

**Fotex Holding SE**  
**42, rue de la Vallée**  
**L-2661 Luxembourg**

**R.C.S. Luxembourg B 146.938**

**Consolidated financial statements as at 30 June 2012**

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

	Note	30 June 2012	31 December 2011
		EUR	EUR
<b>Assets</b>			
Current Assets:			
Cash and short-term deposits	4	19,126,856	8,199,500
Current portion of other financial assets	5	1,505,979	1,198,987
Accounts receivable and prepayments	6	5,498,571	7,227,778
Income tax receivable	16	152,853	343,261
Inventories	7	7,022,802	6,161,415
Total current assets		<u>33,307,061</u>	<u>23,130,941</u>
Non-current Assets:			
Property, plant & equipment	8	153,751,450	152,005,095
Deferred tax assets	16	571,952	529,837
Intangible assets	10	2,794,564	2,792,748
Non-current portion of other financial assets	5	2,031,997	2,015,808
Goodwill arising on acquisition	11	11,581,408	10,728,613
Total non-current assets		<u>170,731,371</u>	<u>168,072,101</u>
Total assets		<u>204,038,432</u>	<u>191,203,042</u>
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Interest-bearing loans and borrowings and overdrafts	15	1,696,813	1,258,801
Provisions	12	51,382	71,398
Accounts payable and other liabilities	12	6,626,340	15,812,488
Total current liabilities		<u>8,374,535</u>	<u>17,142,687</u>
Non-current Liabilities:			
Interest-bearing loans and borrowings	15	72,660,033	59,822,161
Other long-term liabilities	12	1,496,349	1,443,329
Deferred tax liability	16	3,081,367	2,854,471
Total non-current liabilities		<u>77,237,749</u>	<u>64,119,961</u>
Shareholders' Equity:			
Issued capital	13	30,543,933	30,543,933
Additional paid-in capital		28,025,642	29,267,019
Goodwill write-off reserve	13	(1,050,085)	(1,211,432)
Retained earnings		81,716,639	71,441,246
Treasury shares, at cost	13	(20,958,201)	(20,205,074)
Equity attributable to equity holders of the parent company		<u>118,277,928</u>	<u>109,835,692</u>
Non-controlling interests in consolidated subsidiaries		148,220	104,702
Total shareholders' equity		<u>118,426,148</u>	<u>109,940,394</u>
Total liabilities and shareholders' equity		<u>204,038,432</u>	<u>191,203,042</u>

The accompanying notes on pages 7 to 42 form an integral part of these consolidated financial statements.

**Fotex Holding SE and Subsidiaries**  
**Consolidated Income Statement**  
**Figures in EUR**

	Note	30 June 2012 EUR	31 March 2012 EUR	30 June 2011 EUR
Revenue	17	19,822,426	8,928,981	19,380,529
Operating expenses	14	(14,112,990)	(6,766,384)	(15,092,873)
Interest income		153,369	62,927	657,153
Interest expenses	15	(1,782,058)	(867,652)	(1,060,161)
Income before income tax	20	4,080,747	1,357,872	3,884,648
Income tax expense	16	(877,808)	(361,695)	(801,937)
Net income		<u>3,202,939</u>	<u>996,177</u>	<u>3,082,711</u>
Attributable to:				
Equity holders of the parent company		3,159,071	983,108	3,074,971
Non-controlling interests		43,868	13,069	7,740
Net income		<u>3,202,939</u>	<u>996,177</u>	<u>3,082,711</u>
Basic earnings per share	24	<u>0.05</u>	<u>0.02</u>	<u>0.05</u>
Diluted earnings per share	24	<u>0.05</u>	<u>0.02</u>	<u>0.05</u>

The accompanying notes on pages 7 to 42 form an integral part of these consolidated financial statements.

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

	<u>Note</u>	<u>30 June 2012</u> EUR	<u>31 March 2012</u> EUR	<u>30 June 2011</u> EUR
Net income		<u>3,202,939</u>	<u>996,177</u>	<u>3,082,711</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	18	<u>6,045,324</u>	<u>3,955,573</u>	<u>3,747,052</u>
Total comprehensive income		<u><u>9,248,263</u></u>	<u><u>4,951,750</u></u>	<u><u>6,829,763</u></u>
Attributable to:				
Equity holders of the parent company		9,195,363	4,933,120	6,817,384
Non-controlling interests		<u>52,900</u>	<u>18,630</u>	<u>12,379</u>
		<u><u>9,248,263</u></u>	<u><u>4,951,750</u></u>	<u><u>6,829,763</u></u>

The accompanying notes on pages 7 to 42 form an integral part of these consolidated financial statements.

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

	Issued Capital	Additional Paid-in Capital	Goodwill Write-off Reserve	Retained Earnings	Treasury Shares	Total	Non-controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2012	30,543,933	29,267,019	(1,211,432)	71,441,246	(20,205,074)	109,835,692	104,702	109,940,394
Profit for the period 2012	–	–	–	3,159,071	–	3,159,071	43,868	3,202,939
Other comprehensive income	–	–	–	6,036,292	–	6,036,292	9,032	6,045,324
Total comprehensive income	–	–	–	9,195,363	–	9,195,363	52,900	9,248,263
Redeemed treasury shares	–	–	–	–	(753,127)	(753,127)	–	(753,127)
Increase in minority shareholding	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(9,382)	(9,382)
Reversed written off goodwill reserve	–	–	161,347	(161,347)	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	(1,241,377)	–	1,241,377	–	–	–	–
30 June 2012	<u>30,543,933</u>	<u>28,025,642</u>	<u>(1,050,085)</u>	<u>81,716,639</u>	<u>(20,958,201)</u>	<u>118,277,928</u>	<u>148,220</u>	<u>118,426,148</u>

	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	<u>30,543,933</u>	<u>32,895,729</u>	<u>(1,372,778)</u>	<u>78,293,524</u>	<u>(19,266,955)</u>	<u>2,600,901</u>	<u>123,694,354</u>	<u>93,269</u>	<u>123,787,623</u>

The accompanying notes on pages 7 to 42 form an integral part of these consolidated financial statements.

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

	Note	30 June 2012	30 June 2011
		EUR	EUR
Cash flows from operating activities:			
Income before non-controlling interest and income taxes	20	4,080,747	3,884,648
Depreciation and amortisation	14	3,361,576	2,793,313
Provisions used and reversed	12	(25,017)	(113,988)
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss, impairment of tangible assets		92	368,892
(Gain)/loss on disposals of fixed assets		(684)	(6,240)
Gain on disposal of other investments			(83,859)
Interest income		(153,369)	(657,153)
Interest expenses		1,782,058	1,060,161
Changes in working capital:			
Accounts receivable and prepayments		1,720,238	1,217,270
Inventories		(870,036)	(231,060)
Accounts payable and other liabilities		(2,649,488)	(3,101,387)
Cash generated from operations		7,246,117	5,130,597
Income tax paid	16	(392,639)	(186,773)
Net cash flow from operating activities		6,853,478	4,943,824
Cash flows from investing activities:			
Acquisition of tangible and intangible assets		(7,354,705)	(5,200,930)
Sale proceeds of tangible and intangible assets		728	4,666
(Purchase)/sale of financial investments		(96,209)	52,888
Repayments of loans granted		139,955	96,968
Interest received		71,680	239,789
Net cash flow used in investing activities		(7,238,551)	(4,806,619)
Cash flows from financing activities:			
Loan received		13,672,050	
Dividends paid		(9,382)	(10,809)
Interest paid		(1,625,492)	(820,666)
Repayments of loan received		(552,748)	(353,498)
Purchased treasury shares		(751,874)	
Change other long term liabilities		(5,229)	(357,013)
Net cash flow from financing activities		10,727,325	(1,541,986)
Change in cash and cash equivalents		10,342,252	(1,404,781)
Cash and cash equivalents at beginning of the year	4	8,199,500	17,245,883
Effect of foreign currency translation		585,104	981,545
Cash and cash equivalents at end of the period	4	19,126,856	16,822,647

The accompanying notes on pages 7 to 42 form an integral part of these consolidated financial statements.

## **1. General**

Further to the decision of the shareholders, as of 31 December 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January 2009, registered FOTEX HOLDING SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE European public limited company) as of 1 January 2009. Following the transformation into a European public limited company, the Company's extraordinary general meeting held on 4 June 2009 decided to move the Company's registered office to Luxembourg. The Company has been registered in the Luxembourg companies register under the number R.C.S.B 146.938. The Company's current registered address is at 42 rue de la Vallée, L-2661 Luxembourg, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August 2009.

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

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:

- On 8 August 2011, the Group disposed of 100% of Europrizma Ügyviteli Kft. As a result Europrizma Ügyviteli Kft. was not a Fotex Group member since 8 August 2011.
- On 1 July 2011, the Group purchased 100% of Plaza Park Kft., a company located in Hungary. As a result Plaza Park Kft. has been a 100% subsidiary of the Group since 1 July 2011.
- The assets and operations of Downington S.à.r.l. were taken over by its former sole owner, Upington S.à.r.l. in the second quarter of 2011. Downington S.à.r.l. was struck off the Luxembourg companies register on 7 April 2011.
- Proprimo Kft. was demerged from Primo Zrt, Proprimo Kft.'s core operations are advisory services. The demerger was registered by the Companies Court on 17 October 2011. Following the demerger, Primo Zrt.'s operations was limited to the retail and wholesale of men's clothing.
- The Group sold its share in Primo Zrt. to third parties on 12 December 2011. Accordingly, Primo Zrt. has no longer been a Fotex Group member since that date.



**Fotex Holding SE and Subsidiaries**  
**Notes to the consolidated financial statements (continued)**  
**30 June 2012**  
**Figures in EUR**

**1. General (continued)**

- At 1 September 2011 the share capital of Fotexnet Kft was increased, Fotex Ingatlan Kft, a related party company took part in the capital increase which resulted, that the Group's share in Fotexnet Kft has decreased.

Subsidiaries taken into account at the consolidation at 30 June 2012 and at 30 June 2011 are as follows:

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011
Ajka Kristály Üvegipari Kft	Crystal manufacturing and retail	5,726,331	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
Downington Sàrl,	Investment holding	-	-	-	-	-	-
Europrizma Kft	Administration services	-	35,879	-	100.0	-	100.0
Fotex Cosmetics Kft	Cosmetics retailer	188,836	870,723	100.0	100.0	100.0	100.0
Fotexnet Kft	Internet retail and other services	56,963	28,349	87.9	100.0	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
Proprimo Kft	Advisory services	17,157	-	100.0	-	100.0	-
FN 2 BV	Property management	18,000	18,000	100.0	100.0	100.0	100.0
Plaza Park Kft	Property management:	1,171,580	-	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	-	100.0	-	100.0
Sigma Kft	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székely 2007 Kft	Property services	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

## **2. Significant Accounting Policies**

Fotex Group's report on its operations in the period I-VI. months 2012 is prepared in accordance with IFRS requirements. These figures are consolidated but not audited.

### **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.

### **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"), and the EU.

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 30 June 2012, 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. Fotex moved its registered office to Luxembourg, it is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 June 2012. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex and are converted in to the consolidated financial statement by 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.

## **2. Significant Accounting Policies (continued)**

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 2012 are prepared in EURO ("EUR").

The functional currency of the group's subsidiaries, who are registered and carry out their activities in Hungary, is the Hungarian Forint ("HUF"). The functional currency of those subsidiaries, who are registered and carry out their activities in Luxembourg or in The Netherlands, is the EUR. Considering that the reporting currency is EUR, it was necessary to convert the elements of statement of financial position and income statement of subsidiaries from HUF to EUR.

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

The income statement has been converted to EUR using the quarterly Hungarian National Bank ("MNB") average FX rate:

	2012		2011	
First quarter	296.97	HUF/EUR	272.48	HUF/EUR
Second quarter	294.26	HUF/EUR	266.33	HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 30 June 2012: 288.22 HUF/EUR (31 December 2011: 311.13 HUF/EUR), this resulted in the significant exchange difference in translation of foreign operations shown in total comprehensive income.

## **3. Significant accounting judgments, 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.

### **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.

#### *Presentation of operating segments*

In the Fotex Group financial statements as of 31 December 2010 eight segments were identified for disclosure for segment reporting purposes to comply with IFRS 8. During 2011 Fotex revised the segment reporting disclosure and identified those segments which are neither individually nor in aggregate material and could be presented as one segment in the consolidated financial statements as of 31 December 2011.

Based on this management decision, two segments were identified, 'Investment property management' and 'Crystal and glass production and sales'; other activities are disclosed in aggregate as 'other category' in the consolidated financial statements. The change of this estimate is disclosed in the comparative information too.

#### *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. 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.

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

*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 were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property and plots of land 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.

#### **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 anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 19,126,856 (31 December 2011: EUR 8,199,500).

Cash includes fixed deposits of EUR 665,409 (2011: EUR 2,013,641) at rates ranging from 0.29% to 4.7% (2011: 3.74 to 5.3%). The Company has EUR, USD and HUF deposits. The lower rates are on EUR and USD while the higher ones are on HUF.

#### **5. Other financial assets**

	<u>30 June 2012</u>	<u>31 December 2011</u>
Current	EUR	EUR
Cash deposits connected to rented properties	640,592	507,749
Short-term loans to other companies *	97,426	690,108
Other short-term investments	767,961	1,130
Other current financial assets, total	<u>1,505,979</u>	<u>1,198,987</u>
	<u>30 June 2012</u>	<u>31 December 2011</u>
Non-current	EUR	EUR
Cash deposits connected to rented properties	1,496,349	1,438,100
Unquoted equity instruments available for sale	162,793	80,925
Long-term loans to other companies *	372,855	496,783
Other non-current financial assets, total	<u>2,031,997</u>	<u>2,015,808</u>

\* The short- and long term loans given to other companies and their interest receivable have been reclassified from other receivables and accrued income to short and long term other financial assets see Note 6

Cash deposits connected to rented properties:

The Group has received 2 to 3 months deposits from its tenants which are held at separate bank account. 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.

**5. Other financial assets (continued)**

Short-term loans to other companies:

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

Other short-term investments:

This contains mainly fixed deposit in amount of EUR 27,729, which maturity date is after 3 months since the reporting date (31 December 2011: 0 EUR)

Unquoted equity instruments available for sale

In 2010 held-to-maturity investments contained holdings in OTP and MOL bonds and other unquoted equity investments. The Group transferred them at 1 July 2011 to Blackburn International Luxembourg, a related party. As a consequence of these sold held-to-maturity investments and the requirements of IAS 39, Fotex is not able to classify any financial assets as held to maturity until 1 January 2014. The entire remaining portfolio of such investments is reclassified as available-for-sale and remeasured to fair value.

Non-current part of long-term loans given to other companies:

Non-current part of other long-term loans include long term part of loans given to other companies in amount of EUR 368,785 (31 December 2011: 491,714) and employee loans totalling EUR 4,070 (31 December 2011: EUR 5,069).

**Fotex Holding SE and Subsidiaries**  
**Notes to the consolidated financial statements (continued)**  
**30 June 2012**  
**Figures in EUR**

**6. Accounts receivable and prepayments**

	<u>30 June 2012</u>	<u>31 December 2011</u>
	EUR	EUR
Accounts receivable (debtors)	4,201,327	5,839,530
Impairment loss on accounts receivable (debtors)	(1,117,835)	(1,136,190)
Tax assets	426,544	379,328
Other receivables and prepayments/accrued income*	2,127,187	2,276,598
Impairment loss on other receivables	(138,652)	(131,488)
Total	<u>5,498,571</u>	<u>7,227,778</u>

\* The short- and long term loans given to other companies and their interest receivable have been reclassified from other receivables and accrued income to short and long term other financial assets see Note 5

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 30 June 2012: EUR 1,256,487 (31 December 2011: EUR 1,267,678).

Movements in impairment loss:

	EUR
1 January 2011	1,611,759
Charge for the year	327,397
Utilised	(266,896)
Unused amount reversed	(271,257)
Currency gain arising on retranslation	(133,325)
31 December 2011	<u>1,267,678</u>
Charge for the year	942
Utilised	(11,281)
Unused amount reversed	(89,166)
Currency gain arising on retranslation	88,314
30 June 2012	<u>1,256,487</u>



**6. Accounts receivable and prepayments (continued)**

Aged debtors less impairment loss at period end (30 June)

	Not overdue and not impaired	< 30 days	30-90 days	90-180 days	180- 360 days	>360 days	Total
30 June 2012	1,929,883	518,676	305,407	185,440	111,540	32,546	3,083,492
31 December 2011	3,664,252	678,799	243,552	62,545	30,061	24,131	4,703,340

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

	Not overdue and not impaired	< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
30 June 2012	2,028,462	57,620	25,601	21,802	194,288	87,306	2,415,079
31 December 2011	2,219,652	51,532	179,934	129	22,444	50,747	2,524,438

**7. Inventories**

	30 June 2012	31 December 2011
	EUR	EUR
Merchandise and finished products	7,102,302	6,751,404
Materials	834,272	782,531
Work in progress	2,546,391	1,832,855
Inventories, gross	<u>10,482,965</u>	<u>9,366,790</u>
Impairment of merchandise and finished products	(2,932,183)	(2,716,272)
Impairment of materials	(38,755)	(35,902)
Impairment of work in progress	(489,225)	(453,201)
Impairment of inventories	<u>(3,460,163)</u>	<u>(3,205,375)</u>
Total inventories, net	<u>7,022,802</u>	<u>6,161,415</u>

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,460,163 provision made for the impairment of inventories (2011: EUR 3,205,375) is adequate, there was no current year charge. The change is due to FX changes. In addition to the impairment, till 30 June 2012 EUR 3,289,287 of inventories has been recognised as an expense (30 June 2011: EUR 4,099,896).

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**8. Property, plant and equipment**

Movements in tangible assets during I-VI months in 2012 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2012	174,095,373	17,660,624	129,030	191,885,027
Additions	20,402	329,821	2,426	352,649
Other increase	24,740	5,764	-	30,504
Disposals and write downs	-	(338,203)	-	(338,203)
Currency loss arising on retranslation	6,195,310	1,392,809	10,321	7,598,440
30 June 2012	<u>180,335,825</u>	<u>19,050,815</u>	<u>141,777</u>	<u>199,528,417</u>
Accumulated depreciation:				
1 January 2012	(25,106,238)	(14,773,694)	-	(39,879,932)
Depreciation expense	(2,967,800)	(383,308)	-	(3,351,108)
Other increase	(24,756)	-	-	(24,756)
Disposals and write downs	-	328,088	-	328,088
Currency gain arising on retranslation	(1,678,306)	(1,170,953)	-	(2,849,259)
30 June 2012	<u>(29,777,100)</u>	<u>(15,999,867)</u>	<u>-</u>	<u>(45,776,967)</u>
Net book value				
30 June 2012	<u>150,558,725</u>	<u>3,050,948</u>	<u>141,777</u>	<u>153,751,450</u>
31 December 2011	<u>148,989,135</u>	<u>2,886,930</u>	<u>129,030</u>	<u>152,005,095</u>

**8. Property, plant and equipment (continued)**

Movements in tangible assets during 2011 were as follows:

	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 and acquisition arising on business combination	54,140,785	1,602,009	-	55,742,794
Disposals and write downs	(2,052,860)	(750,625)	(292,464)	(3,095,949)
Currency loss arising from retranslation	(9,995,065)	(2,034,111)	(15,463)	(12,044,639)
31 December 2011	<u>174,095,373</u>	<u>17,660,624</u>	<u>129,030</u>	<u>191,885,027</u>
Accumulated depreciation:				
1 January 2011	(23,530,138)	(15,526,490)	-	(39,056,628)
Depreciation expense	(5,061,434)	(929,165)	-	(5,990,599)
Disposals and write downs	1,606,762	482,516	-	2,089,278
Accumulated depreciation arising on business combination	(508,681)	(508,748)	-	(1,017,429)
Currency gain arising from retranslation	2,387,253	1,708,193	-	4,095,446
31 December 2011	<u>(25,106,238)</u>	<u>(14,773,694)</u>	<u>-</u>	<u>(39,879,932)</u>
Net book value				
31 December 2011	<u>148,989,135</u>	<u>2,886,930</u>	<u>129,030</u>	<u>152,005,095</u>
31 December 2010	<u>108,472,375</u>	<u>3,316,861</u>	<u>436,957</u>	<u>112,226,193</u>

## **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. The real estate players still have no reason to be optimistic, because the Hungarian GDP in 2012 is expected to decrease by 0.8-1.5%. The effect of adverse market conditions can be strongly felt in the retail, office and logistics sectors of the real estate market. 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, therefore any change in this market segment will have a significant impact on the revenue stream of the Company.

The trend affecting the Hungarian retail real estate market are the following:

- due to the local economic difficulties consumers purchasing power has weakened so the turnover of the retail sector is expected to decrease as such the retailers do not plan on opening new stores.
- due to the significant decline of demand on the real estate market, the leasing opportunities decreased significantly, hence it is expected that the recovery will be the slowest in this sector.
- the attainable rental fees are expected to decrease
- the prolongation of expired rental contracts are expected to be more difficult and unfavorable, thereby making it difficult to reach rental conditions as in previous years.
- the duration of rental contracts have shortened in comparison to the prior year.

Significant portion of the Company's rental revenues come from the leasing of the retail real estate properties, while the rental revenue which originates from the leasing of offices and warehouses represents a smaller portion of the Company's revenue stream.

### **Retail real estates**

The demand for retail outlets has continuously declined as in prior years. Potential tenants mainly search for retail locations between 50 m<sup>2</sup> and 80 m<sup>2</sup>. Negotiations are more difficult and more time-consuming, many times it lasting for months. Typically the tenants have opted for shorter rental terms and the rental fees have dropped by 15-30%.

It is expected that stores situated at a less commercially frequented places and retailers with low economic potential will cease their operations during the year. In addition to this we expect a lack of new multinational companies entering into the market and a decreasing willingness on the part of local retailers to expand in the foreseeable future.

## **9. Real estate property (Continued)**

### **Warehouses**

Last year some experts had optimistic prospects in relation to the future of the logistic real estate market but no positive changes have happened yet.

Since the beginning of the financial crises logistic property rental fees have dropped significantly and this tendency has not stopped yet. In addition 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 facilities.

### **Offices**

The total area of group's office real estate portfolio is 66,874 m<sup>2</sup> of which 23.01% (15,387 m<sup>2</sup>) is situated in Hungary and 79.99% (51,478) is located in The Netherlands.

The vacancy rate of office portfolio in Hungary slightly exceeds 50%. Due to the unfavorable market conditions the leasing of these real estates have become more difficult and mostly lower rental fees can be achieved in comparison to prior years.

In comparison to this the office properties in The Netherlands are fully let with long term contracts, at good returns.

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. Between 2009 and 2010 the Group's Dutch subsidiary, Fotex Netherlands B.V., purchased five significant office buildings totalling an area of 32,563 m<sup>2</sup> (Zoetermeer, Gorinchem, Haarlem, Rotterdam, Zwolle). In 2011 FN 2 BV purchased an office building having 7,122 m<sup>2</sup> in Utrecht and purchased another office building having 11,802 m<sup>2</sup> in Hoofddorp and by the acquisition of Plaza Park Kft the group's investment property portfolio further expanded in 2011.

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 2011. The figures disclosed in the annual financial statements for 2011 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.

Category	Area m <sup>2</sup>	Estimated fair value EUR
Retail outlets	145,554	161,247,924
Offices	65,262	103,611,851
Warehouses	83,780	14,375,903
Other structures	43,522	7,689,074
Plots of land	787,038	32,321,580
Total investment properties	1,125,156	319,246,332

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**10. Intangible assets**

Movements in intangible assets during 2012 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2012	6,667,194	1,123,415	7,790,609
Additions	-	2,056	2,056
Other increase	-	-	-
Disposals and write downs	-	(25,753)	(25,753)
Currency gain arising from retranslation	-	(123,039)	(123,039)
30 June 2012	<u>6,667,194</u>	<u>976,679</u>	<u>7,643,873</u>
Accumulated amortisation:			
1 January 2012	(4,008,798)	(989,063)	(4,997,861)
Amortisation expense	-	(10,468)	(10,468)
Other increase	-	-	-
Impairment	-	-	-
Disposals and write downs	-	25,930	25,930
Currency loss arising from retranslation	-	133,090	133,090
30 June 2012	<u>(4,008,798)</u>	<u>(840,511)</u>	<u>(4,849,309)</u>
Net book value:			
30 June 2012	<u>2,658,396</u>	<u>136,168</u>	<u>2,794,564</u>
31 December 2011	<u>2,658,396</u>	<u>134,352</u>	<u>2,792,748</u>

**10. Intangible assets (continued)**

Movements in intangible assets during 2011 were as follows:

	Media and merchandising rights EUR	Other EUR	Total EUR
Cost:			
1 January 2011	6,667,194	956,371	7,623,565
Additions	-	27,516	27,516
Other increase	-	5,777	5,777
Disposals and write downs	-	(44,712)	(44,712)
Currency gain arising from retranslation	-	178,463	178,463
31 December 2011	<u>6,667,194</u>	<u>1,123,415</u>	<u>7,790,609</u>
Accumulated amortisation:			
1 January 2011	(4,008,798)	(799,771)	(4,808,569)
Amortisation expense	-	(29,669)	(29,669)
Other increase	-	(5,602)	(5,602)
Impairment	-	-	-
Disposals and write downs	-	39,928	39,928
Currency loss arising from retranslation	-	(193,949)	(193,949)
31 December 2011	<u>(4,008,798)</u>	<u>(989,063)</u>	<u>(4,997,861)</u>
Net book value:			
31 December 2011	<u>2,658,396</u>	<u>134,352</u>	<u>2,792,748</u>
31 December 2010	<u>2,658,396</u>	<u>156,600</u>	<u>2,814,996</u>

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

As part of discontinuing its ownership of FTC Labdarúgó Zrt. (a company that operates and manages the football club „FTC”), acquired in 2001 (at a cost of HUF 1.9 billion – ca. EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights [billboards]) in 2003 for an unlimited period. 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 was required in December 2011. Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to a Club’s address, logo and name will be reverted to the original association which owned such rights and previous owners shall be compensated based on the current market value of said rights. It is the company’s position that the wording of the legislation is such that it has no bearing on the FTC rights currently owned by the company. In this respect the parties (the FTC association and Fotex) are currently discussing whether these rights are in fact affected by the current changes in legislation however should the parties be unable to reach an agreement, the Company will take the appropriate legal actions to settle any dispute which arises due to these legislative changes. In 2012 petition has been given into The Constitutional Court of Hungary in relation to changes of legislation.

**11. Goodwill arising on acquisition**

Movements in goodwill on business combinations were as follows during 2012 and 2011

	<u>30 June 2012</u>	<u>31 December 2011</u>
	EUR	EUR
Cost:		
1 January	18,114,079	19,972,104
Increase (i)	-	2,009,370
Disposal of fully written off goodwill (ii)	-	(1,658,501)
Currency loss arising from retranslation	1,439,850	(2,208,894)
Closing balance	<u>19,553,929</u>	<u>18,114,079</u>
Impairment:		
1 January	(7,385,466)	(9,904,610)
Disposal of fully written off goodwill (ii)	-	1,658,501
Currency gain arising from retranslation	(587,055)	860,643
Closing balance	<u>(7,972,521)</u>	<u>(7,385,466)</u>
Net book value		
1 January	<u>10,728,613</u>	<u>10,067,494</u>
Closing balance	<u>11,581,408</u>	<u>10,728,613</u>

(i) Goodwill of EUR 2,009,370 (HUF 531,679) was recorded at 1 July 2011, upon the acquisition of the 100% shares in Plaza Park Kft.

(ii) As both Europrizma Kft. and Primo Zrt. were sold in 2011, both the gross amount of goodwill and the impairment losses related to these entities were derecognised in 2011.

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

Goodwill is therefore tested as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
	EUR	EUR
Total goodwill	11,581,408	10,728,613
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,584,288)	(1,725,712)
Goodwill tested for impairment	<u>9,997,120</u>	<u>9,002,901</u>



**11. Goodwill arising on acquisition (continued)**

The goodwill tested for impairment is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2011. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

Goodwill is allocated to the following entities:

	<u>30 June 2012</u>	<u>31 December 2011</u>
	EUR	EUR
Keringatlan Kft.	9,736,708	9,019,747
Plaza Park Kft.	1,844,700	1,708,866
Net book value	<u>11,581,408</u>	<u>10,728,613</u>

**12. Accounts payable, other liabilities and provision**

	<u>30 June 2012</u>	<u>31 December 2011</u>
	EUR	EUR
Trade payables	1,049,108	1,484,985
Taxes payable	1,176,649	1,084,526
Advances from customers	113,746	17,369
Accrued expenses	358,586	660,916
Deferred rental income	1,495,385	3,053,581
Remuneration approved for executive incentive scheme – dividend preference shares (see Note 13)	-	488,250
Amounts payable to employees	207,328	169,663
Deposits from tenants (i)	640,592	507,749
Preference shares incentive scheme liability	651,000	498,184
Price of purchased property yet unpaid at the year-end	-	7,000,000
Other liabilities	933,946	847,265
Total accounts payable and other current liabilities	<u>6,626,340</u>	<u>15,812,488</u>
Other long term liabilities (i)	<u>1,496,349</u>	<u>1,443,329</u>

## **12. Accounts payable, other liabilities and provision (continued)**

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.

In 2011, the Group's Dutch subsidiary, FN 2 B.V. purchased a property in Hoofddorp, but EUR 7,000,000 of the purchase price was still outstanding at 31 December 2011. This amount was already paid in 2012.

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 2,136,941 (2011: EUR 1,945,849) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year (EUR 1,496,349 (2011: EUR 1,438,100)), and the part which is expected within a year was classified as short-term tenant deposit liabilities (EUR 640,592 (2011: EUR 507,749)).

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 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 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 and its employee's related contribution will be treated as employee expense.

**12. Accounts payable, other liabilities and provision (continued)**

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000. 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 either in 2011 or in 2012.

The shareholders' meeting of 26 April 2011, upon approval of the consolidated financial statements for 2010, 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 was presented among payments to personnel in the consolidated financial statements in 2010.

The shareholders' meeting of 26 April 2012, upon approval of the consolidated financial statements for 2011, decided to pay a dividend of EUR 0.315 per preference share. The total amount of preference dividends due to members of management of EUR 488,250 was presented among payments to personnel in the consolidated financial statements in 2011.

The annual general meeting, which will accept the current year's annual consolidated financial statements, will decide about the possible dividend paid for 2012 relating to dividend preference shares. Interim dividend advance hasn't been determined yet.

The following table summarizes the movement in provision in 2012:

	Legal*	Total
	EUR	EUR
1 January	71,398	71,398
Arising during the year	-	-
Utilised	(25,017)	(25,017)
Unused amounts reversed	-	-
Currency gain arising from retranslation	5,001	5,001
30 June	<u>51,382</u>	<u>51,382</u>

\*a subsidiary of the Group received state subsidy in prior years. The requirements of the subsidy were not fully met and consequently the subsidy became repayable. The Group made provision for this liability. The provision is released in line with the repayment of the subsidy.

### **13. Share capital and reserves**

#### Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 30 June 2012, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2011: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined – detailed at Note 12 - by the General Meeting, but do not carry voting rights.

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

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

#### Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2012: EUR 840,000; 2011: EUR 840,000) are also shown in "Treasury shares". As at 30 June 2012, 1,550,000 (31 December 2011: 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 12.

As at 30 June 2012, the Company held 14,323,819 treasury shares (of which 12,323,819 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 20,958,201 (31 December 2011: 13,449,525 shares – of which 11,449,525 were ordinary shares and 2,000,000 were dividend preference shares - at a historic cost of EUR 20,205,074). During 2012, the Company purchased 874,294 of its ordinary shares (2011: 816,976 shares) on an arm's length basis. No dividend preference shares from senior officers were redeemed either in 2012 or in 2011.

#### 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 1,050,085 (31 December 2011: EUR 1,211,432).

**14. Selling, general and administration expenses**

	<u>30 June 2012</u>	<u>31 March 2012</u>	<u>30 June 2011</u>
	EUR	EUR	EUR
Payments to personnel	(2,887,297)	(1,416,974)	(3,284,852)
Material-type expenses	(6,836,887)	(3,084,536)	(7,821,757)
Other expenses, net	(1,027,230)	(577,127)	(1,192,951)
Depreciation charge	<u>(3,361,576)</u>	<u>(1,687,747)</u>	<u>(2,793,313)</u>
Total operating expenses	<u>(14,112,990)</u>	<u>(6,766,384)</u>	<u>(15,092,873)</u>

Other expenses include the following:

	<u>30 June 2012</u>	<u>31 March 2012</u>	<u>30 June 2011</u>
	EUR	EUR	EUR
Impairment of receivables (Note6)	10,339	(423)	(16,287)
Realised FX difference (net)	(275,290)	(196,257)	79,824
Taxes other than income tax	(729,327)	(377,895)	(685,149)
Other expenses	<u>(32,952)</u>	<u>(2,552)</u>	<u>(571,339)</u>
Total other expenses, net	<u>(1,027,230)</u>	<u>(577,127)</u>	<u>(1,192,951)</u>

**15. Interest-bearing loans and borrowings**

The Group's Dutch subsidiary, Fotex Netherlands B.V. obtained three mortgage loans from FGH Bank N.V. in 2009 and a further loan in 2010 to fund the purchase of properties. In 2011, FN 2 B.V. a subsidiary of Fotex Netherlands B.V., took out another loan to acquire further property from Berlin-Hannoversche Hypothekenbank AG. In 2012 FN 2 B.V has taken out another loan from Berlin- Hannoversche Hypothekenbank AG to fund the purchase of a property acquired at the end of 2011.

In 2011, when the Fotex Group became the owner of Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are now classified as third party loans. These four loans are owed by the Fotex Group to Zürich Investments Inc.

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**15. Interest-bearing loans and borrowings (continued)**

The details of the loans are as follows:

Item	Start date	End date	Loan EUR	Interest	Long-term portion at 30 June 2012 EUR	Current portion at 30 June 2012 EUR	Long-term portion at 31 Dec 2011 EUR	Current portion at 31 Dec 2011 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One month Euribor + 2.7% (rounding +0.05)	17,143,959	333,086	17,363,743	348,947
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-month Euribor + 2.26% (rounding +0.05)	3,411,519	85,306	3,437,320	88,620
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-month Euribor + 2.20% (rounding +0.05)	3,468,983	84,203	3,501,585	87,000
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4.32 % p.a.	13,042,902	328,300	13,168,039	328,804
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	10,715,614	226,000	10,815,432	226,000
VI. mortgage	26/03/2012	31/03/2017	13,800,000	fixed 3.59% p.a	13,196,966	345,000	-	-
VII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	5,581,045	125,800	5,502,515	84,932
VIII. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,208,658	27,362	1,193,245	18,473
IX. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	1,910,718	43,292	1,886,825	29,228
X. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	2,979,669	45,981	2,953,457	46,797
XI. loan			52,483	Overdraft bank account	-	52,483	-	-
<b>Total</b>			<b>79,672,434</b>		<b>72,660,033</b>	<b>1,696,813</b>	<b>59,822,161</b>	<b>1,258,801</b>

**15. Interest-bearing loans and borrowings (continued)**

The above loans marked I to VI are secured by mortgage rights on the Fotex properties in the Netherlands B.V and FN 2 B.V. and secured by pledge on rental income from the real estates and other assets of Fotex Neterlands B.V. and FN 2 B.V.

The book values of these properties at 30 June 2012 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	9,813,911 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	12,969,402 EUR
Haarlem, Schipholpoort 20	5,029,149 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,618,980 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	17,522,693 EUR
3528 BJ Utrecht, Papendorpseweg 65	15,444,070 EUR
2123 JH Hoofddorp, Polarisavenue 1	18,990,433 EUR

The loans marked VII to X taken out for the purchase of the participation in Plaza Park Kft are not covered by any collateral.

Loans having a variable market interest rate approximated their fair values. Loans VII.-X. were initially recognized in 2011 on their fair value related to the Plaza Park transaction and until 30 June 2012 there was no significant change in their fair value. In case of other fixed rate interest loans, there was no significant change in the interest rate until 30 June 2012, the book value also approximates its fair value.

Including in the Group's total interest expense of EUR 1,782,058 as at 30 June 2012 (30 June 2011: 1,060,161), interest expense in relation to the loans I-X above is EUR 1,778,040 as at 30 June 2012 (30 June 2011: 1,055,552).

## **16. Income tax**

During 2010, certain changes were enacted to the Hungarian 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%.

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 28.8% as increased by Luxembourg's municipal business tax due to the transfer of the registered seat (2011: 31.05%); the income tax rate for Fotex Netherlands B.V. and FN2 B.V. is on the first EUR 200,000 of taxable profit 20%, above this amount 25%.

The Group is subject to periodic audit by the Hungarian, Dutch and Luxembourg Tax Authorities. As the application of tax laws and regulations for many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the relevant Tax Authority.

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 16.34% has been applied whilst for the remaining Hungarian companies a rate of 10% has been used based on expected profitability.

For the Luxembourg entities 31.05% was applied, for Fotex Netherlands B.V. a tax rate of 23.45%, and in the case of FN 2 B.V. a 20% tax rate was applied.

The Group has carried forward losses of EUR 1,139,685 (2011: EUR 1,119,152) which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 17,004,541 (2011: EUR 16,315,631) 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 17,004,541 (2011: EUR 16,315,631) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 17,004,541 (2011: EUR 16,315,631) can be rolled forward for an indefinite period.



**17. Revenue**

Sales revenue	30 June 2012	31 March 2012	30 June 2011
	EUR	EUR	EUR
Sale of goods	5,364,200	2,173,762	5,883,788
Provision of services	817,406	401,475	1,167,796
Rental income revenue	11,214,766	5,507,918	9,387,430
Revenue from service charges to tenants	1,626,374	774,267	1,841,549
Royalty revenue	104,133	5,846	176,383
Other sales revenue	695,547	65,713	923,583
Total sales revenue:	19,822,426	8,928,981	19,830,529

**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. Discontinuing operation**

The Group had no discontinuing operations in either 2011 and in the I-VI months of 2012.

**20. Segment information**

In 2011, the Group revised the operating segments based on IFRS 8. As the volume of some segments decreased, the Group is divided in 3 business lines from 2011:

Investment property holding and management  
 Crystal and glass manufacturing  
 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.

**Fotex Holding SE and Subsidiaries**  
**Notes to the consolidated financial statements (continued)**  
**30 June 2012**  
**Figures in EUR**

**20. Segment information (continued)**

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.

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).

	30 June 2012	30 June 2012	30 June 2012	31 March 2012	31 March 2012	31 March 2012
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
Investment property management	13,393,236	280,715	13,673,951	6,308,394	142,108	6,450,502
Crystal and glass manufacturing	3,425,868	169	3,426,037	1,317,630	-	1,317,630
Other	3,003,322	1,073,095	4,076,417	1,302,957	510,386	1,813,343
Inter-segment elimination	-	(1,353,979)	(1,353,979)	-	(652,494)	(652,494)
Net sales	<u>19,822,426</u>	<u>-</u>	<u>19,822,426</u>	<u>8,928,981</u>	<u>-</u>	<u>8,928,981</u>

	30 June 2011	30 June 2011	30 June 2011
Net sales:	Net Sales external EUR	Net Sales inter- segment EUR	Net sales EUR
Investment property management	11,947,556	93,687	12,041,243
Crystal and glass manufacturing	3,541,512	104	3,541,616
Other	3,891,461	584,732	4,476,193
Inter-segment elimination	-	(678,523)	(678,523)
Net sales	<u>19,380,529</u>	<u>-</u>	<u>19,380,529</u>

Crystal and glass sales mainly reflect export sales realised in USD and EUR. Other sales mainly reflect sales realised in HUF.

**Fotex Holding SE and Subsidiaries**  
**Notes to the consolidated financial statements (continued)**  
**30 June 2012**  
**Figures in EUR**

**20. Segment information (continued)**

Profit before income taxes:	30 June 2012 EUR	31 March 2012 EUR	30 June 2011 EUR
Investment property management	4,156,964	1,633,923	3,517,760
Crystal and glass manufacturing	351,937	(92,814)	651,049
Other	(428,154)	(183,237)	(284,161)
Profit before income taxes	<u>4,080,747</u>	<u>1,357,872</u>	<u>3,884,648</u>

	30 June 2012	30 June 2012	30 June 2012	31 December 2011	31 December 2011	31 December 2011
Assets:	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Investment property management	176,053,063	4,787,108	180,840,171	167,303,676	2,018,617	169,322,293
Crystal and glass manufacturing	9,517,493	49	9,517,542	8,074,775	-	8,074,775
Other	18,467,876	14,559,843	33,027,719	15,824,591	18,885,569	34,710,160
Inter-segment elimination		(19,347,000)	(19,347,000)	-	(20,904,186)	(20,904,186)
Net assets	<u>204,038,432</u>	<u>-</u>	<u>204,038,432</u>	<u>191,203,042</u>	<u>-</u>	<u>191,203,042</u>

	30 June 2012	30 June 2012	30 June 2012	31 December 2011	31 December 2011	31 December 2011
Liabilities and accruals:	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR
Investment property management	82,586,334	13,657,256	96,243,590	77,643,870	14,220,971	91,864,841
Crystal and glass manufacturing	1,093,996	4,466,179	5,560,175	1,279,546	4,763,809	6,043,355
Other	1,931,954	572,903	2,504,857	2,339,232	2,226,708	4,565,940
Inter-segment elimination		(18,696,338)	(18,696,338)	-	(21,211,488)	(21,211,488)
Liabilities and accruals:	<u>85,612,284</u>	<u>-</u>	<u>85,612,284</u>	<u>81,262,648</u>	<u>-</u>	<u>81,262,648</u>

**20. Segment information (continued)**

	30 June 2012	31 December 2011	
	<u>EUR</u>	<u>EUR</u>	
Tangible and intangible asset additions:			
Investment property management	295,976	54,995,548	
Crystal and glass manufacturing	23,019	570,047	
Other	35,710	204,715	
Tangible asset additions:	<u>354,705</u>	<u>55,770,310</u>	
Depreciation and amortisation:	30 June 2012	31 March 2012	30 June 2011
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Investment property management	3,022,040	1,508,743	2,336,001
Crystal and glass manufacturing	110,191	56,059	157,496
Other	229,345	122,945	299,816
Depreciation and amortisation:	<u>3,361,576</u>	<u>1,687,747</u>	<u>2,793,313</u>

**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 Luxembourg, The Netherlands and Hungary. 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 2017. The loan interests either vary between one to three month EURIBOR + 2.2-2.7% or are at fixed rates varying between 3.59% and 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. A fixed amount was paid to reduce the interest risk associated with mortgage loan II. The Fotex Group transferred four formerly intra-group loans as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, as of 1 July 2011, the transferred loans qualify as related party loans from the Group's perspective. These loans, which are not covered by collateral, bear a fixed interest rate of 7.25% per annum.

## **21. Financial risks, 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 presentation 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.

### *Credit risk*

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

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

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 30 June 2012 the Group's maximum exposure to credit risk is EUR 27,736,837 (31 December 2011: 18,262,745).

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

**21. Financial risks, management objectives and policies (continued)**

*Liquidity risk*

Liquidity risk is monitored as follows:

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

*Capital management*

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

The indebtedness ratio is calculated by the Company in view of its net debt and the equity attributable to the Company. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Company's indebtedness ratio calculations at 30 June 2012 and 31 December 2011 are presented below:

	<u>30 June 2012</u>	<u>31 December 2011</u>
	EUR	EUR
Short-term and long-term borrowings (Note 15):	74,356,846	61,080,962
Trade payables and other current liabilities (Note 12):	6,626,340	15,812,488
Cash and cash equivalents (Note 4):	<u>(19,126,856)</u>	<u>(8,199,500)</u>
Net debt:	61,856,330	68,693,950
Equity attributable to the Company:	<u>118,277,928</u>	<u>109,835,692</u>
Total:	<u>180,134,258</u>	<u>178,529,642</u>
Indebtedness ratio:	34.34%	38.48%

The Company's indebtedness ratio decreased from 38.48% at 31 December 2011 to 34.34% by 30 June 2012, primarily due to the significant change in foreign currency translation adjustment due to the change in Hungarian National Bank HUF/EUR rates. The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

**21. Financial risks, management objectives and policies (continued)**

*Fair value*

At 30 June 2012 and 31 December 2011, the carrying values of liquid assets, short-term investments, 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 a variable market interest rate approximated their fair values.

**22. Investments in subsidiaries**

During the period I-VI. months 2012 the Group hasn't entered into transactions and mergers that affect the Group structure.

During 2011, Fotex Group entered into the following transactions and mergers that affect the Group structure:

- On 8 August 2011, the Group disposed of 100% of Europrizma Ügyviteli Kft. As a result Europrizma Ügyviteli Kft. was not a Fotex Group member since 8 August 2011.
- On 1 July 2011, the Group purchased 100% of Plaza Park Kft., a company located in Hungary. As a result Plaza Park Kft. has been a 100% subsidiary of the Group since 1 July 2011.
- On 24 June 2011, Fotex Netherlands B.V. established a subsidiary in The Netherlands, FN 2 B.V., to enhance and manage the Group's property portfolio in The Netherlands.
- The assets and operations of Downington S.à.r.l. were taken over by its former sole owner, Upington S.à.r.l. in the second quarter of 2011. Downington S.à.r.l. was struck off the Luxembourg companies register on 7 April 2011.
- Proprimo Kft. was demerged from Primo Zrt, Proprimo Kft.'s core operations are advisory services. The demerger was registered by the Companies Court on 17 October 2011. Following the demerger, Primo Zrt.'s operations was limited to the retail and wholesale of men's clothing.
- The Group sold its share in Primo Zrt. to third parties on 12 December 2011. Accordingly, Primo Zrt. has no longer been a Fotex Group member since that date.
- At 1 September 2011 the share capital of Fotexnet Kft was increased. Fotex Inगतlan Kft, a related party company took part in the capital increase which resulted, that the Group's share in Fotexnet Kft decreased.

## **23. Operating Leases**

The Group leases retail sites within the shopping centre “MOM Park” located in Budapest and at four other locations in Budapest and six in Győr based on non-cancellable operating lease agreements. The Group recalculates its leasing fees by ending of each year and publishes them in its financial statements.

## **24. Earnings Per Share**

The 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.

The 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 2012	31 March 2012	30 June 2011
	EUR	EUR	EUR
Net profit attributable to equity holders from continuing operations	3,159,071	983,108	3,074,971
Net profit / (loss) attributable to shareholders	3,159,071	983,108	3,074,971
Weighted average number of shares in issue during the year	58,815,040	59,154,309	60,091,101
Basic earnings/(deficit) per share (EUR)	0.05	0.02	0.05

The diluted earnings per share agree with basic earnings per share in 2012 and 2011 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 International Luxembourg”), a Luxembourg company, and Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”). As at 30 June 2012, Blackburn controlled 0 % (31 December 2011: 16.9%), Fotex Ingatlan controlled 17.6% (31 December 2011: 17.6%), Blackburn Luxembourg controlled 32.72% (31 December 2011: 15.8%) of the Company’s share capital. These companies are considered to be related parties. On 1 July 2011,



**25. Related Party Transactions (continued)**

the Group purchased 100% of the shares of Plaza Park Kft. Therefore, Plaza Park had been recognised as a related party up to 30 June 2011 and has been a Fotex Group member since 1 July 2011.

Related party rental transactions

The office rent agreements made with Plaza Park Kft. 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 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). Transactions with Plaza Park Kft. after 1 July 2011 qualify as intra-group transactions and were fully eliminated upon consolidation.

Rental and other related fees paid to Fotex Ingatlan for I-VI months 2012 were EUR 179,571 (2011 I-VI months: EUR 191,808) and to Plaza Park Kft. EUR 0 (2011 I-VI months: EUR 320,828).

Administrative and expert fees paid by Fotex Ingatlan for I-VI months 2012 were EUR 25,963 (2011 I-VI months: EUR 19,547).

Further to a helicopter rental agreement between Plaza Park Kft. and Keringatlan Kft., the total amount of rent plus related services invoiced by Plaza Park Kft. for I-VI months 2012 was EUR 0 (2011 I-VI months: EUR 2,706).

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 I-VI months 2012 was EUR 62,000 (2011 I-VI months: EUR 43,666).

During 2010, Fotex Ingatlan granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 13 for I-VI 2012 (2011 I-VI months: EUR 1,335). This loan was repaid totally at the beginning of 2012.

For the period I-VI months 2012, Fotex Netherlands B.V. was charged interest of EUR 388,277 (2011 I-VI months: EUR 0) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period I-VI months 2012, FN 2 B.V. was charged interest of EUR 136,997 (2011 I-VI months: EUR 0) By Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

Transactions with other related parties

Sales revenue invoiced to Ajka LLC by Ajka Kristály Kft. for the I-VI months 2012 were EUR 10,268 (2011 I-VI months: EUR 34,559). The amount of the related cost of sales for the I-VI months 2012 were EUR 5,226. (2011 I-VI months: 16,857)

## **26. Personnel and structural changes**

### *Structural changes:*

During the period I-VI months 2012 there were no structural changes.

### *Personnel changes:*

- The annual general meeting of the Company held on the 26<sup>th</sup> April 2012, 2012 elected Mr Péter Kadas as member of board of directors.
- The annual general meeting of the Company held on the 26<sup>th</sup> April 2012 did not elect TITAN S.á.r.l as member of board of directors.

## **27. 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 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 52,780 shares.

According to resolution No. 5 at their ordinary annual meeting held on 26 April 2012, upon approving the financial statements for 2011, Fotex Holding SE's shareholders decided to distribute dividends to the holders of dividend preference shares equalling the 75% face values of the shares.

**27. Other matters( continued)**

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 June 2012 from selling own manufactured inventories at September 1, 2009. In the meantime, interim instalments were paid on 12 January 2011 in amount of EUR 108,688 and on 13 January 2012 in amount of EUR 9,699 and on 29 June 2012 in amount of EUR 352,650. The debtor assumed an obligation to pay all its creditors up to HUF 200,000 by 14 November 2009, which was duly done. All Companies 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.

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.

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

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

The extraordinary general meeting held on 27<sup>th</sup> July 2012 decided to transfer the registered office of the Company to its new address at L-2661 Luxembourg, 42, rue de la Vallée.

Blackburn International Luxembourg acquired 12,466,475 pieces of Fotex shares from Fotex Ingatlan LLC on the 19th July 2012. Mr Gabor Varszegi, Chairman of the Board of Fotex Holding SE, directly and indirectly controls both companies, which are considered to be related parties. After this transaction the Company Blackburn International Luxembourg totally owns 35,609,796 pieces of ordinary Fotex shares which represent 50.35% ownership.

As of August 21, 2012 the Group’s Dutch subsidiary FN 2 BV purchased an office building with 6,445 m<sup>2</sup> and 51 parking places in Amsterdam, which has a long term lease.