basic earnings per share (HUF)	12.57	5.77

The diluted earnings per share agree with basic earnings per share in 2008 and 2007 as there is no dilution effect in these years.

23. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex Nyrt., directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company and Zurich Investments Inc., ("Zurich") a British Virgin Islands company, Blackburn has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Plaza Park Kft. ("Plaza Park"). At December 31, 2008, Blackburn controls 16.9% of the Company's share capital (December 31, 2007, 16.9%), Zurich controls 14.1% (December 31, 2007, 14.1%), Fotex Ingatlan controls 17.6% (December 31, 2007, 17.6%), and Plaza Park 1.6% (December 31, 2007, 1.6%). These companies are considered to be related parties.

23. Related Party Transactions (continued)

Related party rental transactions
In case of Plaza Park office accommodation agreements were modified in December, 2000, and were extended until December 31, 2011. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until December 31, 2011. The rental fees are adjusted with the harmonized customer price index (EU25) reported by the European Union’s Statistical Office (Eurostat). Rental agreements with Fotex Ingatlan Kft. were modified to an indefinite term renting period. Rental fees are increased annually by the average of the general rates of inflation in the EU. Rental and other related fees paid to Fotex Ingatlan for 2008 were THUF 84,768 (2007: THUF 81,387) and to Plaza Park THUF 214,509 (2007: THUF 212,509).

Other related party transactions
There were no significant other related party transactions neither in 2007 nor in 2008.

Compensation of key management personnel of the Group
Management, directors and members of the supervisory board of Fotex Group received short term employee benefits of THUF 254,422 for 2008, which will increase by THUF 46,500 dividend according to the decision of the General Meeting (2007: THUF 397,663).

24. Statement of responsibility

The annual consolidated report of Fotex Nyrt. on the year 2008 contains true data and statements and it does not conceal any facts that are important for the assessment of the Company’s position. The issuer is liable for damages as per Article 55. section (1) of the law on capital markets.

Budapest, March 27, 2009

Gábor Várszegi
Chief Executive Officer

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Fotex Első Amerikai-Magyar Vagyonkezelő Nyrt.

1.) We have audited the accompanying 2008 consolidated annual financial statements of Fotex Első Amerikai-Magyar Vagyonkezelő Nyrt. ("the Company"), which comprises the consolidated balance sheet as at December 31, 2008 - showing a balance sheet total of THUF 31,935,238 and a income for the year of THUF 797,424 -, the related consolidated income statement for the year then ended, changes in shareholder's equity, consolidated cash flows for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by EU as at December 31, 2007 on April 28, 2008.

Management's Responsibility for the Consolidated Annual Financial Statements

3.) Management is responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with the International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these consolidated annual financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated annual financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated annual financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual 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 management, as well as evaluating the overall presentation of the consolidated annual financial statements. Our work regarding the consolidated business report is restricted to assessing whether the consolidated business report is consistent with the consolidated annual financial statements and does not include reviewing other information originated from non-audited financial records.

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

ERNST & YOUNG

Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of Fotex Első Amerikai-Magyar Vagyonkezelő Nyrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of Fotex Első Amerikai-Magyar Vagyonkezelő Nyrt. as at December 31, 2008 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated annual financial statements.

Budapest, March 27, 2009

Ernst & Young Kft.
Registration No. 001165

Zsuzsanna Bertalan
Registered Auditor
Chamber membership No.: 005611

THE 2009 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fotex Holding SE
75, Parc d'activités
L-8308 Capellen

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 31 December 2009, and
Management report, and
Independent Auditor's report

Fotex Holding SE and Subsidiaries
Consolidated Balance Sheet
Figures in EUR

	Notes	At 31 December 2009	2008
		EUR	EUR
Assets			(restated - Note 26)
Current Assets:			
Cash and short-term deposits	5	12,997,087	18,130,262
Other current financial assets	6	957,318	741,005
Accounts receivable and prepayments	7	5,426,818	4,552,749
Income tax receivable	17	1,116,079	273,503
Inventories	8	7,669,126	8,882,884
Total current assets		28,166,428	32,580,403
Non Current Assets:			
Property, plant & equipment	9	10,193,661	11,060,881
Investment properties	10	88,429,705	55,509,060
Deferred tax asset	17	419,236	318,140
Intangible assets	11	2,844,347	3,976,717
Other non-current financial assets	6	7,066,520	6,566,598
Goodwill arising on acquisition	12	10,361,520	10,598,663
Total non current assets		119,314,989	88,030,059
Total assets	18	147,481,417	120,610,462
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans, borrowings and overdrafts	16	426,994	–
Provisions		474,542	394,365
Accounts payable and other liabilities (restated Note 26)	13	8,931,819	6,905,821
Total current liabilities		9,833,355	7,300,186
Non-current Liabilities:			
Interest-bearing loans and borrowings	16	24,881,480	–
Other long-term liabilities	13	2,040,474	2,197,507
Deferred tax liability	17	688,133	762,410
Total non-current liabilities		27,610,087	2,959,917
Shareholders' Equity:			
Issued capital	14	30,543,933	27,465,688
Additional paid-in capital		32,895,729	32,895,729
Goodwill write-off reserve	14	(1,856,818)	(2,179,511)
Retained earnings	14	67,493,126	70,745,443
Treasury shares, at cost (restated Note 26)	14	(19,121,608)	(18,612,487)
Equity attributable to equity holders of the parent company		109,954,362	110,314,862
Minority interests in consolidated subsidiaries		83,613	35,497
Total shareholders' equity		110,037,975	110,350,359
Total liabilities and shareholders' equity		147,481,417	120,610,462

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Notes	For the year ending 31 December 2009 EUR	2008 EUR
Revenue	20	37,270,569	44,374,272
Cost of sales		(8,866,593)	(13,158,036)
Gross income		28,403,976	31,216,236
Selling, general and administration expenses	15	(25,797,229)	(26,664,131)
Interest income		1,337,042	1,075,568
Interest expense		(608,355)	(4,831)
Income before income taxes	20	3,335,434	5,622,842
Income tax expense	17	(1,028,073)	(2,429,524)
Net income		2,307,361	3,193,318
Attributable to:			
Equity holders of the parent company		2,224,780	3,154,769
Minority interests		82,581	38,549
Net income		2,307,361	3,193,318
Earnings per share	24	0.04	0.05
Diluted earnings per share	24	0.04	0.05

See accompanying notes to consolidated financial statements.

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

	Notes	For the year ending 31 December 2009	2008
		EUR	EUR
Net income		2,307,361	3,193,318
Other comprehensive income:			
Exchange differences on translation of foreign operations	19	(2,064,279)	(4,818,320)
Total comprehensive income		243,082	(1,625,002)
Attributable to:			
Equity holders of the parent company		148,621	(1,660,157)
Minority interests		94,461	35,155
		243,082	(1,625,002)

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statements of Changes in Equity (restated Note 26)

	Issued Capital	Additional Paid-in Capital	Goodwill Write-off Reserve	Retained Earnings	Treasury Shares	Total	Minority Interests	Total Equity
	EUR	EUR	EUR	EUR	EUR (restated - Note 26)	EUR	EUR	EUR
1 January 2008	28,704,815	34,379,834	(2,618,745)	71,065,802	(1,822,092)	129,709,614	57,707	129,767,321
Profit for 2008	–	–	–	3,154,769	–	3,154,769	38,549	3,193,318
Other comprehensive income*	(1,239,127)	(1,484,105)	95,481	(3,131,375)	944,200	(4,814,926)	(3,394)	(4,818,320)
Total comprehensive income	(1,239,127)	(1,484,105)	95,481	23,394	944,200	(1,660,157)	35,155	(1,625,002)
Redeemed treasury shares (note 14)	–	–	–	–	(17,734,595)	(17,734,595)	–	(17,734,595)
Minority dividends	–	–	–	–	–	–	(56,967)	(56,967)
Purchased minority shareholding	–	–	–	–	–	–	(398)	(398)
Reversed written off goodwill reserve (note14)	–	–	343,753	(343,753)	–	–	–	–
31 Dec 2008	27,465,688	32,895,729	(2,179,511)	70,745,443	(18,612,487)	110,314,862	35,497	110,350,359
1 Jan 2009	27,465,688	32,895,729	(2,179,511)	70,745,443	(18,612,487)	110,314,862	35,497	110,350,359
Profit for 2009	–	–	–	2,224,780	–	2,224,780	82,581	2,307,361
Other comprehensive income*	–	–	–	(2,076,159)	–	(2,076,159)	11,880	(2,064,279)
Total comprehensive income	–	–	–	148,621	–	148,621	94,461	243,082
Redeemed treasury shares (note 14)	–	–	–	–	(509,121)	(509,121)	–	(509,121)
Minority dividends	–	–	–	–	–	–	(46,345)	(46,345)
Reversed written off goodwill reserve (note14)	–	–	322,693	(322,693)	–	–	–	–
Share conversion**	3,078,245	–	–	(3,078,245)	–	–	–	–
31 Dec 2009	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975

*According to the Group's accounting policies, equity components carried in HUF functional currency are translated at the period-end 270.84 HUF/EUR (2008: 264.78 HUF/EUR) exchange rate. As of 1 January 2009 FOTEX has changed its functional currency to EUR and thus no similar FX gains or losses will incur on equity components of FOTEX in the future. See Note 2 Foreign currency translation.
**Further to the transformation of Fotex, the Company's issued capital was translated into EUR on 1 January 2009 at the rate 264.78 HUF /EUR. The difference between the opening rate in 2009 and the rate in the articles of association has been shown as a correction to the share capital.

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Cash Flow Statement

	For the year ending 31 December	
	2009	2008
	EUR	EUR (restated - Note 26)
Cash flows from operating activities:		
Income / (Loss) before minority interests and income taxes	3,335,434	5,622,842
Depreciation and amortisation	4,094,204	4,210,060
Provisions used and reversed	89,001	321,195
Impairment of intangible assets	1,118,324	733,503
Scrapped tangible and intangible assets	23,985	175,093
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss	1,330,542	1,004,393
Gain on disposals of fixed assets	(28,537)	(175,558)
Gain on disposal of other investments	(55,777)	(199)
Interest income	(1,337,042)	(1,075,568)
Interest expense	608,355	4,831
Changes in assets and liabilities:		
Accounts receivable and prepayments	(1,736,606)	2,976,067
Inventories	603,581	283,220
Accounts payable and other liabilities	2,595,350	(667,289)
Cash generated from operations	10,640,814	13,412,590
Income tax paid	(1,425,080)	(1,137,181)
Net cash flow from operating activities	9,215,734	12,275,409
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(36,504,437)	(4,602,010)
Sale of tangible and intangible assets	53,525	217,696
Net purchase and sales of bonds	(1,330,091)	(4,935,418)
Interest received	788,599	1,001,401
Net cash flow (used in) investing activities	(36,992,404)	(8,318,331)
Cash flows from financing activities:		
Loans granted	115,754	(319,541)
Loan received	25,308,474	–
Dividends paid	(46,345)	(56,967)
Interest paid	(587,130)	(4,724)
Purchased treasury shares	(509,121)	(17,734,595)
Net cash flow from/(used in) financing activities	24,281,632	(18,115,827)
Change in cash and cash equivalents	(3,495,038)	(14,158,749)
Cash and cash equivalents at beginning of the year	18,130,262	33,003,248
Effect of foreign currency translation	(1,638,137)	(714,237)
Cash and cash equivalents at end of the year	12,997,087	18,130,262

See accompanying notes to consolidated financial statements.

Fotex Holding SE and Subsidiaries
Notes to the consolidated financial statements
31 December 2009
Figures in EUR

1. General

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt., Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. 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. B 146.938. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, 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 Hungary, Luxembourg and The Netherlands and engaged in a variety of property management, manufacturing, retailing and other activities. Except for Upington Investments S.à r.l., Downington Holding S.à r.l. and Fotex Netherlands B.V. which are registered in Luxembourg and in The Netherlands, respectively, all subsidiaries of the Group are registered and operate in Hungary. The ownership of principal consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2009	2008
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Balaton Glas Hotel Kft.	Property management	100.0	100.0
Domus Zrt.	Property management and furniture retailer (Note 22)	–	99.4
Downington Holding S.à r.l.	Investment holding	100.0	100.0
Europrizma Kft.	Advertising	100.0	100.0
Europtic Kft.	Advertising (Note 22)	–	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services	98.6	98.6
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Fotex Netherlands B.V.	Property management (Note 22)	100.0	–
KONT-VESZ Kft.	Property management (Note 22)	–	100.0
Kontúr Zrt.	Property management (Note 22)	–	99.9
Primo Zrt.	Clothing retailing and wholesaling	100.0	100.0
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property management	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

The consolidated financial statements of the Group for the year ended 31 December 2009 were formally approved by the Board of Directors on 9 April 2010 and will be presented to the annual general meeting of shareholders for approval on 26 April 2010

2. Significant Accounting Policies

Basis of presentation

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.

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").

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At 31 December 2009, due to the endorsement process of the EU, and the activities of the Group, 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 Company that is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR – please see accounting policy change Note 2 for more detail.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

All intra-group balances, revenues and expenses and gains and losses resulting from intra-group transactions are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within shareholders' equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

2. Significant Accounting Policies (continued)

Changes in accounting policies

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

Initial application of new or revised Standards and Interpretations

In the current year, 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 are relevant to its operations and effective for accounting periods beginning on 1 January 2009. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies. The changes in accounting policies result from the adoption of the following new or revised Standards:

- IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 15 - Agreement for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IAS 1 - Presentation of Financial Statements (Revised)
- IAS 23 - Borrowing Costs
- IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation
- IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating Segments

The principal effects of these changes are as follows:

IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
These amendments to IFRIC 9 and IAS 39 were issued in March 2009 and are effective for annual periods ending on or after 30 June 2009. The amendments require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This Interpretation has no impact on the Group.

IFRIC 13 – Customer Loyalty Programmes
The IFRIC issued IFRIC 13 in June 2007. This Interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. It is effective for annual periods beginning on or after 1 July 2008. No member of the Group operates a customer loyalty program and hence this Interpretation has no impact on the Group.

2. Significant Accounting Policies (continued)

Changes in accounting policies (continued)

IFRIC 15 Agreement for the Construction of Real Estate
IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the consolidated financial statements because the Group does not conduct such activity.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
The IFRIC issued IFRIC 16 in July 2008. This Interpretation provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This Interpretation is effective prospectively for annual periods beginning on or after 1 October 2008. As the Group did not dispose of any net investment, it had no impact on the financial position or result of the Group.

IAS 1 - Presentation of Financial Statements (Revised)
The IASB issued revised IAS 1 Presentation of Financial Statements in September 2007 which is effective for annual periods beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity will include only details of transactions of owners, with all non-owner changes in equity presented as a single column. In addition, the Standard introduces a statement of comprehensive income presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 - Borrowing Costs
IAS 23 was revised and issued in April 2007 and is effective for annual periods beginning on or after 1 January 2009. The revised Standard requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized. The Group has amended its accounting policy accordingly effectively from 1 January 2009.

IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation
These amendments to IAS 32 and IAS 1 were issued in February 2008 and are effective for annual periods beginning on or after 1 January 2009. The amendments allow a limited scope expectation for puttable financial instruments to be classified as equity if they fulfil a number of specified features. The adoption of these amendments did not have any impact on the financial position or performance of the Group as the Group has not issued such instruments.

2. Significant Accounting Policies (continued)
Changes in accounting policies (continued)

IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations
This amendment to IFRS 2 was issued in January 2008 and is effective for annual periods beginning on or after 1 January 2009. The amendment clarifies the definition of a vesting condition and prescribes the treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group adopted this amendment as of 1 January 2009. The adoption of this amendment did not have any impact on the financial position or performance of the Group as the Group did not have such scheme.

IFRS 7 - Financial Instruments: Disclosures
These amendments were issued in March 2009 and are applicable to annual periods beginning on or after 1 January 2009. The amendments outline additional disclosure requirements for fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instrument recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transaction and asset used for liquidity management. The Group has adopted this amendment from 1 January 2009 (see Note 21).

IFRS 8 - Operating Segments
IFRS 8 was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. It replaced IAS 14 Segment Reporting upon its effective date. This Standard requires disclosures of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 18, including revised comparative data.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus amendments to its Standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each Standard. The Group has adopted the following amendments to Standards:

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not result in any change in the presentation of the statement of cash flows.
- IAS 16 Property, Plant and Equipment: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

2. Significant Accounting Policies (continued)

Improvement to IFRS (continued)

- IAS 18 Revenue: The Board has added guidance to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods and services
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

  The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as no government assistance was received.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no impact on the consolidated financial statements of the Group.
- IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirement of other IFRS’s only apply if specifically required for such non-current assets or discontinued operations. The amendment has no effect on the Group.
- IFRS 8 Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group’s chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 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.

In view of the reporting currency change as of 1 January 2009, the Group has translated and has disclosed all relevant comparative financial information according to the translation rules set by IAS 21.

As the change in IAS 21 regarding the presentation currency is similar to a change in the accounting policies, when an entity changes its presentation currency, it is appropriate to follow the approach in IAS 8 which requires retrospective application, except where it is impracticable.

After considering the costs and benefits of retrospective application of translation to EUR, Fotex decided to apply the translation until the opening balance of the first comparative period presented in the consolidated financial statements. In accordance with the above, in the case of subsidiaries whose functional currency is HUF, the Group has applied the opening exchange rates of the first comparative period (1 January 2008) to translate assets and liabilities in the consolidated financial statements. First comparative period and subsequent year-end balance sheet figures were translated at the exchange rates given below. The Group has used the average exchange rate for the current and the comparative periods for the translation of the income statements.

	HUF/EUR
1 January 2008	253.35
31 December 2008	264.78
31 December 2009	270.84

IAS 21 does not specify the method to be applied to translate equity items, including retained earnings from a functional currency which is different from the reporting currency. Therefore the Fotex Group decided to use the "remeasurement" method, i.e. to measure equity items (except profit and loss for the period) at the current year-end rate and record the exchange rate gain or loss in other comprehensive income.

2. Significant Accounting Policies (continued)

Foreign currency translation (continued)

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

Inventory

Inventory is stated at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items. 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 are stated at purchase price or production cost less accumulated depreciation and any impairment in value. 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.

2. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

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

Leases

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee:
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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly 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 are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Significant Accounting Policies (continued)

Financial assets

<u>Initial recognition</u>
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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and held-to-maturity investments.

<u>Subsequent measurement</u>
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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in the fair value recognised in the income statement. The Group has not designated any financial assets as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group has no derivative embedded contract as of 31 December 2009 and 31 December 2008.

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.

2. Significant Accounting Policies (continued)

Financial assets (continued)

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group has held-to-maturity investments during the year ended 31 December 2009 and 31 December 2008.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement. The Group has no available-for-sale financial assets as of 31 December 2009 and 31 December 2008.

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
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are 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. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

Financial liabilities (continued)

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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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)

Impairment of financial assets (continued)

Due from loans and advances to customers

For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually 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. 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 future 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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

2. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial instruments

<u>Financial assets</u>
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.

<u>Financial liabilities</u>
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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2. Significant Accounting Policies (continued)

Provisions

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

Pensions

All pensions are either funded privately by employees or the Hungarian state via certain social security charges included in the gross cost of the employees wage.

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 this useful life.

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

	Years
Buildings	20

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.

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)

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. Following 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, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than the Group's segments determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit (group of cash generating units) 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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the consolidated income statement.

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.

2. Significant Accounting Policies (continued)

Intangible assets (continued)

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 lifes that range from 5 to 23 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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

Investment in associates

The Group's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group's income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in shareholder's equity. The Group had no such investments in either 2008 or 2009.

2. Significant Accounting Policies (continued)

Income taxes

Current 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 substantively 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.

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.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

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.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure.

3. Significant accounting judgments, estimates and assumptions

Judgments

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:

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

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 2009 is EUR 10,361,520 (2008: EUR 10,598,663). Further details are given in Note 12.

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. The carrying amount of such intangible assets as at 31 December 2009 is EUR 2,658,396 (2008: EUR 3,776,720). Further details are given in Note 11.

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. There was no recognised tax loss at 31 December 2009 (2008: EUR 1,744,018) and unrecognised tax losses at 31 December 2009 were 7,057,122 (2008: EUR 2,699,471). Further details are given in Note 17.

Fair Value of Investment Properties
The Group has determined and presented in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. 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

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective for December 2009 year-end.

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The amendment is effective for annual periods beginning on or after 1 January 2010, with earlier application permitted. The Group does not anticipate any significant impact on its consolidated financial statements.

IFRS 3 Business Combinations (revised Standard issued 10 January 2008) and IAS 27 Consolidated and Separate Financial Statements (revised Standard issued 10 January 2008)
The revised Standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests. The Standards may be early applied, however, the Group does not intend to apply this possibility.

IFRS 9 Financial Instruments: is the first step in a three part project by the IASB to replace IAS 39 Financial Instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The standard is effective for financial years beginning on or after 1 January 2013, although it may be early adopted. The Group is in the process of analysing the impact of this Standard on their consolidated operations as well as the date at which they plan to adopt the Standard.

IAS 24 Related Party Disclosures (Revised)
The IASB issued a revised version of IAS 24 Related Party Disclosures that simplifies the disclosure requirements for government related entities and clarifies the definition of a related party. The revised Standard is effective for annual periods beginning on or after 1 January 2011, with early application permitted. The Group has concluded that the amendment will have no impact on the consolidated financial position or performance of the Group.

4. Standards issued but not yet effective (continued)

IAS 32 Financial Instruments: Presentation, Classification of Right Issues
The amendment provides that when an entity issues rights denominated in a currency other than the entity's functional currency, and those rights are issued pro rata to the entity's existing shareholders for a fixed amount of cash, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010, with earlier application permitted. The amendment is to be applied retrospectively. The Group plans to adopt this interpretation at its effective date, and does not anticipate any significant impacts on its consolidated financial statements.

IFRIC 17 Distribution of Non-Cash Assets to Owner
This Interpretation becomes effective for financial years beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distribution to owners. The Interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

IFRIC 18 Transfers of Assets from Customers
This Interpretation becomes effective for financial years beginning on or after 1 July 2009. This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The Group has no such agreements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The Interpretation clarifies that when equity instruments are issued to a creditor, the financial liability is extinguished and the equity instruments are treated as consideration paid to extinguish the liability. The equity instruments are measured at either the fair value of the liability extinguished or the fair value of the equity instruments issued, whichever is more reliable. Any difference between the carrying amount of the financial liability and the fair value of the equity instruments issued is recognised immediately in profit or loss. The Interpretation has an effective date for financial year beginning on or after 1 July 2010. The Group has concluded that the interpretation will have no impact on the consolidated financial position or performance of the Group.

4. Standards issued but not yet effective (continued)

Improvements to IFRSs
As stated in Note 2, the Group has early adopted some of the amendments to Standards following the 2007 'Improvement to IFRSs' project. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements.

- IFRS 7 Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 19 Employee Benefits: Revised the definition of 'past service costs', 'return on plan assets' and 'short-term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.
- IAS 27 Consolidated and Separate Financial Statements: When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held-for-sale.
- IAS 34 Interim Financial Reporting: Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.
- IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Required the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- IAS 40 Investment Property: Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

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 view of the prompt 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 12,997,087 (2008: EUR 18,130,262).

Cash includes fixed deposits of EUR 7,964,063 (31 December 2008: EUR 9,505,079) at rates ranging from 2% to 9% (2008: 2% to 8%). The Company has EUR, USD and HUF deposits.

The lower rates are on foreign currencies while the higher ones are on HUF.

6. Other financial assets

Current	2009 EUR	2008 EUR
Cash deposit connected to rented properties	228,840	246,451
Government bonds held-to-maturity	–	1,243
Current part of long-term loans to other companies	571,219	491,986
Other short-term investment held-to-maturity – less impairment loss	157,259	1,325
Other short-term investments, total	957,318	741,005

Non-current	2009 EUR	2008 EUR
Cash deposit connected to rented properties	2,040,474	2,197,507
Investments held-to-maturity	4,356,649	2,594,988
Loans to senior officers	265,755	290,807
Current part of long-term loans to other companies – less impairment loss	403,642	1,483,296
Other long-term investments, total	7,066,520	6,566,598

Cash deposit 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 of the deposits which are expected to be repayable in more than one year to the long-term, and the deposits which are expected to be repayable within 3 months and a year were classified as short-term.

Investments held-to-maturity

Long-term securities held-to-maturity include OTP Bank Nyrt. ("OTP") bonds purchased by the Group's subsidiary in Luxembourg. The Group has 7,100 subordinated OTP bonds of EUR 1,000 face value each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued at 19 September 2006 as value date maturing on 19 September 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 September each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 December 2009 is EUR 3,734,520. The applied average effective interest rate is 18%. The fair value of OTP bonds at the year-end is EUR 5,456,606.

The Group has 1,000 MOL Nyrt ("MOL") bonds of EUR 1,000 face value each purchased on 12 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 December 2009 is EUR 517,812. The applied average effective interest rate is 16%. The fair value of MOL bonds at the year-end is EUR 822,870.

6. Other financial assets (continued)

Loans to senior officers:
Arm's length loans granted by Fotex are to senior officers to purchase dividend preference shares totalling EUR 265,755 at 31 December 2009 (Note 14).

Most other long-term loans represent loans that were granted to companies that had taken over the discontinued operations of Domus Lánc Kft. by Domus Zrt. until its merger into Keringatlan.

EUR 1,496,235 (2008: EUR 1,474,692) was granted to Domus VIVA Kft. at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Domus VIVA Kft.'s assets and prompt collection orders on the company's bank accounts. The loan matures on 31 August 2012. In 2009, the loan was impaired by EUR 606,616 (2008: EUR 0), thus its value less impairment loss at the end of 2009 is EUR 889,619. The related interest revenue recognised in the income statement by the year-end is EUR 55,778 (2008: EUR 60,446). Of the total loan, EUR 550,304 (2008: EUR 210,288) being the current part was reclassified to other short-term investments.

EUR 104,342 (2008: EUR 187,261) was granted to Modusz Alba Kft. at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Modusz Alba Kft.'s assets and prompt collection orders on the company's bank accounts. The loan was to mature on 31 August 2012. The loan agreement was cancelled with immediate effect on 7 September 2009 as the debtor had failed to meet its timely instalment paying obligations. The total loan was written off.

EUR 112,833 (2008: EUR 128,952) was granted to Domus Store Kft. at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Domus Store Kft.'s assets and prompt collection orders on the company's bank accounts. The loan would have initially matured on 31 October 2010 but was rescheduled during 2009 to 31 October 2012. EUR 40,721 impairment loss (2008: EUR 0) was recognised on the loan, thus its value less impairment loss at the end of 2009 is EUR 72,112. The related interest revenue recognised on the total loan in the income statement by the year-end is EUR 1,952 (2008: EUR 2,384). Of the total loan, EUR 20,915 (2008: EUR 64,476) being the current part was reclassified to other short-term investments.

The costs of these loans less any impairment loss approximate their fair values.

7. Accounts receivable and prepayments

	2009	2008
	EUR	EUR
Debtors	5,112,572	4,072,660
Impairment loss on debtors	(697,161)	(791,529)
Tax assets	364,800	361,655
Other receivables and prepayments/accrued income	715,308	978,669
Impairment loss on other receivables	(68,701)	(68,706)
Total	5,426,818	4,552,749

The terms applicable to related parties are set out in Note 23.
Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received in three months.

Impairment loss on debtors and on other receivables at 31 December 2009: EUR 765,862 (2008: EUR 860,235).

Movements in the impairment loss:

	EUR
1 January 2008	810,799
Charge for the year	192,428
Utilised	(3,943)
FX loss	(29,397)
Written off	(109,652)
31 December 2008	860,235
Charge for the year	390,164
Utilised	(223,224)
Unused amount reversed	(233,662)
FX loss	(27,651)
31 December 2009	765,862

7. Accounts receivable and prepayments (continued)

Aged debtors less impairment losses at 31 December:

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
2009	3,583,526	393,302	207,207	81,790	23,139	126,447	4,415,411
2008	2,285,758	543,693	244,116	88,526	25,965	93,073	3,281,131

8. Inventories

	2009 EUR	2008 EUR
Merchandise and finished products	8,645,798	9,401,684
Materials	1,399,812	1,578,205
Work in progress	1,826,318	1,781,566
Inventories, gross	11,871,928	12,761,455
Impairment of merchandise and finished products	3,648,431	3,214,019
Impairment of materials	207,263	400,181
Impairment of work in progress	347,108	264,371
Impairment of inventories	4,202,802	3,878,571
Total inventories, net	7,669,126	8,882,884

Management has identified a number of Group companies that have slow moving inventories. Management considers the recognised impairment loss of EUR 4,202,802 as adequate (31 December 2008: EUR 3,878,571).

9. Property, plant and equipment

Movements in tangible assets during 2009 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2009	7,512,511	21,039,798	1,466,541	30,018,850
Additions	205,804	822,576	(373,172)	655,208
Disposals and write downs	(336,306)	(1,232,483)	–	(1,568,789)
Currency (loss)/gain arising from retranslation	(39,244)	(424,431)	22,057	(441,618)
Transfer to/from investment properties (Note 10)	36,409	–	–	36,409
31 December 2009	7,379,174	20,205,460	1,115,426	28,700,060
Accumulated depreciation:				
1 January 2009	(1,754,411)	(17,203,558)	–	(18,957,969)
Depreciation expense	(266,465)	(775,282)	(3,552)	(1,045,299)
Disposals and write downs	328,954	756,395	–	1,085,349
Currency (loss)/gain arising from retranslation	54,473	357,047	–	411,520
Transfer to/from investment properties (Note 10)	–	–	–	–
31 December 2009	(1,637,449)	(16,865,398)	(3,552)	(18,506,399)
Net book value				
31 December 2009	5,741,725	3,340,062	1,111,874	10,193,661
31 December 2008	5,758,100	3,836,240	1,466,541	11,060,881

At 31 December 2009, the cost of tangible assets fully written off (due to ordinary or extraordinary depreciation) but still in use was EUR 6,763,885 (31 December 2008: EUR 8,429,092). The cost of tangible assets temporarily out of use is EUR 17,040 (2008: EUR 74,156).

At the end of 2006, management reassessed its property portfolio and decided that, in-line with its business strategy, it will present such real estate that is leased and is available for lease to third parties as investment property. See details under Note 10. The properties shown in the above schedule among land, buildings and improvements are presented at cost less accumulated depreciation.

9. Property, plant and equipment (continued)

Movements in tangible assets during 2008 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2008	5,475,725	22,666,679	1,439,396	29,581,800
Additions	189,962	936,478	100,943	1,227,383
Disposals and write downs	–	(1,619,805)	(6,854)	(1,626,659)
Transfer to/from investment properties (Note 10)	2,092,907	–	–	2,092,907
Currency loss arising from retranslation	(246,083)	(943,554)	(66,944)	(1,256,581)
31 December 2008	7,512,511	21,039,798	1,466,541	30,018,850
Accumulated depreciation:				
1 January 2008	(1,591,060)	(18,156,432)	–	(19,747,492)
Depreciation expense	(217,795)	(1,190,316)	–	(1,408,111)
Disposals and write downs	–	1,368,521	–	1,368,521
Transfer to/from investment properties (Note 10)	(25,368)	–	–	(25,368)
Currency gain arising from retranslation	79,812	774,669	–	854,481
31 December 2008	(1,754,411)	(17,203,558)	–	(18,957,969)
Net book value				
31 December 2008	5,758,100	3,836,240	1,466,541	11,060,881
1 January 2008	3,884,665	4,510,247	1,439,396	9,834,308

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 balance sheet at historic cost less accumulated depreciation, while its fair value is determined and disclosed in the notes to the consolidated financial statements.

Movements in investment properties in 2009 were as follows:

	Investment properties EUR
Cost:	
1 January 2009	70,981,135
Additions	37,285,200
Transfer to/from tangible assets	(36,409)
Disposals	–
Currency loss arising from retranslation	(1,567,011)
31 December 2009	106,662,915
Accumulated depreciation:	
1 January 2009	(15,472,075)
Depreciation expense	(3,006,514)
Disposals	–
Transfer to/from tangible assets	–
Currency gain arising from retranslation	245,379
31 December 2009	(18,233,210)
Net book value:	
31 December 2009	88,429,705
31 December 2008	55,509,060

10. Investment properties (continued)

The fair values of investment properties at 31 December 2009 are set out below:

Category	Area	Book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,670	36,410,975	165,757,256
Offices	26,831	36,827,685	40,692,869
Warehouses	97,723	3,572,252	13,552,392
Other structures	38,660	3,382,039	5,182,875
Plots of land	671,816	8,236,754	22,409,604
Total investment properties	980,700	88,429,705	247,594,996

Movements in investment properties in 2008 were as follows:

	Investment properties EUR
Cost:	
1 January 2008	73,226,173
Additions	3,457,333
Disposals	(286,412)
Transfer to/from tangible assets	(2,092,907)
Currency loss arising from retranslation	(3,323,052)
31 December 2008	70,981,135
Accumulated depreciation:	
1 January 2008	(13,604,812)
Depreciation expense	(2,685,814)
Disposals	73,313
Transfer to/from tangible assets	25,368
Currency gain arising from retranslation	719,870
31 December 2008	(15,472,075)
Net book value:	
31 December 2008	55,509,060
1 January 2008	59,621,361

10. Investment properties (continued)

The fair values of properties classified as investment properties at 31 December 2008 are set out below:

Category	Area	Book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,701	38,946,827	205,614,027
Offices	6,552	733,099	3,271,361
Warehouses	97,677	3,777,143	34,597,099
Other structures	38,992	3,750,837	7,794,444
Plots of land	658,763	8,301,154	32,784,176
Total investment properties	947,685	55,509,060	284,061,107

The fair value of investment properties was determined by management based on the present values of the future cash flows, determined separately for each presented property category based on the currently realised rental rates.

Key valuation assumptions

The present values have been calculated based on a standard 9% basic yield rate (in 2008 7.9%) which is suitable to measure properties in the relevant markets and is based on the following assumptions:

- demand for rentable properties in the relevant markets is expected to fall with rental fees likely to drop below current levels;
- let investment properties have been calculated based on actual earnings in the reporting period and on calculated earnings in the basis period;
- the used yield rate per property item is 9% to 14% depending on the type and location of the property (2008: 7.9% to 8.7%);
- the yield rate on presently vacant retail units is further increased by 2% (2008: 3%) to reflect the additional risk;
- the increase in yield rates in 2009, which reflects changes in the property market in the past 12 months, resulted in significant decreases in the estimated fair values of the properties.

Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 270 HUF/EUR exchange rate.

In the case of warehouses and other structures, rental fees fell significantly in response to changes in the property market and the estimated fair values of these properties fell accordingly.

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.).

10. Investment properties (continued)

The value of land is significantly lower than in the comparative period owing to the financial and credit crisis. Some plots, for which comparative information was not available, were valued based on a residual value method in view of the planned development costs and the estimated sales price of the planned property. The land beneath existing buildings of a total area of 103,718 m^2 (2008: 90,665 m^2) and the unused land portion of warehouses and similar properties have not been included in the fair value assessment. This is a similarly accepted albeit more prudent valuation approach that causes a decrease in the calculated values of plots compared to the previous year.

11. Intangible assets

Movements in intangible assets at 31 December 2009 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2009	6,667,194	1,490,680	8,157,874
Additions	–	26,574	26,574
Disposals and write downs	–	(514,945)	(514,945)
Currency loss arising from retranslation	–	(59,222)	(59,222)
31 December 2009	6,667,194	943,087	7,610,281
Amortisation:			
1 January 2009	(2,890,474)	(1,290,683)	(4,181,157)
Amortisation expense	–	(42,391)	(42,391)
Impairment	(1,118,324)	–	(1,118,324)
Disposals and write downs	–	480,005	480,005
Currency gain arising from retranslation	–	95,933	95,933
31 December 2009	(4,008,798)	(757,136)	(4,765,934)
Net book value:			
31 December 2009	2,658,396	185,951	2,844,347
31 December 2008	3,776,720	199,997	3,976,717

The column 'Other' reflects rental rights associated with trading companies. As part of discontinuing its ownership of 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. By 31

December 2005, there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 9%. Based on management's estimation, an impairment loss of EUR 3,149,785 was made in previous years with an additional EUR 1,118,324 impairment loss recognised in 2009 (2008 no impairment loss was recognised).

11. Intangible assets (continued)

Movements in intangible assets at 31 December 2008 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2008	7,241,050	1,195,382	8,436,432
Additions	–	175,944	175,944
Disposals and write downs	–	(85,707)	(85,707)
Currency loss/gain arising from retranslation	(573,856)	205,061	(368,795)
31 December 2008	6,667,194	1,490,680	8,157,874
Amortisation:			
1 January 2008	(3,293,941)	(265,123)	(3,559,064)
Amortisation expense	–	(116,135)	(116,135)
Impairment	–	(733,503)	(733,503)
Disposals and write downs	–	71,634	71,634
Currency loss/gain arising from retranslation	403,467	(247,556)	155,911
31 December 2008	(2,890,474)	(1,290,683)	(4,181,157)
Net book value:			
31 December 2008	3,776,720	199,997	3,976,717
1 January 2008	3,947,109	930,259	4,877,368

12. Goodwill arising on acquisition

Movements in goodwill on business combinations in previous years at 31 December 2009 and 2008 were as follows:

	2009	2008
	EUR	EUR
Cost:		
1 January	21,025,848	21,974,439
Addition	–	–
Disposal	–	–
FX loss	(470,450)	(948,591)
31 December	20,555,398	21,025,848
Impairment:		
1 January	(10,427,185)	(10,897,612)
Increase in impairment loss	–	–
FX gain	233,307	470,427
31 December	(10,193,878)	(10,427,185)
Net book value:		
1 January	10,598,663	11,076,827
31 December	10,361,520	10,598,663

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 cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% interest rate. Based on this calculation, no impairment loss was recognised on goodwill.

The goodwill is allocated to the following entities:

	2009	2008
	EUR	EUR
Keringatlan Kft.	10,234,083	10,155,389
Domus Zrt.*	–	135,078
Balaton Glas Hotel Kft.	127,437	130,354
Kontúr Zrt.*	–	177,842
Net book value	10,361,520	10,598,663

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair value of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

* Domus Zrt. and Kontúr Zrt. have merged into Keringatlan Kft. as of 30 September 2009.

13. Accounts payable and other liabilities

	2009	2008
	EUR	EUR
		(restated Note 26)
Trade payables	2,194,122	2,285,139
Taxes payable (excluding income taxes)	858,399	903,516
Advances from customer	27,053	27,952
Accrued expenses	877,577	1,002,840
Deferred rental income	2,110,016	649,596
Remuneration approved for executive incentive scheme – dividend preference shares	651,001	175,617
Amounts payable to employees	145,791	229,711
Deposits from tenants (i)	255,971	308,895
Preference shares incentive scheme liability	634,938	796,020
Other liabilities	1,176,951	526,535
Total	8,931,819	6,905,821

Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are typically settled on a 20 to 30-day 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.
Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

(i) The Group has received 2 to 3 months deposits of EUR 2,296,445 (2008: EUR 2,506,402) 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 that part of the deposit liabilities as other long-term liabilities EUR 2,040,474 (2008: EUR 2,197,507) which are expected to be repayable in more than one year, and those parts which are expected within a year were classified as short-term tenant deposit liabilities EUR 255,971 (2008: EUR 308,895).

Dividend preference shares in incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the equity capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue are treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 preference shares with a face value of EUR 840,000 (HUF 200 million). These preference shares were presented in the balance sheet as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date this part of the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares. The shareholders' meeting in 2008 decided to distribute a dividend of EUR 0.34 (HUF 85) per preference share. The amount of preference dividend of EUR 676,455 (THUF 170,000) is presented among payments to personnel in the consolidated financial statements.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the preference shares. No dividend was paid on the redeemed shares.

The shareholders' meeting of 28 April 2009, upon approval of the consolidated financial statements for 2008, decided to pay a dividend of EUR 0.11 (HUF 30) per preference share. The total amount of preference dividends due to members of management of EUR 185,075 (THUF 46,500) is presented among payments to personnel in the consolidated financial statements in 2008.

The Board of Directors has approved on 9 April 2010 to pay dividends on the dividend preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders' meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

14. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares of EUR 0.42 each. At 31 December 2009, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2008: 70,723,650 ordinary shares and 2,000,000 dividend preference shares). The dividend preference shares were issued by Fotex in November 2007.

The movement in share capital refers to an adjustment of the EUR value of the opening balance, as the rate used to convert the opening balance from HUF to EUR was different than the rate used in the statutes of incorporation of the Company. The difference was recorded directly in retained earnings.

14. Share capital and reserves (continued)

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued Capital" (EUR 840,000; 2008 EUR 840,000) are also shown in "Treasury Shares". As of 31 December 2009, the Company has sold 1,550,000 (2008 2,000,000) dividend preference shares to some of its employees. These shares are still shown within "Treasury Shares" but also as liability (preference shares incentive scheme liability) as further disclosed in Note 13.

The Company's treasury shares (including dividend preference shares) are 12,579,779, totalling EUR 19,121,608 at 31 December 2009 (31 December 2008: 12,113,269 shares at a cost of EUR 18,612,487). During 2009, the Company purchased 466,510 shares on an arm's length basis and 450,000 dividend preference shares from senior officers totalling EUR 509,121 and EUR 161,082, which amount decreased the preference shares incentive scheme liability, shown in note 13 above.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the "Fotex" name) were valued by an independent appraisal at approximately EUR 8.3 million (HUF 2.2 billion). This amount is shown as an intangible asset in the Company's local statutory financial statements and is amortised over 24 years. This amount is not shown as an asset, rather as a deduction from shareholders' equity in these consolidated financial statements.

15. Selling, General and Administration Expenses

	2009	2008
	EUR	EUR
Payments to personnel	(7,813,445)	(10,144,630)
Material-type expenses	(8,404,506)	(8,967,403)
Other expenses	(5,485,074)	(3,342,038)
Depreciation charges	(4,094,204)	(4,210,060)
Total selling, general and administration expenses	(25,797,229)	(26,664,131)

Other expenses include the following:

	2009	2008
	EUR	EUR
Impairment of intangibles (Note 11)	(1,118,324)	(733,503)
Impairment of loan given (Note 6)	(751,679)	–
Impairment of inventories (Note 8)	(278,238)	(803,256)
Impairment of debtors (Note 7)	(166,940)	(188,485)
Realised FX gain/loss (net)	(84,782)	212,119
Unrealised FX gain/loss (net)	(227,825)	328,892
Taxes payable (mostly property tax)	(964,948)	(1,077,290)
Donations	(738,423)	–
Other expenses	(1,153,915)	(1,080,515)
Other expenses, total	(5,485,074)	(3,342,038)

16. Interest-bearing loans

Mortgage loans taken by the Group's new Dutch subsidiary, Fotex Netherlands B.V., from FGH Bank N.V. in 2009 for property purchase purposes are as follows:

Item	Start date	End date	Loan	Interest	Value at 31 Dec 2009	Short-term part
I. mortgage	16/4/2009	1/5/2016	18 400 000 EUR	One month Euribor + 2.7% (rounding +0.05) on two working days prior to the start date of the interest period	EUR 17,744,477	EUR 276,000
II. mortgage	1/11/2009	1/11/2016	3.800.000 EUR	Three-month Euribor + 2.26% (rounding +0.05) on two working days prior to the start date of the interest period	EUR 3,516,159	EUR 75,994
III. mortgage	18/12/2009	1/1/2015	3.750.000 EUR	Three-month Euribor + 2.20% (rounding +0.05) on two working days prior to the start date of the interest period	EUR 3,620,844	EUR 75,000
Total					**EUR 24,881,480**	**EUR 426,994**

The above loans are secured by mortgage rights on the related properties of Fotex. The properties and their year-end book values are as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 10,627,466
Gorichem, Stadhuisplein 1a, 70 and 70a	EUR 14,044,052
Haarlem, Schipholpoort 20	EUR 5,438,698
3012 BL Rotterdam, Witte de Withstraat 25	EUR 6,020,275

The scheduled maturity of long-term debts at 31 December 2009 is set out in Euro in the table below:

Due in	2010	2011	2012	After 2012	Total
	426,994	426,994	426,994	24,027,492	25,308,474

17. Corporate tax

Corporate income tax receivables:	2009 EUR	2008 EUR
Opening income tax receivables	273,503	742,352
Income tax expenditure	(1,193,503)	(2,117,468)
Settlement of income tax	2,036,079	1,648,619
Closing income tax receivables	1,116,079	273,503

Corporate tax expenditures:	2009 EUR	2008 EUR
Tax expense	1,193,503	2,117,468
Deferred tax	(165,430)	312,056
Corporate tax	1,028,073	2,429,524

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

	2009 EUR	2008 EUR
Income / (Loss) before minority interests and income taxes	3,335,434	5,622,842
Tax at statutory rate of 20%	667,087	1,124,568
Effect of tax losses for which no corresponding deferred tax asset recognized	973,682	1,144,474
Effect of tax rate changes	(98,573)	–
Differences arising from Cyprus, Dutch and Luxembourg tax rates	(86,863)	(215,753)
Effect of one-off tax relief	(668,291)	–
Effect of permanent differences	(347,687)	(413,963)
Effect of tax adjustment for previous years	21,411	77,072
Local business tax	553,728	638,925
Innovation contribution	13,579	74,201
Corporate tax	1,028,073	2,429,524

The Group has used the enacted Hungarian corporate tax rate as the basis in tax reconciliation as the majority of the Group operates and is subject to corporate taxation in Hungary.

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.

17. Corporate tax (continued)

The corporate income tax rate is 16% in Hungary, however, effective from 1 September 2006 the Hungarian government introduced an additional, so called solidarity tax of 4% payable on statutory accounting profits made in the period from 1 September 2006.

As of 1 January 2010, the corporate tax rate increased to 19% in Hungary and the above solidarity tax was abandoned as of the same date. Deferred tax assets and liabilities have been calculated at the effective tax rate of 19%.

Owing to the move of Fotex's and Upington's registered offices during 2009, the effective income tax rate in Luxembourg is 22% plus municipal tax.

Deferred tax assets and deferred tax liabilities as at 31 December 2009 and 2008 are attributable to the items detailed in the tables below:

	Consolidated Balance Sheet		Consolidated Income Statement	
	2009	2008	2009	2008
	EUR	EUR	EUR	EUR
Deferred tax liability				
Accumulated depreciation for tax purposes	(518,111)	(514,222)	(15,392)	(24,811)
Offset related party transactions	(28,047)	(101,398)	71,082	17,779
Capitalisations of small value assets	(141,975)	(146,790)	1,526	(33,185)
Fair value adjustments on acquisition	–	–	–	130,754
Gross deferred income tax liabilities	(688,133)	(762,410)	57,216	90,537
Deferred income tax assets				
Provisions	90,164	39,097	51,940	27,391
Deferred tax of FTC rights impairment	241,471	–	241,471	–
Impairment of debtors	87,601	–	87,601	–
Tax losses carried forward	–	279,043	(272,798)	(429,984)
Gross deferred income tax assets	419,236	318,140	108,214	(402,593)
Deferred income tax			165,430	(312,056)
Net deferred income tax liability	(268,897)	(444,270)		

The Group has no carried forward losses which could be written off from taxable income of the Group members as such losses have arisen in subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 7,057,122 were not considered in the consolidated financial statements of which EUR 6,994,945 can be rolled forward for an indefinite period.

18. Discontinuing operations

The Group had no discontinuing operations in either 2008 or in 2009.

19. Other comprehensive income components

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

20. Segment information

For management purposes, the Group is divided into 8 business lines:

Furniture production and sales
Investment property management
Household goods and cosmetics
Crystal and glass
Music records production and distribution
Clothing
Advertising
Other – administration and holding activities

Management separately evaluates the performance of its operating segments in order to make decisions regarding resource allocation and other decisions related to operations management. The performance of each segment is based primarily on the pre-tax profit or loss of each segment as identified based on the principles pertaining to the operating profit or loss presented in the financial statements.
Decisions regarding financing (including financial revenues and expenses) and taxation are made at Group level and not at segment level.

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 transaction as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for minority interests.

The Group has operations in Hungary, in Cyprus and in Luxembourg. As more than 97% of the Group’s operations are carried out in Hungary, geographical segments are not presented in the consolidated financial statements.

20. Segment information (continued)

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 financial statements.

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, fittings).

	2009	2009	2009	2008	2008	2008
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Furniture	3,398,571	112,478	3,511,049	4,765,140	200,167	4,965,307
Investment property	22,889,976	1,432,431	24,322,407	21,502,891	1,494,902	22,997,793
Electrical, household goods and cosmetics	1,042,531	424	1,042,955	2,007,781	1,911	2,009,692
Crystal and glass	4,250,165	10,981	4,261,146	7,307,036	21,410	7,328,446
Music	2,310,324	160,990	2,471,314	3,478,384	152,630	3,631,014
Clothing	879,959	57	880,016	1,500,924	–	1,500,924
Advertising	3,091	260,388	263,479	137,566	506,703	644,269
Other	2,495,952	1,581,065	4,077,017	3,674,550	1,525,193	5,199,743
Inter-segment elimination	–	(3,558,814)	(3,558,814)	–	(3,902,916)	(3,902,916)
Net sales	37,270,569	–	37,270,569	44,374,272	–	44,374,272

20. Segment information (continued)

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of net own produced furniture sales is from export. Other sales mainly reflect domestic sales realised in HUF.

Pre-tax profit:	2009 EUR	2008 EUR
Furniture	(189,762)	(671,574)
Investment property	8,761,116	10,378,712
Electrical, household goods and cosmetics	(6,641)	(97,686)
Crystal and glass	(1,901,166)	(2,008,672)
Music	251,850	(563,832)
Clothing	53,128	166,642
Advertising	(189,424)	32,889
Other	(3,443,667)	(1,613,637)
Pre-tax profit:	3,335,434	5,622,842

Assets:	2009 Consolidated assets EUR	2009 Intra-business line assets EUR	2009 Total assets EUR	2008 Consolidated assets EUR	2008 Intra-business line assets EUR	2008 Total assets EUR
Furniture	3,779,498	56,565	3,836,063	3,889,090	62,478	3,951,568
Investment property	121,911,947	675,238	122,587,185	78,584,685	642,482	79,227,167
Electrical, household goods and cosmetics	2,309,278	103,977	2,413,255	2,427,953	7,582	2,435,535
Crystal and glass	6,391,881	2,944,620	9,336,501	9,950,400	337	9,950,737
Music	1,387,029	48,524	1,435,553	2,081,305	575	2,081,880
Clothing	1,764,776	12,661	1,777,437	2,004,637	573,000	2,577,637
Advertising	163,792	517	164,309	432,714	14,419	447,133
Other	9,773,216	778,043	10,551,259	21,239,678	5,663,587	26,903,265
Balances among business lines set off	–	(4,620,145)	(4,620,145)	–	(6,964,460)	(6,964,460)
Total assets	147,481,417	–	147,481,417	120,610,462	–	120,610,462

20. Segment information (continued)

Liabilities and accruals (restated - Noted 26)	2009 Consolidated liabilities EUR	2009 Intra-business line payables EUR	2009 Total liabilities EUR	2008 Consolidated liabilities EUR (restated-note 26)	2008 Intra-business line payables EUR	2008 Total liabilities EUR (restated-note 26)
Furniture	320,473	56,760	377,233	439,259	30,512	469,771
Investment property	31,710,526	11,512,361	43,222,887	3,604,488	1,249,546	4,854,034
Electrical, household goods and cosmetics	200,855	104,237	305,092	411,644	71,618	483,262
Crystal and glass	2,386,778	6,233,581	8,620,359	1,378,812	5,380,086	6,758,898
Music	239,925	15,334	255,259	345,932	62,503	408,435
Clothing	55,405	12,738	68,143	139,395	11,761	151,156
Advertising	30	517	547	226,453	59,606	286,059
Other	2,529,450	615,022	3,144,472	3,714,120	599,887	4,314,007
Balances among business lines set off	–	(18,550,550)	(18,550,550)	–	(7,465,519)	(7,465,519)
Liabilities and accruals	37,443,442	–	37,443,442	10,260,103	–	10,260,103

Tangible asset additions:	2009 EUR	2008 EUR
Furniture	895	144,402
Investment property	37,704,336	4,073,118
Electrical, household goods and cosmetics	11,731	185,930
Crystal and glass	144,922	202,891
Music	13,238	17,394
Clothing	7,217	1,703
Advertising	–	5,470
Other	84,643	229,752
Tangible asset additions:	37,966,982	4,860,660

Depreciation:	2009 EUR	2008 EUR
Furniture	(69,907)	(165,839)
Investment property	(3,456,272)	(3,088,293)
Electrical, household goods and cosmetics	(50,388)	(111,009)
Crystal and glass	(279,702)	(468,252)
Music	(39,579)	(59,488)
Clothing	(10,558)	(17,197)
Advertising	–	(4,739)
Other	(187,798)	(295,243)
Depreciation:	(4,094,204)	(4,210,060)

21. Financial risk 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, Cyprus and Luxembourg. Financial liabilities and receivables are directly attributable to the Group's operations.

The Group entered into a few derivative contracts in 2009, mainly FX forwards to manage FX risks related to the Group's operations. The Group had no open derivatives at 31 December 2009.

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

Risks associated with assets

In view of its losses on its subsidiaries in Ajka and Balaton furniture factory, management has been revising its strategy related to its operation at Ajka and Balaton Bútor Kft. Irrespective of the final strategy of the Group, management believes that the value of the currently used production facilities will be recovered.

Interest risk

The Group entered into EUR loans to buy properties in the Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7%. The interest risk of these loans has been kept at the % of the applicable EURO-LIBOR % (3.3 to 3.64%) except for a smaller loan of EUR 3.75m. In order to reduce interest risk, the lending banks charge a 0.7% interest guarantee with respect to 70% of all loans taken.

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include FX debtors other than in EUR, FX creditors and FX deposits. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

The Group also has FX risks on transactions – which occurs when the Group buys or sells in a currency other than its functional currency. Nearly 48% of the Group's revenues (2008: 50 %) and 87% of costs (2008: 89 %) are from transactions made in other than the functional currency of the Company.

21. Financial risk management objectives and policies (continued)

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 changeable are considered constant):

		Increase (stronger EUR)/decrease (weaker EUR) in EUR rate	Impact on the pre-tax profit EUR
2009	revenues	+10%	-2.000.085
		-10%	+2.000.085
	costs and expenses	+10%	+3.115.543
		-10%	-3.115.543
2008	revenues	+10%	-2.500.417
		-10%	+2.500.417
	costs and expenses	+10%	+3.544.288
		-10%	-3.544.288

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

Some of the Group's liquid assets are denominated in other than the presentation currency and are affected by EUR rate fluctuations as follows:

	Increase/decrease in EUR rate	Impact on the book value of liquid assets (EUR)
2009	+10%	-1.403.826
	-10%	+1.403.826
2008	+10%	-1.320.526
	-10%	+1.320.526

Lending 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 creditors in the market.

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.

21. Financial risk management objectives and policies (continued)

The Group's liabilities based on contracted not discounted payments at 31 December 2009 and 2008 are presented below according to maturity.

31 December 2009	Payable	within 3 months	3 - 12 months	1 - 5 years	>5 year	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	654,785	961,442	25,244	552,651	–	2,194,122
Taxes payable (excluding income taxes)	2,720	690,216	80,752	84,711	–	858,399
Advances from customer	–	27,053	–	–	–	27,053
Accrued expenses	94,399	708,525	36,863	37,790	–	877,577
Deferred rental revenues	–	2,110,016	–	–	–	2,110,016
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	651,001	–	–	–	651,001
Amounts payable to employees	–	145,791	–	–	–	145,791
Deposits from tenants	–	27,131	228,840	–	–	255,971
Other liabilities	–	427,332	1,152,546	232,011	–	1,811,889
Total short-term liabilities	751,904	5,748,507	1,524,245	907,163	–	8,931,819
Loan received	–	106,749	320,245	1,707,976	23,173,504	25,308,474
Other long-term liabilities	–	–	–	2,040,474	–	2,040,474
Total	751,904	5,855,256	1,844,490	4,655,613	23,173,504	36,280,767

31 December 2008	Payable	within 3 months	3 - 12 months	1 - 5 years	>5 year	Total
	EUR	EUR	EUR (restated Note 26)	EUR	EUR	EUR
Trade payables	683,692	1,517,245	37,850	46,352	–	2,285,139
Taxes payable (excluding income taxes)	251,118	644,369	8,029	–	–	903,516
Advances from customer		27,952	–	–	–	27,952
Accrued expenses	50,940	858,411	58,554	34,935	–	1,002,840
Deferred rental revenues	–	649,596	–	–	–	649,596
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	175,617	–	–	–	175,617
Amounts payable to employees	611	229,100	–	–	–	229,711
Deposits from tenants	–	27,600	246,451	–	–	274,051
Other liabilities	3,346	117,769	1,182,076	19,503	34,705	1,357,399
Total	989,707	4,247,659	1,532,960	100,790	34,705	6,905,821
Other long-term liabilities	–	–	–	2,197,507	–	2,197,507
Total	989,707	4,247,659	1,532,960	2,298,297	34,705	9,103,328

21. Financial risk management objectives and policies (continued)

Included in the balance of liabilities aged 1-5 years are amounts of EUR 895,070 (31 December 2008 EUR 100,790) in that relate to Ajka which whilst current, may be settled at any time up to 30 June 2012 being the end of the creditors protection period connected to the bankruptcy of Ajka.

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group.

Fair value

At 31 December 2009 and 2008, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the balance sheet at cost less impairment loss on doubtful debts. Bank loans having variable market interest rate approximated their fair values.

22. Investments in subsidiaries

During 2009, Fotex Group entered into the following transactions and mergers:

- On 5 February 2009, Upington Investment Ltd. moved its headquarters from Cyprus to Luxembourg.
- At 29 February 2009, KONT-VESZ Kft. merged into Kontúr Zrt.
- At 4 March 2009, Keringatlan Kft. established a subsidiary in the Netherlands - Fotex Netherlands B.V., to create, develop and manage a property portfolio in the Netherlands.
- At 30 September 2009, Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.

During 2008, Fotex Group entered into the following transactions and mergers:

- At 29 February 2008, DVD Rent Kft. merged into Fotexnet Kft.
- At 29 February 2008, Fotex III. Kft., Fotex Kont. Kft. and Norba Kft. merged into Kontúr Zrt. Before the merger, Fotex III. Kft. and Fotex Kont. Kft. were not consolidated subsidiaries of Fotex Nyrt.
- At 31 July 2008, KONT-VESZ Kft. demerged from Székhely 2007. Kft.
- At 15 December 2008, Bebufa Kft. and Balaton Bútorgyár Zrt. merged into a new entity, Balaton Bútor Kft.
- At 1 January 2008 Fotex Records Kft. merged into Hungaroton Records Kft.
- At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt., Fotex Group’s holding company, decided to transform Fotex Nyrt. into a European public limited company. 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 31 December 2008. The parent company’s transactions in 2008 are fully presented in Fotex Nyrt’s annual financial statements.

23. Operating Leases

Group as lessee

The Group leases retail sites within shopping centres “Duna Plaza”, “MOM Park” and “Csepel Plaza” located in Budapest and at two other locations in Budapest based on non-cancellable operating lease agreements.

The “Duna Plaza” agreement, extended in 1999, allowed and committed the Group to rent the retail outlets until September 2009. In 2008, the size of the rented area was decreased based on mutual agreement from 1,678 m^2 to 1,498 m^2. The Group did not extend its rental contract in Duna Plaza after September 2009.

Since September 2001, the Group has been leasing retail sites within “MOM Park”, the relating contract has a term of 7 years. In March 2007, the Group announced its intention to use their option on the outlets rented in “MOM Park”, whereby the rental contracts may be extended with a further five years. After 1 January 2008, the Group decreased the rented area by 2,056 m^2 from 5,374 m^2 to a 3,318 m^2 rented area.

The rental contract on retail outlets in shopping centre “Csepel Plaza” was extended until December 2010. The contracts on the two retail outlets classified as other centres and shops expire in September 2010, mid-November 2013, December 2013, and in February 2016.

The leasing fees are denominated in Euros and are increased by the customer price index reported by the European Union’s Statistical Office commencing from 1 January 2000 in case of “Duna Plaza”, from 1 January 2002 in case of “MOM Park” and from 1 January 2000 or 2001 in the case of other centres. The Group also leases office space in Fotex Plaza as described in Note 25. At present the Group is committed to pay the following minimum leasing fees:

	Fotex Plaza	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR	EUR
2010	665,739	700,337	264,710	1,630,786
2011	672,395	707,340	235,177	1,614,912
2012	–	714,413	245,008	959,421
2013	–	518,920	253,344	772,264
Thereafter	–	-	2,320,074	2,320,074
Total	1,338,134	2,641,010	3,318,313	7,297,457

In 2009, operating lease payments totalled EUR 169,967 for January to September (31 Dec 2008: EUR 234,303) in relation to a definite rental contract with „Duna Plaza”; EUR 693,403 (31 Dec 2008: EUR 672,139) for January to December at MOM Park; and a total of EUR 276,054 (31 Dec 2008: EUR 242,216) for January to December in relation to other shops and outlets.

A portion of 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 466 m^2 at a rental cost of EUR 53,185 in January to December 2009 and will total

EUR 46,491 in 2010.

23. Operating lease (continued)

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2008, the Group did not exercise any such rights in 2009.

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 and give the opportunity to cancel the rental contract in 2 to 3 months by either party.

In 2009, the Group acquired four office buildings in the Netherlands which are leased to tenants on fixed long-term rental agreements. Based on these agreements the contracted revenue is as described in the table below.

The Group's fixed rental fee revenue (EUR):

Due in	**2010**	**2011**	**2012**	**After 2012**	**Total**
	2,696,406	2,696,406	2,718,756	21,347,719	29,459,287

24. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year less treasury shares held by the Company. Similarly, totally 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 totally 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:

	2009	2008
	EUR	EUR
Net profit attributable to equity holders from continuing operations	2,224,780	3,154,769
Net profit / (loss) attributable to shareholders	2,224,780	3,154,769
Weighted average number of shares in issue during the year	60,229,294	65,634,519
Basic earnings/(deficit) per share (EUR)	0.04	0.05

The diluted earnings per share agree with basic earnings per share in 2009 and 2008 as there is no dilution effect in these years.

25. Related Party Transactions

<u>Principal related parties</u>

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 Inc. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Plaza Park Kft. ("Plaza Park"). At 31 December 2009, Blackburn controls 16.9% of the Company's share capital (31 December 2008: 16.9%), Zurich controls 14.1% (31 December 2008: 14.1%), Fotex Ingatlan controls 17.6% (31 December 2008: 17.6%), and Plaza Park 1.6% (31 December 2008: 1.6%). These companies are considered to be related parties.

<u>Related party rental transactions</u>

In case of Plaza Park office accommodation agreements were modified in December 2000, and were extended until 31 December 2006. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until 31 December 2011. The rental fees are adjusted with the harmonized customer price index (EU25) reported by the European Union's Statistical Office (Eurostat). Rental agreements with Fotex Ingatlan Kft. were modified to an indefinite rent period. Rental fees are increased annually by the average of the general CPI announced by the EU's Statistical Office. Rental and other related fees paid to Fotex Ingatlan for 2009 were EUR 343,156 for January to December (2008: 337,555 EUR) and to Plaza Park EUR 685,863 for January to December (2008: EUR 854,867).

<u>Transactions with other related parties</u>

There were no significant related party transactions in either 2008 or in 2009.

<u>Remuneration of Group management</u>

Management, directors and members of the supervisory board of the Group received a total remuneration of EUR 837,101 in 2009 (2008: EUR 1,197,700) as increased by dividends of EUR 651,001 upon approval of the annual shareholders' meeting.

26. Restatement of 2008 consolidated financial statements

The Company has corrected the accounting treatment of that part of the preference shares incentive scheme previously shown as a movement in treasury shares as a liability to management participating in the scheme. This correction resulted in a reclassification of EUR 796,020 from shareholders' equity to liabilities.

The detailed impact of this change on the 2008 balance sheet is shown below:

2008	EUR
Treasury shares as presented	17,816,467
Treasury shares as restated	18,612,487
Preference shares incentive scheme liability as presented	-
Preference shares incentive scheme liability as restated	796,020

This correction resulted in a decrease of the 31 December 2008 shareholder's equity of EUR 796,020 and had no impact on the 2008 net income and on the 2008 cash flow statement. Also, the correction has no impact on years prior to 2008. The Group has determined it is impracticable to disclose the 2007 consolidated balance sheet information as at the time the Group had different functional currency. However, as noted above, this correction has no impact on the 2007 consolidated balance sheet and 2007 consolidated income statement as previously presented.

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Independent Auditor's Report

To the Shareholders of
Fotex Holding SE
75, Parc d'Activités
L-8308 Capellen

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fotex Holding SE, which comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "réviseur d'entreprises"

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 by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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", 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" 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.

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 consolidated financial position of Fotex Holding SE as of 31 December 2009, and of its consolidated financial performance and its consolidated 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 management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

René ENSCH

Luxembourg, 9 April 2010

FOTEX HOLDING
75, Parc d'activités
L-8308 Capellen, Luxembourg

Financial Statement Certification

To the best of our knowledge, we hereby confirm that, in accordance with the applicable generally accepted reporting standards, the Consolidated Financial Statements reflect the true asset, financial, and earnings situation of the Group and that the Management Report is a true and fair representation of the business development including the income and general situation of the Group and that the material risks and opportunities regarding the expected development of the Group for the remainder of the fiscal year have been described therein.

Gábor Várszegi	Dávid Várszegi	Anna Rammer
Chairman of the Board	Member of the Board	Member of the Board

Capellan, 09 April 2010

Management Report

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt., Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. 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. B 146.938. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August 2009.

List of Shareholdings

Movements in Subsidiary Investments

During 2009, Fotex Group entered into the following transactions and mergers:

Subsidiary:	Principal Activities:	2009	2008
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Balaton Glas Hotel Kft.	Property management	100.0	100.0
Domus Zrt.	Property management and furniture retailer	–	99.4
Downington Holding S.à r.l.	Investment holding	100.0	100.0
Europrizma Kft.	Advertising	100.0	100.0
Europtic Kft.	Advertising	–	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services	98.6	98.6
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Fotex Netherlands B.V.	Property management	100.0	–
KONT-VESZ Kft.	Property management	–	100.0
Kontúr Zrt.	Property management	–	99.9
Primo Zrt.	Clothing retailing and wholesaling	100.0	100.0
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property management	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

- On 5 February 2009, Upington Investment Ltd. moved its headquarters from Cyprus to Luxembourg.
- At 29 February 2009, KONT-VESZ Kft. merged into Kontúr Zrt.
- At 4 March 2009, Keringatlan Kft. established a subsidiary in the Netherlands - Fotex Netherlands B.V., to create, develop and manage a property portfolio in the Netherlands.
- At 30 September 2009, Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.

The Company functions primarily as a holding company in a group of companies whose members are registered in Hungary, the Netherlands and Luxembourg; they operate real estate management, manufacturing, retail, and other commercial enterprises. With the exception of three subsidiaries; Luxembourg registered Upington Investments S.à r.l. and Downington Holding S.à r.l. and the Netherlands registered Fotex Netherlands B.V., all subsidiaries conduct their activities in Hungary.

Since Fotex Holding SE and its subsidiaries (the "Group") conduct their business primarily in Hungary (more than 97% of it), there is no geographical analysis in the management report.

The Group management categorizes the Group's business activities along the following 8 segments:

Furniture production and sales
Investment property management
Household goods and cosmetics
Crystal and glass
Music records production and distribution
Clothing
Advertising
Other – administration and holding activities

Management separately evaluates the performance of its operating segments in order to make decisions regarding resource allocation and other decisions related to operations management.

Net sales per segment:

(EUR)	2009	2008
Furniture	3,511,049	4,965,307
Investment property	24,322,407	22,997,793
Electrical, household goods and cosmetics	1,042,955	2,009,692
Crystal and glass	4,261,146	7,328,446
Music	2,471,314	3,631,014
Clothing	880,016	1,500,924
Advertising	263,479	644,269
Other	4,077,017	5,199,743
Inter-segment elimination	(3,558,814)	(3,902,916)
Net sales	37,270,569	44,374,272

Consolidated Income Statement

	For the year ending 31 December 2009 EUR	2008 EUR
Revenue	37,270,569	44,374,272
Cost of sales	(8,866,593)	(13,158,036)
Gross income	28,403,976	31,216,236
Selling, general and administration expenses	(25,797,229)	(26,664,131)
Interest income	1,337,042	1,075,568
Interest expense	(608,355)	(4,831)
Income before income taxes	3,335,434	5,622,842
Income tax expense	(1,028,073)	(2,429,524)
Net income	2,307,361	3,193,318
Attributable to:		
Equity holders of the parent company	2,224,780	3,154,769
Minority interests	82,581	38,549
Net income	2,307,361	3,193,318
Earnings per share	0.04	0.05

Consolidated Cash Flow Statement:

	For the year ending 31 December 2009 EUR	2008 EUR
Cash generated from operations	10,640,814	13,412,590
Income tax paid	(1,425,080)	(1,137,181)
Net cash flow from operating activities	9,215,734	12,275,409
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(36,504,437)	(4,602,010)
Sale of tangible and intangible assets	53,525	217,696
Net purchase and sales of bonds	(1,330,091)	(4,935,418)
Interest received	788,599	1,001,401
Net cash flow (used in) investing activities	(36,992,404)	(8,318,331)
Cash flows from financing activities:		
Loans granted	115,754	(319,541)
Loan received	25,308,474	–
Dividends paid	(46,345)	(56,967)
Interest paid	(587,130)	(4,724)
Purchased treasury shares	(509,121)	(17,734,595)
Net cash flow from/(used in) financing activities	24,281,632	(18,115,827)
Change in cash and cash equivalents	(3,495,038)	(14,158,749)
Cash and cash equivalents at beginning of year	18,130,262	33,003,248
Effect of foreign currency translation	(1,638,137)	(714,237)
Cash and cash equivalents at end of year	12,997,087	18,130,262

Shareholders' equity

(EUR)	31 December 2009	31 December 2008 (restated-Note 26)
Shareholders' Equity:		
Issued capital	30,543,933	27,465,688
Additional paid-in capital	32,895,729	32,895,729
Goodwill write-off reserve	(1,856,818)	(2,179,511)
Retained earnings	67,493,126	70,745,443
Treasury shares, at cost (restated – Note 26)	(19,121,608)	(18,612,487)
Equity attributable to equity holders of the parent company	109,954,362	110,314,862
Minority interests in consolidated subsidiaries	83,613	35,497
Total shareholders' equity	110,037,975	110,350,359

Registered Share Capital

The authorised and issued share capital amounts to EUR 30,543,933. The nominal value of each share is EUR 0.42. The Company's issued share capital on 31 December 2009 included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2008: 70,723,650 ordinary shares, and 2,000,000 dividend preference shares). The dividend preference shares were issued by Fotex in November 2007.

Divident Preference Shares

The dividend preference shares are non-voting shares to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting dividend entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee dividend preference shares, the amount of shares in issue are treated as a short-term liability and any dividend payable will be treated as employee expense. If the Company does not pay the minimum dividend prescribed to the dividend preference shares in any given year, or does not fully pay them, and then in the subsequent year also does not pay dividends to the dividend preference shares, then the dividend preference shareholders are entitled to full voting rights until the Company rectifies the unpaid dividends.

Treasury Shares

The Company's treasury shares (including dividend preference shares) are 12,579,779, totalling EUR 19,121,608 at 31 December 2009 (31 December 2008: 12,113,269 shares at a cost of EUR 18,612,487). During 2009, the Company purchased 466,510 shares on an arm's length basis and 450,000 dividend preference shares from senior officers totalling EUR 509,121 and EUR 161,082, respectively, which amount decreased the dividend preference shares incentive scheme liability, shown in note 13 to the consolidated financial statements.

Suggestions for Dividends to be paid to Dividend Preference Shares

The Board of Directors has approved on 9 April 2010 to pay dividends on the dividend preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders' meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

Major Shareholders

Gábor Várszegi, the Chairman of the Board of Fotex, through direct and indirect ownership controls Blackburn International Inc., a Panamanian company ("Blackburn"), as well as Blackburn International S.à r.l., a Luxembourg registered company ("Blackburn Luxembourg"), as well as the British Virgin Island registered Zürich Investments Inc. ("Zürich") through which he exercises his voting rights. Blackburn Luxembourg is the majority shareholder of Fotex Ingatlankezelő LLC ("Fotex Ingatlan") and of Plaza Park LLC ("Plaza Park"). At the year end 31 December 2009, Blackburn controlled 16.9 % (31 December 2008: 16.9%), Zürich controlled 14.1% (31 December 2008: 14.1%), Fotex Ingatlan controlled 17.6 % (31 December 2008: 17.6%), and Plaza Park controlled 1.6% (31 December 2008: 1.6%) of the Company's shares. These entities are all considered related parties.

Appointment and Replacement of Board Members

The Directors are appointed at the Annual General Meeting of Shareholders for a period no longer than one year. The Directors are re-appointment each year in the Annual General Meetings and they remain at their function until the election of their successors. The Directors are eligible for re-election and they may be removed with or without cause at the Annual General Meeting of Shareholders. In the event of a vacancy in the office of a Director because of death, resignation or any other cause, the remaining Directors may fill such vacancy in the terms of the law and until the next Annual General Meeting of Shareholders, which will ratify the nomination.

The members of the Board of Directors were appointed at the extraordinary general meeting of the Company held on 1 October 2009. The members were appointed for a period of 3 years until the 2012 Annual General Meeting of the Company.

Members:

1. Mr. Gábor Várszegi
2. Mr. Dávid Várszegi
3. Mr. Bob Dole
4. Mrs. Anna Rammer
5. Mr. Wiggert Karreman
6. Mr. Jan Thomas Ladenius
7. Mr. Benoit de Bien

The shareholders, at the Extraordinary General Meeting held on 1 October 2009, appointed the following members for the audit committee:

1. Mr. Wiggert Karreman
2. Mr. Jan Thomas Ladenius
3. Mr. Benoit de Bien

Powers of the Board of Directors

The Board of Directors has been authorised by the shareholders to manage the day- to-day operations of the Company, as well as to make administrative decisions, which occur from time to time 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 have to be first brought before and approved by the shareholders and the General Meeting of the Shareholders.

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.

Significant events after the Reporting date

There were no significant or otherwise relevant issues which occurred after the reporting date.

Other Disclosures

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

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

Outlook

We believe that our financial position and performance will remain stable; we will continue to look for good investments for the Group and continue to invest, divest, buy and sell as the market conditions, our position and timing allows.

9 April 2010, Capellen

Várszegi Gábor
Fotex Holding SE
Chairman of the Board

THE 2010 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Fotex Holding SE
75, Parc d’activités
L-8308 Capellen

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 31 December 2010, and
Management report, and
Independent auditor’s report

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Management Report

The extraordinary general meeting of the Hungarian registered FOTEX HOLDING SE European public limited company 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 new registered address is at 75, Parc d'activités, L-8308 Capellen, 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 Hungary, Luxembourg and The Netherlands and engaged in a variety of property management, manufacturing, retailing and other activities. Except for Upington Investments S.à r.l., Downington Holding S.à r.l. and Fotex Netherlands B.V. which are registered in Luxembourg and in The Netherlands, respectively, all subsidiaries of the Group are registered and operate in Hungary.

List of Shareholdings

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

Subsidiary:	Principal Activities:	2010	2009
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Balaton Glas Hotel Kft.	Property management (Note 22)	100.0	100.0
Downington Holding S.à r.l.	Investment holding	100.0	100.0
Europrizma Kft.	Advertising	100.0	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services	100.0	98.6
Hungaroton Music Zrt.	Archive of Hungarian music	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management (Note 22)	100.0	100.0
Fotex Netherlands B.V.	Property management (Note 22)	100.0	100.0
Primo Zrt.	Clothing retailing and wholesaling	100.0	100.0
Sigma Kft.	Property management services	75.1	75.1
Székhely 2007 Kft.	Property management	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

Movements in Subsidiary Investments

During 2010, Fotex Group entered into the following transactions and mergers:

- At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft., effective as of 1 January 2011.

During 2009, the Fotex Group entered into the following transactions and mergers:

- On 5 February 2009, Upington Investments Ltd. moved its headquarters from Cyprus to Luxembourg.
- At 29 February 2009, KONT-VESZ Kft. merged into Kontúr Zrt.
- At 4 March 2009, Keringatlan Kft. established a subsidiary in The Netherlands - Fotex Netherlands B.V., to create, develop and manage a property portfolio in The Netherlands.
- At 1 October 2009, Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.

The Group has operations in The Netherlands, Luxembourg and Hungary. More than 90% of the Group's operations are carried out in Hungary. Geographical segments are not presented in the consolidated financial statements as the costs of producing such information would exceed its merits.

For management purposes, the Group is divided into 8 business lines:

Furniture production and sales
Investment property management
Household goods and cosmetics
Crystal and glass
Music records production and distribution
Clothing
Advertising
Other – administration and holding activities

Management separately evaluates the performance of its operating segments in order to make decisions regarding resource allocation and other decisions related to operations management. Decisions regarding financing (including financial revenues and expenses) and taxation are made at Group level and not at segment level.

Net sales per segment:

	2010	2009
Net sales:	Net sales EUR	Net sales EUR
Furniture	2,724,164	3,511,049
Investment property	24,462,300	24,322,407
Household goods and cosmetics	810,215	1,042,955
Crystal and glass	7,291,841	4,261,146
Music	1,950,959	2,471,314
Clothing	692,760	880,016
Advertising	–	263,479
Other	4,124,260	4,077,017
Inter-segment elimination	(3,060,821)	(3,558,814)
Net sales	38,995,678	37,270,569

Consolidated Income Statement:

	for the year ended 31 December 2010 EUR	2009 EUR
Revenue	38,995,678	37,270,569
Operating expenses	(32,085,113)	(34,663,822)
Interest income	1,455,905	1,337,042
Interest expenses	(1,315,700)	(608,355)
Income before income taxes	7,050,770	3,335,434
Income tax expense	(663,664)	(1,028,073)
Net income	6,387,106	2,307,361
Attributable to:		
Equity holders of the parent company	6,375,028	2,224,780
Non-controlling interests	12,078	82,581
Net income	6,387,106	2,307,361
Basic earnings per share	0.11	0.04
Diluted earnings per share	0.11	0.04

Consolidated Cash Flow Statement:

	for the year ending 31 December 2010 EUR	2009 EUR
Cash generated from operations	12,219,296	10,640,814
Income tax paid	(286,956)	(1,425,080)
Net cash flow from operating activities	11,932,340	9,215,734
Cash flows from investing activities:		
Acquisition of tangible and intangible assets	(21,956,568)	(36,504,437)
Sale proceeds of tangible and intangible assets	10,806	53,525
Purchase of financial investments	(90,618)	(1,330,091)
Repayments of loans granted	1,078,669	115,754
Interest received	955,021	788,599
Net cash flow used in investing activities	(20,002,690)	(36,876,650)
Cash flows from financing activities:		
Loan received	14,068,473	25,308,474
Dividends paid	-	(46,345)
Interest paid	(1,438,917)	(587,130)
Purchased treasury shares	(145,347)	(509,121)
Net cash flow from financing activities	12,484,209	24,165,878
Change in cash and cash equivalents	4,413,859	(3,495,038)
Cash and cash equivalents at beginning of the year	12,997,087	18,130,262
Effect of foreign currency translation	(165,063)	(1,638,137)
Cash and cash equivalents at end of the year	17,245,883	12,997,087

Shareholders' equity:

	31 December 2010	31 December 2009
Shareholders' Equity:	EUR	EUR
Issued capital	30,543,933	30,543,933
Additional paid-in capital	32,895,729	32,895,729
Goodwill write-off reserve	(1,534,125)	(1,856,818)
Retained earnings	71,637,487	67,493,126
Treasury shares, at cost	(19,266,955)	(19,121,608)
Equity attributable to equity holders of the parent company	114,276,069	109,954,362
Non-controlling interest in consolidates subsidiaries	91,699	83,613
Total shareholders' equity	114,367,768	110,037,975

Registered Share Capital

The authorised and issued share capital amounts to EUR 30,543,933. The nominal value of each share is EUR 0.42. The Company's issued share capital on 31 December 2010 included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2009: 70,723,650 ordinary shares, and 2,000,000 dividend preference shares). The dividend preference shares were issued by Fotex in November 2007.

Dividend Preference Shares

The dividend preference shares are non-voting shares to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting dividend entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year’s average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus non-controling interests. The total preference dividend payable is subject to approval of the General Meeting of the Shareholders. Given the nature of the employee dividend preference shares, the amount of shares in issue are treated as a short-term liability and any dividend payable will be treated as employee expense. If the Company does not pay the minimum dividend prescribed to the dividend preference shares in any given year, or does not fully pay them, and then in the subsequent year also does not pay dividends to the dividend preference shares, then the dividend preference shareholders are entitled to full voting rights until the Company rectifies the unpaid dividends.

In November 2007 Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200,000,000). On 13 May 2009, the Company’s CEO exercised his redemption right under the approved incentive scheme and redeemed the preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value).
No dividend preference shares were redeemed in 2010.

Treasury Shares

As of 31 December 2010, the Company holds 12,632,549 treasury shares (including dividend preference shares) for a total amount of EUR 19,266,955 (31 December 2009: 12,579,779 shares at a cost of EUR 19,121,608). During 2010, the Company purchased 52,770 shares (2009: 466,510) on an arm’s length basis. In 2010, no dividend preference shares from senior officers were redeemed (2009: 450,000 dividend preference shares totalling EUR 161,082).

Suggestions for Dividends to be paid to Dividend Preference Shares

At their meeting of 7 April 2011, the Board of Directors approved to pay dividends on the dividend preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders’ meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements.

Principal Related Parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Plaza Park Kft. ("Plaza Park"). As at 31 December 2010, Blackburn controls 16.9 % (2009: 16.9%) of the Company's share capital, Zurich controls 14.1% (2009: 14.1%), Fotex Ingatlan controls 17.6 % (2009: 17.6%), and Plaza Park 1.6% (2009: 1.6%). These companies are considered to be related parties.

Appointment and Replacement of Board Members

There were no changes in the members of the Boards of Directors compared to prior year. The members of the Board of Directors were appointed at the extraordinary general meeting of the Company held on 1 October 2009. The members were appointed for a period of 3 years until the 2012 Annual General Meeting of the Shareholders.

Members:

1. Mr. Gábor Várszegi
2. Mr. Dávid Várszegi
3. Mr. Bob Dole
4. Mrs. Anna Rammer
5. Mr. Wiggert Karreman
6. Mr. Jan Thomas Ladenius
7. Mr. Benoit de Bien

The shareholders, at the Extraordinary General Meeting held on 1 October 2009, appointed the following members for the audit committee:

1. Mr. Wiggert Karreman
2. Mr. Jan Thomas Ladenius
3. Mr. Benoit de Bien

The Directors are eligible for re-election and they may be removed with or without cause at the Annual General Meeting of Shareholders. In the event of a vacancy in the office of a Director because of death, resignation or any other cause, the remaining Directors may fill such vacancy in accordance with the terms of the law and until the next Annual General Meeting of Shareholders, which will ratify the nomination.

Powers of the Board of Directors

The Board of Directors has been authorised 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 have to be first brought before and approved by the shareholders and the General Meeting of the Shareholders.

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.

Significant Events After the Reporting Date

There were no significant or otherwise relevant issues which occurred after the reporting date.

Other Disclosures

There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of the 2004/109/EC (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 and which would take effect, alter or terminate upon 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.

Since 1 October 2010 Keringatlan Kft. has outsourced its facility management activity to the Group's entity Székhely 2007 Kft.

Future Prospects

The financial position and performance of the Group remained stable and even improved, despite the difficult market conditions in 2010. The Dutch investments of the Group have increased due to the utilization of the favourable investment opportunities.

The Group will continue seeking for favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group.

7 April 2011, Capellen

Várszegi Gábor
Fotex Holding SE
Chairman of the Board

Independent auditor's report

To the Shareholders of
Fotex Holding SE
75, Parc d'Activités
L-8308 Capellen

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fotex Holding SE, which comprise the consolidated statement of financial position as at 31 December 2010, 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.

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 SE as of 31 December 2010, 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 management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

René ENSCH

Luxembourg, 7 April 2011

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

	Note	31 December 2010 EUR	31 December 2009 EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	17,245,883	12,997,087
Current portion of other financial assets	6	515,301	957,318
Accounts receivable and prepayments	7	6,483,893	5,460,720
Income tax receivable	17	440,601	1,116,079
Inventories	8	7,637,998	7,635,224
Total current assets		32,323,676	28,166,428
Non-current Assets:			
Property, plant & equipment	9	9,841,384	10,193,661
Investment properties	10	102,384,809	88,429,705
Deferred tax assets	17	419,510	419,236
Intangible assets	11	2,814,996	2,844,347
Non-current portion of other financial assets	6	6,838,490	7,066,520
Goodwill arising on acquisition	12	10,067,494	10,361,520
Total non-current assets		132,366,683	119,314,989
Total assets		164,690,359	147,481,417
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	16	848,825	426,994
Provisions		217,373	474,542
Accounts payable and other liabilities	13	8,912,889	8,931,819
Total current liabilities		9,979,087	9,833,355
Non-current Liabilities:			
Interest-bearing loans and borrowings	16	37,852,693	24,881,480
Other long-term liabilities	13	1,939,830	2,040,474
Deferred tax liability	17	550,981	688,133
Total non-current liabilities		40,343,504	27,610,087
Shareholders' Equity:			
Issued capital	14	30,543,933	30,543,933
Additional paid-in capital		32,895,729	32,895,729
Goodwill write-off reserve	14	(1,534,125)	(1,856,818)
Retained earnings		71,637,487	67,493,126
Treasury shares, at cost	14	(19,266,955)	(19,121,608)
Equity attributable to equity holders of the parent company		114,276,069	109,954,362
Non-controlling interests in consolidated subsidiaries		91,699	83,613
Total shareholders' equity		114,367,768	110,037,975
Total liabilities and shareholders' equity		164,690,359	147,481,417

The accompanying notes on pages 15 to 66 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 2010 EUR	2009 EUR
Revenue	20	38,995,678	37,270,569
Operating expenses	15	(32,085,113)	(34,663,822)
Interest income		1,455,905	1,337,042
Interest expenses		(1,315,700)	(608,355)
Income before income taxes	20	7,050,770	3,335,434
Income tax expense	17	(663,664)	(1,028,073)
Net income		6,387,106	2,307,361
Attributable to:			
Equity holders of the parent company		6,375,028	2,224,780
Non-controlling interests		12,078	82,581
Net income		6,387,106	2,307,361
Basic earnings per share	24	0.11	0.04
Diluted earnings per share	24	0.11	0.04

The accompanying notes on pages 15 to 66 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 2010	2009
		EUR	EUR
Net income		6,387,106	2,307,361
Other comprehensive income:			
Exchange differences on translation of foreign operations	19	(1,911,966)	(2,064,279)
Total comprehensive income		4,475,140	243,082
Attributable to:			
Equity holders of the parent company		4,467,054	148,621
Non-controlling interests		8,086	94,461
		4,475,140	243,082

The accompanying notes on pages 15 to 66 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Statement of Changes in Equity

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2009	27,465,688	32,895,729	(2,179,511)	70,745,443	(18,612,487)	110,314,862	35,497	110,350,359
Net income 2009	–	–	–	2,224,780	–	2,224,780	82,581	2,307,361
Other comprehensive income	–	–	–	(2,076,159)	–	(2,076,159)	11,880	(2,064,279)
Total comprehensive income	–	–	–	148,621	–	148,621	94,461	243,082
Redeemed treasury shares (note 14)	–	–	–	–	(509,121)	(509,121)	–	(509,121)
Minority dividends	–	–	–	–	–	–	(46,345)	(46,345)
Reversed written off goodwill reserve (note14)	–	–	322,693	(322,693)	–	–	–	–
Share conversion*	3,078,245	–	–	(3,078,245)	–	–	–	–
31December 2009	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
1 January 2010	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
Net income 2010	–	–	–	6,375,028	–	6,375,028	12,078	6,387,106
Other comprehensive income	–	–	–	(1,907,974)	–	(1,907,974)	(3,992)	(1,911,966)
Total comprehensive income	–	–	–	4,467,054	–	4,467,054	8,086	4,475,140
Redeemed treasury shares (note 14)	–	–	–	–	(145,347)	(145,347)	–	(145,347)
Reversed written off goodwill reserve (note14)	–	–	322,693	(322,693)	–	–	–	–
31 December 2010	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	114,276,069	91,699	114,367,768

* Further to the transformation of Fotex, the Company's issued capital was translated into EUR on 1 January 2009 at the rate 264.78 HUF /EUR. The difference between the opening rate in 2009 and the rate in the articles of association has been shown as an adjustment in share capital.

The accompanying notes on pages 15 to 66 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Cash Flow Statement

	Note	for the year ended 31 December 2010	2009
		EUR	EUR
Cash flows from operating activities:			
Income before non-controlling interests and income taxes	20	7,050,770	3,335,434
Depreciation and amortisation	15	5,156,519	4,094,204
Provisions used and reversed		(257,169)	89,001
Impairment of intangible assets		-	1,118,324
Scrapped tangible assets		131,709	23,985
Write off of inventories, impairment loss of debtors and other receivables		816,886	1,330,542
Gain on disposals of fixed assets		574	(28,537)
Gain on disposal of other investments		-	(55,777)
Interest income		(1,455,905)	(1,337,042)
Interest expenses		1,315,700	608,355
Changes in assets and liabilities:			
Decrease/(Increase) of accounts receivable and prepayments		(1,068,202)	(1,736,606)
Decrease/(Increase) of inventories		(253,015)	603,581
Increase of accounts payable and other liabilities		781,429	2,595,350
Cash generated from operations		12,219,296	10,640,814
Income tax paid		(286,956)	(1,425,080)
Net cash flow from operating activities		11,932,340	9,215,734
Cash flows from investing activities:			
Acquisition of tangible and intangible assets		(21,956,568)	(36,504,437)
Sale proceeds of tangible and intangible assets		10,806	53,525
Purchase of financial investments		(90,618)	(1,330,091)
Repayments of loans granted		1,078,669	115,754
Interest received		955,021	788,599
Net cash flow used in investing activities		(20,002,690)	(36,876,650)
Cash flows from financing activities:			
Loan received		14,068,473	25,308,474
Dividends paid		-	(46,345)
Interest paid		(1,438,917)	(587,130)
Purchased treasury shares		(145,347)	(509,121)
Net cash flow from financing activities		12,484,209	24,165,878
Change in cash and cash equivalents		4,413,859	(3,495,038)
Cash and cash equivalents at beginning of the year	5	12,997,087	18,130,262
Effect of foreign currency translation		(165,063)	(1,638,137)
Cash and cash equivalents at end of the year	5	17,245,883	12,997,087

The accompanying notes on pages 15 to 66 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 new registered address is at 75, Parc d'activités, L-8308 Capellen, 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 Hungary, Luxembourg and The Netherlands and engaged in a variety of property management, manufacturing, retailing and other activities. Except for Upington Investments S.à r.l., Downington Holding S.à r.l. and Fotex Netherlands B.V. which are registered in Luxembourg and in The Netherlands, respectively, all subsidiaries of the Group are registered and operate in Hungary. The ownership of principal consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2010	2009
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Balaton Glas Hotel Kft.	Property management (Note 22)	100.0	100.0
Downington Holding S.à r.l.	Investment holding	100.0	100.0
Europrizma Kft.	Advertising	100.0	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services	100.0	98.6
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Fotex Netherlands B.V.	Property management (Note 22)	100.0	100.0
Primo Zrt.	Clothing retailing and wholesaling	100.0	100.0
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property management	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

The consolidated financial statements of the Group for the year ended 31 December 2010 were formally approved by the Board of Directors on 7 April 2011 and will be presented to the annual general meeting of shareholders for approval on 26 April 2011.

2. Significant Accounting Policies

Basis of presentation

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.

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 as adopted by the EU ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"), and 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 2010, due to the endorsement process of the EU, and the activities of the Group, 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 that is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR – please see accounting policy change Note 2 for more detail.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

All intra-group balances, revenues and expenses and gains and losses resulting from intra-group transactions are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within shareholders' equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

2. Significant Accounting Policies (continued)

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 are prepared in EUR.

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 was necessary to convert the elements of the statement of financial position and income statements of subsidiaries from HUF to EUR.

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

The income statement has been converted to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

	2010	2009
First quarter	268.57 HUF/EUR	294.57 HUF/EUR
Second quarter	274.38 HUF/EUR	285.93 HUF/EUR
Third quarter	282.46 HUF/EUR	271.36 HUF/EUR
Forth quarter	275.90 HUF/EUR	270.90 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 December 2010: 278.75 HUF/EUR (2009: 270.84 HUF/EUR).

Changes in accounting policies

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

Initial application of new or revised Standards and Interpretations

In the current year, 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 are relevant to its operations and effective for accounting periods beginning on 1 January 2010. Adoption of these revised Standards and Interpretations did not have any effect on the financial performance or position of the Group. They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies. The changes in accounting policies result from the adoption of the following new or revised Standards:

- IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 – Business Combinations (Revised)
- IAS 17 – Leases – Amendment
- IAS 27 – Consolidated and Separate Financial Statements (Amended)
- IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 17 – Distribution of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

2. Significant Accounting Policies (continued)

The principal effects of these changes are as follows:

IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions
The IASB issued an amendment to IFRS 2 that clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010.The adoption of this amendment did not have any impact on the financial position or performance of the Group as the Group did not have such scheme.

IFRS 3 – Business Combinations (Revised) and IAS 27 – Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported result in the period that an acquisition occurs and future reported results. The Group has concluded that the amendment will have no impact on the consolidated financial position or performance of the Group in 2010.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.
The changes by IFRS3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IAS 17 – Leases – Amendment
This amendment deletes much of the existing wording in the standard to the effect all leases of land (where title does not pass) were operating leases. The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or a finance lease, the same criteria are applied as for any other asset. The Group does not have finance leases of land as lessor or lessee. Therefore, this change has no impact on the financial position or performance of the Group.

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment has no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

2. Significant Accounting Policies (continued)

IFRIC 17 – Distribution of Non-cash Assets to Owners
This Interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Interpretation has no effect on either, the financial position or performance of the Group.

IFRIC 18 – Transfers of Assets from Customers
This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The Group has no such agreements.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus amendments to its Standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each Standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity retains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position or performance of the Group.

Issued in April 2009

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment is applied prospectively and has no impact on the financial position or performance of the Group.

IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group’s chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 20.

IAS 7 Statement of Cash Flows: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

2. Significant Accounting Policies (continued)

IAS 36 Impairment of Assets: the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from improvements to IFRSs to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

Issued in April 2009

- IAS 1 Presentation of Financial Statements
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

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 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.

In view of the reporting currency change as of 1 January 2009, the Group has translated and has disclosed all relevant comparative financial information according to the translation rules set by IAS 21 "The Effect of Changes in Foreign Exchange Rates".

As the change in IAS 21 regarding the presentation currency is similar to a change in the accounting policies, when an entity changes its presentation currency, it is appropriate to follow the approach in IAS 8 which requires retrospective application, except where it is impracticable.

2. Significant Accounting Policies (continued)

After considering the costs and benefits of retrospective application of translation to EUR, Fotex decided to apply the translation using the opening balance of the first comparative period presented in the 2009 consolidated financial statements. In accordance with the above, in the case of subsidiaries whose functional currency is HUF, the Group has applied the opening exchange rates of the first comparative period (1 January 2008) to translate assets and liabilities in the 2009 consolidated financial statements.

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.

Inventory

Inventory is stated at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items. 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 are stated at purchase price or production cost less accumulated depreciation and any impairment in value. 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.

2. Significant Accounting Policies (continued)

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 financial statements. 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 in the selling, general and administration expenses line item.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

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

Leases

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

<u>Group as a lessee:</u>
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

2. Significant Accounting Policies (continued)

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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly 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 are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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, or 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and held-to-maturity investments.

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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in the fair value recognised in the income statement. The Group has not designated any financial assets as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group has no derivative embedded contract as of 31 December 2010 and 2009.

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.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group has held-to-maturity investments as of 31 December 2010 and 2009.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement. The Group has no available-for-sale financial assets as of 31 December 2010 and 2009.

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.

2. Significant Accounting Policies (continued)

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

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are 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. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using 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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 rate 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.

2. Significant Accounting Policies (continued)

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 isexperiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Due from loans and advances to customers
For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually 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. 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 future 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.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

2. Significant Accounting Policies (continued)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial instruments

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

2. Significant Accounting Policies (continued)

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 derecognition 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.

Pensions

All pensions are either funded privately by employees or by the Hungarian state via certain social security charges included in the gross cost of the employees wage.

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 cost 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 this useful life.

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

	Years
Buildings	20-30

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.

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)

Business combinations and Goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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.

2. Significant Accounting Policies (continued)

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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 23 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.

Investment in associates

The Group's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group's income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in shareholder's equity. The Group had no such investments in either 2010 or 2009.

Income taxes

Current 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.

2. Significant Accounting Policies (continued)

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.

Treasury shares

Fotex owned ordinary shares 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.

2. Significant Accounting Policies (continued)

Interest income
Revenue is recognised as the interest accrues using the effective interest rate 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.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

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.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure. The only material reclassification relates to the expenses of EUR 25,797,229 from the "Selling, general and administration expenses" and EUR 8,866,593 from the "Cost of Sales" captions into "Operating expenses", as the Board of Directors determined that the presentation of the expenses by nature rather than by function is more appropriate to the consolidated financial statements of the Group.

3. Significant accounting judgments, estimates and assumptions

Judgments

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.

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

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 as at 31 December 2010 is EUR 10,067,494 (2009: EUR 10,361,520). Further details are given in Note 12.

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. The carrying amount of such intangible assets as at 31 December 2010 is EUR 2,658,396 (2009: EUR 2,658,396). Further details are given in Note 11.

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. The recognised tax loss as at 31 December 2010 is EUR 1,136,887 (2009: EUR 0). Further details are given in Note 17.

Fair Value of Investment Properties
The Group has determined and presented in the notes the fair value of investment properties as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows were determined separately for the following categories of investment properties: 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

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective for December 2010 year-end.

IFRS 9 Financial Instruments: is the first step in a three part project by the IASB to replace IAS 39 Financial Instruments. This first part, dealing with the classification and measurement of financial assets, simplifies the recognition of financial assets by requiring such assets to be measured at either amortised cost or fair value, depending on certain criteria. The Standard is effective for financial years beginning on or after 1 January 2013. The Group is in the process of analysing the impact of this Standard on their consolidated operations as well as the date at which they plan to adopt the Standard.

4. Standards issued but not yet effective (continued)

IAS 24 Related Party Disclosures (Revised)
The IASB issued a revised version of IAS 24 Related Party Disclosures that simplifies the disclosure requirements for government related entities and clarifies the definition of a related party. The revised Standard is effective for annual periods beginning on or after 1 January 2011, with early application permitted. The Group has concluded that the amendment will have no impact on the consolidated financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation, Classification of Right Issues
The amendment provides that when an entity issues rights denominated in a currency other than the entity's functional currency, and those rights are issued pro rata to the entity's existing shareholders for a fixed amount of cash, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010, with earlier application permitted. The amendment is to be applied retrospectively. The Group plans to adopt this interpretation at its effective date, and does not anticipate any significant impact on its consolidated financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment provides guidance on assessing the recoverable amount of a net pension asset.

The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The Group has concluded that the interpretation will have no impact on the consolidated financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The Interpretation clarifies that when equity instruments are issued to a creditor, the financial liability is extinguished and the equity instruments are treated as consideration paid to extinguish the liability. The equity instruments are measured at either the fair value of the liability extinguished or the fair value of the equity instruments issued, whichever is more reliable. Any difference between the carrying amount of the financial liability and the fair value of the equity instruments issued is recognised immediately in profit or loss. The Interpretation has an effective date for financial year beginning on or after 1 July 2010. The Group has concluded that the Interpretation will have no impact on the consolidated financial position or performance of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS Standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, could have an impact on the Group:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its consolidated financial position or performance.

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 view of the prompt 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 17,245,883 (2009: EUR 12,997,087).

Cash includes fixed deposits of EUR 2,740,413 (2009: EUR 7,964,063) at rates ranging from 3.5% to 7.1% (2009: 2% to 9%). The Company has EUR, USD and HUF deposits. The lower rates are on foreign currencies while the higher ones are on HUF.

6. Other financial assets

	31.12.2010	31.12.2009
Current	EUR	EUR
Cash deposits connected to rented properties	279,509	228,840
Current part of long-term loans to other companies	-	571,219
Other short-term investments held-to-maturity – net of impairment	235,792	157,259
Current portion of other current financial assets, total	515,301	957,318

	31.12.2010	31.12.2009
Non-current	EUR	EUR
Cash deposits connected to rented properties	1,933,037	2,040,474
Investments held-to-maturity	4,804,608	4,356,649
Loans to senior officers	92,393	265,755
Long-term loans to other companies – net of impairment	8,452	403,642
Non-current portion of other financial assets, total	6,838,490	7,066,520

Cash deposit 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 one year were classified as short-term.

Investments held-to-maturity
Long-term securities held-to-maturity include mainly OTP Bank Nyrt. (“OTP”) and MOL Nyrt (“MOL”) bonds purchased by the Group’s subsidiary in Luxembourg.

6. Other financial assets (continued)

The Group has 7,100 subordinated OTP bonds with face value of EUR 1,000 each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued on 19 September 2006 and mature on 19 September 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 September each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 December 2010 is EUR 4,093,865 (2009: EUR 3,734,520). The applied average effective interest rate is 18%. The fair value of the OTP bonds at the year-end is EUR 6,146,738 (2009: EUR 5,456,606).

The Group purchased 1,000 MOL bonds with face value of EUR 1,000 each on 12 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 December 2010 is EUR 608,801 (2009: EUR 517,812). The applied average effective interest rate is 16%. The fair value of the MOL bonds at the year-end is EUR 889,873 (2009: EUR 822,870).

Loans to senior officers:
Arm’s length loans granted by Fotex are to senior officers to purchase dividend preference shares totalling EUR 92,393 at 31 December 2010 (2009: EUR 265,755) (Note 14).

Most other long-term loans represent loans that were granted to companies that had taken over the discontinued operations of Domus Lánc Kft. All the loans were terminated by the end of 2010 and the uncollected outstanding amounts were written off as described below. The remaining amount of other long-term loans of EUR 8,452 represents insignificant loans to other parties.

EUR 1,496,235 (2009: EUR 1,496,235) was granted to Domus VIVA Kft. at 12-month EURO-LIBOR interest rate. The loan was secured by a mortgage on Domus VIVA Kft’s assets and prompt collection orders on the company’s bank accounts. The loan would have matured on 31 August 2012 but was terminated on 15 July 2010. From the realisation of the securities the Group received EUR 814,527. The remaining amount of EUR 75,092 was written off (until 31 December 2009 EUR 606,616 of impairment had already been booked).

EUR 104,342 (2009: EUR 104,342) was granted to Modusz Alba Kft. at 12-month EURO-LIBOR interest rate. The loan was secured by a mortgage on Modusz Alba Kft’s assets and prompt collection orders on the company’s bank accounts. The loan agreement was cancelled with immediate effect on 7 September 2009 as the debtor had failed to meet its timely instalment paying obligations. The total loan was written off in 2009.

EUR 112,833 (2009: EUR 112,833) was granted to Domus Store Kft. at 12-month EURO-LIBOR interest rate. The loan was secured by a mortgage on Domus Store Kft.’s assets and prompt collection orders on the company’s bank accounts. The loan would have matured on 31 October 2012, but it was terminated on 15 September 2010. From the realisation of the securities the Group received EUR 55,849. The remaining amount of EUR 16,263 was written off (until 31 December 2009 EUR 40,721 of impairment had already been booked).

Interest charged on the loans of EUR 64,990 was fully written off in 2010.

7. Accounts receivable and prepayments

	31.12.2010	31.12.2009
	EUR	EUR
Accounts receivable (debtors)	5,531,848	5,112,572
Impairment loss on accounts receivable (debtors)	(946,542)	(697,161)
Tax assets	498,766	364,800
Other receivables and prepayments/accrued income	1,739,316	749,210
Impairment loss on other receivables	(339,495)	(68,701)
Total	6,483,893	5,460,720

The terms applicable to related parties are set out in Note 25.

Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.

Tax assets are typically received within three months.

Impairment loss on debtors and on other receivables at 31 December 2010: EUR 1,286,037 (2009: EUR 765,862).

Movements in impairment loss:

	EUR
1 January 2009	860,235
Charge for the year	390,164
Utilised	(223,224)
Unused amount reversed	(233,662)
Currency loss arising from retranslation	(27,651)
31 December 2009	765,862
Charge for the year	656,965
Utilised	(62,942)
Unused amount reversed	(52,115)
Currency loss arising from retranslation	(21,733)
31 December 2010	1,286,037

7. Accounts receivable and prepayments (continued)

Aged debtors less impairment losses at 31 December:

	Not overdue and not impaired	Overdue but not impaired < 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2010	3,851,292	397,094	157,769	43,233	53,309	82,609	4,585,306
2009	3,583,526	393,302	207,207	81,790	23,139	126,447	4,415,411

8. Inventories

	31.12.2010 EUR	31.12.2009 EUR
Merchandise and finished products	8,361,764	8,684,574
Materials	1,124,639	1,026,514
Work in progress	2,121,892	2,126,938
Inventories, gross	11,608,295	11,838,026
Impairment of merchandise and finished products	(3,409,006)	(3,688,723)
Impairment of materials	(46,450)	(40,633)
Impairment of work in progress	(514,841)	(473,446)
Impairment of inventories	(3,970,297)	(4,202,802)
Total inventories, net	7,637,998	7,635,224

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management considers the recognised impairment loss of EUR 3,970,297 as adequate (2009: EUR 4,202,802). Advances for inventories are presented among receivables. For the sake of comparison, advances of EUR 33,902 made for inventories in 2009 have been reclassified from inventories to receivables.

9. Property, plant and equipment

Movements in tangible assets during 2010 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	7,379,174	20,205,460	1,115,426	28,700,060
Additions	853,793	946,258	-	1,800,051
Disposals and write downs	(218,866)	(1,728,509)	(654,668)	(2,602,043)
Currency loss arising from retranslation	(210,011)	(579,858)	(23,801)	(813,670)
31 December 2010	7,804,090	18,843,351	436,957	27,084,398
Accumulated depreciation:				
1 January 2010	(1,637,449)	(16,868,950)	-	(18,506,399)
Depreciation expense	(201,457)	(838,697)	-	(1,040,154)
Disposals and write downs	64,764	1,692,875	-	1,757,639
Currency gain arising from retranslation	57,618	488,282	-	545,900
31 December 2010	(1,716,524)	(15,526,490)		(17,243,014)
Net book value				
31 December 2010	6,087,566	3,316,861	436,957	9,841,384
31 December 2009	5,741,725	3,336,510	1,115,426	10,193,661

At 31 December 2010, the cost of tangible assets fully written off (due to ordinary or extraordinary depreciation) was EUR 5,606,963 (2009: EUR 6,763,885). The cost of tangible assets temporarily out of use is EUR 16,951 (2009: EUR 17,040).

At the end of 2006, management reassessed its property portfolio and decided that, in-line with its business strategy, it will present such real estate that is leased and is available for lease to third parties as investment property. See details under Note 10. The properties shown in the above schedule among land, buildings and improvements are presented at cost less accumulated depreciation.

9. Property, plant and equipment (continued)

Movements in tangible assets during 2009 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2009	7,512,511	21,039,798	1,466,541	30,018,850
Additions	205,804	822,576	(373,172)	655,208
Disposals and write downs	(336,306)	(1,232,483)	-	(1,568,789)
Currency (loss)/gain arising from retranslation	(39,244)	(424,431)	22,057	(441,618)
Transfer to/from investment properties (Note 10)	36,409	–	–	36,409
31 December 2009	7,379,174	20,205,460	1,115,426	28,700,060
Accumulated depreciation:				
1 January 2009	(1,754,411)	(17,203,558)	–	(18,957,969)
Depreciation expense	(266,465)	(778,834)	–	(1,045,299)
Disposals and write downs	328,954	756,395	–	1,085,349
Currency gain arising from retranslation	54,473	357,047	–	411,520
Transfer to/from investment properties (Note 10)	–	–	–	–
31 December 2009	(1,637,449)	(16,868,950)	–	(18,506,399)
Net book value				
31 December 2009	5,741,725	3,336,510	1,115,426	10,193,661
31 December 2008	5,758,100	3,836,240	1,466,541	11,060,881

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. The Group has made an internal valuation of all its investment properties as of 31 December 2010. The key valuation methodology and major assumptions used in the valuation are set out below in this note.

Movements in investment properties in 2010 were as follows:

	Investment properties
Cost:	EUR
1 January 2010	106,662,915
Additions	19,381,054
Currency loss arising from retranslation	(1,845,546)
31 December 2010	124,198,423
Accumulated depreciation:	
1 January 2010	(18,233,210)
Depreciation expense	(4,096,516)
Currency gain arising from retranslation	516,112
31 December 2010	(21,813,614)
Net book value:	
31 December 2010	102,384,809
31 December 2009	88,429,705

10. Investment properties (continued)

The fair values of investment properties at 31 December 2010 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,716	33,883,648	163,121,683
Offices	39,008	47,879,633	65,063,516
Warehouses	97,111	3,141,146	15,138,744
Other structures	38,830	3,239,595	5,263,805
Plots of land	677,670	14,240,787	23,430,835
Total investment properties	998,335	102,384,809	272,018,583

Movements in investment properties in 2009 were as follows:

	Investment properties
	EUR
Cost:	
1 January 2009	70,981,135
Additions	37,285,200
Transfer to/from tangible assets	(36,409)
Currency loss arising from retranslation	(1,567,011)
31 December 2009	106,662,915
Accumulated depreciation:	
1 January 2009	(15,472,075)
Depreciation expense	(3,006,514)
Transfer to/from tangible assets	–
Currency gain arising from retranslation	245,379
31 December 2009	(18,233,210)
Net book value:	
31 December 2009	88,429,705
31 December 2008	55,509,060

10. Investment properties (continued)

The fair values of investment properties at 31 December 2009 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,670	36,410,975	165,757,256
Offices	26,831	36,827,685	40,692,869
Warehouses	97,723	3,572,252	13,552,392
Other structures	38,660	3,382,039	5,182,875
Plots of land	671,816	8,236,754	22,409,604
Total investment properties	980,700	88,429,705	247,594,996

The fair value of investment properties was determined by management based on the present values of the future cash flows, determined separately for each presented property category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method.

Key valuation assumptions for 2010

The present values have been calculated based on a market yield rate which is suitable to measure properties in the relevant markets and is based on the following assumptions:

- Fall in demand for rentable properties in the relevant markets has stopped and a gradual increase in demand is expected. Rents are not expected to fall further and stabilize followed by a gradual recovery.
- Let investment properties have been calculated based on actual earnings in the reporting period and on actual earnings in the basis period.
- The used yield rate per property item located in Hungary is 9% to 14% depending on the type and location of the property (2009: 9-14%). For the Dutch properties, the calculated yield rate is 6.5 to 8.7%. The market values identified based on these rates do not depart significantly from the costs of new properties acquired in 2009.
- The yield rate on presently vacant retail units is based on an 80% let-out rate. With respect to the unrecoverable costs of the properties that cannot be re-charged on the tenants by the owner an 80% let-out rate was also considered. This rate reflects market trends and the applicable yield rate has not increased. In the basis period, the let-out rate was 100% and the yield rate increased by an additional 2% to reflect the additional risk of vacancies.

Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 275 HUF/EUR exchange rate.

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:

	2010	2009
	EUR	EUR
Yield rate drops by 50 bps	13,249,896	11,301,328
Rent rate drops by 5%	(2,561,137)	(1,305,724)

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 land beneath existing buildings of a total area of 109,970 m^2 (2009: 103,718 m^2) and the unused land portion of warehouses and similar properties have not been included in the fair value assessment.

11. Intangible assets

Movements in intangible assets during 2010 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2010	6,667,194	943,087	7,610,281
Additions	-	37,434	37,434
Disposals and write downs	-	(75,354)	(75,354)
Currency gain arising from retranslation	-	51,204	51,204
31 December 2010	6,667,194	956,371	7,623,565
Accumulated amortisation:			
1 January 2010	(4,008,798)	(757,136)	(4,765,934)
Amortisation expense	-	(19,849)	(19,849)
Impairment	-	-	-
Disposals and write downs	-	31,322	31,322
Currency loss arising from retranslation	-	(54,108)	(54,108)
31 December 2010	(4,008,798)	(799,771)	(4,808,569)
Net book value:			
31 December 2010	2,658,396	156,600	2,814,996
31 December 2009	2,658,396	185,951	2,844,347

11. Intangible assets (continued)

Movements in intangible assets during 2009 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2009	6,667,194	1,490,680	8,157,874
Additions	-	26,574	26,574
Disposals and write downs	-	(514,945)	(514,945)
Currency loss arising from retranslation	-	(59,222)	(59,222)
31 December 2009	6,667,194	943,087	7,610,281
Accumulated amortisation:			
1 January 2009	(2,890,474)	(1,290,683)	(4,181,157)
Amortisation expense	-	(42,391)	(42,391)
Impairment	(1,118,324)	-	(1,118,324)
Disposals and write downs	-	480,005	480,005
Currency gain arising from retranslation	-	95,933	95,933
31 December 2009	(4,008,798)	(757,136)	(4,765,934)
Net book value:			
31 December 2009	2,658,396	185,951	2,844,347
31 December 2008	3,776,720	199,997	3,976,717

The column ’Other’ reflects property rental rights associated with subsidiaries. As part of discontinuing its ownership of 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. By 31 December 2005, there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 8.5%. An impairment loss of EUR 4,008,798 was recorded in previous years. Based on management’s estimates no additional impairment loss is required for 2010 (2009: EUR 1,118,324).

12. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2009 and 2010:

	2010	2009
	EUR	EUR
Cost:		
1 January	20,555,398	21,025,848
Currency loss arising from retranslation	(583,294)	(470,450)
31 December	19,972,104	20,555,398
Impairment:		
1 January	(10,193,878)	(10,427,185)
Currency gain arising from retranslation	289,268	233,307
31 December	(9,904,610)	(10,193,878)
Net book value		
1 January	10,361,520	10,598,663
31 December	10,067,494	10,361,520

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 cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% interest rate. Based on this calculation, no impairment loss was recognised on goodwill.

Goodwill is allocated to the following entities:

	2010	2009
	EUR	EUR
Keringatlan Kft.	9,943,673	10,234,083
Balaton Glas Hotel Kft.**	123,821	127,437
Net book value	10,067,494	10,361,520

** At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

13. Accounts payable and other liabilities

	31.12.2010 EUR	31.12.2009 EUR
Trade payables	2,235,663	2,194,122
Taxes payable (excluding income taxes)	948,680	858,399
Advances from customers	30,676	27,053
Accrued expenses	863,738	877,577
Deferred rental income	2,147,166	2,110,016
Remuneration approved for executive incentive scheme – dividend preference shares (see Note 14)	651,000	651,001
Amounts payable to employees	182,881	145,791
Deposits from tenants (i)	279,509	255,971
Preference shares incentive scheme liability	556,054	634,938
Other liabilities	1,017,522	1,176,951
Total accounts payable and other current liabilities	8,912,889	8,931,819
Other long term liabilities (i)	1,939,830	2,040,474

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. Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

(i) The Group has received 2 to 3 months deposits of EUR 2,212,546 (2009: EUR 2,296,445) 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 of deposit liabilities which are expected to be repayable in more than one year (EUR 1,933,037 (2009: EUR 2,040,474)), and the part which is expected within a year was classified as short-term tenant deposit liabilities (EUR 279,509 (2009: EUR 255,971)). Other long-term liabilities include car leases totalling EUR 6,793 (2009: 0 EUR) in addition to safety deposits received from customers.

Dividend preference shares incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

13. Accounts payable and other liabilities (continued)

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue is treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed in 2010; the change in dividend preference shares is due to the year-end foreign exchange revaluation.

The shareholders' meeting of 26 April 2010, upon approval of the consolidated financial statements for 2009, decided to pay a dividend of EUR 0.42 per preference share. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

At their meeting of 7 April 2011, the Board of Directors approved to pay dividends on the preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders' meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2010.

14. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with face value of EUR 0.42 each. At 31 December 2010, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2009: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2010: EUR 840,000; 2009: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2010 1,550,000 (2009: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability) as further disclosed in Note 13.

As of 31 December 2010, the Company holds 12,632,549 treasury shares (including dividend preference shares) for a total amount of EUR 19,266,955 (2009: 12,579,779 shares at a cost of EUR 19,121,608). During 2010, the Company purchased 52,770 shares (2009: 466,510 shares) on an arm's length basis. In 2010, no dividend preference shares from senior officers were redeemed (2009: 450,000 dividend preference shares totalling EUR 161,082).

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the "Fotex" name) were valued by an independent appraiser at approximately EUR 7.7 million. This amount is shown as an intangible asset in the Company's local statutory financial statements and is amortised over 24 years. This amount is shown as a deduction from shareholders' equity in these consolidated financial statements of EUR 1,534,125 (2009: EUR 1,856,818).

15. Operating expenses

	2010 EUR	2009 EUR
Payments to personnel	(7,135,067)	(7,813,445)
Material-type expenses	(16,796,410)	(17,271,099)
Other expenses, net	(2,997,117)	(5,485,074)
Depreciation charges	(5,156,519)	(4,094,204)
Total operating expenses	(32,085,113)	(34,663,822)

15. Operating expenses (continued)

Other expenses include the following:

	2010 EUR	2009 EUR
Impairment of intangibles (Note 11)	–	(1,118,324)
Impairment of loans granted (Note 6)	(156,345)	(751,679)
Impairment of inventories	(41,386)	(278,238)
Impairment of debtors (Note 7)	(583,117)	(128,851)
Realised FX gain/loss (net)	127,698	(84,782)
Unrealised FX gain/loss (net)	184,440	(227,825)
Taxes paid	(1,238,278)	(964,948)
Donations	(647,196)	(738,423)
Other expenses	(642,933)	(1,192,004)
Total other expenses, net	(2,997,117)	(5,485,074)

16. Interest-bearing loans

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained the following mortgage loans from FGH Bank N.V. in 2009 and in 2010:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 31 Dec 2010 EUR	Short-term portion at 31 Dec 2010 EUR	Long-term portion at 31 Dec 2009 EUR	Short-ter portion a 31 Dec 2009 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One month Euribor + 2.7% (rounding +0.05) on two working days prior to the start date of the interest period*	17,425,958	346,158	17,744,477	276,0
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-month Euribor + 2.26% (rounding +0.05) on two working days prior to the start date of the interest period*	3,460,587	87,412	3,516,159	75,9
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-month Euribor + 2.20% (rounding +0.05) on two working days prior to the start date of the interest period	3,550,054	85,443	3,620,844	75,0
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4.32 % p.a	13,416,094	329,812	–	
Total			**39,950,000**		**37,852,693**	**848,825**	**24,881,480**	**426,9**

*See note 21 interest risk for further details of interest rate of mortgage loan I and II.

16. Interest bearing loans (continued)

The above loans are secured by mortgage rights on the Fotex properties in The Netherlands.

The pledged properties and their year-end book values are as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 10,301,688
Gorichem, Stadhuisplein 1a, 70 and 70a	EUR 13,613,721
Haarlem, Schipholpoort 20	EUR 5,274,699
3012 BL Rotterdam, Witte de Withstraat 25	EUR 5,859,581
8017 JV Zwolle, Zuiderzeelaan 43-51	EUR 18,363,067

The scheduled maturity of long-term loans at 31 December 2010 and 2009 is set out in Euro in the table below:

Due in	between 1-2 years	between 2-3 years	between 3-4 years	after 4 years	Total
2010	706,996	706,996	4,081,996	32,356,705	37,852,693
2009	426,994	426,994	426,994	23,600,498	24,881,480

17. Income tax

Income tax receivable:	2010	2009
	EUR	EUR
Opening income tax receivable	1,116,079	273,503
Income tax payable	(794,803)	(1,193,503)
Settlement of income tax	119,325	2,036,079
Closing income tax receivable	440,601	1,116,079

Income tax expense:	2010	2009
	EUR	EUR
Tax expense	794,803	1,193,503
Deferred tax	(131,139)	(165,430)
Income tax expense	663,664	1,028,073

17. Income tax (continued)

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

	2010	2009
	EUR	EUR
Income before minority interests and income taxes	7,050,770	3,335,434
Tax at statutory rate*	1,198,781	667,087
Effect of tax losses for which no corresponding deferred tax asset recognized	1,195,545	973,682
Effect of tax rate changes	1,440	(98,573)
Differences arising from Dutch and Luxembourg tax rates	(851,935)	(86,863)
Effect of one-off tax relief	(485,683)	(668,291)
Effect of permanent differences	(456,636)	(347,687)
Effect of tax adjustment for previous years	(25,362)	21,411
Local business tax and innovation contribution	550,924	567,307
Tax losses used during the year on unrecognised deferred tax assets	(463,410)	-
Income tax	663,664	1,028,073

*During 2010 the Hungarian tax authority (APEH) enacted certain changes to the corporate income tax rate for 2010 and future years. Prior to the change the corporate income tax rate was 20%. From 1 January 2010 the tax rate for the first half of the year was 19%, the rate for the second half of the year was 10% on the first HUF 250 million of taxable profit and was 19% above this amount. From 1 January 2011 the tax rate on the first HUF 500 million of taxable profit will be 10% and above this amount 19%. From 1 January 2013 the tax rate for all taxable profit will be 10%. As a result, for the purposes of the tax rate reconciliation Fotex has used a blended tax rate of 17% based on the tax rates used in Keringatlan.

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.

The income tax rate applicable to Fotex Holding SE's and Uppington Investments S.à r.l.'s income earned in Luxembourg is 22.05%, which results in a total tax of 30.84% (2009: 30.84%) as increased by Capellen's municipal tax; the income tax rate for Fotex Netherlands BV is 20% (2009: 20%).

17. Income tax (continued)

Deferred tax assets and liabilities for 2010 were calculated as follows:

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan a tax rate of 15% 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.

Deferred tax assets and deferred tax liabilities as at 31 December 2010 and 2009 are attributable to the items detailed in the tables below. In the below schedule, statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the income statement items were determined based on average foreign exchange rates for Q4 2010:

	Consolidated statement of financial position		Consolidated income statement	
	2010	2009	2010	2009
	EUR	EUR	EUR	EUR
Deferred tax liability				
Accumulated depreciation for tax purposes	(175,397)	(518,111)	331,401	(15,392)
Offset related party transactions	(7,569)	(28,047)	19,886	71,082
Capitalisations of small value assets	(103,461)	(141,975)	34,842	1,526
Difference from loan transaction charges	(126,530)	–	(127,837)	–
Deferred tax related to rental discount	(138,024)	–	(139,450)	–
Gross deferred income tax liabilities	(550,981)	(688,133)	118,842	57,216
Deferred income tax assets				
Provisions	21,415	90,164	(66,874)	51,940
Deferred tax of FTC rights impairment	-	241,471	(237,042)	241,471
Impairment of debtors	195,335	87,601	111,359	87,601
Tax losses carried forward	198,545	–	200,596	(272,798)
Difference from capitalised foundation /restructuring costs	4,215	–	4,258	–
Gross deferred income tax assets	419,510	419,236	12,297	108,214
Deferred income tax			131,139	165,430
Net deferred income tax liability	(131,471)	(268,897)		

17. Income tax (continued)

The Group has carried forward losses of EUR 1,136,887 which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 13,994,153 which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 13,994,153 (2009: EUR 7,057,122) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 13,994,153 (2009: EUR 6,994,945) can be rolled forward for an indefinite period.

18. Discontinuing operations

The Group had no discontinuing operations in either 2009 or in 2010.

19. Other comprehensive income components

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

20. Segment information

For management purposes, the Group is divided into 8 business lines:

Furniture production and sales
Investment property management
Household goods and cosmetics
Crystal and glass
Music records production and distribution
Clothing
Advertising
Other – administration and holding activities

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

20. Segment information (continued)

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. More than 90% of the Group's operations are carried out in Hungary. Geographical segments are not presented in the consolidated financial statements as the costs 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, fittings).

	2010	2010	2010	2009	2009	2009
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Furniture	2,633,290	90,874	2,724,164	3,398,571	112,478	3,511,049
Investment property	23,111,138	1,351,162	24,462,300	22,889,976	1,432,431	24,322,407
Household goods and cosmetics	809,758	457	810,215	1,042,531	424	1,042,955
Crystal and glass	7,291,681	160	7,291,841	4,250,165	10,981	4,261,146
Music	1,898,344	52,615	1,950,959	2,310,324	160,990	2,471,314
Clothing	692,236	524	692,760	879,959	57	880,016
Advertising	–	–	–	3,091	260,388	263,479
Other	2,559,231	1,565,029	4,124,260	2,495,952	1,581,065	4,077,017
Inter-segment elimination	–	(3,060,821)	(3,060,821)	–	(3,558,814)	(3,558,814)
Net sales	38,995,678	–	38,995,678	37,270,569	–	37,270,569

20. Segment information (continued)

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of furniture sales is export. Other sales mainly reflect domestic sales realised in HUF.

Income before income taxes:	2010 EUR	2009 EUR
Furniture	78,483	(189,762)
Investment property	7,618,141	8,761,116
Household goods and cosmetics	99,038	(6,641)
Crystal and glass	661,378	(1,901,166)
Music	357,757	251,850
Clothing	(19,402)	53,128
Advertising	-	(189,424)
Other	(1,744,625)	(3,443,667)
Income before income taxes:	7,050,770	3,335,434

Assets:	2010 Consolidated assets EUR	2010 Intra-business line assets EUR	2010 Total assets EUR	2009 Consolidated assets EUR	2009 Intra-business line assets EUR	2009 Total assets EUR
Furniture	3,844,151	80,331	3,924,482	3,779,498	56,565	3,836,063
Investment property	134,961,026	1,481,723	136,442,749	121,911,947	675,238	122,587,185
Household goods and cosmetics	1,600,316	7,780	1,608,096	2,309,278	103,977	2,413,255
Crystal and glass	9,768,298	–	9,768,298	6,391,881	2,944,620	9,336,501
Music	1,580,732	13	1,580,745	1,387,029	48,524	1,435,553
Clothing	1,531,372	273,498	1,804,870	1,764,776	12,661	1,777,437
Advertising	–	–	–	163,792	517	164,309
Other	11,404,464	18,625,210	30,029,674	9,773,216	778,043	10,551,259
Balances among business lines set off	–	(20,468,555)	(20,468,555)	–	(4,620,145)	(4,620,145)
Total assets	164,690,359	–	164,690,359	147,481,417	–	147,481,417

Fotex Holding SE and Subsidiaries
Notes to the consolidated financial statements (continued)
31 December 2010
Figures in EUR

20. Segment information (continued)

Liabilities and accruals:	2010 Consolidated liabilities EUR	2010 Intra-business line payables EUR	2010 Total liabilities EUR	2009 Consolidated liabilities EUR	2009 Intra-business line payables EUR	2009 Total liabilities EUR
Furniture	371,710	348,905	720,615	320,473	56,760	377,233
Investment property	44,722,545	11,088,046	55,810,591	31,710,526	11,512,361	43,222,887
Household goods and cosmetics	157,638	188,618	346,256	200,855	104,237	305,092
Crystal and glass	2,228,255	6,930,572	9,158,827	2,386,778	6,233,581	8,620,359
Music	224,558	10,915	235,473	239,925	15,334	255,259
Clothing	51,380	587,347	638,727	55,405	12,738	68,143
Advertising	–	–	–	30	517	547
Other	2,566,505	1,300,008	3,866,513	2,529,450	615,022	3,144,472
Balances among business lines set off	–	(20,454,411)	(20,454,411)	–	(18,550,550)	(18,550,550)
Liabilities and accruals	50,322,591	–	50,322,591	37,443,442	–	37,443,442

Tangible and intangible asset additions:	2010 EUR	2009 EUR
Furniture	77,721	895
Investment property	20,659,443	37,704,336
Household goods and cosmetics	475	11,731
Crystal and glass	36,366	144,922
Music	15,628	13,238
Clothing	153,204	7,217
Advertising	-	-
Other	275,702	84,643
Tangible asset additions:	21,218,539	37,966,982

Depreciation and amortisation:	2010 EUR	2009 EUR
Furniture	(93,381)	(69,907)
Investment property	(4,479,428)	(3,456,272)
Household goods and cosmetics	(35,633)	(50,388)
Crystal and glass	(246,295)	(279,702)
Music	(38,357)	(39,579)
Clothing	(18,881)	(10,558)
Advertising	-	-
Other	(244,544)	(187,798)
Depreciation and amortisation:	(5,156,519)	(4,094,204)

21. Financial risks, management objectives and policies

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

The Group entered into a small number of derivative contracts in 2010, mainly FX forwards to manage FX risks related to the Group's operations. The Group had no open derivatives at 31 December 2010.

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 risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7% and one is at a fixed rate of 4.32%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3 to 3.64%. In order to reduce interest risk, the lending banks charge a 0.7% interest guarantee with respect to mortgage loans I and II as described in note 16.

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. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

The Group also has a FX risk on transactions – which occurs when the Group buys or sells in a currency other than its functional currency. Nearly 33% of the Group's revenues (2009: 48 %) and 70% of costs (2009: 87 %) are from transactions made in other than the functional 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):

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

		Increase (stronger EUR)/decrease (weaker EUR) in HUF/EUR rate	Impact on the pre-tax profit
			EUR
2010	revenues	+10%	-1,299,721
		-10%	+1,299,721
	costs and expenses	+10%	+2,255,545
		-10%	-2,255,545
2009	revenues	+10%	-2,000,085
		-10%	+2,000,085
	costs and expenses	+10%	+3,115,543
		-10%	-3,115,543

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

Certain of the Group's financial assets and liabilities are denominated in other currencies than the functional currency of Fotex 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
2010		+10%	-912,153
		-10%	+912,153
2009		+10%	-1,607,494
		-10%	+1,607,494

Lending 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 creditors in the market.

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.

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

The Group's liabilities based on contracted not discounted payments at 31 December 2010 and 2009 are presented below according to maturity.

31 December 2010	Due EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 year EUR	Total EUR
Trade payables	728,061	1,019,160	59,042	429,400	–	2,235,663
Taxes payable (excluding income taxes)	10,371	816,926	23,320	98,063	–	948,680
Advances from customers	–	30,676	–	–	–	30,676
Accrued expenses	–	630,500	156,689	–	–	787,189
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–		651,000	–	–	651,000
Amounts payable to employees	–	182,881	–	–	–	182,881
Deposits from tenants	–	–	279,509	–	–	279,509
Other liabilities	74	227,541	1,184,670	161,291	–	1,573,576
Total short-term liabilities	738,506	2,907,684	2,354,230	688,754	–	6,689,174
Loans received	–	562,796	1,625,070	23,753,661	20,319,752	46,261,279
Other long-term liabilities	–	–	–	1,939,830	–	1,939,830
Total	738,506	3,470,480	3,979,300	26,382,245	20,319,752	54,890,283

31 December 2009	Due EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 year EUR	Total EUR
Trade payables	654,785	961,442	25,244	552,651	–	2,194,122
Taxes payable (excluding income taxes)	2,720	690,216	80,752	84,711	–	858,399
Advances from customers	–	27,053	–	–	–	27,053
Accrued expenses	94,399	708,525	36,863	25,790	–	865,577
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	651,001	–	–	–	651,001
Amounts payable to employees	–	145,791	–	–	–	145,791
Deposits from tenants	–	27,131	228,840	–	–	255,971
Other liabilities	–	427,332	1,152,546	232,011	–	1,811,889
Total short-term liabilities	751,904	3,638,491	1,524,245	895,163	–	6,809,803
Loans received		354,526	926,220	8,511,315	21,389,014	31,181,075
Other long-term liabilities	–	–	–	2,040,474	–	2,040,474
Total	751,904	3,993,017	2,450,465	11,446,952	21,389,014	40,031,352

Included in the balance of liabilities aged 1-5 years are amounts of EUR 688,499 (2009: EUR 895,070) that relate to Ajka which whilst current, may be settled at any time up to 30 June 2012 being the end of the creditors protection period connected to the former bankruptcy procedure of Ajka.

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

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group. As described in note 16, the Group has taken mortgage loans in 2009 and in 2010 in connection with its office building purchase transactions in The Netherlands. The managements evaluates the level of indebtness of the Group as healthy, bearing low risks.

Fair value

At 31 December 2010 and 2009, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful debts. Certain bonds are fair valued as disclosed in note 6. Bank loans having variable market interest rate approximated their fair values.

22. Investments in subsidiaries

During 2010, Fotex Group entered into the following transactions and mergers:

- At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

During 2009, Fotex Group entered into the following transactions and mergers:

- On 5 February 2009, Upington Investments Ltd. moved its headquarters from Cyprus to Luxembourg.
- At 29 February 2009, KONT-VESZ Kft. merged into Kontúr Zrt.
- At 4 March 2009, Keringatlan Kft. established a subsidiary in The Netherlands - Fotex Netherlands B.V., to create, develop and manage a property portfolio in The Netherlands.
- Effective 1 October 2009, Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.

23. Operating Leases

Group as lessee

The Group leases retail sites within the shopping centres “MOM Park” and “Csepel Plaza” located in Budapest and at four other locations in Budapest and six in Győr based on non-cancellable operating lease agreements.

Since September 2001, the Group has been leasing retail sites within “MOM Park”, the relating contract has a term of 7 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 for further five years until 19 September 2013. After 1 January 2008, the Group decreased the rented area by 2,056 m^2 from 5,374 m^2 to a 3,318 m^2 rented area. Another 134 m^2 were added to this area in August 2010 to a total of 3,452 m^2.

23. Operating Leases (Continued)

The rental contract on retail outlets in the shopping centre “Csepel Plaza” expired on 2 December 2010 and was not prolonged. The contracts on the four retail outlets in Budapest classified as other centres and shops expired in September 2010, respectively expire in mid-November 2013, December 2013, and in February 2016. The rents of the six outlets in Győr expired in December 2010, respectively expire in December 2022 and in December 2023. The expired rental contracts were not prolonged.

The leasing fees are denominated in Euro 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” and from 1 January 2000 or 2001 in the case of other centres. In the case of the outlets in Győr, the rents are specified in HUF. Accordingly, increases are effected based on the official CPI published by the Hungarian Central Statistical Office. The Group also leases office space in Fotex Plaza as described in Note 25. At 31 December 2010, the Group is committed to pay the following minimum leasing fees:

	Fotex Plaza	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR	EUR
2011	592,990	738,482	101,970	1,433,442
2012	–	755,399	106,668	862,067
2013	–	563,147	111,590	674,737
Thereafter	–	–	1,241,905	1,241,905
Total	592,990	2,057,028	1,562,133	4,212,151

At 31 December 2009, the Group was commited to pay the following minimum leasing fees:

	Fotex Plaza	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR	EUR
2010	665,739	700,337	264,710	1,630,786
2011	672,395	707,340	235,177	1,614,912
2012	–	714,413	245,008	959,421
2013	–	518,920	253,344	772,264
Thereafter	–	–	2,320,074	2,320,074
Total	1,338,134	2,641,010	3,318,313	7,297,457

In 2010, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 704,160 (2009 Jan-Dec: EUR 693,403), and EUR 262,752 (2009 Jan-Dec: EUR 276,054) for January to December in relation to other shops and outlets.

23. Operating Leases (Continued)

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 303 m^2 at a rental cost of EUR 24,977 for January to December 2010 (2009: 53,185 EUR).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2009, the Group did not exercise any such right in 2010.

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 rental agreements give the opportunity to cancel the contract in 2 to 3 months by either party.

The Group acquired four office buildings in 2009 and a further building in 2010 in The Netherlands which are leased to tenants on fixed long-term rental agreements. Based on these agreements the contracted revenue is as described in the table below.

The Group's fixed rental fee revenue as of 31 December 2010 (EUR):

Due in	2011	2012	2013	After 2013	Total
	4,021,945	4,460,146	4,500,174	21,606,936	34,589,201

The Group's fixed rental fee revenue as of 31 December 2009 (EUR):

Due in	2010	2011	2012	After 2012	Total
	2,696,406	2,696,406	2,718,756	21,347,719	29,459,287

24. Earnings Per Share

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

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

24. Earnings Per Share (continued)

	2010	2009
	EUR	EUR
Net profit attributable to equity holders from continuing operations	6,375,028	2,224,780
Net profit attributable to shareholders	6,375,028	2,224,780
Weighted average number of shares in issue during the year	60,102,089	60,229,294
Basic earnings/(deficit) per share (EUR)	0.11	0.04

The diluted earnings per share agree with basic earnings per share in 2010 and 2009 as there is no dilution effect in these years.

25. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company and Blackburn International S.à.r.l. (“Blackburn Luxembourg”), a Luxembourg company and Zurich Investments Inc. (“Zurich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”) and Plaza Park Kft. (“Plaza Park”). As at 31 December 2010, Blackburn controls 16.9 % (2009: 16.9%) of the Company’s share capital, Zurich controls 14.1% (2009: 14.1%), Fotex Ingatlan controls 17.6 % (2009: 17.6%), and Plaza Park 1.6% (2009: 1.6%). These companies are considered to be related parties.

Related party rental transactions

In case of Plaza Park office accommodation agreements were modified in December 2000, and were extended until 31 December 2006. Based on their options, Fotex and certain of its subsidiaries renegotiated rental contracts and extended them until 31 December 2011. The rental agreements are for an indefinite period and rental fees are adjusted with the harmonized customer price index (EU25) reported by the European Union’s Statistical Office (Eurostat).

Rental and other related fees paid to Fotex Ingatlan for 2010 were EUR 367,311 (2009: 343,156 EUR) and to Plaza Park EUR 615,342 (2009: EUR 685,863).

Further to a helicopter rental agreement between Plaza Park and Keringatlan Kft., the total amount of rent plus related services invoiced by Plaza Park for 2010 was EUR 15,279 EUR (2009: EUR 967).

25. Related Party Transactions (continued)

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2010 was EUR 116,620 (2009: EUR 93,090).

During 2010, Fotex Ingatlan granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 2,914 for 2010.

Fotex granted arm's length loans to senior officers to purchase dividend preference shares: The balance of officers' loan amounts to EUR 92,393 at 31 December 2010 (2009: EUR 265,755) (details see Note 14).

Remuneration of Group management

Management, directors and members of the supervisory board of the Group received a total remuneration of EUR 603,391 in 2010 (2009: EUR 837,101) as increased by dividends of EUR 651,000 upon approval of the annual shareholders' meeting.

THE Q1 UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Fotex Holding SE
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L-8308 Capellen

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Consolidated financial statements as at 31 March 2011

Fotex Holding SE and its subsidiaries
Consolidated statement of financial position
Figures in EUR

	Notes	March 31 2011 EUR	December 31 2010 EUR
Assets:			
Current assets:			
Cash and short term deposits	4	18,919,123	17,245,883
Other current financial assets	5	929,209	515,301
Accounts receivable and prepayments	6	5,649,882	6,483,893
Income tax receivable		394,964	440,601
Inventories	7	8,015,384	7,637,998
Total current assets		33,908,562	32,323,676
Non-current assets			
Property, plant & equipment	8	113,128,729	112,226,193
Deferred tax asset		439,983	419,510
Intangible assets	10	2,806,391	2,814,996
Other non current financial assets	5	6,811,852	6,838,490
Goodwill arising on acquisition	11	10,558,785	10,067,494
Total non current assets		133,745,740	132,366,683
Total assets:	19	167,654,302	164,690,359
Liabilities and shareholder's equity			
Current liabilities:			
Interest-bearing loans, borrowings and overdrafts	15	843,819	848,825
Provisions		125,371	217,373
Accounts payable and other liabilities	12	7,187,834	8,912,889
Total current liabilities:		8,157,024	9,979,087
Non-current liabilities:			
Interest bearing loans and borrowings	15	37,838,869	37,852,693
Other long-term liabilities	12	1,758,615	1,939,830
Deferred tax liability		577,869	550,981
Total non current liabilities		40,175,353	40,343,504
Shareholder's equity:			
Issued capital	13	30,543,933	30,543,933
Capital reserve		32,895,729	32,895,729
Goodwill write off reserve	13	(1,453,451)	(1,534,125)
Retained earnings		76,503,594	71,637,487
Treasury shares, at cost	13	(19,266,955)	(19,266,955)
Equity attributable to equity holders of the parent company		119,222,850	114,276,069
Non – controlling interest in consolidated subsidiaries		99,075	91,699
Total shareholder's equity		119,321,925	114,367,768
Total liabilities and shareholder's equity		167,654,302	164,690,359

See the accompanying notes to the consolidated financial statements.

Fotex Holding Se and its subsidiaries
Consolidated Income statement
Figures in EUR

	Notes	March 31 2011 EUR	March 31 2010 EUR
Revenue	19	9,384,175	8,765,619
Operating expenses	14	(7,380,903)	(7,031,558)
Interest income		275,543	362,268
Interest expense		(586,326)	(248,992)
Income before income taxes	19	1,692,489	1,847,337
Income tax expense	16	(411,777)	(545,606)
Net income		1,280,712	1 301,731
Attributable to			
Equity holders of the parent company		1,277,882	1,302,528
Non – controlling interest		2,830	(797)
Net income		1,280,712	1,301,731
Earnings per share	23	0.02	0.02
Diluted earnings per share	23	0.02	0.02

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE its subsidiaries
Consolidated Statement of Comprehensive Income
Figures EUR-ban

	Notes	March 31 2011 EUR	March 31 2010 EUR
Net income		1,280,712	1,301,731
Other comprehensive income:			
Exchange differences on translation of foreign operations	18	3,673,445	2,350,742
Total comprehensive income		4,954,157	3,652,473
Attributable to:			
Equity holders of the parent company		4,946,781	3,653,281
Non-controlling interest		7,376	(808)
		4,954,157	3,652,473

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

31 March 2011

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2011	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	114,276,069	91,699	114,367,768
Profit for the period 2011				1,277,882		1,277,882	2,830	1,280,712
Other comprehensive income (Note 18)				3,668,899		3,668,899	4,546	3,673,445
Total comprehensive income	0	0	0	4,946,781	0	4,946,781	7,376	4,954,157
Redeemed treasury shares (Note 13)						0		0
Minority dividends						0		0
Reversed written off goodwill reserve (Note 13)			80,674	(80,674)		0		0
31 March 2011	30,543,933	32,895,729	(1,453,451)	76,503,594	(19,266,955)	119,222,850	99,075	119,321,925

See accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

31 March 2010

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2010	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
Profit for the period 2010				1,302,528		1,302,528	(797)	1,301,731
Other comprehensive income				2,350,753		2,350,753	(11)	2,350,742
Total comprehensive income				3,653,281		3,653,281	(808)	3,652,473
Redeemed treasury shares (Note 13)					(46,967)	(46,967)		(46,967)
Minority dividends						0		0
Reversed written off goodwill reserve (Note 13)			80,674	(80,674)		0		0
31 March 2010	30,543,933 0	32,895,729 0	(1,776,144) 0	71,065,733 0	(19,168,575) 0	113,560,676 0	82,805 0	113,643,481

See accompanying notes to consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Cash Flows (EUR)

	31 March 2011	31 March 2010
	EUR	EUR
Cash flows from operating activities:		
Income / (Loss) before non-controlling interests and income taxes	1,692,489	1,847,337
Depreciation and amortization	1,454299	1,302,414
Provision used and reversed	(100,088)	-
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss, impairment of tangible assets	341,119	(18,327)
Gain on disposal of tangible and intangible assets	(176)	(4,688)
Gain on disposal of other investments	(83,859)	
Interest income	(275,543)	(362,268)
Interest expense	586,326	248,992
Changes in assets and liabilities:		
Accounts receivable and prepayments	1,217,100	2,320,455
Inventories	(4,654)	73,922
Accounts payable and accrued expenses	(2,160,001)	(2,327,835)
Cash flows from operating activities	2,667,012	3,080,002
Income taxes paid	(411,777)	(545,605)
Net cash from operating activities:	2,255,235	2,534,397
Cash flows from investing activities:		
Purchase of tangible and intangible assets:	(152,492)	(501,381)
Sale of tangible and intangible assets:	958	4,885
Change in investments	(7,546)	(219,569)
Interest received	275,543	362,268
Net cash used in investing activities:	116,463	(353,797)
Cash flows from financing activities:	(176,749)	(112,999)
Repayments of Loans granted	38,961	30,211
Repaymensts of Loans received		0
Interest paid	(444,406)	(266,540)
Purchase of treasury shares		(46,965)
Change other long term liabilities	(275,875)	34,652
Net cash used in financing activities:	(858,069)	(361,641)
Net increase/decrease in cash and cash equivalents:	1,513,629	1,818,959
Cash and cash equivalents at beginning of year	17,245,883	12, 997,087
Effect of foreign currency translation	159,611	357,166
Cash and cash equivalents at 31 March:	18,919,123	15,173,212

See accompanying notes to consolidated financial statement.

1. General information

Fotex Group's report on its operations in the period I-III months 2011 is prepared in accordance with IFRS requirements. These figures are consolidated but not audited.

As part of the Group's restructuring process, the scope of subsidiaries taken into account at the consolidation has changed compared to the basis period as follows:

At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

Subsidiaries taken into account at the consolidation at 31 March 2011 and at 31 March 2010 are as follows:

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
Ajka Kristály Üvegipari Kft	Crystal manufacturing and retail	5,050,721	5,050,721	100.0	100.0	100.0	100.0
Balaton Bútor Kft	Furniture manufacturer	1,325,100	1,325,100	100.0	100.0	100.0	100.0
Balaton Glas Hotel Kft	Property management (Note 21)	-	882,922	-	100.0	-	100.0
Downington Sàrl,	Investment holding	2,050,000	2,050,000	100.0	100.0	100.0	100.0
Europrizma Kft	Administration services	35,879	35,879	100.0	100.0	100.0	100.0
Fotex Cosmetics Kft	Cosmetics retailer	870,723	870,723	100.0	100.0	100.0	100.0
Fotexnet Kft	Internet retail and other services	28,349	226,603	100.0	98.6	100.0	98.7
Hungaroton Music Zrt	Music archive	480,399	480,399	99.2	99.2	99.2	99.2
Hungaroton Records Kft	Music release and music retailing	1,707,078	1,707,078	99.8	99.8	100.0	100.0
Keringatlan Kft	Property management	20,558,176	20,677,166	100.0	100.0	100.0	100.0
Fotex Netherlands B.V.	Property management	18,000	18,000	100.0	100.0	100.0	100.0
Primo Zrt	Clothing retailing and wholesaling	1,859,657	1,859,657	100.0	100.0	100.0	100.0
Sigma Kft	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székhely 2007 Kft	Property management	86,109	86,109	99.1	99.1	99.1	99.1
Upington Investments Ltd	Investment holding	12,500	1,710	100.0	100.0	100.0	100.0

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt. Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. 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.

In connection with the transformation into a European public limited company, the dematerialized shares had to be replaced. The replacement took place on 25 February 2009. As a result of the

1. General information (continued)

replacement, the product list listed at the Budapest Stock Exchange (BSE) was changed. One dematerialized subscribed share of Fotex Nyrt. at HUF 100 face value is equivalent to one dematerialized subscribed share of Fotex Holding SE Nyrt. at EUR 0.42 face value. The rights related to the shares as set out in the company statutes have remained unchanged.

Following the transformation into a European public limited company, the Company's annual general meeting held on 28 April 2009 decided to move the Company's registered office to Luxembourg. The Company was registered in the Luxembourg (new registered office) companies register at 4 June 2009. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, Luxembourg. The Metropolitan Court of Budapest, cancelled the Company from the Hungarian companies register on 28 August 2009.

2. Significant accounting policies

Basis of presentation

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The consolidated financial statements have been prepared on a historical cost basis.

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").

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At 31 March 2011, due to the endorsement process of the EU, and the activities of the Group, 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 Company. The reporting currency of the consolidated financial statements is EUR.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

All intra-group balances, revenues and expenses and gains and losses resulting from intra-group transactions are eliminated.

Non-controlling interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within shareholders' equity in

2. Significant accounting policies (continued)

the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

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 for the period I-III months 2011 are prepared in EUR.

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 was necessary to convert the elements of the statement of financial position and income statements of subsidiaries from HUF to EUR.

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

The income statement has been converted to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

	2011	2010
First quarter	272.48 HUF/EUR	268.57 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 March 2011: 265.78 HUF/EUR (31 December 2010: 278.75 HUF/EUR). The elements of own equity are converted by using the historical FX rates except the current year's result and the non-controlling interest. The current year's result is converted by using the quarterly Hungarian Nation Bank ("MNB") average FX rate and the non-controlling interest is converted by using the MNB FX rate as at 31 March 2011 (265.78).

3. Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made judgements on the balance sheet date of prior year. The management makes these judgements at the preparation of the annual financial statements, and in the interim financial statements the effect of judgements, which have been made on the prior year's balance sheet date, are applied. The key assumptions concerning the future and other key sources of estimation uncertainty made at the prior year's balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the preparation of current year's closing annual financial statement. From these the following has the most significant effect on the figures presented in the financial statement.

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.

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

Impairment of Goodwill

The Group determines whether goodwill is impaired 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.

Impairment of Intangibles

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired 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.

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. On an annual basis 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. The recognised tax loss as at 31 March 2011 is EUR 1,150,957 (31 December 2010: EUR 1,136,887)

Fair Value of Investment Properties

The Group determines on an annual basis and presents in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows are determined separately for the following categories of investment property: retail outlets, offices, warehouses, other real estate property and plots of land using average rental fees currently realisable by the Group; present values are calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets.

4. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in view of the prompt 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 at 31 March 2011 is EUR 18,919,123 (31 December 2010: EUR 17,245,883).

Cash includes fixed deposits of EUR 12,637,418 (31 December 2010: EUR 2,740,413) at rates ranging from 4.1% to 5.45% (2010: 3.5% to 7.1 %). The Company has EUR, USD and HUF deposits. The lower rates are on foreign currencies while the higher ones are on HUF.

5. Other financial assets

Short term	31 March 2011 EUR	31 December 2010 EUR
Cash deposit connected to rented properties	591,889	279,509
Other short-term investment held-to-maturity – less impairment loss	337,320	235,792
Other short-term investments, total	929,209	515,301

Long term	31 March 2011 EUR	31 December 2010 EUR
Cash deposit connected to rented properties	1,733,255	1,933,037
Investments held to maturity	5,015,988	4,804,608
Loans to senior officers	54,037	92,393
Long-term part of long-term loans to other companies – less impairment loss	8,572	8,452
Other long-term investments, total	6.811.852	6,838,490

Cash deposit 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 of the deposits which are expected to be repayable in more than one year to the long-term, and the deposits which are expected to be repayable within 3 months and a year were classified as short-term.

Investments held-to-maturity

Long-term securities held-to-maturity include OTP Bank Nyrt, ("OTP") bonds purchased by the Group's subsidiary in Luxembourg. The Group has 7,100 subordinated OTP bonds of EUR 1,000 face value each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued at 19 March 2006 as value date maturing on 19 March 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 March each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 March 2011 is EUR 4,276,206 (31 December 2010: EUR 4,093,865). The applied average effective interest rate is 18%. The fair value of OTP bonds as of March 31, 2011 is EUR 6,237,968 (at 31 December 2010: EUR 6,146,738).

The Group has 1,000 MOL Nyrt ("MOL") bonds of EUR 1,000 face value each purchased on 10 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 31 March 2011 is EUR 633,881 (31 December 2010 EUR 608,801). The applied average effective interest rate is 16%. The fair value of MOL bonds as of March 31, 2011 is EUR 939,321 (at 31 December 2010: EUR 889,873).

The other short-term investment held to maturity - less impairment loss line contains mainly mutual funds investments.

5. Other financial assets (continued)

Loans to senior officers:

Arm's length loans granted by Fotex are to senior officers to purchase dividend preference shares totalling 54,037 EUR (31 December 2010: 92,393) (Note 12).

The long-term part of long-term loans to other companies – less impairment loss line contains EUR 8,572 (31 December 2010: EUR 8,452) loans granted to employees.

6. Accounts receivable and prepayments

	31 March 2011	31 December 2010
	EUR	EUR
Debtors	3,942,156	5,531,848
Impairment loss on debtors	(986,572)	(946,542)
Tax assets	857,091	498,766
Other receivables and prepayments/accrued income	2,191,270	1,739,316
Impairment loss on other receivables	(354,063)	(339,495)
Total	5,649,882	6,483,893

The terms applicable to related parties are set out in Note 24.
Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received in three months.

Impairment loss on debtors, tax assets and on other receivables at 31 March 2011 EUR 1,340,635 (31 December 2010: EUR 1,286,037).

6. Accounts receivable and prepayments (continued)

Movements in the impairment loss:

	EUR
1 January 2010	765,862
Charge for the year	656,965
Utilised	(62,942)
Unused amount reversed	(52,115)
FX loss	(21,733)
31 December 2010	1,286,037
Charge for the year	463
Utilised	
Unused amount reversed	(8,626)
FX loss	62,761
31 March 2011	1,340,635

7. Inventories

	31 March 2011 EUR	31 December 2010 EUR
Merchandise and finished products	8,805,908	8,361,764
Materials	1,125,753	1,124,639
Work in progress	2,247,769	2,121,892
Inventories, gross	12,179,430	11,608,295
Impairment of merchandise and finished products	(3,575,365)	(3,409,006)
Impairment of materials	(48,716)	(46,450)
Impairment of work in progress	(539,965)	(514,841)
Impairment of inventories	(4,164,046)	(3,970,297)
Total inventories, net	8,015,384	7,637,998

Management has identified a number of Group companies that have slow moving inventories. Management considers the recognised impairment loss of EUR 4,164,046 (2010: 3,970,297) as adequate, and as of March 31, 2011 no further inventory impairment has been created in I-III months 2011, the change in inventory impairment is due to changes in FX rates.

8. Property, plant & equipment

Movements in tangible assets during period I-III months 2011 were as follows (the table contains the property plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2011	132,002,513	18,843,351	436,957	151,282,821
Additions	82,112	338,726	-	420,838
Disposals and write downs	(535,221)	(69,358)	-	(604,579)
Currency (loss)/gain arising from retranslation	3,469,061	921,381	(254,577)	4,135,865
31 March 2011	135,018,465	20,034,100	182,380	155,234,945
Accumulated depreciation:				
1 January 2011	(23,530,138)	(15,526,490)	-	(39,056,628)
Depreciation expense	(1,114,548)	(322,443)	-	(1,436,991)
Disposals and write downs	136,417	56,742	-	193,159
Currency (loss)/gain arising from retranslation	(1,041,393)	(764,363)	-	(1,805,756)
31 March 2011	(25,549,662)	(16,556,554)	-	(42,106,216)
Net book value				
31 March 2011	109,468,803	3,477,546	182,380	113,128,729
31 December 2010	108,472,375	3,316,861	436,957	112,226,193

8. Property, plant & equipment (continued)

Movements in tangible assets during 2010 were as follows (the table contains the property, plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	114,042,089	20,205,460	1,115,426	135,362,975
Additions	20,234,847	946,258	-	21,181,105
Disposals and write downs	(218,866)	(1,728,509)	(654,668)	(2,602,043)
Currency (loss)/gain arising from retranslation	(2,055,557)	(579,858)	(23,801)	(2,659,216)
31 December 2010	132,002,513	18,843,351	436,957	151,282,821
Accumulated depreciation:				
1 January 2010	(19,870,659)	(16,868,950)	-	(36,739,609)
Depreciation expense	(4,297,973)	(838,697)	-	(5,136,670)
Disposals and write downs	64,764	1,692,875	-	1,757,639
Currency (loss)/gain arising from retranslation	573,730	488,282	-	1,062,012
31 December 2010	(23,530,138)	(15,526,490)	-	(39,056,628)
Net book value				
31 December 2010	108,472,375	3,316,861	436,957	112,226,193
31 December 2009	94,171,430	3,340,062	1,111,874	98,623,366

9. Real estate property

The Group’s assets principally comprise of real estates owned by the parent company and the subsidiaries and rented out predominantly to third parties. Most of the Group’s revenues are realized from real estate utilization. This type of activity is highly sensitive to macroeconomic trends. Based on the forecasts in 2011 a slightly higher GDP increase is expected compared to prior year, although the effect of expected economic performance improvement won’t influence the real estate market, due to the fact that the effects of macroeconomic trends appear ca 1- 2 years later on the real estate market. From a Group point of view the year 2011 won’t be easier compared to the two previous years, rather stagnation is expected.
The changes on retail real estate market have the greatest effect on the Group’s activity due to the structure of the Group’s real estate portfolio, so at the forecasting of the revenue the changes in this sector should have mainly taken into account. The trend on the retail real estate market is the following:

- in 2010 the retail turnover has decreased by 2.3% compared to prior year, and in 2011 the rise of purchasing power and that’s why the increase in retail turnover also can not be expected

9. Real estate property (continued)

- due to the significant decline of demand on the real estate market, the opportunities to let decreased significantly and mostly the retail real estate market has been effected and the latest recovery can be expected in this segment.
- the rental fees are presumed to be a low level, they stagnate
- the offered real estate portfolio of the Group and the quality and place of the released properties so many times do not fit to the requirements of the declining number of potential lessees.
- the prolongation of the expired rental contracts will be more difficult and more unfavourable rental conditions are expected to achieve as it was previously

Significant portion of the rental revenue will be derived from the let of the retail real estates, and the rental revenue originated from the let of offices and warehouses will represents a lower level as it happened in the previous periods also.

Retail real estates

The continuous decline of the retail turnover hasn't stopped yet. It is expected that further stores situated at a less commercially frequented places and retailers with low economic potential will cease their operation during the year and in addition we can modestly taken into account the appearance of new multi national companies and expansion of domestic companies. According to the most optimistic opinions, the best case scenario is that the falling of rental fees would stop.
It shows the bad conditions on the retail real estate market, that in case of the expired rental contracts the Group could only agree at 15-20% lower rental fee then the prior rental fee. The negotiations are also more difficult and more time-consuming.

Warehouses

A continuous increase in the supply of state-of-the-art logistic centres and newly built warehouses make it increasingly difficult for us to rent out our less up-to-date warehouses. Since the beginning of the financial crises the logistic property rental fees have dropped significantly, the decreases in the market can be as high as 30-40%. Positive for the future, that real estate experts predict that positive change would appear first in office-warehouse segment of the real estate market, based on the market expectations slight increase in the rental fee is expected.

Offices

It is assumed that the stop of the falling in demand and the decreasing degree of new offices will contribute to slight moderate in the record vacancy (at year-end 2010 it was 26%). Based on the real estate experts this rate would be at around 23-24% at year-end 2011. In case of rental fee most of the real estate experts believe that no increase would happen, but the decrease would also expect to stop.
In view of the adverse market conditions, the Group pays extra attention to controlling and optimising its costs to attainable revenues. Nonetheless, the Group makes efforts to make the best of investment opportunities offered by the stagnating real estate market. The Group's Dutch subsidiary, Fotex Netherlands B.V., purchased five significant office buildings totalling an area of 30 386 m2 (Zoetermeer, Gorinchem, Haarlem, Rotterdam, Zwolle). All these buildings are fully let with long term contracts, at good returns.

Adverse changes in the world's economy have made it particularly necessary to review the value of the Group's real estate properties on an annual basis. Our investment properties were revalued as part of the audited annual financial statements prepared at the end of 2010. The figures disclosed in the annual financial statements for 2010 are considered as relevant values with respect to the Group's real estate property which will be revalued by the Company in the audited financial statement for the current year.

9. Real estate property (continued)

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,716	33,883,648	163,121,683
Offices	39,008	47,879,633	65,063,516
Warehouses	97,111	3,141,146	15,138,744
Other structures	38,830	3,239,595	5,263,805
Plots of land	677,670	14,240,787	23,430,835
Total investment properties	998,335	102,384,809	272,018,583

10. Intangible assets

Movements in intangible assets during period I-III months 2011 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2011	6,667,194	956,371	7,623,565
Additions		1,628	1,628
Disposals and write downs		(1,659)	(1,659)
Currency loss arising from retranslation		(83,216)	(83,216)
31 March 2011	6,667,194	873,124	7,540,318
Amortisation:			
1 January 2011	(4,008,798)	(799,771)	(4,808,569)
Amortisation expense		(17,309)	(17,309)
Impairment			
Disposals and write downs		1,659	1,659
Currency gain arising from retranslation		90,292	90,292
31 March 2011	(4,008,798)	(725,129)	(4,733,927)
Net book value:			
31 March 2011	2,658,396	147,995	2,806,391
31 December 2010	2,658,396	156,600	2,814,996

The column ’Other’ reflects property rental rights associated with subsidiaries. As part of discontinuing its ownership of 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. By 31 December 2005,

10. Intangible assets (continued)

there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 8.5%. An impairment loss of EUR 4,008,798 was recorded in previous years. Based on management's estimates no additional impairment loss is required for the current year (2010: EUR 0).

Movements in intangible assets for 2010 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2010	6,667,194	943,087	7,610,281
Additions	-	37,434	37,434
Disposals and write downs	-	(75,354)	(75,354)
Currency loss/gain arising from retranslation	-	51,204	51,204
31 December 2010	6,667,194	956,371	7,623,565
Amortisation:			
1 January 2010	(4,008,798)	(757,136)	(4,765,934)
Amortisation expense	-	(19,849)	(19,849)
Impairment	-	-	-
Disposals and write downs	-	31,322	31,322
Currency loss/gain arising from retranslation	-	(54,108)	(54,108)
31 December 2010	(4,008,798)	(799,771)	(4,808,569)
Net book value:			
31 December 2010	2,658,396	156,600	2,814,996
31 December 2009	2,658,396	185,951	2,844,347

11. Goodwill

Movements in goodwill on business combinations at 31 December 2010 and 31 March 2011 were as follows:

	31 March 2011	31 December 2010
	EUR	EUR
Cost:		
1 January	19,972,104	20,555,398
FX difference	974,634	(583,294)
Closing balance	20,946,738	19,972,104
Impairment:		
1 January	(9,904,610)	(10,193,878)
Increase in impairment loss		
FX difference	(483,343)	289,268
Closing balance	(10,387,953)	(9,904,610)
Net book value:		
1 January	10,067,494	10,361,520
Closing balance	10,558,785	10,067,494

The Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% discount rate. Based on this calculation, no impairment loss was recognised on goodwill.

The goodwill is allocated to the following entities:

	31 March 2011	31 December 2010
	EUR	EUR
Keringatlan Kft:	10,558,785	9,943,673
Balaton Glas Hotel Kft:*		123,821
Net book value	10,558,785	10,067,494

* At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair value of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

12. Accounts payable and other liabilities

	31 March 2011	31 December 2010
	EUR	EUR
Trade payables	1,945,986	2,235,663
Taxes payable (excluding income taxes)	564,768	948,680
Advances from customers	45,481	30,676
Accrued expenses	660,714	863,738
Deferred rental income	1,081,415	2,147,166
Remuneration approved for executive incentive scheme – dividend preference shares	651,000	651,000
Amounts payable to employees	229,761	182,881
Deposits from tenants (i)	591,889	279,509
Preference shares incentive scheme liability	583,189	556,054
Other liabilities	833,631	1,017,522
Total	7,187,834	8,912,889

Terms and conditions of the above financial 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. Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

(i) The Group has received 2 to 3 months deposits of EUR 2,325,144 (31 December 2010: EUR 2,212,546) 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 that part of the deposit liabilities as other long-term liabilities EUR 1,733,255 (31 December 2010: EUR 1,933,037) which are expected to be repayable in more than one year, and those parts which are expected within a year were classified as short-term tenant deposit liabilities EUR 591,889 (31 December 2010: EUR 279,509). Other long-term liabilities include car leases totalling EUR 9,644 (2010: 6,793 EUR) and guarantee liability totalling EUR 15,716 in addition to safety deposits received from customers.

Dividend preference shares in incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less

12. Accounts payable and other liabilities (continued)

than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue is treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed neither in 2010 nor till 31 March 2011, the change in dividend preference shares liability is due to changes in FX rates.

The shareholders' meeting of 26 April 2010, upon approval of the consolidated financial statements for 2009, decided to pay a dividend of EUR 0.42 per preference share. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

At their meeting of 7 April 2011, the Board of Directors approved to pay dividends on the preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders' meeting, which was approved by the shareholder's meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2010.

The annual general meeting, which will accept the current year's annual consolidated financial statements, will decide about the possible dividend paid for 2011 relating to dividend preference shares. Interim dividend advance hasn't been determined yet.

13. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with face value of EUR 0.42 each. At 31 March 2011, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2010: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

13. Share capital and reserves (continued)

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued Capital" (31 March 2011: EUR 840,000; 31 December 2010: EUR 840,000) are also shown in "Treasury Shares". As of 31 March 2011, 1,550,000 (31 December 2010: 1,550,000) dividend preference shares are held by certain employees. These shares are still shown within "Treasury Shares" but also as liability (preference shares incentive scheme liability) as further disclosed in Note 12.

As of 31 March 2011, the Company holds 12,632,549 treasury shares (including dividend preference shares) for a total amount of EUR 19,266,955 (31 December 2010: 12,632,549 shares at a cost of EUR 19,266,955).
During 2011, the company hasn't purchased own shares (during 2010 the company purchased 52,770 shares on arm's length basis). During 2011 and 2010, no dividend preference shares from senior officers were redeemed.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the "Fotex" name) were valued by an independent appraiser at approximately EUR 7.7 million. This amount is shown as an intangible asset in the Company's local statutory financial statements and is amortised over 24 years. This amount is shown as a deduction from shareholders' equity in these consolidated financial statements of EUR 1,453,451 (31 December 2010: EUR 1,534,125).

14. Selling, general and administration expenses

	31 March 2011	31 March 2010
	EUR	EUR
Payments to personnel	1,562,155	1,668,334
Material-type expenses	3,792,143	3,870,994
Other expenses	572,306	189,816
Depreciation charges	1,454,299	1,302,414
Total selling, general and administration expenses	7,380,903	7,031,558

Other expenses include the following:

	31 March 2011	31 March 2010
	EUR	EUR
Impairment of receivables (Note 6)	463	-
Realised FX gain/loss (net)	(37,758)	6,757
Taxes payable (mostly property tax)	358,496	242,345
Other expenses	251,105	(59,286)
Other expenses, total	572,306	189,816

15. Long term liabilities

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained the following mortgage loans from FGH Bank N.V. in 2009 (3 loans) and in 2010 (1 loan).

The details of loan are presented below:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 31 March 2011 EUR	Short-term portion at 31 March 2011 EUR	Long-term portion at 31 December 2010 EUR	Short-term portion at 31 December 2010 EUR
I, mortgage	16/4/2009	1/5/2016	18,400,000	One month Euribor + 2,7% (rounding +0,05) on two working days prior to the start date of the interest period*	17,497,106	342,361	17,425,958	346,158
II, mortgage	1/11/2009	1/11/2016	3,800,000	Three-month Euribor + 2,26% (rounding +0,05) on two working days prior to the start date of the interest period*	3,468,495	86,666	3,460,587	87,412
III, mortgage	18/12/2009	1/1/2015	3,750,000	Three-month Euribor + 2,20% (rounding +0,05) on two working days prior to the start date of the interest period	3,545,323	85,232	3,550,054	85,443
IV, mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4,32 % p,a	13,352,945	329,560	13,416,094	329,812
Total			**39,950,000**		**37,863,869**	**843,819**	**37,852,693**	**848,825**

Long term interest bearings loans and borrowing contains EUR 25,000 transaction cost, which incurred relating to the potential V. mortgage loan, which would have been used for financing an expected future economic transaction.

The above loans are secured by mortgage on Fotex's Dutch real estates.

The book values of these real estates at 31March 2011 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	10,220,244 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	13,506,139 EUR
Haarlem, Schipholpoort 20	5,233,699 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,819,408 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	18,222,749 EUR

16. Corporate tax

During 2010 the Hungarian tax authority (APEH) enacted certain changes to the corporate income tax rate for 2010 and future years. Prior to the change the corporate income tax rate was 20%. From 1 January 2010 the tax rate for the first half of the year was 19%, the rate for the second half of the year was 10% on the first HUF 250 million of taxable profit and was 19% above this amount. From 1 January 2011 the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19%. From 1 January 2013 the tax rate for all taxable profit will be 10%.

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.

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à.r.l.'s income earned in Luxembourg is 22.05%, which results in a total tax of 30.84% as increased by Capellen's municipal tax; the income tax rate for Fotex Netherlands BV is 20%.

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan a tax rate of 15% 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.

The Group has carried forward losses of EUR 1,150,957 which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 14,506,531 which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 14,506,531 were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 14,506,531 can be rolled forward for an indefinite period.

17. Discontinuing operation

The Group had no discontinuing operations in either 2010 or in the period of I-III months of 2011.

18. 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.

19. Segment information

For management purposes, the Group is divided into 8 business lines:

- Furniture production and sales
- Investment property management
- Cosmetics retailing
- Crystal and glass production and sales
- Music records release and distribution
- Clothing retailing and wholesaling
- Advertising
- Other – administration and holding activities

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

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

The Group has operations in The Netherlands, in Luxembourg and in Hungary. More than 90% of the Group's operations are carried out in Hungary. Geographical segments are not presented in the consolidated financial statements as the costs 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.

19. Segment information (continued)

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

	31 March 2011			31 March 2010		
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Furniture	607,011	24,226	631,237	468,339	21,088	489,427
Investment property	5,739,115	187,450	5,926,565	5,510,899	415,054	5,925,953
Cosmetics retailing	149,834	114	149,948	195,143	112	195,255
Crystal and glass production and sales	1,813,533	103	1,813,636	1,395,893	-	1,395,893
Music records release and distribution	242,569	10,436	253,005	379,995	12,905	392,900
Clothing retailing and wholesaling	159,665	2,396	162,061	174,118	-	174,118
Advertising*	7,030	22,070	29,100	31,870	3,141	35,011
Other	665,418	433,736	1,099,154	609,362	257,139	866,501
Inter-segment elimination	0	(680,531)	(680,531)	0	(709,439)	(709,439)
Net sales	9,384,175	0	9,384,175	8,765,619	0	8,765,619

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of net own produced furniture sales is from export. Other sales mainly reflect domestic sales realised in HUF.

Profit before tax	31 March 2011	31 March 2010
	EUR	EUR
Furniture	(28,853)	(75,988)
Investment property	1,592,224	2,164,704
Cosmetics retailing	(16,366)	(23,843)
Crystal and glass production and sales	240,816	(11,751)
Music records release and distribution	(61,423)	(27,095)
Clothing retailing and wholesaling	(14,672)	4,444
Advertising*	(11,190)	10,796
Other	(8,047)	(193,930)
Profit before tax:	1,692,489	1,847,337

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

19. Segment information (Continued)

Assets:	31 March 2011 Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	31 December 2010 Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Furniture	3,891,523	120,856	4,012,379	3,844,151	80,331	3,924,482
Investment property	133,243,291	1,535,680	134,778,971	134,961,026	1,481,723	136,442,749
Cosmetics retailing	1,559,670	8,083	1,567,753	1,600,316	7,780	1,608,096
Crystal and glass production and sales	10,129,325	–	10,129,325	9,768,298	–	9,768,298
Music records release and distribution	1,056,859	167	1,057,026	1,580,732	13	1,580,745
Clothing retailing and wholesaling	1,183,167	232,651	1,415,818	1,531,372	273,498	1,804,870
Advertising*	33,802	831	34,633	–	–	–
Other	16,556,665	18.938,115	35,494,780	11,404,464	18,625,210	30,029,674
Balances among business lines set off		(20,836,383)	(20,836,383)	-	(20,468,555)	(20,468,555)
Total assets:	167,654,302	–	167,654,302	164,690,359	–	164,690,359

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

Liabilities and accruals	31 March 2011 Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR	31 December 2010 Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR
Furniture	233,810	438,846	672,656	371,710	348,905	720,615
Investment property	42,814,378	11,193,559	54,007,937	44,722,545	11,088,046	55,810,591
Cosmetics retailing	109,610	192,681	302,291	157,638	188,618	346,256
Crystal and glass production and sales	2,033,896	7,342,351	9,376,247	2,228,255	6,930,572	9,158,827
Music records release and distribution	80,513	3,149	83,662	224,558	10,915	235,473
Clothing retailing and wholesaling	39,295	510,393	549,688	51,380	587,347	638,727
Advertising*	7,091	13,530	20,621	–	–	–
Other	3,013,784	1,438,834	4.452,618	2,566,505	1,300,008	3,866,513
Balances among business lines set off		(21,133,343)	(21,133,343)	-	(20,454,411)	(20,454,411)
Liabilities and accruals	48,332,377	–	48,332,377	50,322,591	–	50,322,591

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

19. Segment information (Continued)

Tangible asset additions:	31 March 2011	31 December 2010
	EUR	EUR
Furniture	278	77,721
Investment property	94,073	20,659,443
Cosmetics retailing	0	475
Crystal and glass production and sales	269,150	36,366
Music records release and distribution	317	15,628
Clothing retailing and wholesaling	110	153,204
Advertising*	5,386	-
Other	53,152	275,702
Tangible asset additions:	422,466	21,218,539

Depreciation:	31 March 2011	31 March 2010
	EUR	EUR
Furniture	17,128	15,701
Investment property	1,198,761	1,122,075
Cosmetics retailing	12,433	18,607
Crystal and glass production and sales	78,469	84,730
Music records release and distribution	7,317	9,793
Clothing retailing and wholesaling	9,800	2,623
Advertising*	1,501	294
Other	128,890	48,591
Depreciation:	1,454,299	1,302,414

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

20. Financial risk 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 risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7% and one is at a fixed rate of 4.32%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3 to 3.64%. In order to reduce interest risk, the lending bank charges a 0.7% interest guarantee with respect to mortgage loans I and a fixed fee was paid in respect to mortgage loan II as described in note 15.

20. Financial risk management objectives and policies (continued)

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. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

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

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

Lending 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 creditors in the market.

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.

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group. As described in note 15, the Group has taken mortgage loans in 2009 and in 2010 in connection with its office building purchase transactions in The Netherlands. The managements evaluates the level of indebtness of the Group as healthy, bearing low risks.

Fair value

At 31 March 2011 and 31 December 2010, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful debts. Certain bonds are fair valued as disclosed in note 5. Bank loans having variable market interest rate approximated their fair values.

21. Investments in subsidiaries

During the period I-III months 2011 the Group hasn't conducted any transactions which would affect the group's structure.

During 2010, Fotex Group entered into the following transactions and mergers:

- At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft, into Keringatlan Kft, effective as of 1 January 2011.

22. Operating leases

The Group leases retail sites within "MOM Park" and "Csepel Plaza" shopping centres and at 6 other locations in Győr and 4 other sites situated in Budapest based on non-cancellable operating lease agreements. The Group recalculates its leasing fees by ending of each year and publishes them in its financial statement.

23. 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, totally 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 totally 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:

	31 March	
	2011	2010
	EUR	EUR
Net profit attributable to equity holders from continuing operations	1,277,882	1,302,528
Net profit / (loss) attributable to shareholders		
Weighted average number of shares in issue during the year	60,091,101	60,135,662
Basic earnings/(deficit) per share (EUR)	0.02	0.02

The diluted earnings per share agree with basic earnings per share in 2011 and 2010 as there is no dilution effect in these years

24. 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 Sarl. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Plaza Park Kft. ("Plaza Park"). At 31 March 2011, Blackburn controls 16.9% of the Company's share capital (31 December 2010: 16.9%), Zurich controls 14.1% (31 December 2010: 14.1%), Fotex Ingatlan controls 17.6% (31 December 2010: 17.6%), and Plaza Park 1.6% (31 December 2010: 1.6%). These companies are considered to be related parties.

Related party transactions

In case of Plaza Park office lease agreements were modified in December, 2000, and were extended until 31 December 2006. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until 31 December 2011. The rental agreements are for an indefinite period and rental fees are adjusted with the harmonized customer price index (EU27) reported by the European Union's Statistical Office (Eurostat).

Rental and other related fees paid to Fotex Ingatlan for 2011 I-III month were EUR 100,512 (2010 I-III month: 93,776 EUR) and to Plaza Park EU 157,657 for 2011 I-III month (2010 I-III month: 177,730 EUR).

Further to a helicopter rental agreement between Plaza Park and Keringatlan Kft., no rent plus related services invoiced by Plaza Park for 2011 I-III months (2010 I-III: EUR 0).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2011 I-III months was EUR 26,500 (2010 I-III months: EUR 23,380).

During 2010, Fotex Ingatlan Kft. granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 656 for 2011 I-III months (2010 I-III months: EUR 934).

Fotex granted arm's length loans to senior officers to purchase dividend preference shares: The balance of officers' loan amounts to EUR 54,037 at 31 March 2011 (31 December 2010: EUR 92,393).

Transactions with other related parties

There were no significant related party transactions in either 2011 or in 2010.

25. Personnel and structural changes

Structural changes:

During the period I-III months 2011 there hasn't happened any structural changes.

Personnel changes

There were no personnel changes in the Group's management in the reporting period.

26. Other matters

According to the resolution of the shareholders meeting No, 23/2000, on 2 May 2001, Fotex Nyrt. converted all its shares with the involvement of Keler Rt.

At that date, 70,388,664 shares were replaced and 334,986 old shares were not converted by their holders. In accordance with prevailing legal regulations, the Company made the unconverted shares void. The new shares that replaced the void ones were sold by the Company in the most optimal way that best served the interest of the shareholders. The consideration received less incurred costs are forwarded to the holders of the void shares after the 30th day, 15 November 2001, following the sale of all the shares that replaced the void shares as compensation for the void shares. Of the void shares, consideration relating to 165,262 shares has been paid up to this date and the holders of 169,724 void shares has not come forward so far.

Fotex Nyrt's ordinary shareholders' meeting held on 28 April 2004 decided to convert Fotex Nyrt's printed shares into dematerialised shares. The conversion to dematerialised shares took place on 11 November 2004. The conversion does not affect the rights related to the shares. The printed shares could be presented for conversion between 10 September 2004 and 10 November 2004.

On 11 November 2004, all printed shares were made void by Fotex Nyrt.
Consideration for 1,200 shares made void due to dematerialization has been paid up to this day, the holders of 140, void shares have not come forward so far.

At Fotex Holding SE Nyrt's ordinary shareholders meeting held on 28 April 2009, the shareholders decided to move the Company's registered office to Luxembourg. At this general meeting, the shareholders made a decision about the determination of the share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg as well as about the way and timing of redemption. The share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg was determined by the shareholders' meeting as 0.89 EUR/share based on the equity/issued capital ratio as at 31 December 2008. The meeting authorized the Board of Directors to redeem such shares. Settlement has since been done with the two shareholders that voted against moving the registered office with 52,870 shares.

According to resolution No. 5 at their ordinary annual meeting held on 26 April 2011, upon approving the financial statements for 2010. Fotex Holding SE's shareholders decided to distribute dividends to the holders of dividend preference shares equalling the face values of the shares.

On 26 October 2009, Ajka Kristály Üvegipari Kft, signed a solvency agreement with its creditors. As a result of the agreement, the debtor wishes to pay off its debts that are included in the scope of the solvency agreement without late payment penalty and other charges from sales revenues to be collected up to 30 April 2012 from selling own manufactured inventories as at 1 March 2009. In the meantime, interim instalments would be paid on 15 January 2011 and on 15 January 2012. The debtor assumed an obligation to pay all its creditors up to HUF 200,000 by 14 November 2009, which was

26. Other matters (continued)

duly done. The sole owner of the company, the creditor, Fotex Holding, and two entities under direct majority control of the owner, Upington Ltd. and Downington Holding LLC., asserted that they did not demand settlement of the debts towards them until Ajka Kristály Kft. met its obligation towards its other creditors under the solvency agreement. The creditors that attended the agreement negotiation meeting engaged Piroska Gazda, a statutory auditor who also attended the meeting as representative of one of the creditors, Meritum Kft., to check compliance with the terms of the agreement.

In the period I-III months 2011, Ajka Kristály Kft, has managed to book its entire production capacity, which had been reduced to meet market demand, with a positive lookout to the future of the market.

The securities with ISIN-code T0008806916, (so-called “certificates”), which were previously traded on the Vienna Stock Exchange, have been withdrawn from Stock Exchange’s trading for the request of

Company as of June 30, 2010. Fotex ordinary share with ISIN-code HU0000096409 have been automatically credited on the accounts of the owners of the certificates kept at their custodian bank in 1:1 proportion. The credit has been taken place automatically 3 workdays after the withdrawal of the certificates. Our company has entrusted the Erste Group Bank AG with the technical transaction of the SWAP of securities.

Since 1 October 2010 Keringatlan Ltd. has outsourced its facility management activity to the group’s member Székhely 2007 Ltd.

As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register. All possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l..

THE Q2 UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Fotex Holding SE
75, Parc d'activités
L-8308 Capellen

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 30 June 2011

Fotex Holding SE and its subsidiaries
Consolidated statement of financial position
Figures in EUR

	Notes	June 30 2011 EUR	December 31 2010 EUR
Assets:			
Current assets:			
Cash and short term deposits	4	16,822,647	17,245,883
Other current financial assets	5	8,637,989	515,301
Accounts receivable and prepayments	6	9,679,287	6,483,893
Income tax receivable		97,503	440,601
Inventories	7	7,865,501	7,637,998
Total current assets		43,102,927	32,323,676
Non-current assets			
Property, plant & equipment	8	111,838,820	112,226,193
Deferred tax asset		440,267	419,510
Intangible assets	10	2,816,305	2,814,996
Other non current financial assets	5	1,659,475	6,838,490
Goodwill arising on acquisition	11	10,565,543	10,067,494
Total non current assets		127,320,410	132,366,683
Total assets:	19	170,423,337	164,690,359
Liabilities and shareholder's equity			
Current liabilities:			
Interest-bearing loans, borrowings and overdrafts	15	847,059	848,825
Provisions		111,513	217,373
Accounts payable and other liabilities	12	5,811,502	8,912,889
Total current liabilities:		6,770,074	9,979,087
Non-current liabilities:			
Interest bearing loans and borrowings	15	37,715,026	37,852,693
Other long-term liabilities	12	1,572,375	1,939,830
Deferred tax liability		578,239	550,981
Total non current liabilities		39,865,640	40,343,504
Shareholder's equity:			
Issued capital	13	30,543,933	30,543,933
Capital reserve		32,895,729	32,895,729
Goodwill write off reserve	13	(1,372,778)	(1,534,125)
Retained earnings		78,293,524	71,637,487
Treasury shares, at cost	13	(19,266,955)	(19,266,955)
Fair value revaluation reserve	13	2,600,901	0
Equity attributable to equity holders of the parent company		123,694,354	114,276,069
Non – controlling interest in consolidated subsidiaries		93,269	91,699
Total shareholder's equity		123,787,623	114,367,768
Total liabilities and shareholder's equity		170,423,337	164,690,359

See the accompanying notes to the consolidated financial statements.

Fotex Holding Se and its subsidiaries
Consolidated Income statement
Figures in EUR

	Notes	June 30 2011	March 31 2011	June 30 2010
		EUR	EUR	EUR
Revenue	19	19,380,529	9,384,175	18,279,115
Operating expenses	14	(15,092,873)	(7,380,903)	(14,401,149)
Interest income		657,153	275,543	695,888
Interest expense		(1,060,161)	(586,326)	(575,240)
Income before income taxes	19	3,884,648	1,692,489	3,998,614
Income tax expense	16	(801,937)	(411,777)	(786,142)
Net income		3,082,711	1,280,712	3,212,472
Attributable to				
Equity holders of the parent company		3,074,971	1,277,882	3,215,667
Non – controlling interest		7,740	2,830	(3,195)
Net income		3,082,711	1,280,712	3,212,472
Earnings per share	23	0.05	0.02	0.05
Diluted earnings per share	23	0.05	0.02	0.05

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE its subsidiaries
Consolidated Statement of Comprehensive Income
Figures in EUR

	Notes	June 30 2011	March 31 2011	June 30 2010
		EUR	EUR	EUR
Net income		3,082,711	1,280,712	3,212,472
Other comprehensive income:				
Exchange differences on translation of foreign operations	18	3,747,052	3,673,445	(4,379,932)
Total comprehensive income		6,829,763	4,954,157	(1,167,460)
Attributable to:				
Equity holders of the parent company		6,817,384	4,946,781	(1,164,167)
Non-controlling interest		12,379	7,376	(3,293)
		6,829,763	4,954,157	(1,167,460)

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

30 June 2011

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Fair value revaluation reserve	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2011	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	–	114,276,069	91,699	114,367,768
Profit for the period 2011	–	–	–	3,074,971	–	–	3,074,971	7,740	3,082,711
Other comprehensive income (Note 18)	–	–	–	3,742,413	–	–	3,742,413	4,639	3,747,052
Total comprehensive income	–	–	–	6,817,384	–	–	6,817,384	12,379	6,829,763
Redeemed treasury shares (Note 13)	–	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	–	(10,809)	(10,809)
Reversed written off goodwill reserve (Note 13)	–	–	161,347	(161,347)	–	–	–	–	–
Fair value revaluation of financial assets classified as available for sale (Note 13)	–	–	–	–	–	2,600,901	2,600,901	–	2,600,901
30 June 2011	30,543,933	32,895,729	(1,372,778)	78,293,524	(19,266,955)	2,600,901	123,694,354	93,269	123,787,623

See accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

30 June 2010

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2010	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
Profit for the period 2010	–	–	–	3,215,667	–	3,215,667	(3,195)	3,212,472
Other comprehensive income	–	–	–	(4,379,834)	–	(4,379,834)	(98)	(4,379,932)
Total comprehensive income	–	–	–	(1,164,167)	–	(1,164,167)	(3,293)	(1,167,460)
Redeemed treasury shares (Note 13)	–	–	–	–	(83,529)	(83,529)	–	(83,529)
Minority dividends	–	–	–	–	–	–	–	–
Reversed written off goodwill reserve (Note 13)	–	–	161,347	(161,347)	–	–	–	–
30 June 2010	30,543,933	32,895,729	(1,695,471)	66,167,612	(19,205,137)	108,706,666	80,320	108,786,986

See accompanying notes to consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Cash Flows (EUR)

	30 June 2011	30 June 2010
	EUR	EUR
Cash flows from operating activities:		
Income / (Loss) before non-controlling interests and income taxes	3,884,648	3,998,614
Depreciation and amortization	2,793,313	2,472,128
Provision used and reversed	(113,988)	(5,746)
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss, impairment of tangible assets	368,892	156,317
Gain on disposal of tangible and intangible assets	(6,240)	(924)
Gain on disposal of other investments	(83,859)	0
Interest income	(657,153)	(695,888)
Interest expense	1,060,161	575,240
Changes in assets and liabilities:		
Accounts receivable and prepayments	1,217,270	2,267,744
Inventories	(231,060)	597,368
Accounts payable and accrued expenses	(3,101,387)	(2,500,925)
Cash flows from operating activities	5.130.597	6,863,928
Income taxes paid	(186,773)	(786,142)
Net cash from operating activities:	4,943,824	6,077,786
Cash flows from investing activities:		
Purchase of tangible and intangible assets:	(5,200,930)	(21,078,628)
Sale of tangible and intangible assets:	4,666	6,700
Change in investments	52,888	(833,460)
Interest received	239,789	695,888
Net cash used in investing activities:	(4,903,587)	(21,209,500)
Cash flows from financing activities:		
Loans received	0	13,878,675
Repayments of loans received	(353,498)	(266,415)
Repayments of loans granted (given)	96,968	199,962
Dividend paid	(10,809)	0
Interest paid	(820,666)	(575,240)
Purchase of treasury shares	0	(83,529)
Change other long term liabilities	(357,013)	121,403
Net cash used in financing activities:	(1,445,018)	13,274,856
Net increase/decrease in cash and cash equivalents:	(1,404,781)	(1,856,858)
Cash and cash equivalents at beginning of year	17,245,883	12,997,087
Effect of foreign currency translation	981,545	88,925
Cash and cash equivalents at 30 June:	16,822,647	11,229,154

See accompanying notes to consolidated financial statement.

1. General information

Fotex Group's report on its operations in the period I-VI months 2011 is prepared in accordance with IFRS requirements. These figures are consolidated but not audited.

As part of the Group's restructuring process, the scope of subsidiaries taken into account at the consolidation has changed compared to the basis period as follows:

At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

In the second quarter 2011 all possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l. As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register

At 24 June 2011, Fotex Netherlands BV established its subsidiary, called FN 2 BV, in The Netherlands to further develop and manage the property portfolio in The Netherlands.

Subsidiaries taken into account at the consolidation at 30 June 2011 and at 30 June 2010 are as follows:

Subsidiaries	**Principal Activities**	**Issued capital EUR**		**Ownership (%)**		**Voting rights %**	
		30/06/2011	30/06/2010	30/06/2011	30/06/2010	30/06/2011	30/06/2010
Ajka Kristály Üvegipari Kft	Crystal manufacturing and retail	5,050,721	5,050,721	100.0	100.0	100.0	100.0
Balaton Bútor Kft	Furniture manufacturer	1,325,100	1,325,100	100.0	100.0	100.0	100.0
Balaton Glas Hotel Kft	Property management (Note 21)	-	882,922	-	100.0	-	100.0
Downington Sàrl,	Investment holding	-	2,050,000	-	100.0	-	100.0
Europrizma Kft	Administration services	35,879	35,879	100.0	100.0	100.0	100.0
Fotex Cosmetics Kft	Cosmetics retailer	870,723	870,723	100.0	100.0	100.0	100.0
Fotexnet Kft	Internet retail and other services	28,349	226,603	100.0	98.6	100.0	98.7
Hungaroton Music Zrt	Music archive	480,399	480,399	99.2	99.2	99.2	99.2
Hungaroton Records Kft	Music release and music retailing	1,707,078	1,707,078	99.8	99.8	100.0	100.0
Keringatlan Kft	Property management	20,558,176	20,677,166	100.0	100.0	100.0	100.0
Fotex Netherlands B.V.	Property management	18,000	18,000	100.0	100.0	100.0	100.0
FN 2 B.V.	Property management (Note 21)	18,000	-	100.0	-	100.0	-
Primo Zrt	Clothing retailing and wholesaling	1,859,657	1,859,657	100.0	100.0	100.0	100.0
Sigma Kft	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székhely 2007 Kft	Property management	86,109	86,109	99.1	99.1	99.1	99.1
Upington Investments Ltd	Investment holding	12,500	1,710	100.0	100.0	100.0	100.0

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt. Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. Further to the decision of the shareholders, as of 31 December 2008, the Court of

1. General information (continued)

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.

In connection with the transformation into a European public limited company, the dematerialized shares had to be replaced. The replacement took place on 25 February 2009. As a result of the replacement, the product list listed at the Budapest Stock Exchange (BSE) was changed. One dematerialized subscribed share of Fotex Nyrt. at HUF 100 face value is equivalent to one dematerialized subscribed share of Fotex Holding SE Nyrt. at EUR 0.42 face value. The rights related to the shares as set out in the company statutes have remained unchanged.

Following the transformation into a European public limited company, the Company's annual general meeting held on 28 April 2009 decided to move the Company's registered office to Luxembourg. The Company was registered in the Luxembourg (new registered office) companies register at 4 June 2009. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, Luxembourg. The Metropolitan Court of Budapest, cancelled the Company from the Hungarian companies register on 28 August 2009.

2. Significant accounting policies

Basis of presentation

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The consolidated financial statements have been prepared on a historical cost basis.

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").

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At 30 June 2011, due to the endorsement process of the EU, and the activities of the Group, 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 Company. The reporting currency of the consolidated financial statements is EUR.

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 June 2011. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

All intra-group balances, revenues and expenses and gains and losses resulting from intra-group transactions are eliminated.

Non-controlling interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within shareholders' equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the minority interest is reflected as being a transaction between owners.

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 for the period I-VI months 2011 are prepared in EUR.

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 was necessary to convert the elements of the statement of financial position and income statements of subsidiaries from HUF to EUR.

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

The income statement has been converted to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

	2011	2010
I. quarter	272.48 HUF/EUR	268.57 HUF/EUR
II. quarter	266.33 HUF/EUR	274.38 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 30 June 2011: 265.61 HUF/EUR (31 December 2010: 278.75 HUF/EUR). The elements of own equity are converted by using the historical FX rates except the current year's result and the non-controlling interest. The current year's result is converted by using the quarterly Hungarian Nation Bank ("MNB") average FX rates and the non-controlling interest is converted by using the MNB FX rate as at 30 June 2011 (265.61).

3. Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made judgements on the balance sheet date of prior year. The management makes these judgements at the preparation of the annual financial statements, and in the interim financial statements the effect of judgements, which have been made on the prior year's balance sheet date, are applied. The key assumptions concerning the future and other key sources of estimation uncertainty made at the prior year's balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities

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

at the preparation of current year's closing annual financial statement. From these the following has the most significant effect on the figures presented in the financial statement.

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.

Impairment of Goodwill

The Group determines whether goodwill is impaired 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.

Impairment of Intangibles

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired 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.

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. On an annual basis 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. The recognised tax loss as at 30 June 2011 is EUR 1,151,151 (31 December 2010: EUR 1,136,887)

Fair Value of Investment Properties

The Group determines on an annual basis and presents in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows are determined separately for the following categories of investment property: retail outlets, offices, warehouses, other real estate property and plots of land using average rental fees currently realisable by the Group; present values are calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets.

4. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in view of the prompt 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 at 30 June 2011 is EUR 16,822,647 (31 December 2010: EUR 17,245,883).

Cash includes fixed deposits of EUR 2,545,149 (31 December 2010: EUR 2,740,413) at rates ranging from 3.74% to 5.3% (2010: 3.5% to 7.1 %). The Company has EUR, USD and HUF deposits. The lower rates are on foreign currencies while the higher ones are on HUF.

5. Other financial assets

	30 June 2011	31 December 2010
Short term	EUR	EUR
Cash deposit connected to rented properties	654,717	279,509
Other short-term investment – less impairment loss	7,983,272	235,792
Other short-term investments, total	8,637,989	515,301

	30 June 2011	31 December 2010
Long term	EUR	EUR
Cash deposit connected to rented properties	1,546,677	1,933,037
Investments held to maturity	105,309	4,804,608
Loans to senior officers	-	92,393
Long-term part of long-term loans to other companies – less impairment loss	7,489	8,452
Other long-term investments, total	1,659,475	6,838,490

Cash deposit 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 the long-term, and the deposits which are expected to be repayable within 3 months and a year were classified as short-term.

Other short-term investment less impairment loss

The other short-term investment - less impairment loss line contains mutual funds investments and OTP and MOL bonds.

Previously OTP and MOL bonds were classified as long term held to maturity investments, although the intention of the company with these securities has changed, that's why these bonds have been reclassified to available for sale category as of June 15, 2011, which is disclosed in the other short-term investments – less impairment loss line.

The Group has 7,100 subordinated OTP Bank Nyrt, ("OTP") bonds of EUR 1,000 face value each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued at 19 September 2006 as value date maturing on 19 September 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 September each year.

5. Other financial assets (continued)

The cost of the investment less the effective interest at 30 June 2011 is EUR 4,458,547 (31 December 2010: EUR 4,093,865). The applied average effective interest rate is 18%. The fair value of OTP bonds as of June 30, 2011 is EUR 6,749,996 (at 31 December 2010: EUR 6,146,738).

The Group has 1,000 MOL Nyrt ("MOL") bonds of EUR 1,000 face value each purchased on 10 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment less the effective interest at 30 June 2011 is EUR 658,961 (31 December 2010 EUR 608,801). The applied average effective interest rate is 16%. The fair value of MOL bonds as of June 30, 2011 is EUR 968,413 (at 31 December 2010: EUR 889,873).

Because these securities are in the available for sale category at 30.06.2011, that's why these bonds have been valued at fair value in the Statement of Financial Position, and the difference between the book value and fair value of bonds at 30.06.2011 has been accounted in fair value revaluation reserve of shareholder's equity, see note 13

Loans to senior officers:

Arm's length loans granted by Fotex to senior officers to purchase dividend preference shares were redeemed in the first half of 2011 totally (31 December 2010: 92,393) see Note 24.

Long-term loans to other companies:

The long-term part of long-term loans to other companies – less impairment loss line contains EUR 7,489 (31 December 2010: EUR 8,452) loans granted to employees.

6. Accounts receivable and prepayments

	30 June 2011	31 December 2010
	EUR	EUR
Debtors	3,594,730	5,531,848
Impairment loss on debtors	(944,071)	(946,542)
Tax assets	535,789	498,766
Other receivables and prepayments/accrued income	6,843,064	1,739,316
Impairment loss on other receivables	(350,225)	(339,495)
Total	9,679,287	6,483,893

The terms applicable to related parties are set out in Note 24.
Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received in three months.

The balance of Other receivables and prepayments/accrued income has increased significantly compared to the prior year-end because of the deposit (EUR 4,700,000) at the notary relating to purchase a property by FN 2 BV. which is the new Dutch subsidiary of the Group.

Impairment loss on debtors, tax assets and on other receivables at 30 June 2011 is EUR 1,294,296 EUR (31 December 2010: EUR 1,286,037).

6. Accounts receivable and prepayments (continued)

Movements in the impairment loss:

	EUR
1 January 2010	765,862
Charge for the year	656,965
Utilised	(62,942)
Unused amount reversed	(52,115)
FX loss	(21,733)
31 December 2010	1,286,037
Charge for the year	16,775
Utilised	(488)
Unused amount reversed	(64,647)
FX loss	56,619
30 June 2011	1,294,296

7. Inventories

	30 June 2011 EUR	31 December 2010 EUR
Merchandise and finished products	8,611,371	8,361,764
Materials	1,164,804	1,124,639
Work in progress	2,250,646	2,121,892
Inventories, gross	12,026,821	11,608,295
Impairment of merchandise and finished products	(3,577,653)	(3,409,006)
Impairment of materials	(43,356)	(46,450)
Impairment of work in progress	(540,311)	(514,841)
Impairment of inventories	(4,161,320)	(3,970,297)
Total inventories, net	7,865,501	7,637,998

Management has identified a number of Group companies that have slow moving inventories. Management considers the recognised impairment loss of EUR 4,161,320 (2010: 3,970,297) as adequate, and as of June 30, 2011 no further inventory impairment has been created in I-VI months 2011. In first half of 2011 EUR 5,391 inventory provision has been disposed, because previously impaired inventories were sold. The remaining change in inventory impairment is due to changes in FX rates.

8. Property, plant & equipment

Movements in tangible assets during period I-VI months 2011 were as follows (the table contains the property plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2011	132,002,513	18,843,351	436,957	151,282,821
Additions	125,076	371,343	-	496,419
Disposals and write downs	(562,061)	(186,717)	-	(748,778)
Currency (loss)/gain arising from retranslation	3,516,456	930,669	(285,527)	4,161,598
30 June 2011	135,081,984	19,958,646	151,430	155,192,060
Accumulated depreciation:				
1 January 2011	(23,530,138)	(15,526,490)	-	(39,056,628)
Depreciation expense	(2,242,086)	(541,283)	-	(2,783,369)
Disposals and write downs	153,074	167,413	-	320,487
Currency (loss)/gain arising from retranslation	(1,068,897)	(764,833)	-	(1,833,730)
30 June 2011	(26,688,047)	(16,665,193)	-	(43,353,240)
Net book value				
30 June 2011	108,393,937	3,293,453	151,430	111,838,820
31 December 2010	108,472,375	3,316,861	436,957	112,226,193

8. Property, plant & equipment (continued)

Movements in tangible assets during 2010 were as follows (the table contains the property, plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	114,042,089	20,205,460	1,115,426	135,362,975
Additions	20,234,847	946,258	-	21,181,105
Disposals and write downs	(218,866)	(1,728,509)	(654,668)	(2,602,043)
Currency (loss)/gain arising from retranslation	(2,055,557)	(579,858)	(23,801)	(2,659,216)
31 December 2010	132,002,513	18,843,351	436,957	151,282,821
Accumulated depreciation:				
1 January 2010	(19,870,659)	(16,868,950)	-	(36,739,609)
Depreciation expense	(4,297,973)	(838,697)	-	(5,136,670)
Disposals and write downs	64,764	1,692,875	-	1,757,639
Currency (loss)/gain arising from retranslation	573,730	488,282	-	1,062,012
31 December 2010	(23,530,138)	(15,526,490)	-	(39,056,628)
Net book value				
31 December 2010	108,472,375	3,316,861	436,957	112,226,193
31 December 2009	94,171,430	3,340,062	1,111,874	98,623,366

9. Real estate property

The Group's assets principally comprise of real estates owned by the parent company and the subsidiaries and rented out predominantly to third parties. Most of the Group's revenues are realized from real estate utilization. This type of activity is highly sensitive to macroeconomic trends. Based on the forecasts in 2011 a slightly higher GDP increase is expected compared to prior year, although the effect of expected economic performance improvement won't influence the real estate market, due to the fact that the effects of macroeconomic trends appear ca 1- 2 years later on the real estate market. From a Group point of view the year 2011 won't be easier compared to the two previous years, rather stagnation is expected.
The changes on retail real estate market have the greatest effect on the Group's activity due to the structure of the Group's real estate portfolio, so at the forecasting of the revenue the changes in this sector should have mainly taken into account. The trend on the retail real estate market is the following:

- in 2010 the retail turnover has decreased by 2.3% compared to prior year, and in 2011 the rise of purchasing power and that's why the increase in retail turnover also can not be expected

- due to the significant decline of demand on the real estate market, the opportunities to let decreased significantly and mostly the retail real estate market has been effected and the latest recovery can be expected in this segment.

9. Real estate property (continued)

- the rental fees are presumed to be a low level, they stagnate
- the offered real estate portfolio of the Group and the quality and place of the released properties so many times do not fit to the requirements of the declining number of potential lessees.
- the prolongation of the expired rental contracts will be more difficult and more unfavourable rental conditions are expected to achieve as it was previously

Significant portion of the rental revenue will be derived from the let of the retail real estates, and the rental revenue originated from the let of offices and warehouses will represents a lower level as it happened in the previous periods also.

Retail real estates

The continuous decline of the retail turnover hasn't stopped yet. It is expected that further stores situated at a less commercially frequented places and retailers with low economic potential will cease their operation during the year and in addition we can modestly taken into account the appearance of new multi national companies and expansion of domestic companies. According to the most optimistic opinions, the best case scenario is that the falling of rental fees would stop. The negotiations are also more difficult and more time-consuming. It is typical that shorter term rental agreements are signed.

Warehouses

A continuous increase in the supply of state-of-the-art logistic centres and newly built warehouses make it increasingly difficult for us to rent out our less up-to-date warehouses. Since the beginning of the financial crises the logistic property rental fees have dropped significantly, the decreases in the market can be as high as 30-40%. Positive for the future, that real estate experts predict that positive change would appear first in office-warehouse segment of the real estate market, based on the market expectations slight increase in the rental fee is expected.

Offices

It is assumed that the stop of the falling in demand and the decreasing degree of new offices will contribute to slight moderate in the record vacancy (at year-end 2010 it was 26%). Based on the real estate experts this rate would be at around 23-24% at year-end 2011. In case of rental fee most of the real estate experts believe that no increase would happen, but the decrease would also expect to stop.
In view of the adverse market conditions, the Group pays extra attention to controlling and optimising its costs to attainable revenues. Nonetheless, the Group makes efforts to make the best of investment opportunities offered by the stagnating real estate market. The Group's Dutch subsidiary, Fotex Netherlands B.V., purchased five significant office buildings totalling an area of 30 386 m2 (Zoetermeer, Gorinchem, Haarlem, Rotterdam, Zwolle). All these buildings are fully let with long term contracts, at good returns.

Adverse changes in the world's economy have made it particularly necessary to review the value of the Group's real estate properties on an annual basis. Our investment properties were revalued as part of the audited annual financial statements prepared at the end of 2010. The figures disclosed in the annual financial statements for 2010 are considered as relevant values with respect to the Group's real estate property which will be revalued by the Company in the audited financial statement for the current year.

9. Real estate property (continued)

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,716	33,883,648	163,121,683
Offices	39,008	47,879,633	65,063,516
Warehouses	97,111	3,141,146	15,138,744
Other structures	38,830	3,239,595	5,263,805
Plots of land	677,670	14,240,787	23,430,835
Total investment properties*	998,335	102,384,809	272,018,583

* The Group has further 293,630 m^2 own property over its investment property disclosed in the table above.

10. Intangible assets

Movements in intangible assets during period I-VI. months 2011 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2011	6,667,194	956,371	7,623,565
Additions		4,512	4,512
Disposals and write downs		(1,659)	(1,659)
Currency loss arising from retranslation		(85,104)	(85,104)
30 June 2011	6,667,194	874,120	7,541,314
Amortisation:			
1 January 2011	(4,008,798)	(799,771)	(4,808,569)
Amortisation expense		(9,944)	(9,944)
Impairment			
Disposals and write downs		1,659	1,659
Currency gain arising from retranslation		91,845	91,845
30 June 2011	(4,008,798)	(716,211)	(4,725,009)
Net book value:			
30 June 2011	2,658,396	157,909	2,816,305
31 December 2010	2,658,396	156,600	2,814,996

The column ’Other’ reflects property rental rights associated with subsidiaries. As part of discontinuing its ownership of 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. By 31 December 2005,

10. Intangible assets (continued)

there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 8.5%. An impairment loss of EUR 4,008,798 was recorded in previous years. Based on management's estimates no additional impairment loss is required for the current year (2010: EUR 0).

Movements in intangible assets for 2010 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2010	6,667,194	943,087	7,610,281
Additions	-	37,434	37,434
Disposals and write downs	-	(75,354)	(75,354)
Currency loss/gain arising from retranslation	-	51,204	51,204
31 December 2010	6,667,194	956,371	7,623,565
Amortisation:			
1 January 2010	(4,008,798)	(757,136)	(4,765,934)
Amortisation expense	-	(19,849)	(19,849)
Impairment	-	-	-
Disposals and write downs	-	31,322	31,322
Currency loss/gain arising from retranslation	-	(54,108)	(54,108)
31 December 2010	(4,008,798)	(799,771)	(4,808,569)
Net book value:			
31 December 2010	2,658,396	156,600	2,814,996
31 December 2009	2,658,396	185,951	2,844,347

11. Goodwill

Movements in goodwill on business combinations at 31 December 2010 and 30 June 2011 were as follows:

	30 June 2011	31 December 2010
	EUR	EUR
Cost:		
1 January	19,972,104	20,555,398
FX difference	988,041	(583,294)
Closing balance	20,960,145	19,972,104
Impairment:		
1 January	(9,904,610)	(10,193,878)
FX difference	(489,992)	289,268
Closing balance	(10,394,602)	(9,904,610)
Net book value:		
1 January	10,067,494	10,361,520
Closing balance	10,565,543	10,067,494

The Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% discount rate. Based on this calculation, no impairment loss was recognised on goodwill.

The goodwill is allocated to the following entities:

	30 June 2011	31 December 2010
	EUR	EUR
Keringatlan Kft:	10,565,543	9,943,673
Balaton Glas Hotel Kft:*		123,821
Net book value	10,565,543	10,067,494

* At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair value of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

12. Accounts payable and other liabilities

	30 June 2011	31 December 2010
	EUR	EUR
Trade payables	1,425,129	2,235,663
Taxes payable (excluding income taxes)	704,369	948,680
Advances from customers	27,714	30,676
Accrued expenses	329,220	863,738
Deferred rental income	1,070,067	2,147,166
Remuneration approved for executive incentive scheme – dividend preference shares	–	651,000
Amounts payable to employees	261,767	182,881
Deposits from tenants (i)	654,717	279,509
Preference shares incentive scheme liability	583,562	556,054
Other liabilities	754,957	1,017,522
Total	5,811,502	8,912,889
Other long term liabilities (i)	1,572,375	1,939,830

Terms and conditions of the above financial 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. Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

(i) The Group has received 2 to 3 months deposits of EUR 2,201,394 (31 December 2010: EUR 2,212,546) 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 that part of the deposit liabilities as other long-term liabilities EUR 1,546,677 (31 December 2010: EUR 1,933,037) which are expected to be repayable in more than one year, and those parts which are expected within a year were classified as short-term tenant deposit liabilities EUR 654,717 (31 December 2010: EUR 279,509). Other long-term liabilities include car leases totalling EUR 6,914 (2010: 6,793 EUR) and guarantee liability totalling EUR 18,784 in addition to safety deposits received from customers.

Dividend preference shares in incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year’s average stock exchange price of Fotex shares, but shall not be less

12. Accounts payable and other liabilities (continued)

than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue is treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm’s length loans to members of management to buy these shares.

On 13 May 2009, the Company’s CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed neither in 2010 nor till 30 June 2011, the change in dividend preference shares liability is due to changes in FX rates.

The shareholders’ meeting of 26 April 2010, upon approval of the consolidated financial statements for 2009, decided to pay a dividend of EUR 0.42 per preference share. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

At their meeting of 7 April 2011, the Board of Directors approved to pay dividends on the preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders’ meeting, which was approved by the shareholder’s meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2010.

The annual general meeting, which will accept the current year’s annual consolidated financial statements, will decide about the possible dividend paid for 2011 relating to dividend preference shares. Interim dividend advance hasn’t been determined yet.

13. Share capital and reserves

Share capital

The Company’s approved and issued share capital totals EUR 30,543,933 consisting of shares with face value of EUR 0.42 each. At 30 June 2011, the Company’s issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2010: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

13. Share capital and reserves (continued)

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued Capital" (30 June 2011: EUR 840,000; 31 December 2010: EUR 840,000) are also shown in "Treasury Shares". As of 30 June 2011, 1,550,000 (31 December 2010: 1,550,000) dividend preference shares are held by certain employees. These shares are still shown within "Treasury Shares" but also as liability (preference shares incentive scheme liability) as further disclosed in Note 12.

As of 30 June 2011, the Company holds 12,632,549 treasury shares (including dividend preference shares) for a total amount of EUR 19,266,955 (31 December 2010: 12,632,549 shares at a cost of EUR 19,266,955).
During first half of 2011, the company hasn't purchased own shares (during 2010 the company purchased 52,770 shares on arm's length basis). During first half of 2011 and 2010, no dividend preference shares from senior officers were redeemed.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the "Fotex" name) were valued by an independent appraiser at approximately EUR 7.7 million. This amount is shown as an intangible asset in the Company's local statutory financial statements and is amortised over 24 years. This amount is shown as a deduction from shareholders' equity in these consolidated financial statements of EUR 1,372,778 (31 December 2010: EUR 1,534,125).

Fair value revaluation reserve

At 15 June 2011 OTP and MOL bonds, which were classified as held to maturity securities previously, have been reclassified to available for sale category, because the company's intention has changed relating to these bonds. Because these securities are in the available for sale category at 30.06.2011, that's why the difference between the book value and fair value of bonds, which is EUR 2,600,901 at 30.06.2011, has been accounted in fair value revaluation reserve of shareholder's equity.

14. Selling, general and administration expenses

	30 June 2011	31 March 2011	30 June 2010
	EUR	EUR	EUR
Payments to personnel	(3,284,852)	(1,562,155)	(3,330,787)
Material-type expenses	(7,821,757)	(3,792,143)	(7,835,097)
Other expenses	(1,192,951)	(572,306)	(763,137)
Depreciation charges	(2,793,313)	(1,454,299)	(2,472,128)
Total selling, general and administration expenses	(15,092,873)	(7,380,903)	(14,401,149)

14. Selling, general and administration expenses (continued)

Other expenses include the following:

	30 June 2011 EUR	31 March 2011 EUR	30 June 2010 EUR
Impairment of receivables (Note 6)	(16.287)	(463)	(4.086)
Realised FX gain/loss (net)	79.824	37,758	32.762
Taxes payable (mostly property tax)	(685.149)	(358,496)	(775.024)
Other expenses	(571.339)	(251,105)	(16.789)
Other expenses, total	(1.192.951)	(572,306)	(763,137)

15. Long term liabilities

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained the following mortgage loans from FGH Bank N.V. in 2009 (3 loans) and in 2010 (1 loan).

The details of loan are presented below:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 30 June 2011 EUR	Short-term portion at 30 June 2011 EUR	Long-term portion at 31 December 2010 EUR	Short-term portion at 31 December 2010 EUR
I, mortgage	16/4/2009	1/5/2016	18,400,000	One month Euribor + 2,7% (rounding +0,05) on two working days prior to the start date of the interest period*	17,459,562	345,105	17,425,958	346,158
II, mortgage	1/11/2009	1/11/2016	3,800,000	Three-month Euribor + 2,26% (rounding +0,05) on two working days prior to the start date of the interest period*	3,458,018	87,188	3,460,587	87,412
III, mortgage	18/12/2009	1/1/2015	3,750,000	Three-month Euribor + 2,20% (rounding +0,05) on two working days prior to the start date of the interest period	3,531,892	85,458	3,550,054	85,443
IV, mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4,32 % p,a	13,290,554	329,308	13,416,094	329,812
Total			**39,950,000**		**37,740,026**	**847,059**	**37,852,693**	**848,825**

Long term interest bearings loans and borrowing contains EUR 25,000 transaction cost, which incurred relating to the potential V. mortgage loan, which would have been used for financing an expected future economic transaction.

The above loans are secured by mortgage on Fotex's Dutch real estates.

15. Long term liabilities (continued)

The book values of these real estates at 30 June 2011 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	10,140,138 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	13,400,325 EUR
Haarlem, Schipholpoort 20	5,193,374 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,779,895 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	18,084,737 EUR

16. Corporate tax

During 2010 the Hungarian tax authority (APEH) enacted certain changes to the corporate income tax rate for 2010 and future years. Prior to the change the corporate income tax rate was 20%. From 1 January 2010 the tax rate for the first half of the year was 19%, the rate for the second half of the year was 10% on the first HUF 250 million of taxable profit and was 19% above this amount. From 1 January 2011 the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19%. From 1 January 2013 the tax rate for all taxable profit will be 10%.

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.

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à.r.l.'s income earned in Luxembourg is 22.05%, which results in a total tax of 31.05% as increased by Capellen's municipal tax; the income tax rate for Fotex Netherlands BV and FN 2 BV for the first EUR 200,000 taxable profit is taxed at 20% and the amount above the EUR 200,000 is taxed at 25%.

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan a tax rate of 15% 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.

The Group has carried forward losses of EUR 1,151,151 which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 14,513,340 which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 14,513,340 were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 14,513,340 can be rolled forward for an indefinite period.

17. Discontinuing operation

The Group had no discontinuing operations in either 2010 or in the period of I-VI months of 2011.

18. 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.

19. Segment information

For management purposes, the Group is divided into 8 business lines:

- Furniture production and sales
- Investment property management
- Cosmetics retailing
- Crystal and glass production and sales
- Music records release and distribution
- Clothing retailing and wholesaling
- Advertising
- Other – administration and holding activities

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

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

The Group has operations in The Netherlands, in Luxembourg and in Hungary. More than 89% of the group’s revenues realized in Hungary. Geographical segments are not presented in the consolidated financial statements as the costs 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.

19. Segment information (continued)

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

	30. June 2011			31 March 2011			30. June 2010		
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Furniture	1,250,105	48,600	1,298,705	607,011	24,226	631,237	1,015,495	50,363	1,065,858
Investment property	11,947,556	93,687	12,041,243	5,739,115	187,450	5,926,565	11,070,527	797,401	11,867,928
Cosmetics retailing	276,832	234	277,066	149,834	114	149,948	379,834	232	380,066
Crystal and glass production and sales	3,541,512	104	3,541,616	1,813,533	103	1,813,636	3,457,563	125	3,457,688
Music records release and distribution	512,803	23,799	536,602	242,569	10,436	253,005	845,357	82,186	927,543
Clothing retailing and wholesaling	278,871	4,962	283,833	159,665	2,396	162,061	320,598	–	320,598
Advertising*	51,692	1,756	53,448	7,030	22,070	29,100	–	–	–
Other	1,521,158	505,381	2,026,539	665,418	433,736	1,099,154	1,189,741	562,783	1,752,524
Inter-segment elimination	–	(678,523)	(678,523)	–	(680,531)	(680,531)	–	(1,493,090)	(1,493,090)
Net sales	19,380,529	–	19,380,529	9,384,175	–	9,384,175	18,279,115	–	18,279,115

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

19. Segment information (Continued)

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of net own produced furniture sales is from export. Other sales mainly reflect domestic sales realised in HUF.

Profit before tax	30 June 2011	31 March 2011	30 June 2010
	EUR	EUR	EUR
Furniture	(30,566)	(28,853)	(162,722)
Investment property	3,517,760	1,592,224	4,133,504
Cosmetics retailing	(29,661)	(16,366)	(34,191)
Crystal and glass production and sales	651,049	240,816	486,056
Music records release and distribution	(27,772)	(61,423)	12,217
Clothing retailing and wholesaling	(54,056)	(14,672)	7,960
Advertising*	(22,142)	(11,190)	–
Other	(119,964)	(8,047)	(444,210)
Profit before tax:	3,884,648	1,692,489	3,998,614

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

Assets:	30 June 2011 Consolidated assets	30 June 2011 Intra-business line assets	30 June 2011 Total assets	31 December 2010 Consolidated assets	31 December 2010 Intra-business line assets	31 December 2010 Total assets
	EUR	EUR	EUR	EUR	EUR	EUR
Furniture	3,967,972	142,589	4,110,561	3,844,151	80,331	3,924,482
Investment property	137,023,772	3,256,353	140,280,125	134,961,026	1,481,723	136,442,749
Cosmetics retailing	1,531,283	–	1,531,283	1,600,316	7,780	1,608,096
Crystal and glass production and sales	10,172,802	–	10,172,802	9,768,298	–	9,768,298
Music records release and distribution	1,215,011	739	1,215,750	1,580,732	13	1,580,745
Clothing retailing and wholesaling	1,018,173	225,908	1,244,081	1,531,372	273,498	1,804,870
Advertising*	29,393	1,228	30,621	–	–	–
Other	15,464,931	22,901,469	38,366,400	11,404,464	18,625,210	30,029,674
Balances among business lines set off		(26,528,286)	(26,528,286)	-	(20,468,555)	(20,468,555)
Total assets:	170,423,337	–	170,423,337	164,690,359	–	164,690,359

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

19. Segment information (Continued)

Liabilities and accruals	30 June 2011 Consolidated liabilities	30 June 2011 Intra-business line payables	30 June 2011 Total liabilities	31 December 2010 Consolidated liabilities	31 December 2010 Intra-business line payables	31 December 2010 Total liabilities
	EUR	EUR	EUR	EUR	EUR	EUR
Furniture	197,471	505,543	703,014	371,710	348,905	720,615
Investment property	42,511,111	15,174,386	57,685,497	44,722,545	11,088,046	55,810,591
Cosmetics retailing	105,362	211,783	317,145	157,638	188,618	346,256
Crystal and glass production and sales	1,649,437	7,435,932	9,085,369	2,228,255	6,930,572	9,158,827
Music records release and distribution	78,766	10,448	89,214	224,558	10,915	235,473
Clothing retailing and wholesaling	41,032	489,000	530,032	51,380	587,347	638,727
Advertising*	7,530	7,337	14,867	–	–	–
Other	2,045,005	3,039,004	5,084,009	2,566,505	1,300,008	3,866,513
Balances among business lines set off		(26,873,433)	(26,873,433)	-	(20,454,411)	(20,454,411)
Liabilities and accruals	46,635,714	–	46,635,714	50,322,591	–	50,322,591

Tangible asset additions:	30 June 2011	31 December 2010
	EUR	EUR
Furniture	792	77,721
Investment property	119,922	20,659,443
Cosmetics retailing	–	475
Crystal and glass production and sales	306,820	36,366
Music records release and distribution	3,734	15,628
Clothing retailing and wholesaling	362	153,204
Advertising*	5,725	-
Other	63,576	275,702
Tangible asset additions:	500,931	21,218,539

19. Segment information (Continued)

Depreciation:

	30 June 2011	31 March 2011	30 June 2010
	EUR	EUR	EUR
Furniture	32,338	17,128	31,729
Investment property	2,336,001	1,198,761	2,157,283
Cosmetics retailing	22,725	12,433	29,026
Crystal and glass production and sales	157,496	78,469	145,979
Music records release and distribution	14,412	7,317	18,550
Clothing retailing and wholesaling	17,242	9,800	5,025
Advertising*	1,714	1,501	–
Other	211,385	128,890	84,536
Depreciation:	2,793,313	1,454,299	2,472,128

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

20. Financial risk 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 risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7% and one is at a fixed rate of 4.32%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3 to 3.64%. In order to reduce interest risk, the lending bank charges a 0.7% interest guarantee with respect to mortgage loans I and a fixed fee was paid in respect to mortgage loan II as described in note 15.

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. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

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

20. Financial risk management objectives and policies (continued)

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

Lending 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 creditors in the market.

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.

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group. As described in note 15, the Group has taken mortgage loans in 2009 and in 2010 in connection with its office building purchase transactions in The Netherlands. The managements evaluates the level of indebtness of the Group as healthy, bearing low risks.

Fair value

At 30 June 2011 and 31 December 2010, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful debts. Certain bonds are fair valued as disclosed in note 5. Bank loans having variable market interest rate approximated their fair values.

21. Investments in subsidiaries

During the period I-VI months 2011 the Group has conducted the following any transactions which affecting the group's structure.

- At 24 June 2011, Fotex Netherlands BV established its subsidiary, called FN 2 BV, in The Netherlands to further develop and manage the property portfolio in The Netherlands.

- In the second quarter 2011 all possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l. As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register

21. Investments in subsidiaries (continued)

During 2010, Fotex Group entered into the following transactions and mergers:

- At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft, into Keringatlan Kft, effective as of 1 January 2011.

22. Operating leases

The Group leases retail sites within “MOM Park” and “Csepel Plaza” shopping centres and at 6 other locations in Győr and 4 other sites situated in Budapest based on non-cancellable operating lease agreements. The Group recalculates its leasing fees by ending of each year and publishes them in its financial statement.

23. 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, totally 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 totally diluted earnings per share, net earnings are adjusted with any gains and expenses that relate to potentially convertible securities,

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

	30. June 2011	31. March 2011	30. June 2010
	EUR	EUR	EUR
Net profit attributable to equity holders from continuing operations	3,074,971	1,277,882	3,215,667
Net profit / (loss) attributable to shareholders			
Weighted average number of shares in issue during the year	60,091,101	60,091,101	60,113,259
Basic earnings/(deficit) per share (EUR)	0.05	0.02	0.05

The diluted earnings per share agree with basic earnings per share in 2011 and 2010 as there is no dilution effect in these years

24. 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 Sarl. (“Blackburn Luxembourg”), a Luxembourg company and Zurich Investments Inc. (“Zurich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”) and Plaza Park Kft. (“Plaza Park”). At 30 June 2011, Blackburn controls 16.9% of the Company’s share capital (31 December 2010: 16.9%), Zurich controls 14.1% (31 December 2010: 14.1%), Fotex Ingatlan controls 17.6% (31 December 2010: 17.6%), Blacburn Luxembourg controls 1.6% (31 December 2010: 0%) and Plaza Park 0 % (31 December 2010: 1.6%). These companies are considered to be related parties.

Related party transactions

In case of Plaza Park office lease agreements were modified in December, 2000, and were extended until 31 December 2006. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until 31 December 2016. The rental agreements are for an indefinite period and rental fees are adjusted with the harmonized customer price index (EU27) reported by the European Union’s Statistical Office (Eurostat).

Rental and other related fees paid to Fotex Ingatlan for 2011 I-VI month were EUR 191,808 (2010 I-VI month: 181,688 EUR) and to Plaza Park EUR 320,829 for 2011 I-VI months (2010 I-VI months: 313,741 EUR).

Further to a helicopter rental agreement between Plaza Park and Keringatlan Kft., the total amount of rent plus related services invoiced by Plaza Park for 2011 I-VI months was EUR 2,706 (2010 I-VI: EUR 3,358).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2011 I-VI months was EUR 43,666 (2010 I-VI months: EUR 63,140).

During 2010, Fotex Ingatlan Kft. granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 664 for 2011 I-VI months (2010 I-VI months: EUR 1,605).

Fotex granted arm’s length loans to senior officers to purchase dividend preference shares: The balance of officers’ loan amounts to EUR 0 at 30 June 2011 (31 December 2010: EUR 92,393) because the loans were totally redeemed in second quarter 2011.

Transactions with other related parties

There were no significant related party transactions in either 2011 or in 2010.

25. Personnel and structural changes

Structural changes:

During the period I-VI months 2011 there hasn't happened any structural changes.

Personnel changes

There were no personnel changes in the Group's management in the reporting period.

26. Other matters

According to the resolution of the shareholders meeting No, 23/2000, on 2 May 2001, Fotex Nyrt. converted all its shares with the involvement of Keler Rt.

At that date, 70,388,664 shares were replaced and 334,986 old shares were not converted by their holders. In accordance with prevailing legal regulations, the Company made the unconverted shares void. The new shares that replaced the void ones were sold by the Company in the most optimal way that best served the interest of the shareholders. The consideration received less incurred costs are forwarded to the holders of the void shares after the 30th day, 15 November 2001, following the sale of all the shares that replaced the void shares as compensation for the void shares. Of the void shares, consideration relating to 165,462 shares has been paid up to this date and the holders of 169,524 void shares has not come forward so far.

Fotex Nyrt's ordinary shareholders' meeting held on 28 April 2004 decided to convert Fotex Nyrt's printed shares into dematerialised shares. The conversion to dematerialised shares took place on 11 November 2004. The conversion does not affect the rights related to the shares. The printed shares could be presented for conversion between 10 September 2004 and 10 November 2004. On 11 November 2004, all printe E-28 res were made void by Fotex Nyrt. Consideration for 1,210 shares made void due to dematerialization has been paid up to this day, the holders of 140, void shares have not come forward so far.

At Fotex Holding SE Nyrt's ordinary shareholders meeting held on 28 April 2009, the shareholders decided to move the Company's registered office to Luxembourg. At this general meeting, the shareholders made a decision about the determination of the share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg as well as about the way and timing of redemption. The share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg was determined by the shareholders' meeting as 0.89 EUR/share based on the equity/issued capital ratio as at 31 December 2008. The meeting authorized the Board of Directors to redeem such shares. Settlements were done with the two shareholders that voted against moving the registered office with 52,870 shares.

According to resolution No. 5 at their ordinary annual meeting held on 26 April 2011, upon approving the financial statements for 2010. Fotex Holding SE's shareholders decided to distribute dividends to the holders of dividend preference shares equalling the face values of the shares.

On 26 October 2009, Ajka Kristály Üvegipari Kft, signed a solvency agreement with its creditors. As a result of the agreement, the debtor wishes to pay off its debts that are included in the scope of the solvency agreement without late payment penalty and other charges from sales revenues to be collected up to 30 April 2012 from selling own manufactured inventories at September 1, 2009. In the meantime, interim instalments would be paid on 15 January 2011 and on 15 January 2012. The debtor assumed an obligation to pay all its creditors up to HUF 200,000 by 14 November 2009, which was

26. Other matters (continued)

duly done. The sole owner of the company, the creditor, Fotex Holding, and two entities under direct majority control of the owner, Upington Ltd. and Downington Holding LLC. and all subsidiaries within group asserted that they did not demand settlement of the debts towards them until Ajka Kristály Kft. met its obligation towards its other creditors under the solvency agreement. The creditors that attended the agreement negotiation meeting engaged Piroska Gazda, a statutory auditor who also attended the meeting as representative of one of the creditors, Meritum Kft., to check compliance with the terms of the agreement.

In the period I-VI months 2011, Ajka Kristály Kft, has managed to book its entire production capacity, which had been reduced to meet market demand, with a positive lookout to the future of the market.

The securities with ISIN-code T0008806916, (so-called “certificates”), which were previously traded on the Vienna Stock Exchange, have been withdrawn from Stock Exchange’s trading for the request of Company as of June 30, 2010. Fotex ordinary share with ISIN-code HU0000096409 have been automatically credited on the accounts of the owners of the certificates kept at their custodian bank in 1:1 proportion. The credit has been taken place automatically 3 workdays after the withdrawal of the certificates. Our company has entrusted the Erste Group Bank AG with the technical transaction of the SWAP of securities.

Since 1 October 2010 Keringatlan Ltd. has outsourced its facility management activity to the group’s member Székhely 2007 Ltd.

As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register. All possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l..

In July 2011 FN2 B.V. purchases an office building having 7,122 m2 with 129 parking places in Utrecht which is leased for long term to the Government Building Agency which is the part of Ministry of the Interior and Kingdom Relations.

Also in July 2011 UPINGTON INVESTMENTS Ltd. purchases the ownership of 100 % share of PLAZA-PARK Kft. seated in Hungary. By this purchase the real estate property of Fotex’s consolidated companies extends by 95,274 m2 plot and gross 7,045 m2 superstructure.

THE Q3 UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Fotex Holding SE
75, Parc d’activités
L-8308 Capellen

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 30 September 2011

Fotex Holding SE and its subsidiaries
Consolidated statement of financial position
Figures in EUR

	Notes	September 30 2011 EUR	December 31 2010 EUR
Assets:			
Current assets:			
Cash and cash equivalents	4	19,022,500	17,480,416
Other current financial assets	5	745,896	280,768
Accounts receivable and prepayments	6	5,493,549	6,483,893
Income tax receivable		-	440,601
Inventories	7	6,714,593	7,637,998
Total current assets		31,976,538	32,323,676
Non-current assets			
Property, plant & equipment	8	137,853,596	112,226,193
Deferred tax asset		400,312	419,510
Intangible assets	10	2,797,972	2,814,996
Other non-current financial assets	5	1,453,385	6,838,490
Goodwill arising on acquisition	11	11,679,566	10,067,494
Total non current assets		154,184,831	132,366,683
Total assets:	19	186,161,369	164,690,359
Liabilities and shareholder's equity			
Current liabilities:			
Interest-bearing loans, borrowings and overdrafts	15	1,347,967	848,825
Provisions		169,005	217,373
Accounts payable and other liabilities	12	6,639,927	8,912,889
Income tax liability		261,589	0
Total current liabilities:		8,418,488	9,979,087
Non-current liabilities:			
Interest bearing loans and borrowings	15	63,039,130	37,852,693
Other long-term liabilities	12	1,373,348	1,939,830
Deferred tax liability	16	2,042,162	550,981
Total non current liabilities		66,454,640	40,343,504
Shareholder's equity:			
Issued capital	13	30,543,933	30,543,933
Capital reserve		32,895,729	32,895,729
Goodwill write off reserve	13	(1,292,105)	(1,534,125)
Retained earnings		69,158,018	71,637,487
Treasury shares, at cost	13	(20,123,862)	(19,266,955)
Fair value revaluation reserve	13	0	0
Equity attributable to equity holders of the parent company		111,181,713	114,276,069
Non – controlling interest in consolidated subsidiaries		106,528	91,699
Total shareholder's equity		111,288,241	114,367,768
Total liabilities and shareholder's equity		186,161,369	164,690,359

See the accompanying notes to the consolidated financial statements.

Fotex Holding Se and its subsidiaries
Consolidated Income statement
Figures in EUR

	Notes	September 30 2011	June 30 2011	March 31 2011	September 30 2010
		EUR	EUR	EUR	EUR
Revenue	19	29,197,458	19,380,529	9,384,175	27,625,436
Operating expenses	14	(26,295,399)	(15,092,873)	(7,380,903)	(21,760,871)
Interest income		765,894	657,153	275,543	1,108,364
Interest expense		(1,941,017)	(1,060,161)	(586,326)	(961,578)
Profit on sale of available for sale financial assets	5	2,376,463			
Income before income taxes	19	4,103,399	3,884,648	1,692,489	6,011,351
Income tax expense	16	(1,379,114)	(801,937)	(411,777)	(957,747)
Net income		2,724,285	3,082,711	1,280,712	5,053,604
Attributable to					
Equity holders of the parent company		2,697,752	3,074,971	1,277,882	5,044,557
Non – controlling interest		26,533	7,740	2,830	9,047
Net income		2,724,285	3,082,711	1,280,712	5,053,604
Earnings per share	23	0.05	0.05	0.02	0.08
Diluted earnings per share	23	0.05	0.05	0.02	0.08

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE its subsidiaries
Consolidated Statement of Comprehensive Income
Figures in EUR

	Notes	September 30 2011	June 30 2011	March 31 2011	September 30 2010
		EUR	EUR	EUR	EUR
Net income		2,724,285	3,082,711	1,280,712	5.053.604
Other comprehensive income:					
Exchange differences on translation of foreign operations	18	(4,940,375)	3,747,052	3,673,445	(1.667.734)
Total comprehensive income		(2,216,090)	6,829,763	4,954,157	3.385.870
Attributable to:					
Equity holders of the parent company		(2,237,449)	6,817,384	4,946,781	3.376.823
Non-controlling interest		21,359	12,379	7,376	9.047
		(2,216,090)	6,829,763	4,954,157	3.385.870

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

30 September 2011

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Fair value revaluation reserve	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2011	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	–	114,276,069	91,699	114,367,768
Profit for the period 2011	–	–	–	2,697,752	–	–	2,697,752	26,533	2,724,285
Other comprehensive income (Note 18)	–	–	–	(4,935,201)	–	–	(4,935,201)	(5,174)	(4,940,375)
Total comprehensive income	–	–	–	(2,237,449)	–	–	(2,237,449)	21,359	(2,216,090)
Redeemed treasury shares (Note 13)	–	–	–	–	(856,907)	–	(856,907)	–	(856,907)
Non-controlling interest dividends	–	–	–	–	–	–	–	(10,809)	(10,809)
Increase in non-controlling interest	-	-	-	-	-	-	-	4,279	4,279
Reversed written off goodwill reserve (Note 13)	–	_	242,020	(242,020)	–	_	_	–	–
Fair value revaluation of financial assets classified as available for sale (Note 13)	–	_	–	–	–	-	-	–	
30 September 2011	**30,543,933**	**32,895,729**	**(1,292,105)**	**69,158,018**	**(20,123,862)**	**0**	**111,181,713**	**106,528**	**111,288,241**

See accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

30 September 2010

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Total	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2010	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
Profit for the period 2010	–	–	–	5,044,557	–	5,044,557	9,407	5,053,604
Other comprehensive income	–	–	–	(1,667,734)	–	(1,667,734)	0	(1,667,734)
Total comprehensive income	–	–	–	3,376,823	–	3,376,823	9,407	3,385,870
Redeemed treasury shares (Note 13)	–	–	–	–	(83,529)	(83,529)	–	(83,529)
Non-controlling interest dividends	–	–	–	–	–	–	–	–
Reversed written off goodwill reserve (Note 13)	–	–	242,020	(242,020)	–	–	–	–
30 September 2010	30,543,933	32,895,729	(1,614,798)	70,627,929	(19,205,137)	113,247,656	92,660	113,340,316

See accompanying notes to consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Cash Flows

	30 September 2011	30 September 2010
	EUR	EUR
Cash flows from operating activities:		
Income / (Loss) before non-controlling interests and income taxes	4,103,399	6,011,351
Depreciation and amortization	4,460,771	3,940,810
Provision used and reversed	(47,171)	(5,668)
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss, impairment of tangible assets	789,051	471,350
Gain/loss on disposal of tangible and intangible assets	(4,053)	(1,333)
Gain/loss on disposal of a subsidiaries	1,485	
Gain/loss on disposal of other investments	701,875	
Interest income	(765,894)	(1,108,364)
Interest expense	1,941,017	961,578
Changes in assets and liabilities:		
Accounts receivable and prepayments	2,885,983	1,559,615
Inventories	659,688	65,164
Accounts payable and accrued expenses	(3,920,673)	(2,791,710)
Cash flows from operating activities	10,805,478	9,102,793
Income taxes paid	(196,133)	(957,747)
Net cash from operating activities:	10,609,345	8,145,046
Cash flows from investing activities:		
Purchase of tangible and intangible assets:	(16,722,763)	(20,054,242)
Sale of tangible and intangible assets:	9,159	13,181
Acquiring subsidiaries, net of cash	(891,807)	
Change in investments	246,142	(539,101)
Interest received	329,617	1,108,364
Net cash used in investing activities:	(17,029,652)	(19,471,798)
Cash flows from financing activities:		
Loans granted	98,816	984,387
Loans received	10,775,927	13.484.091
Dividend paid	(10,809)	
Interest paid	(1,374,884)	(961,578)
Purchase of treasury shares	(856,907)	(83,529)
Change in subordinate and other long term liabilities	(607,634)	(33,502)
Net cash used in financing activities:	8,024,509	13.389.869
Net increase/decrease in cash and cash equivalents:	1,604,202	2,063,117
Cash and cash equivalents at beginning of year	17,480,416	12,997,087
Effect of foreign currency translation	(62,118)	(93,392)
Cash and cash equivalents at 30 September:	19,022,500	14,966,812

See accompanying notes to consolidated financial statement.

1. General information

Fotex Group's report on its operations in the period I-IX. months 2011 is prepared in accordance with IFRS requirements. These figures are consolidated but not audited.

As part of the Group's restructuring process, the scope of subsidiaries taken into account at the consolidation has changed compared to the basis period as follows:

At 31 December 2010, the company's court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.

In the second quarter 2011 all possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l. As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register.

At 24 June 2011, Fotex Netherlands BV established its subsidiary, called FN 2 BV, in The Netherlands to further develop and manage the property portfolio in The Netherlands.

As of July 1, 2011 the Group purchased the ownership of 100% share of Plaza Park Kft seated in Hungary, thus since 1 July 2011 Plaza Park Kft qualifies as 100% subsidiary of the Group.

As of August 8, 2011 the Group sold all of its 100% business share in Europrizma Management Ltd, thus since 8 August 2011 Europrizma Management Ltd has been out of the Fotex Group.

1. General information (continued)

Subsidiaries taken into account at the consolidation at 30 September 2011 and at 30 September 2010 are as follows:

SUBSIDIARIES	PRINCIPAL ACTIVITIES	ISSUED CAPITAL (EUR)		OWNERSHIP (%)		VOTING RIGHTS (%)	
		30/09/2011	30/09/2010	30/09/2011	30/09/2010	30/09/2011	30/09/2010
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	5,050,721	5,050,721	100.0	100.0	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	1,325,100	1,325,100	100.0	100.0	100.0	100.0
Balaton Glas Hotel Kft.	Property management (Note 21)	-	879,979	-	100.0	-	100.0
Downington Sàrl.	Investment holding (Note 21)	-	2,050,000	-	100.0	-	100.0
Europrizma Kft.	Administration services (Note 21)	-	35,879	-	100.0	-	100.0
Fotex Cosmetics Kft.	Cosmetics retailer	870,723	870,723	100.0	100.0	100.0	100.0
Fotexnet Kft.	Internet retail and other services	56,963	28,349	87.9	99.97	89.2	100.0
Hungaroton Music Zrt.	Music archive	480,399	480,399	99.2	99.2	99.2	99.2
Hungaroton Records Kft.	Music release and music retailing	1,707,078	1,707,078	99.8	99.8	100.0	100.0
Keringatlan Kft.	Property management	20,558,176	20,558,176	100.0	100.0	100.0	100.0
Fotex Netherlands B.V.	Property management	18,000	18,000	100.0	100.0	100.0	100.0
FN 2 B.V.	Property management (Note 21)	18,000	-	100.0	-	100.0	-
Primo Zrt.	Clothing retailing and wholesaling	1,859,657	1,859,657	99.9	100.0	100.0	100.0
Sigma Kft.	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székhely 2007 Kft.	Property management	86,109	86,109	99.1	99.1	99.1	99.1
Upington Investments Ltd.	Investment holding	12,500	12,500	100.0	100.0	100.0	100.0
Plaza Park Kft	Property management (Note 21)	1,171,580	-	100.0	-	100.0	-

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt. Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. 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.

In connection with the transformation into a European public limited company, the dematerialized shares had to be replaced. The replacement took place on 25 February 2009. As a result of the replacement, the product list listed at the Budapest Stock Exchange (BSE) was changed. One dematerialized subscribed share of Fotex Nyrt. at HUF 100 face value is equivalent to one dematerialized subscribed share of Fotex Holding SE Nyrt. at EUR 0.42 face value. The rights related to the shares as set out in the company statutes have remained unchanged.

Following the transformation into a European public limited company, the Company's annual general meeting held on 28 April 2009 decided to move the Company's registered office to Luxembourg. The Company was registered in the Luxembourg (new registered office) companies register at 4 June 2009. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, Luxembourg. The Metropolitan Court of Budapest, cancelled the Company from the Hungarian companies register on 28 August 2009.

2. Significant accounting policies

Basis of presentation

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The consolidated financial statements have been prepared on a historical cost basis.

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").

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At 30 September 2011, due to the endorsement process of the EU, and the activities of the Group, 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 Company. The reporting currency of the consolidated financial statements is EUR.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 September 2011. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

All intra-group balances, revenues and expenses and gains and losses resulting from intra-group transactions are eliminated.

Non-controlling interests represent the portion of income or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within shareholders' equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Acquisitions of minority interests are accounted under the entity concept method. The entire difference between the cost of the additional interest in the subsidiary and the non-controlling interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of the acquisition of the non-controlling interest is reflected as being a transaction between owners.

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 for the period I-IX. months 2011 are prepared in EUR.

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 was necessary to convert the elements of the statement of financial position and income statements of subsidiaries from HUF to EUR.

2. Significant accounting policies (continued)

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

Assets and liabilities have been converted to EUR using the MNB FX rate as at 30 September 2011.: 292.12 HUF/EUR (31 December 2010: 278.75 HUF/EUR). The elements of own equity are converted by using the historical FX rates except the current year's result and the non-controlling interest. The current year's result is converted by using the quarterly Hungarian Nation Bank ("MNB") average FX rates and the non-controlling interest is converted by using the MNB FX rate as at 30 September 2011 (292.12 HUF/EUR).

The income statement has been converted from HUF to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

Data in HUF/EUR

Period	2011.	2010.
1st Quarter	272.48	268.57
2nd Quarter	266.33	274.38
3rd Quarter	274.90	282.46

3. Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made judgements on the balance sheet date of prior year. The management makes these judgements at the preparation of the annual financial statements, and in the interim financial statements the effect of judgements, which have been made on the prior year's balance sheet date, are applied. The key assumptions concerning the future and other key sources of estimation uncertainty made at the prior year's balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the preparation of current year's closing annual financial statement. From these the following has the most significant effect on the figures presented in the financial statement.

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.

Impairment of Goodwill

The Group determines whether goodwill is impaired 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.

Impairment of Intangibles

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired on an annual basis. This requires an estimation of the value in use of the

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

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.

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. On an annual basis 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. The recognised tax loss as at 30 September 2011 is EUR 1,123,691 (31 December 2010: EUR 1,136,887)

Fair Value of Investment Properties

The Group determines on an annual basis and presents in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows are determined separately for the following categories of investment property: retail outlets, offices, warehouses, other real estate property and plots of land using average rental fees currently realisable by the Group; present values are calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets.

4. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in view of the prompt 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 at 30 September 2011 is EUR 19,022,500 (31 December 2010: EUR 17,480,416).

Cash includes fixed deposits of EUR 2,021,061 (31 December 2010: EUR 2,740,413) at rates ranging from 3.74% to 5.3 % (2010: 3.5% to 7.1 %). The Company has EUR, USD and HUF deposits. The lower rates are on foreign currencies while the higher ones are on HUF.

At 30 September 2011 the investment in money-market funds are reclassified from investments to cash and cash equivalents, because this meets the definition of cash equivalents. For the comparison the investment in money-market funds at 31 December 2010 are reclassified from investments to cash and cash equivalents, that’s why the opening balance of cash and cash equivalents increased from EUR 17,245,883 to EUR 17,480,416.

5. Other financial assets

	30 September 2011	31 December 2010
Short term	EUR	EUR
Cash deposit connected to rented properties	744,694	279,509
Other short-term investment – less impairment loss	1,202	1,259
Other short-term investments, total	745,896	280,768

	30 September 2011	31 December 2010
	EUR	EUR
Long term		
Cash deposit connected to rented properties	1,352,413	1,933,037
Investments held to maturity	94,841	4,804,608
Loans to senior officers	-	92,393
Long-term part of long-term loans to other companies – less impairment loss	6,131	8,452
Other long-term investments, total	1,453,385	6,838,490

Cash deposit 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 the long-term, and the deposits which are expected to be repayable within 3 months and a year were classified as short-term.

Other short-term investment less impairment loss

The other short-term investment - less impairment loss line contained previously investments in money-market funds and OTP and MOL bonds.

5. Other financial assets (continued)

The investment in money-market funds has been reclassified to cash and cash equivalents, due to the fact that this investment in money-market funds meets the definition of cash equivalents. For the comparison the investment in money-market funds at 31 December 2010 has also been reclassified to cash and cash equivalents. (Note 4.)

Previously OTP and MOL bonds were classified as long term held to maturity investments, although the intention of the company with these securities changed, that's why these bonds have been reclassified to available for sale category as of June 15, 2011, which was disclosed in the other short-term investments – less impairment loss line.

The Group had 7,100 subordinated OTP Bank Nyrt, ("OTP") bonds of EUR 1,000 face value each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued at 19 September 2006 as value date maturing on 19 September 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 September each year. The cost of the investment less the effective interest at 30 June 2011 was EUR 4,458,547 (31 December 2010: EUR 4,093,865). The applied average effective interest rate was 18%. The fair value of OTP bonds as of June 30, 2011 was EUR 6,749,996 (at 31 December 2010: EUR 6,146,738).

The Group has 1,000 MOL Nyrt ("MOL") bonds of EUR 1,000 face value each purchased on 10 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment less the effective interest at 30 June 2011 was EUR 658,961 (31 December 2010 EUR 608,801). The applied average effective interest rate was 16%. The fair value of MOL bonds as of June 30, 2011 was EUR 968,413 (at 31 December 2010: EUR 889,873).

Because these securities were in the available for sale category at 30.06.2011, that's why these bonds were valued at fair value in the Statement of Financial Position, and the difference between the book value and fair value of bonds at 30.06.2011 was accounted in fair value revaluation reserve of shareholder's equity, see note 13

The OTP and MOL bonds have been sold at 1 July 2011. The accumulated fair value difference, which was previously in the fair value revaluation reserve of shareholder's equity, has been reversed to the current year's profit. The Company has realized EUR 2,376,463 gain on the sale of the bonds.

Loans to senior officers:

Arm's length loans granted by Fotex to senior officers to purchase dividend preference shares were redeemed in I-IX months of 2011 totally (31 December 2010: 92,393) see Note 24.

Long-term loans to other companies:

The long-term part of long-term loans to other companies – less impairment loss line contains EUR 6,131 (31 December 2010: EUR 8,452) loans granted to employees.

6. Accounts receivable and prepayments

	30 September 2011	31 December 2010
	EUR	EUR
Debtors	3,368,745	5,531,848
Impairment loss on debtors	(1,024,800)	(946,542)
Tax assets	735,417	498,766
Other receivables and prepayments/accrued income	2,554,594	1,739,316
Impairment loss on other receivables	(140,407)	(339,495)
Total	5,493,549	6,483,893

The terms applicable to related parties are set out in Note 24.
Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received in three months.

Impairment loss on debtors, tax assets and on other receivables at 30 September 2011 is EUR 1,165,207 (31 December 2010: EUR 1,286,037).

Movements in the impairment loss during the year 2010 and 2011 is as follows:

	EUR
1 January 2010	765,862
Charge for the year	656,965
Utilised	(62,942)
Unused amount reversed	(52,115)
FX loss	(21,733)
31 December 2010	1,286,037
Charge for the year	377,479
Utilised	(252,263)
Unused amount reversed	(194,160)
FX loss	(51,886)
30 September 2011	1,165,207

7. Inventories

	30 September 2011	31 December 2010
	EUR	EUR
Merchandise and finished products	7,661,904	8,361,764
Materials	884,091	1,124,639
Work in progress	2,184,791	2,121,892
Inventories, gross	10,730,786	11,608,295
Impairment of merchandise and finished products	(3,485,494)	(3,409,006)
Impairment of materials	(39,422)	(46,450)
Impairment of work in progress	(491,277)	(514,841)
Impairment of inventories	(4,016,193)	(3,970,297)
Total inventories, net	6,714,593	7,637,998

Management has identified a number of Group companies that have slow moving inventories. Management has considered the recognised impairment loss of EUR 4,016,193 (2010: EUR 3,970,297) as adequate. During the first nine months 2011 EUR 232.514 inventory impairment has been created and EUR 4,902 inventory provision has been disposed in I-IX. months 2011, because inventories were scrapped on which previously impairment had been accounted. The remaining change in inventory impairment is due to changes in FX rates.

8. Property, plant & equipment

Movements in tangible assets during period I-IX. months 2011 were as follows (the table contains the property plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2011	132,002,513	18,843,351	436,957	151,282,821
Additions	34,239,431	1,625,120		35,864,551
Disposals and write downs	(1,828,434)	(427,448)		(2,255,882)
Currency (loss)/gain arising from retranslation	(4,975,479)	(992,914)	(304,212)	(6,272,605)
30 September 2011	159,438,031	19,048,109	132,745	178,618,885
Accumulated depreciation:				
1 January 2011	(23,530,138)	(15,526,490)	-	(39,056,628)
Depreciation expense	(3,493,633)	(950,471)	-	(4,444,104)
Disposals and write downs	1,494,187	330,190	-	1,824,377
Other increase	(538,027)	(533,473)	-	(1,071,500)
Currency (loss)/gain arising from retranslation	1,157,906	824,660	-	1,982,566
30 September 2011	(24,909,705)	(15,855,584)	-	(40,765,289)
Net book value				
30 September 2011	134,528,326	3,192,525	132,745	137,853,596
31 December 2010	108,472,375	3,316,861	436,957	112,226,193

8. Property, plant & equipment (continued)

Movements in tangible assets during 2010 were as follows (the table contains the property, plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	114,042,089	20,205,460	1,115,426	135,362,975
Additions	20,234,847	946,258	-	21,181,105
Disposals and write downs	(218,866)	(1,728,509)	(654,668)	(2,602,043)
Currency (loss)/gain arising from retranslation	(2,055,557)	(579,858)	(23,801)	(2,659,216)
31 December 2010	132,002,513	18,843,351	436,957	151,282,821
Accumulated depreciation:				
1 January 2010	(19,870,659)	(16,868,950)	-	(36,739,609)
Depreciation expense	(4,297,973)	(838,697)	-	(5,136,670)
Disposals and write downs	64,764	1,692,875	-	1,757,639
Currency (loss)/gain arising from retranslation	573,730	488,282	-	1,062,012
31 December 2010	(23,530,138)	(15,526,490)	-	(39,056,628)
Net book value				
31 December 2010	108,472,375	3,316,861	436,957	112,226,193
31 December 2009	94,171,430	3,340,062	1,111,874	98,623,366

9. Real estate property

The Group's assets principally comprise of real estates owned by the parent company and the subsidiaries and rented out predominantly to third parties. Most of the Group's revenues are realized from real estate utilization. This type of activity is highly sensitive to macroeconomic trends. Based on the forecasts in 2011 a slightly higher GDP increase is expected compared to prior year, although the effect of expected economic performance improvement won't influence the real estate market, due to the fact that the effects of macroeconomic trends appear ca 1- 2 years later on the real estate market. From a Group point of view the year 2011 won't be easier compared to the two previous years, rather stagnation is expected.
The changes on retail real estate market have the greatest effect on the Group's activity due to the structure of the Group's real estate portfolio, so at the forecasting of the revenue the changes in this sector should have mainly taken into account. The trend on the retail real estate market is the following:

- in 2010 the retail turnover has decreased by 2.3% compared to prior year, and in 2011 the rise of purchasing power and that's why the increase in retail turnover also can not be expected

- due to the significant decline of demand on the real estate market, the opportunities to let decreased significantly and mostly the retail real estate market has been effected and the latest recovery can be expected in this sector.

9. Real estate property (continued)

- the rental fees are presumed to be a low level, they stagnate
- the offered real estate portfolio of the Group and the quality and place of the released properties so many times do not fit to the requirements of the declining number of potential lessees.
- the prolongation of the expired rental contracts will be more difficult and more unfavourable rental conditions are expected to achieve as it was previously

Significant portion of the rental revenue will be derived from the let of the retail real estates, and the rental revenue originated from the let of offices and warehouses will represents a lower level as it happened in the previous periods also.

Retail real estates

The continuous decline of the retail turnover hasn't stopped yet. It is expected that further stores situated at a less commercially frequented places and retailers with low economic potential will cease their operation during the year and in addition we can modestly taken into account the appearance of new multi national companies and expansion of domestic companies. According to the most optimistic opinions, the best case scenario is that the falling of rental fees would stop. The negotiations are also more difficult and more time-consuming. It is typical that shorter term rental agreements are signed.

Warehouses

A continuous increase in the supply of state-of-the-art logistic centres and newly built warehouses make it increasingly difficult for us to rent out our less up-to-date warehouses. Since the beginning of the financial crises the logistic property rental fees have dropped significantly, the decreases in the market can be as high as 30-40%. Positive for the future, that real estate experts predict that positive change would appear first in office-warehouse segment of the real estate market, based on the market expectations slight increase in the rental fee is expected.

Offices

It is assumed that the stop of the falling in demand and the decreasing degree of new offices will contribute to slight moderate in the record vacancy (at year-end 2010 it was 26%). Based on the real estate experts this rate would be at around 23-24% at year-end 2011. In case of rental fee most of the real estate experts believe that no increase would happen, but the decrease would also expect to stop.

In view of the adverse market conditions, the Group pays extra attention to controlling and optimising its costs to attainable revenues. Nonetheless, the Group makes efforts to make the best of investment opportunities offered by the stagnating real estate market. The Group's Dutch subsidiary, Fotex Netherlands B.V., purchased five significant office buildings totalling an area of 32,563 m2 (Zoetermeer, Gorinchem, Haarlem, Rotterdam, Zwolle). All these buildings are fully let with long term contracts, at good returns. FN 2 BV has purchased an office building having 7,122 m^2 in Utrecht and by the acquisition of Plaza Park Kft the group's investment property portfolio has further expanded.

Adverse changes in the world's economy have made it particularly necessary to review the value of the Group's real estate properties on an annual basis. Our investment properties were revalued as part of the audited annual financial statements prepared at the end of 2010. The figures disclosed in the annual financial statements for 2010 are considered as relevant values with respect to the Group's real estate property which will be revalued by the Company in the audited financial statement for the current year.

9. Real estate property (continued)

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	145,716	33,883,648	163,121,683
Offices	39,008	47,879,633	65,063,516
Warehouses	97,111	3,141,146	15,138,744
Other structures	38,830	3,239,595	5,263,805
Plots of land	677,670	14,240,787	23,430,835
Total investment properties*	998,335	102,384,809	272,018,583

* The Group has further 293,630 m^2 own property over its investment property disclosed in the table above.

The above schedule disclosing the investment properties does NOT contain the effects of the following significant transactions:

- FN 2 BV has purchased an office building having 7,122 m^2 in Utrecht. The initial recognition value of the property in Utrecht was EUR 15,922,400.
- Acquiring Plaza Park Kft the real estate portfolio of Fotex-group has extended with 95,193 m2 plot and 7,080 m2 superstructure. The fair value of properties at the date of acquisition was EUR 16,032,452.

10. Intangible assets

Movements in intangible assets during period I-IX. months 2011 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2011	6,667,194	956,371	7,623,565
Additions		7,673	7,673
Other increase		5,777	5,777
Disposals and write downs		(29,516)	(29,516)
Currency loss arising from retranslation		78,174	78,174
30 September 2011	6,667,194	1,018,479	7,685,673
Accumulated amortisation:			
1 January 2011	(4,008,798)	(799,771)	(4,808,569)
Amortisation expense		(16,667)	(16,667)
Other increase		(5,602)	(5,602)
Impairment			
Disposals and write downs		28,396	28,396
Currency gain arising from retranslation		(85,259)	(85,259)
30 September 2011	(4,008,798)	(878,903)	(4,887,701)
Net book value:			
30 September 2011	2,658,396	139,576	2,797,972
31 December 2010	2,658,396	156,600	2,814,996

The column 'Other' reflects property rental rights associated with subsidiaries. As part of discontinuing its ownership of 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. By 31 December 2005, there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 8.5%. An impairment loss of EUR 4,008,798 was recorded in previous years. Based on management's estimates no additional impairment loss is required for the current year (2010: EUR 0).

Movements in intangible assets for 2010 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2010	6,667,194	943,087	7,610,281
Additions	-	37,434	37,434
Disposals and write downs	-	(75,354)	(75,354)
Currency loss/gain arising from retranslation	-	51,204	51,204
31 December 2010	6,667,194	956,371	7,623,565
Accumulated amortisation:			
1 January 2010	(4,008,798)	(757,136)	(4,765,934)
Amortisation expense	-	(19,849)	(19,849)
Impairment	-	-	-
Disposals and write downs	-	31,322	31,322
Currency loss/gain arising from retranslation	-	(54,108)	(54,108)
31 December 2010	(4,008,798)	(799,771)	(4,808,569)
Net book value:			
31 December 2010	2,658,396	156,600	2,814,996
31 December 2009	2,658,396	185,951	2,844,347

11. Goodwill

Movements in goodwill on business combinations at 30 September 2011 and 31 December 2010 were as follows:

	30 September 2011	31 December 2010
	EUR	EUR
Cost:		
1 January	19,972,104	20,555,398
Goodwill on business combination (Note 27.)	2,288,438	
FX difference	(1,129,689)	(583,294)
Closing balance	21,130,853	19,972,104
Impairment:		
1 January	(9,904,610)	(10,193,878)
FX difference	453,323	289,268
Closing balance	(9,451,287)	(9,904,610)
Net book value:		
1 January	10,067,494	10,361,520
Closing balance	11,679,566	10,067,494

At 1 July 2011 EUR 2,288,438 - which is equivalent to THUF 605,521 – goodwill has arisen on the purchase of 100% business share of Plaza Park Kft. (Note 27)

The Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% discount rate. Based on this calculation, no impairment loss was recognised on goodwill.

The goodwill is allocated to the following entities:

	30 September 2011	31 December 2010
	EUR	EUR
Keringatlan Kft.	9,606,716	9,943,673
Balaton Glas Hotel Kft.*	-	123,821
Plaza Park Kft.**	2,072,850	
Net book value	11,679,566	10,067,494

* At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft. into Keringatlan Kft. effective as of 1 January 2011.
** At 1 July 2011 the Group has purchased the ownership of 100% business share of Plaza Park Kft from Blackburn International Luxemburg.

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair value of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

12. Accounts payable and other liabilities

	30 September 2011	31 December 2010
	EUR	EUR
Trade payables	1,673,982	2,235,663
Taxes payable (excluding income taxes)	697,548	948,680
Advances from customers	89,501	30,676
Accrued expenses	537,117	863,738
Deferred rental income	1,388,139	2,147,166
Remuneration approved for executive incentive scheme – dividend preference shares	0	651,000
Amounts payable to employees	182,381	182,881
Deposits from tenants (i)	744,694	279,509
Preference shares incentive scheme liability	530,604	556,054
Other liabilities	795,961	1,017,522
Total	6,639,927	8,912,889
Other long term liabilities (i)	1,373,348	1,939,830

Terms and conditions of the above financial 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. Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

(i) The Group has received 2 to 3 months deposits of EUR 2,097,107 (31 December 2010: EUR 2,212,546) 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 that part of the deposit liabilities as other long-term liabilities EUR 1,352,413 (31 December 2010: EUR 1,933,037) which are expected to be repayable in more than one year, and those parts which are expected within a year were classified as short-term tenant deposit liabilities EUR 744,694 (31 December 2010: EUR 279,509). Other long-term liabilities include car leases totalling EUR 5,932 (2010: 6,793 EUR) and guarantee liability totalling EUR 15,003 in addition to safety deposits received from customers.

Dividend preference shares in incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the capital by a maximum amount of EUR 3,093,041 (HUF 785,818,000), by issuing dividend preference shares (shares with dividend rights only, without voting right) against monetary contribution within 5 years from the date of the general meeting.

These dividend preference shares are to be used as a remuneration and long-term incentive system for executive officers, as well as senior employees. The dividend preference shares are intended to encourage good stewardship in members of management by directly connecting remuneration entitlement of preference shareholders to enhanced performance and stock exchange rates thereby contributing to increasing shareholder value for all. Fotex has an optional redemption right on dividend preference shares which is valid up to five years. Unless Fotex exercises its redemption right within five years of the end of employment of a member of management, the holder of such dividend preference shares may retain its shareholder rights. The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less

12. Accounts payable and other liabilities (continued)

than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus non-controlling interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue is treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares.

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed neither in 2010 nor till 30 September 2011, the change in dividend preference shares liability is due to changes in FX rates.

The shareholders' meeting of 26 April 2010, upon approval of the consolidated financial statements for 2009, decided to pay a dividend of EUR 0.42 per preference share. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2009.

At their meeting of 7 April 2011, the Board of Directors approved to pay dividends on the preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders' meeting, which was approved by the shareholder's meeting. The total amount of preference dividends due to members of management of EUR 651,000 is presented among payments to personnel in the consolidated financial statements in 2010.

The annual general meeting, which will accept the current year's annual consolidated financial statements, will decide about the possible dividend paid for 2011 relating to dividend preference shares. Interim dividend advance hasn't been determined yet.

13. Share capital and reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with face value of EUR 0.42 each. At 30 September 2011, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2010: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

13. Share capital and reserves (continued)

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of “Issued Capital” (30 September 2011: EUR 840,000; 31 December 2010: EUR 840,000) are also shown in “Treasury Shares”. As of 30 September 2011, 1,550,000 (31 December 2010: 1,550,000) dividend preference shares are held by certain employees. These shares are still shown within “Treasury Shares” but also as liability (preference shares incentive scheme liability) as further disclosed in Note 12.

As of 30 September 2011, the Company holds 13,357,091 treasury shares (including dividend preference shares) for a total amount of EUR 20,123,862 (31 December 2010: 12,632,549 shares at a cost of EUR 19,266,955).
During first 9 months of 2011, the company has purchased 724,542 own ordinary shares (during 2010 the company purchased 52,770 shares) on arm’s length basis. From January till September in 2011 and during 2010, no dividend preference shares from senior officers were redeemed.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the “Fotex” name) were valued by an independent appraiser at approximately EUR 7.7 million. This amount is shown as an intangible asset in the Company’s local statutory financial statements and is amortised over 24 years. This amount is shown as a deduction from shareholders’ equity in these consolidated financial statements of EUR 1,292,105 (31 December 2010: EUR 1,534,125).

Fair value revaluation reserve

At 15 June 2011 OTP and MOL bonds, which were classified as held to maturity securities previously, have been reclassified to available for sale category, because the company’s intention has changed relating to these bonds. Because these securities were sold at 1 July 2011 the previously accumulated fair value difference accounted in the shareholder’s equity has been reversed into the current year’s profit in 2011.

14. Selling, general and administration expenses

	30 September 2011	30 June 2011	31 March 2011	30 September 2010
	EUR	EUR	EUR	EUR
Payments to personnel	(4, 880,794)	(3,284,852)	(1,562,155)	(4,776,329)
Material-type expenses	(11,735,533)	(7,821,757)	(3,792,143)	(11,565,493)
Other expenses	(5,218,301)	(1,192,951)	(572,306)	(1,478,239)
Depreciation charges	(4,460,771)	(2,793,313)	(1,454,299)	(3,940,810)
Total selling, general and administration expenses	(26,295,399)	(15,092,873)	(7,380,903)	(21,760,871)

14. Selling, general and administration expenses (continued)

Other expenses include the following:

	30 September 2011	30 June 2011	31 March 2011	30 September 2010
	EUR	EUR	EUR	EUR
Impairment of intangibles				(170,389)
Impairment of granted loans				(11,998)
Loss on disposal of financial assets (Note 27)	(3,162,197)			
Impairment of receivables (Note 6)	(377,479)	(16.287)	(463)	(262,953)
Impairment of inventories/release of impairment	(232,514)			114,066
Realised FX gain/loss (net)	432,645 863,993	79.824	37,758	86,981
Taxes payable (mostly property tax)	(1,138,611)	(685.149)	(358,496)	(852,738)
Other expenses	(1,604,138)	(571.339)	(251,105)	(381,208)
Other expenses, total	(5,218,301)	(1.192.951)	(572,306)	(1.478.239)

15. Long term liabilities

The Group’s Dutch subsidiary, Fotex Netherlands B.V. obtained 3 mortgage loans in 2009 and further 1 mortgage loan in 2010 from FGH Bank N.V. for the financing of its real estate purchases. FN 2 BV., subsidiary of Fotex Nehterlands BV, has obtained further 1 loan in 2011 from Berlin-Hannoversche Hypothekenbank AG for the financing of its real estate purchase in The Netherlands. At purchase of business share of its new subsidiary Fotex-group has paid inter alia by giving 4 previously intercompany loans, so from that time these loans are 3rd party loans from Group point of view. These 4 loans are owed to Zurich Investments Inc.

The details of loan are presented below:

Description	Start date	End date	Loan EUR	Interest	Long-term part at 30/09/2011 EUR	Short-term part at 30/09/2011 EUR	Long-term part at 31/12/2010 EUR	Short-term part at 31/12/2010 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One month Euribor + 2,7% (rounding +0,05) on two working days prior to the start date of the interest period	17,416,943	350,911	17,425,958	346,158
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-month Euribor + 2,26% (rounding +0,05) on two working days prior to the start date of the interest period	3,447,527	88,686	3,460,587	87,412
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-month Euribor + 2,20% (rounding +0,05) on two working days prior to the start date of the interest period	3,516,744	87,063	3,550,054	85,443
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4,32 % p.a	13,228,919	329,056	13,416,094	329,812
V. mortgage	1/07/2011	30/06/2016	11,300,000	Fixed 4,26 % p.a	10,863,421	226,000	0	0
VI. loan	1/07/2011	13/04/2018	6,896,624	fixed 7,25 % p.a	6,894,570	126,029	0	0
VII. loan	1/07/2011	3/11/2018	1,500,000	fixed 7,25 % p.a	1,499,551	27,411	0	0
VIII. loan	1/07/2011	17/12/2018	2,373,327	Fixed 7,25 % p.a	2,372,615	43,370	0	0
IX loan	1/07/2011	28/06/2021	3,800,000	fixed 7,25 % p.a	3,798,840	69,441	0	0
Total			**65,819,951**		**63,039,130**	**1,347,967**	**37,852,693**	**848,825**

The above I-V loans are secured by mortgage on Fotex's Dutch real estates.

The book values of these real estates at 30 September 2011 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	10,058,024 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	13,291,858 EUR
Haarlem, Schipholpoort 20	5,152,037 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,739,391 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	17,943,266 EUR
3528 BJ Utrecht, Papendorpseweg 65	15,802,001 EUR

The loans VI - IX relating to the purchase of the business share of new subsidiary are unsecured.

16. Corporate tax

During 2010 the Hungarian tax authority (APEH) enacted certain changes to the corporate income tax rate for 2010 and future years. Prior to the change the corporate income tax rate was 20%. From 1 January 2010 the tax rate for the first half of the year was 19%, the rate for the second half of the year was 10% on the first HUF 250 million of taxable profit and was 19% above this amount. From 1 January 2011 the tax rate on the first HUF 500 million of taxable profit is 10% and above this amount 19%. From 1 January 2013 the tax rate for all taxable profit will be 10%.

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.

The income tax rate applicable to Fotex Holding SE's and Upington Investments S.à.r.l.'s income earned in Luxembourg is 22.05%, which results in a total tax of 31.05% as increased by Capellen's municipal tax; the income tax rate for Fotex Netherlands BV and FN 2 BV for the first EUR 200,000 taxable profit is taxed at 20% and the amount above the EUR 200,000 is taxed at 25%.

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan a tax rate of 15% 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.

The Group has carried forward losses of EUR 1,123,691 which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 13,547,316 which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 13,547,316 were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 13,547,316 can be rolled forward for an indefinite period.
In third quarter 2011 the deferred tax liability of the Company has increased significantly due to the deferred tax effect of the fair value adjustments of Plaza Park Kft's acquisition.

17. Discontinuing operation

The Group had no discontinuing operations in either 2010 or in the period of I-IX. months of 2011.

18. 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.

19. Segment information

For management purposes, the Group is divided into 7 business lines:

Furniture production and sales
Investment property management
Cosmetics retailing
Crystal and glass production and sales
Music records release and distribution
Clothing retailing and wholesaling
Other – administration and holding activities

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

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

The Group has operations in The Netherlands, in Luxembourg and in Hungary. Geographical segments are not presented in the consolidated financial statements as the costs 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.

19. Segment information (continued)

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

Description	30. September 2011			30. June 2011			31. March 2011			30. September 2010		
	Net Sales external	Net Sales inter-segment	Net sales	Net Sales external	Net Sales inter-segment	Net sales	Net Sales external	Net Sales inter-segment	Net sales	Net Sales external	Net Sales inter-segment	Net sales
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Furniture	1,540,784	56,083	1,596,867	1,250,105	48,600	1,298,705	607,011	24,226	631,237	1,650,549	72,163	1,722,712
Investment property	18,593,123	1,009,225	19,602,348	11,947,556	93,687	12,041,243	5,739,115	187,450	5,926,565	16,539,901	1,141,414	17,681,315
Household goods and cosmetics	423,777	346	424,123	276,832	234	277,066	149,834	114	149,948	542,194	341	542,535
Crystal and glass	5,418,498	103	5,418,601	3,541,512	104	3,541,616	1,813,533	103	1,813,636	5,372,726	124	5,372,850
Music	647,152	31,707	678,859	512,803	23,799	536,602	242,569	10,436	253,005	1,225,690	131,094	1,356,784
Clothing	391,802	7,460	399,262	278,871	4,962	283,833	159,665	2,396	162,061	508,174	38	508,212
Advertising	–	–	–	51,692	1,756	53,448	7,030	22,070	29,100	–	–	–
Other	2,182,322	1,382,664	3,564,986	1,521,158	505,381	2,026,539	665,418	433,736	1,099,154	1,786,202	962,853	2,749,055
Inter-segment elimination		(2,487,588)	(2,487,588)	–	(678,523)	(678,523)	–	(680,531)	(680,531)	–	(2,308,027)	(2,308,027)
Net sales	29,197,458	–	29,197,458	19,380,529	–	19,380,529	9,384,175	–	9,384,175	27,625,436	–	27,625,436

* Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010. The advertising activity is not significant on group level, so since Q3 2011 the advertising segment has been merged into the other segment.

19. Segment information (Continued)

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of net own produced furniture sales is from export. Other sales mainly reflect domestic sales realised in HUF.

Profit before tax	30 September 2011	30 June 2011	31 March 2011	30 September 2010
	EUR	EUR	EUR	EUR
Furniture	(318,367)	(30,566)	(28,853)	(128,334)
Investment property	5,004,103	3,517,760	1,592,224	5,740,756
Cosmetics retailing	(39,729)	(29,661)	(16,366)	(71,200)
Crystal and glass production and sales	1,080,358	651,049	240,816	908,940
Music records release and distribution	(23,583)	(27,772)	(61,423)	91,261
Clothing retailing and wholesaling	(343,276)	(54,056)	(14,672)	(1,036)
Advertising*	0	(22,142)	(11,190)	–
Other	(1,256,107)	(119,964)	(8,047)	(529,036)
Profit before tax:	4,103,399	3,884,648	1,692,489	6,011,351

***** Europrizma’s scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010. The advertising activity is not significant on group level, so since Q3 2011 the advertising segment has been merged into the other segment.

	30 September 2011			31 December 2010		
Assets:	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Furniture	3.004.865	153.877	3.158.742	3,844,151	80,331	3,924,482
Investment property	131.214.296	2.026.058	133.240.354	134,961,026	1,481,723	136,442,749
Cosmetics retailing	1.307.192	27.366	1.334.558	1,600,316	7,780	1,608,096
Crystal and glass production and sales	9.715.333	-	9.715.333	9,768,298	–	9,768,298
Music records release and distribution	715.620	975	716.595	1,580,732	13	1,580,745
Clothing retailing and wholesaling	467.390	180.431	647.821	1,531,372	273,498	1,804,870
Advertising*	–	–	–	–	–	–
Other	39.736.673	13.694.767	53.431.440	11,404,464	18,625,210	30,029,674
Balances among business lines set off	–	(16.083.474)	(16.083.474)	-	(20,468,555)	(20,468,555)
Total assets:	186.161.369	–	186.161.369	164,690,359	–	164,690,359

***** Europrizma’s scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010. The advertising activity is not significant on group level, so since Q3 2011 the advertising segment has been merged into the other segment.

19. Segment information (Continued)

Liabilities and accruals	30 September 2011			31 December 2010		
	Consolidated liabilities	Intra-business line payables	Total liabilities	Consolidated liabilities	Intra-business line payables	Total liabilities
	EUR	EUR	EUR	EUR	EUR	EUR
Furniture	237,782	454,308	692,090	371,710	348,905	720,615
Investment property	70,767,114	4,862,853	75,629,967	44,722,545	11,088,046	55,810,591
Cosmetics retailing	110,783	196,471	307,254	157,638	188,618	346,256
Crystal and glass production and sales	1,555,741	6,878,139	8,433,880	2,228,255	6,930,572	9,158,827
Music records release and distribution	61,387	9,203	70,590	224,558	10,915	235,473
Clothing retailing and wholesaling	25,447	372,109	397,556	51,380	587,347	638,727
Advertising*	–	–	–	–	–	–
Other	2,114,874	2,654,502	4,769,376	2,566,505	1,300,008	3,866,513
Balances among business lines set off	–	(15,427,585)	(15,427,585)	-	(20,454,411)	(20,454,411)
Liabilities and accruals	74,873,128	–	74,873,128	50,322,591	–	50,322,591

* Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010. The advertising activity is not significant on group level, so since Q3 2011 the advertising segment has been merged into the other segment.

Tangible asset additions:	30 September 2011	31 December 2010
	EUR	EUR
Furniture	5,882	77,721
Investment property	35,163,997	20,659,443
Cosmetics retailing	2,203	475
Crystal and glass production and sales	558,880	36,366
Music records release and distribution	6,994	15,628
Clothing retailing and wholesaling	1,778	153,204
Advertising*	-	-
Other	138,267	275,702
Tangible asset additions:	35,878,001	21,218,539

* Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010. The advertising activity is not significant on group level, so since Q3 2011 the advertising segment has been merged into the other segment.

19. Segment information (Continued)

Depreciation:

	30 September 2011	30 June 2011	31 March 2011	30 September 2010
	EUR	EUR	EUR	EUR
Furniture	43,138	32,338	17,128	76,549
Investment property	3,765,654	2,336,001	1,198,761	3,450,028
Cosmetics retailing	31,447	22,725	12,433	30,853
Crystal and glass production and sales	235,289	157,496	78,469	177,964
Music records release and distribution	15,403	14,412	7,317	27,526
Clothing retailing and wholesaling	18,338	17,242	9,800	11,822
Advertising*	–	1,714	1,501	–
Other	351,502	211,385	128,890	166,068
Depreciation:	4,460,771	2,793,313	1,454,299	3,940,810

***** Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010. The advertising activity is not significant on group level, so since Q3 2011 the advertising segment has been merged into the other segment.

20. Financial risk 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 risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7% and one is at a fixed rate of 4.32% and another one is at a fixed rate of 4.26%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3 to 3.64%. In order to reduce interest risk, the lending bank charges a 0.7% interest guarantee with respect to mortgage loans I and a fixed fee was paid in respect to mortgage loan II as described in note 15. At purchase of business share of its new subsidiary Fotex-group has paid inter alia by giving 4 previously intercompany loans, so since 1 July 2011 these loans are 3rd party loans from Group point of view. The annual interest rate on these loans is fixed at a rate of 7.25% p.a.

20. Financial risk management objectives and policies (continued)

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. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts. The Group also has a FX risk on transactions – which occurs when the Group buys or sells in a currency other than its functional currency. According to management, beyond the Group’s FX risk, the risk associated with the actual profit or loss position stems from the volume or orders and market demand which depends on global market trends rather than on FX rate fluctuations.

Lending 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 creditors in the market.

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.

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group. As described in note 15, the Group has taken mortgage loans in 2009 and in 2010 in connection with its office building purchase transactions in The Netherlands. In 2011 the Company’s capital structure has changed significantly, which can be explained by 2 reasons. The first reason is that, because of the expansion of real estate portfolio in The Netherlands the Group’s new subsidiary in The Netherlands has taken 1 new mortgage loan in order to finance the purchase of the new property. The other reason of the significant change of the capital structure is that at the purchase of business share of the new subsidiary the group has paid inter alia by giving 4 previously intercompany loans, so from that time these loans are 3rd party loans from Group point of view.

Fair value

At 30 September 2011 and 31 December 2010, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful debts. Bank loans having variable market interest rate approximated their fair values.

21. Investments in subsidiaries

During the period I-IX. months 2011 the Group has conducted the following any transactions which affects the group's structure.

- As of August 8, 2011 the Group sold all of its 100% business share in Europrizma Management Ltd, thus since 8 August 2011 Europrizma Management Ltd has been out of the Fotex Group.

- As of July 1, 2011 the Group purchased the ownership of 100% share of Plaza Park Kft seated in Hungary, thus since 1 July 2011 Plaza Park Kft qualifies as 100% subsidiary of the Group.

- At 24 June 2011, Fotex Netherlands BV established its subsidiary, called FN 2 BV, in The Netherlands to further develop and manage the property portfolio in The Netherlands.

- In the second quarter 2011 all possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l. As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register

During 2010, Fotex Group entered into the following transactions and mergers:

- At 31 December 2010, the companies court registered the merger of Balaton Glas Hotel Kft, into Keringatlan Kft, effective as of 1 January 2011.

22. Operating leases

The Group leases retail sites within "MOM Park" shopping centre and at 6 other locations in Győr and 4 other sites situated in Budapest based on non-cancellable operating lease agreements. The Group recalculates its leasing fees by ending of each year and publishes them in its financial statement.

23. 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, totally 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 totally diluted earnings per share, net earnings are adjusted with any gains and expenses that relate to potentially convertible securities.

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

	30 September 2011	30 June 2011	31 March 2011	30 September 2010
	EUR	EUR	EUR	EUR
Net profit attributable to equity holders from continuing operations	2,697,752	3,074,971	1,277,882	5,044,557
Net profit / (loss) attributable to shareholders	2,697,752	3,074,971	1,277,882	5,044,557
Weighted average number of shares in issue during the year	59,989,403	60,091,101	60,091,101	60,105,792
Basic earnings/(deficit) per share (EUR)	0.05	0.05	0.02	0.08

23. Earnings per share (continued)

The diluted earnings per share agree with basic earnings per share in 2011 and 2010 as there is no dilution effect in these years

24. 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 Sarl. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). At 30 September 2011, Blackburn controls 16.9% of the Company's share capital (31 December 2010: 16.9%), Zurich controls 0% (31 December 2010: 14.1%), Fotex Ingatlan controls 17.6% (31 December 2010: 17.6%), Blacburn Luxembourg controls 15.7% (31 December 2010: 0%) and Plaza Park 0 % (31 December 2010: 1.6%). These companies are considered to be related parties. At 1 July 2011 the Group has purchased ownership of 100% business share of Plaza Park, so till 30 June 2011 Plaza Park was considered as a related party company, but since 1 July 2011 Plaza Park has been considered as member of Fotex-group.

Related party transactions

In case of Plaza Park office lease agreements were modified in December, 2000, and were extended until 31 December 2006. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until 31 December 2016. The rental agreements are for an indefinite period and rental fees are adjusted with the harmonized customer price index (EU27) reported by the European Union's Statistical Office (Eurostat). The transactions happened after 1 July 2011 are considered as intercompany transactions, so these are eliminated fully at the consolidation.

Rental and other related fees paid to Fotex Ingatlan for 2011. I-IX. months were EUR 281,670 (2010. I-IX.: EUR 267,117) and to Plaza Park for 2011 I-IX. months EUR 320,828 (2010. I-IX.: EUR 439,745).

Further to a helicopter rental agreement between Plaza Park and Keringatlan Kft., the total amount of rent plus related services invoiced by Plaza Park for 2011 I-IX. months was EUR 2.706 (2010 I-IX.: EUR 10,948).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2011. I-IX. months was EUR 43,666 (2010. I-IX.: EUR 95,060).

During 2010, Fotex Ingatlan Kft. granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 2,000 for 2011. I-IX. months (2010 I-IX.: EUR 2,251).

Fotex granted arm's length loans to senior officers to purchase dividend preference shares, the loans were totally redeemed in the first half of 2011. (31 December 2010.: EUR 92,393)

Fotex-group has purchased the ownership of 100% business of Plaza Park as of July 1, 2011 from Blackburn International Luxembourg for totalling EUR 19,951,024.

For the period I-IX months 2011 Blackburn International Luxemburg has charged EUR 132,633 (2010 I-IX months: 0 EUR) interest and Zürich Investment Inc has charged EUR 64,177 (2010 I-IX months: 0

24. Related party transactions (continued)

EUR) interest to Fotex Netherlands BV on loans, which had been previously intercompany loans, but were given to a third party at the purchase of the business share of Plaza Park.

For the period I-IX months 2011 Blackburn International Luxemburg has charged EUR 46,797 (2010 I-IX months: 0 EUR) interest and Zürich Investment Inc has charged EUR 22,644 (2010 I-IX months: 0 EUR) interest to FN 2 BV on loans, which had been previously intercompany loans, but were given to a third party at the purchase of the business share of Plaza Park.

Transactions with other related parties

There were no significant related party transactions in either 2011 or in 2010.

25. Personnel and structural changes

Structural changes:

During the period I-IX. months 2011 there hasn't happened any structural changes.

Personnel changes

There were no personnel changes in the Group's management in the reporting period.

26. Other matters

According to the resolution of the shareholders meeting No, 23/2000, on 2 May 2001, Fotex Nyrt. converted all its shares with the involvement of Keler Rt.

At that date, 70,388,664 shares were replaced and 334,986 old shares were not converted by their holders. In accordance with prevailing legal regulations, the Company made the unconverted shares void. The new shares that replaced the void ones were sold by the Company in the most optimal way that best served the interest of the shareholders. The consideration received less incurred costs are forwarded to the holders of the void shares after the 30th day, 15 November 2001, following the sale of all the shares that replaced the void shares as compensation for the void shares. Of the void shares, consideration relating to 165,562 shares has been paid up to this date and the holders of 169,424 void shares has not come forward so far.

Fotex Nyrt's ordinary shareholders' meeting held on 28 April 2004 decided to convert Fotex Nyrt's printed shares into dematerialised shares. The conversion to dematerialised shares took place on 11 November 2004. The conversion does not affect the rights related to the shares. The printed shares could be presented for conversion between 10 September 2004 and 10 November 2004. On 11 November 2004, all printed shares were made void by Fotex Nyrt. Consideration for 1,210 shares made void due to dematerialization has been paid up to this day, the holders of 140, void shares have not come forward so far.

At Fotex Holding SE Nyrt's ordinary shareholders meeting held on 28 April 2009, the shareholders decided to move the Company's registered office to Luxembourg. At this general meeting, the shareholders made a decision about the determination of the share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg as well as about the way

26. Other matters (continued)

and timing of redemption. The share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg was determined by the shareholders' meeting as 0.89 EUR/share based on the equity/issued capital ratio as at 31 December 2008. The meeting authorized the Board of Directors to redeem such shares. Settlements were done with the two shareholders that voted against moving the registered office with 52,780 shares.

According to resolution No. 5 at their ordinary annual meeting held on 26 April 2011, upon approving the financial statements for 2010. Fotex Holding SE's shareholders decided to distribute dividends to the holders of dividend preference shares equalling the face values of the shares.

On 26 October 2009, Ajka Kristály Üvegipari Kft, signed a solvency agreement with its creditors. As a result of the agreement, the debtor wishes to pay off its debts that are included in the scope of the solvency agreement without late payment penalty and other charges from sales revenues to be collected up to 30 April 2012 from selling own manufactured inventories at September 1, 2009. In the meantime, interim instalments would be paid on 15 January 2011 and on 15 January 2012. The debtor assumed an obligation to pay all its creditors up to HUF 200,000 by 14 November 2009, which was duly done. The sole owner of the company, the creditor, Fotex Holding, and two entities under direct majority control of the owner, Upington Ltd. and Downington Holding LLC. and all subsidiaries within group asserted that they did not demand settlement of the debts towards them until Ajka Kristály Kft. met its obligation towards its other creditors under the solvency agreement. The creditors that attended the agreement negotiation meeting engaged Piroska Gazda, a statutory auditor who also attended the meeting as representative of one of the creditors, Meritum Kft., to check compliance with the terms of the agreement.

In the period I-IX. months 2011, Ajka Kristály Kft, has managed to book its entire production capacity, which had been reduced to meet market demand, with a positive lookout to the future of the market.

The securities with ISIN-code T0008806916, (so-called "certificates"), which were previously traded on the Vienna Stock Exchange, have been withdrawn from Stock Exchange's trading for the request of Company as of June 30, 2010. Fotex ordinary share with ISIN-code HU0000096409 have been automatically credited on the accounts of the owners of the certificates kept at their custodian bank in 1:1 proportion. The credit has been taken place automatically 3 workdays after the withdrawal of the certificates. Our company has entrusted the Erste Group Bank AG with the technical transaction of the SWAP of securities.

Since 1 October 2010 Keringatlan Ltd. has outsourced its facility management activity to the group's member Székhely 2007 Ltd.

In July 2011 FN2 B.V. purchases an office building having 7,122 m^2 with 129 parking places in Utrecht which is leased for long term to the Government Building Agency which is the part of Ministry of the Interior and Kingdom Relations.

27. Business combinations

At 1 July 2011 the Group has purchased the 100% business share of Plaza Park Property Management Ltd from Blackburn International Luxembourg.

27. Business combinations (Continued)

Plaza Park Property Management Ltd has its registered seat in Hungary and its main activity is the sale and purchase of own properties. The company deals with property management, facility management and lease out own and leased properties.

The table below presents the book value and fair value of the Plaza Park's identifiable assets and liabilities at the date of acquisition.

Description	Book value	Fair value at acquisition
	EUR	EUR
Property, plant and equipments	1,133,424	18,080,473
Accounts receivable and prepayments:	10,757,626	10,757,626
Cash and cash equivalents:	157,494	157 494
Total assets:	***12,048,544***	***28,995,593***
Other long-term liabilities:	7,531,303	7,531,303
Accounts payable and other liabilities:	2,106,999	2,106,999
Deferred tax liability:		1,694,705
Total liabilities:	***9,638,302***	***11,333,007***
Total fair value of identifiable net assets:	***2,410,242***	***17,662,586***
Goodwill arising on the business combination (Note11.)		2,288,438
Consideration transferred		**19,951,024**

The Statement of Financial Position of Plaza Park Kft at 30 June 2011 has been converted from HUF to EUR by using the MNB (Hungarian National Bank) FX rate as of July 1, 2011, which was 264.1 HUF/EUR

The consideration transferred of transaction has been EUR 19,951,024, which consists of OTP and MOL bonds given and loans given totalling EUR 18,901,723 and cash in amount of EUR 1,049,301. The determination of consideration transferred has been based on the fair value of own properties of Plaza Park, which was determined by independent appraisers, and the book value of the assets and liabilities, excluding the properties, stated in the audited Statement of Financial Position of Plaza Park Kft as of December 31, 2010. The consideration transferred has been determined by using the average MNB FX rate between 1 January 2011 and 15 June 2011.

As part of the settlement of the consideration transferred, bonds have been assigned to the Seller on which the Company has realized EUR 2,376,463 gain (Note 5) and loans have been assigned to the Seller on which the Company has realized EUR 3,162,197 loss (Note 14).

Based on the real estate appraisal reports prepared by independent appraisers the Group has accounted EUR 16,947,049 fair value adjustment on the properties.

Since the date of acquisition Plaza Park Kft has contributed to the Group's result with EUR 416.246. If the business combination had been taken place at January 1 this year, than the Group's result would have been EUR 3,500,052 and the Group's revenue would have been EUR 29,849,091.

27. Business combinations (Continued)

The EUR 2,288,438 goodwill arising on the business combination consists of the followings:

1) Deferred tax liability relating to the acquisition:

Fair value adjustment accounted on the properties of Plaza Park:	16,947,049 EUR
Applied corporate income tax:	10 %
Deferred tax liability:	**1,694,705 EUR**

2) Difference between the consideration transferred and the proportionate share of fair value of identifiable net assets:

Consideration transferred	19,951,024 EUR
(-)Proportionate share of fair value of identifiable net assets (excluding the deferred tax liability)	19,357,291 EUR
Goodwill	**593,733 EUR**