

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 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.

As a result of its transformation into a European public limited company, the Company's books have been carried in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements for the first 9 months of 2011 are expressed in EUR.

In the first 9 months of 2011 the following significant events happened affecting the Group's structure:

- 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.

As part of the Group's restructuring process, the scope of consolidation has changed compared to the basis period as follows:

List of Shareholdings

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	-

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.

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.

Net sales per segment

Description	30. September 2011			30. September 2010		
	Net Sales external	Net Sales inter-segment	Net sales	Net Sales external	Net Sales inter-segment	Net sales
	EUR	EUR	EUR	EUR	EUR	EUR
Furniture	1,540,784	56,083	1,596,867	1,650,549	72,163	1,722,712
Investment property	18,593,123	1,009,225	19,602,348	16,539,901	1,141,414	17,681,315
Household goods and cosmetics	423,777	346	424,123	542,194	341	542,535
Crystal and glass	5,418,498	103	5,418,601	5,372,726	124	5,372,850
Music	647,152	31,707	678,859	1,225,690	131,094	1,356,784
Clothing	391,802	7,460	399,262	508,174	38	508,212
Advertising	-	-	-	-	-	-
Other	2,182,322	1,382,664	3,564,986	1,786,202	962,853	2,749,055
Inter-segment elimination		(2,487,588)	(2,487,588)	-	(2,308,027)	(2,308,027)
Net sales	29,197,458	-	29,197,458	27,625,436	-	27,625,436

Profit before tax per segment

Profit before tax	30 September 2011	30 September 2010
	EUR	EUR
Furniture	(318,367)	(128,334)
Investment property	5,004,103	5,740,756
Cosmetics retailing	(39,729)	(71,200)
Crystal and glass production and sales	1,080,358	908,940
Music records release and distribution	(23,583)	91,261
Clothing retailing and wholesaling	(343,276)	(1,036)
Advertising*	0	-
Other	(1,256,107)	(529,036)
Profit before tax:	4,103,399	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.

Consolidated Cash Flow Statement of Fotex Group

	30 September 2011	30 September 2010
	EUR	EUR
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

Shareholders' equity

Shareholder's equity:	30 September 2011	31 December 2010
	EUR	EUR
Issued capital	30,543,933	30,543,933
Additional paid in capital	32,895,729	32,895,729
Goodwill write off reserve	(1,292,105)	(1,534,125)
Retained earnings	69,158,018	71,637,487
Treasury shares, at cost	(20,123,862)	(19,266,955)
Fair value revaluation reserve	0	0
Equity attributable to equity holders of the parent company	111,181,713	114,276,069
Minority interests in consolidated subsidiaries	106,528	91,699
Total shareholder's equity	111,288,241	114,367,768

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).

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 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.

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.

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%), Blackburn 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)

The 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 Luxembourg 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 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 Luxembourg 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.

Appointment and Replacement of Board Members

The members of the Board of Directors were appointed at the extraordinary general meeting of the Company held on 1 October 2009 for a period of 3 years until the 2012 Annual General Meeting of the Company. There was no personnel change in the members of Board of Directors and Audit Committee since the reporting of the last annual financial statement.

Significant events after the Reporting date

There was not such event.

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.

Future prospects

The financial position of the Company is stable; it will continue seeking for favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group. In the forthcoming 3 months the management does not expect any principal risks and uncertainties, which would have significant impact on the financial statements.

Capellen, 25 November 2011


Gábor Várszegi
Chairman of the Board



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 interim Financial Statement for the period from 01 January 2011 till 30 September 2011 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.

A handwritten signature in blue ink, appearing to read "Gábor Várszegi".

Gábor Várszegi
Chairman of the Board

Capellen, 25 November 2011