

Fotex Holding S.E.
26-28, rue Edward Steichen
L-2540 Luxembourg
R.C.S. Luxembourg B 146.938
Consolidated financial statements as at 31 March 2014,
Management report
31 March 2014

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The logo for FOTEX, featuring the word "FOTEX" in a bold, stylized, sans-serif font.

HOLDING SE PUBLIC COMPANY LIMITED BY SHARES

Financial Statement Certification

In accordance with Article 3 of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we confirm that to the best of our knowledge, the consolidated financial statements as of 31 March 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of FOTEX HOLDING SE and its subsidiaries included in the consolidation taken as a whole. In addition, the Management' report includes a fair review of the development and performance of the business and the position of FOTEX HOLDING SE and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Gábor Várszegi
Chairman of the Board

Luxembourg, 15 May 2014

FOTEX HOLDING S.E.

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Management Report

General

Fotex Holding SE (the “Company”) is a European public limited company registered in the Luxembourg companies register under the number R.C.S.B 146.938 and regulated under the laws of the Grand Duchy of Luxembourg. The Company’s current registered address is at 42, rue de la Vallée, L-2661 Luxembourg, Luxembourg.

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

<u>Subsidiary:</u>	<u>Principal Activities:</u>	<u>31 March 2014</u>	<u>31 March 2013</u>
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
FN 2 B.V.	Property management	100.0	100.0
FN 3 B.V.	Property management (Note 21)	100.0	-
Plaza Park Kft.	Property management	100.0	100.0
Fotexnet Kft.	Internet retail and other services (Note 21)	100.0	99.8
Hungaroton Music Zrt.	Music archive	99.2	99.2
Keringatlan Kft.	Property management (Note 21)	100.0	100.0
Fotex Netherlands B.V.	Property management (Note 21)	100.0	100.0
Proprimo Kft.	Advisory services (Note 21)	-	99.9
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property services (Note 21)	99.3	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

During the first three months of 2014 the Fotex Group did not entered into any transaction that affected the Group structure:

During 2013 the Fotex Group entered into the following transactions that affected the Group structure:

- The owners of Székhely 2007 Kft. and the owners of Proprimo Kft. accepted the transformation proposals on the shareholder's meetings held on 15 November 2013 and decided to merge Proprimo Kft into Székhely 2007 Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2013, which is effective from 1 January 2014.

Financial overview

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

- Investment property holding and management
- Crystal and glass manufacturing
- 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.

The following tables below summarize the Group's revenues and profit before tax for 31 March 2014 and 31 March 2013 by business lines:

	31 March 2014	31 March 2013
Net sales:	Net Sales EUR	Net sales EUR
Investment property holding and management	6,652,418	6,568,164
Crystal and glass manufacturing	1,520,435	1,487,858
Other	1,972,813	1,886,704
Inter-segment elimination	(581,416)	(511,959)
Net sales	<u>9,564,250</u>	<u>9,430,767</u>

	31 March 2014	31 March 2013
	<u>EUR</u>	<u>EUR</u>
Profit before income taxes:		
Investment property holding and management	2,356,688	1,711,965
Crystal and glass manufacturing	60,612	(23,917)
Other	236,158	33,630
Profit before income taxes	<u>2,653,458</u>	<u>1,721,678</u>

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

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

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

	31 March 2014	31 March 2013
	<u>EUR</u>	<u>EUR</u>
Sales revenue:		
Sale of goods	2,185,847	2,387,843
Provision of services	599,049	500,223
Rental income revenue	5,816,177	5,496,368
Revenue from service charges to tenants	714,011	873,450
Royalty revenue	66,827	13,079
Other sales revenue	182,339	159,804
Total sales revenue	<u>9,564,250</u>	<u>9,430,767</u>

The structure of the activities has not changed significantly in 2014 when compared to 2013. It can be seen that revenues generated by real estate management are the most significant, which have improved slightly during the year. In 2013 the investment portfolio was extended by the acquisition of two office buildings and one apartment building in the Netherlands. The rental income derived from investment management has not changed significantly compared to the previous year. The underlying reason for this is that the decline of the sales revenues generated by the group's Hungarian real estates – due to the local adverse economic situation - was compensated for, by an increase of sales revenues generated by the group's investment property portfolio within the Netherlands.

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

1. Due to the difficult economic conditions in Hungary, consumer's purchasing power has weakened, thus the overall turnover of the retail sector has decreased.
2. Rental contracts are stipulated in EUR or on a EUR basis. The Hungarian Forint has lost value against EUR during the past few years; the direct result of which is an increase in the rental fees in local currency for the tenants thereby decreasing purchasing power, thus further worsening leasing opportunities.
3. The number of liquidation proceedings against the tenants has increased.
4. In order to retain existing tenants and convince new tenants to lease currently vacated properties the group's Hungarian subsidiaries have had to offer lower rents.
5. The severe market conditions in Hungary have also forced certain service providers – especially those representing high value added services – to reduce their activities within Hungary.

We foresee these trends to be long lasting and a continuous problem with respect to the investment properties situated in Hungary.

Revenues from selling of goods is generated primarily by sales of crystal and glass products and other consumer products.

Sales revenues from selling of goods has decreased when compared to the same period in 2013. This decrease in sales is attributable to the significant reduction of the group's local Hungarian sales of furniture products. The sales revenue of other consumer products has also decreased during the three months of 2014 compared to the same period in 2013. The sales revenue generated by selling crystal and glass products has remained approximately at the same level when compared to the same period in the previous year.

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

	Selected financial information (EUR)			
	31.12.2012	31.03.2013	31.12.2013	31.03.2014
Revenue	41,277,035	9,430,767	41,757,223	9,564,250
Gross profit*	33,176,392	7,663,668	34,370,296	8,043,410
Operating profit	10,860,641	2,526,359	11,823,586	3,367,866
Pre tax profit	7,425,762	1,721,678	7,947,134	2,653,458
Net income**	6,813,519	1,387,087	6,364,394	2,278,863
Owner's equity***	120,563,298	118,354,330	121,943,859	121,271,681
Total assets	214,590,068	211,534,786	218,508,675	215,830,356
Basic earnings per share	0.12	0.02	0.11	0.04
Return on equity****	5.91%	1.16%	5.26%	1,87%
Return on assets*****	3.36%	0.65%	2.91%	1,05%

- * *Revenue less certain operating expenses as per the management accounts of the Company*
 ** *net income attributable to equity holders of the Company*
 *** *equity attributable to equity holders of the Company*
 **** *net income divided by average balance of owner's equity*
 ***** *net income divided by average balance of total asset*

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

The level of the hazardous waste as of 31 March 2014 was 7,084 kg (31 March 2013: 4,645 kg), which is merely 2.38% (31 March 2013: 1.32%) of the hazardous waste produced throughout the period.

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

Risks and Risk management of the Group

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

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

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

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include 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.

Credit risk

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

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

Receivable balances are monitored on an ongoing basis.

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

Interest rate risk

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

The loan interests vary between one to three months EUR-LIBOR + 2.2-2.7% and are at fixed rates varying between 3.43 % and 4.32 %. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75 million, are limited between 3.3% to 3.64%.

Liquidity risk

Liquidity risk is monitored as follows:

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

Country risk

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

Company's internal control and risk management systems in relation to the financial reporting process

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

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

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

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

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

Research and development

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

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 March 2014, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2013: 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 in Note 13 - 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" (2014: EUR 840,000; 2013: EUR 840,000) are also shown in "Treasury shares".

As at 31 March 2014, the Company held 18,084,932 treasury shares (of which 16,084,932 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 23,581,846 (31 December 2013: 18,009,784 shares – of which 16,009,784 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 23,519,814).

During 2014, the Company purchased 75,184 of its ordinary shares (2013: 2,842,858 shares) on an arm's length basis. On 5 March 2013 the Company, exercising its redemption option, repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 362,934. On 25 February 2014 the Group, exercising its redemption option and repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

Dividends to be paid to Ordinary Shares and Dividend Preference Shares

At their meeting of 4 April, 2014, the Board of Directors approved not to pay dividends on the preference shares as all dividend preference shares are now owned by the Group.

The Board of Directors suggested to the Annual General Meeting that the Company pay EUR 0.03 dividend per ordinary share eligible to receive dividends for the year 2013. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries. The Board of Directors suggested to the Annual General Meeting of the shareholders that the payment date of dividend is to be on 20 June 2014.

The Annual General Meeting of the Company held on 12 May 2014 decided to pay EUR 0.03 dividend per ordinary shares eligible to receive dividend for the year 2013 and decided that the date of the payment of dividends on ordinary shares will be 20 June 2014.

The Annual General Meeting of the Company held on 12 May 2014 decided not to distribute dividends to the holders of dividend preference shares.

Significant Events after the end of the reporting period

After the end of the financial year no significant events have happened.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International S.à.r.l. (“Blackburn Luxembourg”), a Luxembourg company, and Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingotlan Kft. (“Fotex Ingotlan”). As at 31 March 2014 Blackburn Luxembourg controlled 50.3% (31 December 2013: 50.3%) of the Company’s share capital. These companies are considered to be related parties

Corporate governance

From 2012 the Company adopted and applied the Ten principles of corporate governance of the Luxembourg Stock Exchange.

The Board

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

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

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

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

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

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

The Board shall elect a chairman from among its members.

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

“Independent persons” does not include persons who:

- a) are employed or were employed by the Company or its subsidiaries during the five years preceding their appointment as Director;
- b) carry out remunerated activities for the benefit of the Company or exercise technical, legal or financial duties within the Company;
- c) are shareholders of the Company and directly or indirectly hold at least 30% of the voting rights, or are related to such a person;
- d) receive financial benefits linked to the Company’s activities or profit;
- e) have a legal relationship with a non-independent member of the Company in another company in which the non-independent member has management and supervisory powers.

The Board is composed as follows:

Name:	Position:
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Jan Thomas LADENIUS	Member of the Board
Mr. Bob DOLE	Member of the Board
Mrs. Anna RAMMER	Member of the Board
Mr. Peter KADAS	Member of the Board

The Annual General Meeting of the Company held on 12 May 2014 elected the members of the Board of Directors with a mandate expiring at the Annual General Meeting of shareholders of the Company called to approve the Company's annual accounts as at 31 December 2014.

Each member of the Board of Directors is a high-qualified, honest and acclaimed specialist.

The Company publishes the information about the career of the Board of Directors' members on its website.

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

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

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

This authorization is valid for a period of five years from the publication date of the authorization deed and may be renewed by a General Meeting of shareholders for any shares of the authorized capital which have not been issued by the Board of Directors in the meantime. Following each capital increase carried out and duly recorded according to the legal formalities, the first paragraph of the Articles of Association shall be amended in such a way as to reflect the increase carried out; this amendment shall be recorded in the notarial deed by the Board of Directors or any other authorized person.

Audit Committee

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

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

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

The Audit Committee reviews the annual report of the Company, controls and evaluates the operation of the financial system.

Composition of the Audit Committee

The Audit Committee is composed as follows:

- Mr. Wiggert Karreman (Member of the Audit Committee)
- Mr. Jan Thomas Ladenius (Member of the Audit Committee)
- Mr Peter Kadas (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 12 May 2014. The mandate of the members of the Audit Committee will expire at the Annual General Meeting of shareholders of the Company called to approve the Company's annual accounts as at 31 December 2014.

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

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

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

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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

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

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

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

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

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

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

Future Prospects

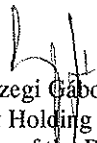
The financial position and performance of the Group remained stable, despite the difficult market conditions in 2014.

The Company would like to call the attention of its shareholders to the following matters having notable effect on the rental income revenue - generated by Hungarian real estates - in the foreseeable future:

- 1. Due to the adverse economic situation within Hungary the vacancy rate of the Hungarian real estate portfolio is expected to increase; it is assumed that both smaller retailers and some of the existing major brands will continue to give back their leased sites. This in turn will result in a decline in sales revenue - generated by the Hungarian real estate - in the foreseeable future. In addition to this we also expect a lack of new multinational companies from entering into the market and a decreasing willingness on the part of local retailers to expand. The sales of the overall retail sector is expected to decrease and as such we do not expect retailers on opening new stores. Furthermore, Hungarian government legislation restricting the retail trade has also impacted the letting in the retail sector.**
- 2. Due to unfavorable market conditions the re-leasing of vacant real estates has become more difficult at the same time rental prices have dropped and property owners are only able to garner lower rental fees than compared to prior years.**
- 3. In response to the hard economic environment of the Hungarian banking sector, banks have decreased the number of branches they operate; consequently more sites previously leased by banks have also become vacant.**
- 4. Due to the adverse economic environment and difficult market conditions prevalent in Hungary, many important and internationally renowned tenants have recently decided to cease their entire operations within the Hungarian market. In order to offset the unfavorable economic situation in Hungary, the Group has expanded its real estate portfolio outside of Hungary during the period and intends to continue to do so in the future.**
- 5. The difficult market conditions in Hungary have also forced certain service providers – especially those representing high value added services – to reduce their activities within Hungary.**

The Group will continue seeking favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group.

15 May 2014, Luxembourg


Várszegi Gábor
Fotex Holding SE
Chairman of the Board

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

	Note	31 March 2014	31 December 2013
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	4	17,084,214	14,621,389
Current portion of other financial assets	5	1,162,967	1,129,487
Accounts receivable and prepayments	6	7,870,342	9,140,353
Income tax receivable		356,012	391,991
Inventories	7	6,622,979	6,815,206
Total current assets		33,096,514	32,098,426
Non-current Assets:			
Property, plant and equipment	8	166,978,047	170,239,474
Deferred tax assets		151,289	156,462
Intangible assets	10	2,875,736	2,898,152
Non-current portion of other financial assets	5	1,857,952	1,873,719
Goodwill arising on acquisition	11	10,870,818	11,242,442
Total non-current assets		182,733,842	186,410,249
Total assets		215,830,356	218,508,675
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	15	5,138,650	1,758,033
Provisions	12	-	-
Accounts payable and other liabilities	12	9,306,184	10,708,965
Total current liabilities		14,444,834	12,466,998
Non-current Liabilities:			
Interest-bearing loans and borrowings	15	75,886,307	79,729,357
Other long-term liabilities	12	1,416,462	1,573,312
Deferred tax liability		2,654,119	2,654,119
Total non-current liabilities		79,956,888	83,956,788
Shareholders' Equity:			
Issued capital	13	30,543,933	30,543,933
Additional paid-in capital		25,432,975	25,495,008
Goodwill write-off reserve	13	(485,370)	(566,044)
Retained earnings		89,361,989	89,990,776
Treasury shares, at cost	13	(23,581,846)	(23,519,814)
Equity attributable to equity holders of the parent company		121,271,681	121,943,859
Non-controlling interests in consolidated subsidiaries		156,953	141,030
Total shareholders' equity		121,428,634	122,084,889
Total liabilities and shareholders' equity		215,830,356	218,508,675

The accompanying notes on pages 19 to 52 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	<u>Note</u>	<u>31 March 2014</u> EUR	<u>31 March 2013</u> EUR
Revenue	17	9,564,250	9,430,767
Operating expenses	14	(6,196,384)	(6,904,408)
Interest income		20,270	53,377
Interest expenses	15	(734,678)	(858,058)
Income before income tax	19	2,653,458	1,721,678
Income tax expense		(354,066)	(315,044)
Net income		<u>2,299,392</u>	<u>1,406,634</u>
Attributable to:			
Equity holders of the parent company		2,278,863	1,387,087
Non-controlling interests		(20,529)	19,547
Net income		<u>2,299,392</u>	<u>1,406,634</u>
Basic earnings per share	23	<u>0.04</u>	<u>0.02</u>
Diluted earnings per share	23	<u>0.04</u>	<u>0.02</u>

The accompanying notes on pages 19 to 52 form an integral part of these consolidated financial statements.

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

	Note	31 March 2014 EUR	31 March 2013 EUR
Net income		<u>2,299,392</u>	<u>1,406,634</u>
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations	18	<u>(2,850,559)</u>	<u>(3,475,719)</u>
Total comprehensive income/(loss)		<u>(551,167)</u>	<u>(2,069,085)</u>
Attributable to:			
Equity holders of the parent company		(589,617)	(2,083,409)
Non-controlling interests		<u>38,450</u>	<u>14,324</u>
		<u>(551,167)</u>	<u>(2,069,085)</u>

The accompanying notes on pages 19 to 52 form an integral part of these consolidated financial statements.

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

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR	Total EUR	Non- controlling interests EUR	Total Equity EUR
1 January 2013	30,543,933	27,598,762	(888,738)	84,694,423	(21,385,082)	120,563,298	110,214	120,673,512
Net income 2013	–	–	–	1,387,087	–	1,387,087	19,547	1,406,634
Other comprehensive income	–	–	–	(3,470,496)	–	(3,470,496)	(5,223)	(3,475,719)
Total comprehensive income	–	–	–	(2,083,409)	–	(2,083,409)	14,324	(2,069,085)
Purchase of treasury shares (note 15)	–	–	–	–	(125,559)	(125,559)	–	(125,559)
Dividend paid	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(1,403)	(1,403)
Reversed written off goodwill reserve (note15)	–	–	80,674	(80,674)	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	(488,494)	–	488,494	–	–	–	–
31 March 2013	30,543,933	27,110,268	(808,064)	83,018,834	(21,510,641)	118,354,330	123,135	118,477,465

The accompanying notes on pages 19 to 52 form an integral part of these consolidated financial statements.

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

	Issued Capital EUR	Additional Paid-in Capital EUR	Goodwill Write-off Reserve EUR	Retained Earnings EUR	Treasury Shares EUR	Total EUR	Non- controlling interests EUR	Total Equity EUR
1 January 2014	30,543,933	25,495,008	(566,044)	89,990,776	(23,519,814)	121,943,859	141,030	122,084,889
Net income 2014	–	–	–	2,278,863	–	2,278,863	(20,529)	2,258,333
Other comprehensive income	–	–	–	(2,889,009)	–	(2,889,009)	38,451	(2,850,559)
Total comprehensive income	–	–	–	(610,146)	–	(610,146)	17,921	(592,225)
Purchase of treasury shares (note 13)	–	–	–	–	(62,032)	(62,032)	–	(62,032)
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(1,997)	(1,997)
Reversed written off goodwill reserve (note 13)	–	–	80,674	(80,674)	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	(62,033)	–	62,033	–	–	–	–
31 March 2014	30,543,933	25,432,975	(485,370)	89,361,989	(23,581,846)	121,271,681	156,953	121,428,634

The accompanying notes on pages 19 to 52 form an integral part of these consolidated financial statements.

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

	Note	31 March 2014	31 December 2013
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	19	2,653,458	7,947,134
Depreciation and amortisation	14	1,812,440	7,039,776
Provisions used and reversed	12	-	(24,939)
Scrapped tangible assets		1,348	121,592
Write off of inventories, impairment loss of debtors and reversals		37,557	62,167
Impairment loss of other financial assets and disposals		(65,025)	57,925
Gain on disposals of fixed assets		4,599	(8,241)
Gain on disposal of other investments		(940)	(940)
Interest income		(20,270)	(197,548)
Change in fair value of embedded derivative		-	(11,058)
Effect of spread of rental related incentives and allowance		71,932	232,093
Interest expenses	15	734,678	4,074,000
Dividends paid (MI)		76,456	-
Changes in working capital:			
Accounts receivable and prepayments		1,256,691	71,244
Inventories		216,837	(147,775)
Accounts payable and other liabilities		(1,581,300)	864,162
Cash generated from operations		5,198,461	20,079,592
Income tax paid	16	(283,177)	(1,173,756)
Net cash flow from operating activities		4,915,283	18,905,836
Cash flows from investing activities:			
Acquisition of investment properties			(10,714,400)
Acquisition of tangible and intangible assets		(499,367)	(3,389,870)
Sale proceeds of tangible and intangible assets		5,667	37,929
Sale/(purchase) of financial investments		1,351	1,357
Repayments of loans granted		(10,143)	212,856
Interest received		6,172	134,805
Net cash flow used in investing activities		(496,320)	(13,717,323)
Cash flows from financing activities:			
Loan received		58,535	12,048
Dividends paid		(75,144)	(1,034,536)
Interest paid		(890,076)	(3,578,446)
Repayments of loan received		(341,374)	(1,365,496)
Purchased treasury shares		(61,514)	(2,132,282)
Change in other long term liabilities		(8,334)	(92,166)
Net cash flow from financing activities		(1,317,907)	(8,190,878)
Change in cash and cash equivalents		3,101,057	(3,002,365)
Cash and cash equivalents at beginning of the year	4	14,621,389	17,382,736
Effect of foreign currency translation		(638,229)	241,018
Cash and cash equivalents at end of the year	4	17,084,214	14,621,389

The accompanying notes on pages 19 to 52 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., FN2 B.V. and FN3BV 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:

During the first three months of 2014 the Fotex Group did not enter into any transaction that affected the Group structure.

During 2013 the Fotex Group entered into the following transactions that affected the Group structure:

- Fotex Netherland BV, a consolidated company founded a new subsidiary, FN3 BV on 2 October 2013, and increased its share capital by EUR 7,316,947 in December 2013. The Group's share in FN3 BV is 100%.
- The owner of Fotex Netherland BV increased its capital by EUR 7,316,947 on 30 December 2013.
- The owners of Székhely 2007 Kft. and the owners of Proprimo Kft. accepted the transformation proposals on the shareholder's meetings held on 15 November 2013 and decided to merge Proprimo Kft into Székhely 2007 Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2013, which is effective from 1 January 2014.

2. General (continued)

Subsidiaries - after considering indirect shareholdings - taken into account at the consolidation at 31 March 2014 and at 31 March 2013 are as follows:

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Ajka Kristály Üvegipari Kft	Crystal manufacturing and retail	6,906,186	5,726,331	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
Fotexnet Kft	Internet retail and other services	1,595,501	1,595,501	99.8	99.8	100.0	100.0
Hungaroton Music Zrt	Music archive	480,399	480,399	99.2	99.2	99.2	99.2
Keringatlan Kft	Property management	20,728,848	20,728,848	100.0	100.0	100.0	100.0
Proprimo Kft	Advisory services	-	17,157	-	99.9	-	100.0
FN 2 BV	Property management	18,000	18,000	100.0	100.0	100.0	100.0
FN 3 BV	Property management	100	-	100.0	-	100.0	-
Plaza Park Kft	Property management	1,171,580	1,171,580	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
Sigma Kft	Property services	100,650	100,650	75.1	75.1	75.1	75.1
Székhely 2007 Kft	Property services	102,949	86,109	99.3	99.1	99.1	99.1
Upington Investments Sàrl.	Investment holding	12,500	12,500	100.0	100.0	100.0	100.0

3. Significant Accounting Policies

Fotex Group's report on its operations during the first three months of 2014 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") as endorsed by the EU.

4. Significant Accounting policies (continued)

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as Fotex, using consistent accounting policies.

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

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

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

As a result of its transformation into a European public limited company, the Company's financial records have been kept in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements for the first three months of 2014 are prepared in EURO ("EUR").

The functional currency of the group's subsidiaries, which are registered and carry out their activities in Hungary, is Hungarian Forint ("HUF"). The functional currency of those subsidiaries, which are registered and carry out their activities in Luxembourg or in The Netherlands, is 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.

2. Significant Accounting policies (continued)

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:

	2014	2013
First quarter	307.90 HUF/EUR	296.42 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 March 2014: 307.06 HUF/EUR (31 December 2013: 296.91 HUF/EUR), this resulted in the significant exchange difference in translation of foreign operations shown in the other 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 financial statement. From these the following has the most significant effect on the figures presented in the financial statement.

Judgements

Operating Lease Commitments-Group as Lessor

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

Estimates and assumptions

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.

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

Impairment of Intangibles

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired 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.

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

Fotex includes in its intangible assets the merchandising and media rights of FTC., that are partially subject to the change in law described above. Fotex maintains the asset at its recoverable value as established in its financial statements for the year ended 31 December 2010 and shown in the following reporting periods. Management has estimated as of 31 December 2011 that this value represents a fair estimate of value based on the estimation of value in use and on the assumption as enshrined in the act for compensation at market value which had been established by Fotex in earlier years.

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.

Fair Value of Investment Properties

The Group determines 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 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 17,084,214 (31 December 2013: EUR 14,621,389).

Cash includes fixed deposits of EUR 844,753 (31 December 2013: EUR 2,671,210) at rates ranging from 0.13% to 2.95% (2013: 0.13% to 2.95%). The Company has EUR and HUF deposits. The lower rates are on EUR while the higher ones are on HUF.

5. Other financial assets

	31 March 2014	31 December 2013
	EUR	EUR
Current		
Cash deposits connected to rented properties	616,740	605,248
Short-term loans to other companies	545,087	523,060
Other short-term investments	1,140	1,179
Other current financial assets, total	<u>1,162,967</u>	<u>1,129,487</u>
Non-current		
Cash deposits connected to rented properties	1,492,633	1,573,332
Unquoted equity instruments available-for-sale	121,808	125,960
Long-term loans to other companies	243,511	174,427
Other non-current financial assets, total	<u>1,857,952</u>	<u>1,873,719</u>

Cash deposits connected to rented properties:

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

Short-term loans to other companies:

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

Unquoted equity instruments available-for-sale:

The balance of unquoted equity instruments available-for-sale consists of its investment of Ajka Kristály Üvegipari Kft. in Ajka Crystal LLC that was acquired in 2012.

5. Other financial assets (continued)

Non-current part of other long-term loans:

The non-current part of other long-term loans includes loans given to other companies in amount of EUR 158,383 (31 December 2013: 152,592) and employee loans totalling EUR 9,303 (31 December 2013: EUR 10,777).

6. Accounts receivable and prepayments

	31 March 2014	31 December 2013
	<u>EUR</u>	<u>EUR</u>
Accounts receivable	5,030,139	6,433,468
Impairment loss on accounts receivable	(318,286)	(397,191)
Tax assets	516,033	399,832
Other receivables	761,409	706,239
Prepayments/accrued income	1,910,020	2,028,950
Impairment loss on other receivables	(28,973)	(30,945)
Total	<u>7,870,342</u>	<u>9,140,353</u>

The terms applicable to related parties are set out in Note 24.

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

Impairment loss on debtors and on other receivables at 31 March 2014 is: EUR 346,310 (31 December 2013: EUR 428,136).

Movements in impairment loss:

	EUR
1 January 2013	892,571
Charge for the year	46,386
Unused amount reversed	(10,828)
Utilised	(485,119)
Currency loss arising on retranslation	(14,874)
31 December 2013	<u>428,136</u>
Charge for the year	6,892
Unused amount reversed	(71,939)
Utilised	(7,077)
Currency loss arising on retranslation	(9,702)
31 March 2014	<u>346,310</u>

6. Accounts receivable and prepayments (continued)

Aged debtors less impairment loss:

	Not overdue and not impaired	< 30 days	Overdue but not impaired				Total
			30-90 days	90-180 days	180-360 days	>360 days	
31 March 2013	3,378,117	649,463	208,149	331,789	62,258	82,077	4,711,853
31 December 2013	2,907,548	2,468,813	349,793	153,974	58,620	97,529	6,036,277

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

	Not overdue and not impaired	< 30 days	Overdue but not impaired				Total
			30-90 days	90-180 days	180-360 days	>360 days	
31 March 2013	1,818,021	132,990	46,001	165,290	8,761	987,427	3,158,490
31 December 2013	2,297,499	17,572	205,796	262,029	10,222	310,958	3,104,076

7. Inventories

	31 March 2014	31 December 2013
	EUR	EUR
Merchandise and finished products	6,610,682	6,892,545
Materials	700,204	765,702
Work in progress	2,387,668	2,365,827
Inventories, gross	<u>9,698,554</u>	<u>10,024,074</u>
Impairment of merchandise and finished products	(2,608,068)	(2,715,220)
Impairment of materials	(18,331)	(28,382)
Impairment of work in progress	(449,176)	(465,266)
Impairment of inventories	<u>(3,075,575)</u>	<u>(3,208,868)</u>
Total inventories, net	<u>6,622,979</u>	<u>6,815,206</u>

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,075,575 provision made for the impairment of inventories (31 December 2013: EUR 3,208,868) is adequate, there was no current year charge. In addition to the impairment, till 31 March 2014 EUR 1,615,373 of inventories was recognised as an expense (31 March 2013: EUR 1,638,487).

8. Property, plant and equipment

Movements in tangible assets during first three months of 2014 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2014	205,856,133	18,794,633	154,472	224,805,238
Additions	284,608	202,609	945	488,162
Other increase	-	-	-	-
Disposals and write downs	107	(38,185)	-	(38,078)
Currency loss arising on retranslation	(2,700,031)	(615,129)	(5,103)	(3,320,263)
31 March 2014	<u>203,440,817</u>	<u>18,343,928</u>	<u>150,314</u>	<u>221,935,059</u>
Accumulated depreciation:				
1 January 2014	(38,653,653)	(15,912,109)	-	(54,565,764)
Depreciation expense	(1,663,708)	(138,304)	-	(1,802,012)
Disposals and write downs	7,992	21,559	-	29,551
Other increase	(1,922)	-	-	(1,922)
Currency gain arising on retranslation	861,583	521,550	-	1,383,133
31 March 2014	<u>(39,449,708)</u>	<u>(15,507,304)</u>	<u>-</u>	<u>(54,957,014)</u>
Net book value				
31 March 2014	<u>163,991,109</u>	<u>2,836,624</u>	<u>150,314</u>	<u>166,978,047</u>
31 December 2013	<u>167,202,478</u>	<u>2,882,524</u>	<u>154,472</u>	<u>170,239,474</u>

8. Property, plant and equipment (continued)

Movements in tangible assets during 2013 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2013	194,466,844	18,983,567	56,109	213,506,520
Additions	13,279,482	602,149	99,424	13,981,055
Other increase	-	17	-	17
Disposals and write downs	(310,948)	(434,402)	-	(745,350)
Currency loss arising on retranslation	(1,579,245)	(356,698)	(1,061)	(1,937,004)
31 December 2013	<u>205,856,133</u>	<u>18,794,633</u>	<u>154,472</u>	<u>224,805,238</u>
Accumulated depreciation:				
1 January 2013	(32,626,492)	(16,039,594)	-	(48,666,086)
Depreciation expense	(6,450,197)	(552,410)	-	(7,002,607)
Disposals and write downs	30,387	385,885	-	416,272
Other increase	(84,042)	(4,464)	-	(88,506)
Currency gain arising on retranslation	476,689	298,474	-	775,163
31 December 2013	<u>(38,653,655)</u>	<u>(15,912,109)</u>	<u>-</u>	<u>(54,565,764)</u>
Net book value				
31 December 2013	<u>167,202,478</u>	<u>2,882,524</u>	<u>154,472</u>	<u>170,239,474</u>
31 December 2012	<u>161,840,352</u>	<u>2,943,973</u>	<u>56,109</u>	<u>164,840,434</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. In Hungary for example real estate players still have no reason to be optimistic. The effect of adverse market conditions can be strongly felt in the retail, office and even the logistics sectors. Within all three segments of the real estate market supply is in excess of demand and there is no expected increase in demand within the foreseeable future. The changes on retail real estate market have had the greatest effect on the Group's activities due to the structure of the Group's real estate portfolio; therefore any change in this market segment will have a much more significant impact on the revenue stream of the entire 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.
- the "quality" of the tenants have also decreased, which represents a significant risk

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 with less than 100 m². Negotiations are more difficult and more time-consuming, many times lasting for months. Typically tenants have opted for shorter rental terms and the rental fees have dropped by 10-25%.

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

Since the beginning of the financial crises logistic property rental fees have dropped significantly. 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 87,511 m² of which 16.32% (14,278 m²) is situated in Hungary and 83.68% (73,233 m²) is located in The Netherlands.

The vacancy rate of office portfolio in Hungary is around 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 control and optimize 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 totaling an area of 32,563 m² (Zoetermeer, Gorinchem, Haarlem, Rotterdam, Zwolle). In 2011 FN 2 BV purchased an office building having 7,122 m² in Utrecht and purchased another office building having 11,802 m² in Hoofddorp and by the acquisition of Plaza Park Kft the group's investment property portfolio further expanded in 2011. As of August 21, 2012 FN 2 BV purchased an office building having 6,445 m² in Amsterdam.

The Group acquired also in 2013 two office buildings for investment purposes and purchased an office for own use in the Netherlands.

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 2013. The figures disclosed in the annual financial statements for 2013 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	Net book value	Estimated fair value
	m ²	EUR	EUR
Retail outlets	146,902	25,962,123	140,705,802
Offices	87,511	107,691,167	123,297,526
Warehouses	82,097	3,208,965	9,792,057
Other structures	42,862	3,727,533	6,943,752
Plots of land	809,884	20,764,596	32,246,835
Total investment properties	1,169,256	161,354,384	312,985,972

10. Intangible assets

Movements in intangible assets during first three months of 2014 were as follows:

Fotex Holding SE and Subsidiaries
Notes to consolidated financial statements
31 March 2014
Figures in EUR

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2014	6,667,194	507,891	7,175,085
Additions	-	11,205	11,205
Other increase	-	-	-
Disposals and write downs	-	-	-
Currency loss arising from retranslation	-	(188,129)	(188,129)
31 March 2014	<u>6,667,194</u>	<u>330,967</u>	<u>6,998,161</u>
Accumulated amortisation:			
1 January 2014	(4,008,798)	(268,135)	(4,276,933)
Amortisation expense	-	(10,428)	(10,428)
Other increase	-	-	-
Impairment	-	-	-
Disposals and write downs	-	31,305	31,305
Currency gain arising from retranslation	-	133,631	133,631
31 March 2014	<u>(4,008,798)</u>	<u>(113,627)</u>	<u>(4,122,425)</u>
Net book value:			
31 March 2014	<u>2,658,396</u>	<u>217,340</u>	<u>2,875,736</u>
31 December 2013	<u>2,658,396</u>	<u>239,756</u>	<u>2,898,152</u>

10. Intangible assets (continued)

Movements in intangible assets during 2013 were as follows:

	Media and merchandising rights EUR	Other EUR	Total EUR
Cost:			
1 January 2013	6,667,194	980,145	7,647,339
Additions	-	119,446	119,446
Other increase	-	-	-
Disposals and write downs	-	(540,543)	(540,543)
Currency loss arising from retranslation	-	(51,157)	(51,157)
31 December 2013	<u>6,667,194</u>	<u>507,891</u>	<u>7,175,085</u>
Accumulated amortisation:			
1 January 2013	(4,008,798)	(862,166)	(4,870,964)
Amortisation expense	-	(37,166)	(37,166)
Other increase	-	-	-
Impairment	-	-	-
Disposals and write downs	-	456,295	456,295
Currency gain arising from retranslation	-	174,902	174,902
31 December 2013	<u>(4,008,798)</u>	<u>(268,135)</u>	<u>(4,276,933)</u>
Net book value:			
31 December 2013	<u>2,658,396</u>	<u>239,756</u>	<u>2,898,152</u>
31 December 2012	<u>2,658,396</u>	<u>117,979</u>	<u>2,776,375</u>

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

As part of discontinuing its ownership of FTC, acquired in 2001 (at a cost of HUF 1.9 billion – approx. EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights [billboards]) in 2003 for an unlimited period for which an impairment of EUR 4,008,798 has been recorded in prior years. Owing to changes in Hungarian legislation, as of 1 January 2012, some part of the above mentioned rights – related to the Club's address, logo – are reverted to the FTC Sport Association. Such reversion is due compensation by FTC, the amount of which is currently under negotiation by the parties. Should the parties be unable to reach an agreement, the amount of compensation will be determined based on the fair value of the rights at the time of reversal by a court competent to act based on the location of the Club's headquarters.

11. Goodwill arising on acquisition

Movements in goodwill on business combinations were as follows during 2014 and 2013:

	<u>31 March 2014</u>	<u>31 December 2013</u>
	EUR	EUR
Cost:		
1 January	18,981,622	19,347,843
Increase	-	-
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	(627,446)	(366,221)
Closing balance	<u>18,354,176</u>	<u>18,981,622</u>
Impairment:		
1 January	(7,739,180)	(7,888,496)
Disposal of fully written off goodwill	-	-
Currency difference arising from retranslation	255,822	149,316
Closing balance	<u>(7,483,358)</u>	<u>(7,739,180)</u>
Net book value		
1 January	<u>11,242,442</u>	<u>11,459,347</u>
Closing balance	<u>10,870,818</u>	<u>11,242,442</u>

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>31 March 2014</u>	<u>31 December 2013</u>
	EUR	EUR
Total goodwill	10,870,818	11,242,442
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,537,919)	(1,537,919)
Goodwill tested for impairment	<u>9,332,899</u>	<u>9,704,523</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 Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2014. 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>31 March 2014</u>	<u>31 December 2013</u>
	EUR	EUR
Keringatlan Kft.	9,139,302	9,451,733
Plaza Park Kft.	1,731,516	1,790,709
Net book value	<u>10,870,818</u>	<u>11,242,442</u>

12. Accounts payable, other liabilities and provision

	<u>31 March 2014</u>	<u>31 December 2013</u>
	EUR	EUR
Trade payables	953,229	1,077,693
Taxes payable	983,386	1,833,763
Advances from customers	142,119	69,627
Accrued expenses	376,853	765,981
Deferred rental income	4,779,862	4,473,158
Amounts payable to employees	200,137	215,402
Deposits from tenants	616,740	605,248
Preference shares incentive scheme liability	-	325,500
Other liabilities	1,253,858	1,342,593
Total accounts payable and other current liabilities	<u>9,306,184</u>	<u>10,708,965</u>
Other long term liabilities	<u>1,416,462</u>	<u>1,573,312</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. Payables to employees are non-interest bearing and represent one monthly salary with contributions.

Rental deposits are payable typically within 30 days of the end date of the underlying rental contract.

The Group has received 2 to 3 months deposits of EUR 2,120,935 (31 December 2013: EUR 2,178,570) 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 1,504,195 (31 December 2013: EUR 1,573,312)), and the part which is expected within a year was classified as short-term tenant deposit liabilities (EUR 616,740 (31 December 2013: EUR 605,248)).

Dividend preference shares incentive scheme

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

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 interest. The total preference dividend payable is subject to approval of the General Meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue is treated as a short-term liability and any dividend payable will be treated as an employee expense.

In November 2007, Fotex issued 2,000,000 dividend preference shares with a face value of EUR 840,000 (HUF 200 million). These dividend preference shares were presented in the consolidated statement of financial position as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date the dividend preference shares were shown as a liability (preference shares incentive scheme liability). Fotex granted arm's length loans to members of management to buy these shares.

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

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 2013. On 5 March 2013 the Company, exercising its redemption option, repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 362,934.

On 25 February 2014 the Company, exercising its redemption option and repurchased 775,000 pieces of dividend preference shares - owned by the management at the end of 2013 – for EUR 327,128. Thus all dividend preference shares are now owned by the Group.

The Annual General Meeting of the Company held on 12 May 2014 decided not to distribute dividends to the holders of dividend preference shares.

During the first three months of 2014 provisions haven't been accounted for.

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 31 March 2014, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2013: 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 in Note 13 - 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" (2014: EUR 840,000; 2013: EUR 840,000) are also shown in "Treasury shares". During the first quarter of 2014, 775,000 dividend preference shares which were held by certain employees were repurchased.

As at 31 March 2014, the Company held 18,084,932 treasury shares (of which are 16,084,932 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 23,581,846 (31 December 2013: 17,234,784 shares – of which 16,009,784 were ordinary shares and 1,225,000 were dividend preference shares – at a historic cost of EUR 23,519,814).

During the first quarter of 2014, the Company purchased EUR 62,057 of its ordinary shares (2013: EUR 2,103,754) on an arm's length basis.

On 25 February 2014 Upington s.a.r.l., exercising its redemption option, repurchased 775,000 pieces of dividend preference shares - owned by the management previously – for EUR 327,128). (During 2013: 775,000 pieces of dividend preference for were repurchased for EUR 362,934). Thus all dividend preference shares are now owned by the Group.

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to a Hungarian Rt. (public limited company) 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 485,370 (31 December 2013: EUR 566,044).

14. Operating expenses

	<u>31 March 2014</u>	<u>31 March 2013</u>
	EUR	EUR
Payments to personnel	(1,406,188)	(1,516,417)
Material-type expenses	(3,089,991)	(3,208,493)
Other expenses, net*	112,235	(465,060)
Depreciation and amortisation charge	(1,812,440)	(1,714,438)
Total operating expenses	<u>(6,196,384)</u>	<u>(6,904,408)</u>

Other expenses (net) include the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
	EUR	EUR
Realised and unrealized FX differences (net)	424,261	93,170
Taxes other than income tax	(400,386)	(431,445)
Fair valuation loss on embedded derivative	-	(24,971)
Other expenses/income	88,360	(101,814)
Total other expenses, net	<u>112,235</u>	<u>(465,060)</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 (Loans I.-III.) and a further loan in 2010 (Loan IV.) to fund the purchase of properties. In 2011, FN 2 B.V., a subsidiary of Fotex Netherlands B.V., took out another mortgage loan (Loan V.) for property purchase purposes from Berlin-Hannoversche Hypothekenbank AG. As at 26 March 2012, FN 2 B.V. took out a mortgage loan (Loan VI.) from Berlin-Hannoversche Hypothekenbank AG to fund the purchase of a property acquired at the end of 2011.

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

In 2011, when the Fotex Group acquired its ownership in Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are recognised as liabilities to related parties in the consolidated financial statements (Note 24). These four loans (Loans VIII.-XI.) are owed by Fotex Group to Zürich Investments Inc.

There were no new loans taken out during 2013 and 2014.

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 31 March 2014 EUR	Current portion at 31 March 2014 EUR	Long-term portion at 31 Dec 2013 EUR	Current portion at 31 Dec 2013 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One-month Euribor + 2.7% (rounding +0.05)	16,610,152	325,309	16,646,868	328,273
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-months Euribor + 2.26% (rounding +0.05)	3,287,523	83,265	3,295,301	83,509
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-months Euribor + 2.20% (rounding +0.05)	0	3,413,610	3,347,833	82,279
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4.32 % p.a.	12,611,866	326,536	12,674,381	326,788
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	10,376,421	226,000	10,427,229	226,000
VI. mortgage	26/03/2012	31/03/2017	13,800,000	fixed 3.59% p.a.	12,655,164	345,000	12,735,350	345,000
VII. mortgage	30/10/2012	15/10/2017	8,750,000	fixed 3.43% p.a.	8,432,655	87,500	8,449,310	87,500
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	5,669,056	123,289	5,838,919	126,029
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,225,015	26,815	1,259,208	27,415
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	1,935,767	42,427	1,989,051	43,370
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,082,688	67,932	3,065,907	69,440
Overdraft						70,967	-	12,430
Total			88,369,951		75,886,307	5,138,650	79,729,357	1,758,033

15. Interest-bearing loans and borrowings (continued)

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

The net book values of these properties at 31 March 2014 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	9,244,025EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	12,263,693 EUR
Haarlem, Schipholpoort 20	4,742,264 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,337,877 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	16,555,089 EUR
3528 BJ Utrecht, Papendorpseweg 65	14,608,475 EUR
2123 JH Hoofddorp, Polarisavenue 1	17,977,977 EUR
1101 CE Amsterdam Southeast, Entrée 500	14,083,721 EUR

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

Loans having a variable market interest rate approximated their fair values. Loans VIII.-XI. were initially recognized in 2011 on their fair value related to the Plaza Park transaction and until 31 March 2014 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 31 March 2014, the book value also approximates its fair value.

Included in the Group's total interest expense of EUR 743,678 (I-III month 2013: 858,058) is a total interest expense in relation to the loans I.-XI. above of EUR 733,763 till 31 March 2014 (I-III month 2013: EUR 857,683).

16. Income tax

During 2010, the Hungarian tax authority (APEH) enacted certain changes to the corporate income tax rate for 2010 and future years. Prior to the change the corporate income tax rate was 20%. From 1 January 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 will be 22.47% from 1 January 2013, which results in a total tax of 29.22% as increased by Luxembourg's municipal business tax (Fotex Holding SE and Upington Investments S.à r.l. moved their registered seat from Capellen to Luxembourg in 2012); the income tax rate for Fotex Netherlands B.V. 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 Kft. a tax rate of 15.58% has been applied whilst for the remaining Hungarian companies a rate of 10% has been used based on expected profitability.

For the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 22.87% and in the case of FN 2 B.V. a 20% tax rate was applied.

The Group has carried forward losses of EUR 739,171 (2013: EUR 764,440) which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 20,617,814 (2013: EUR 20,881,666) 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 20,617,814 (2013: EUR 20,881,666) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 20,617,814 (2013: EUR 20,881,666) can be rolled forward for an indefinite period.

17. Revenue

Sales revenue	31 March 2014	31 March 2013
	EUR	EUR
Sale of goods	2,185,847	2,387,843
Provision of services	599,049	500,223
Rental income revenue	5,816,177	5,496,368
Revenue from service charges to tenants	714,011	873,450
Royalty revenue	66,827	13,079
Other sales revenue	182,339	159,804
Total sales revenue:	<u>9,564,250</u>	<u>9,430,767</u>

18. Other comprehensive income components

Foreign exchange differences arising on the translation of the functional currencies to EUR of subsidiaries whose functional currency is other than EUR are presented through other comprehensive income. Such foreign exchange differences arise from the fluctuations between EUR and the functional currency of the subsidiaries during the year.

19. Segment information

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

Investment property management
Crystal and glass manufacturing
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. Profit is distributed among the segments before adjustment for non-controlling interests.

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

19. Segment information (continued)

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

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

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

	31 March 2014	31 March 2014	31 March 2014	31 March 2013	31 March 2013	31 March 2013
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	6,497,680	154,738	6,652,418	6,396,658	171,506	6,568,164
Crystal and glass manufacturing	1,520,435	0	1,520,435	1,487,858	-	1,487,858
Other	1,546,135	426,678	1,972,813	1,546,251	340,453	1,886,704
Inter-segment elimination		(581,416)	(581,416)	-	(511,959)	(511,959)
Net sales	<u>9,564,250</u>	<u>0</u>	<u>9,564,250</u>	<u>9,430,767</u>	<u>-</u>	<u>9,430,767</u>

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

Profit before income taxes:	31 March 2014 EUR	31 March 2013 EUR
Investment property management	2,356,688	1,711,965
Crystal and glass manufacturing	60,612	(23,917)
Other	236,158	33,630
Profit before income taxes	<u>2,653,458</u>	<u>1,721,678</u>

Assets:	31 March 2014	31 March 2014	31 March 2014	31 December 2013	31 December 2013	31 December 2013
	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	168,384,549	3,186,071	171,570,620	173,884,642	2,956,519	176,841,161
Crystal and glass manufacturing	8,801,994	0	8,801,994	9,100,323		9,100,323
Other	38,643,813	8,318,921	46,962,734	35,523,710	1,030,043	36,553,753
Inter-segment elimination		(11,504,992)	(11,504,992)	-	(3,986,652)	(3,986,652)
Net assets	<u>215,830,356</u>	<u>0</u>	<u>215,830,356</u>	<u>218,508,675</u>	<u>-</u>	<u>218,508,675</u>

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19. Segment information (continued)

	31 March 2014	31 March 2014	31 March 2014	31 December 2013	31 December 2013	31 December 2013
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	92,347,905	7,860,457	100,208,362	93,449,316	764,490	94,213,806
Crystal and glass manufacturing	681,888	3,765,280	4,447,168	764,306	3,846,496	4,610,802
Other	1,371,929	142,752	1,514,681	2,210,164	8,742,799	10,952,9630
Inter-segment elimination		(11,768,489)	(11,768,489)	-	(13,353,785)	(13,353,785)
Liabilities and accruals:	<u>94,401,722</u>	<u>0</u>	<u>94,401,722</u>	<u>96,423,786</u>	<u>-</u>	<u>96,423,786</u>

Tangible and intangible asset additions:	31 March 2014 EUR	31 December 2013 EUR
Investment property management	469,344	13,420,702
Crystal and glass manufacturing	2,059	367,530
Other	27,964	192,823
Tangible asset additions:	<u>499,367</u>	<u>13,981,055</u>

Depreciation and amortisation:	31 March 2014 EUR	31 March 2013 EUR
Investment property management	(1,590,140)	(1,517,032)
Crystal and glass manufacturing	(52,573)	(47,333)
Other	(169,727)	(150,073)
Depreciation and amortisation:	<u>(1,812,440)</u>	<u>(1,714,438)</u>

20. Financial risks, management objectives and policies

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

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

Interest rate risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2017. The loan interests either vary between one to three months EURIBOR + 2.2-2.7% or are at fixed rates varying between 3.43% and 4.32%. In 2014 the interest of the variable interest mortgage loans, except for the smaller loan of EUR 3.75 million, is limited between 3.3% to 3.64%. Additionally the lending bank charge a 0.7% interest guarantee with respect to mortgage loan 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 – which are uncovered - as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, from 1 July 2011, the transferred loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues. Many EUR-based rental contracts are billed in HUF based on the applicable daily spot rate. In order to mitigate the risk of FX losses from any potential unbeneficial EUR/HUF rate fluctuations, the Group normally sets out a minimum EUR/HUF rate in its rental contracts.

The Group also has FX 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.

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

Credit risk

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

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

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

Receivable balances are monitored on an ongoing basis.

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 March 2014 the Group's maximum exposure to credit risk is EUR 27,874,978 (31 December 2013: EUR 26,264,389).

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

Liquidity risk

Liquidity risk is monitored as follows:

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

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

Capital management

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

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 31 March 2014 and 31 December 2013 are presented below:

	31 March 2014	31 December 2013
	EUR	EUR
Short-term and long-term borrowings (Note 15):	81,024,957	81,487,390
Trade payables and other current liabilities (Note 12):	9,306,184	10,708,965
Cash and cash equivalents (Note 4):	(17,084,212)	(14,621,389)
Net debt:	73,246,929	77,574,966
Equity attributable to the Company:	121,271,681	121,943,859
Total:	194,518,610	199,518,825
Indebtedness ratio:	37.66%	38.88%

The Company's indebtedness ratio decreased from 38.88% at 31 December 2013 to 37.66% at 31 March 2014, primarily due to the significant increase of cash balance, which increase is more detailed at the Statement of Cash Flows. 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.

Fair value

At 31 March 2014 and 31 December 2013, 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 accounts. Bank loans having a variable interest rate approximated their fair values.

21. Investments in subsidiaries

During the first three months of 2014 the Fotex Group did not enter into any transaction that affected the Group structure:

During 2013 the Fotex Group entered into the following transactions that affected the Group structure:

- The owners of Székhely 2007 Kft. and the owners of Proprimo Kft. accepted the transformation proposals on the shareholder's meetings held on 15 November 2013 and decided to merge Proprimo Kft into Székhely 2007 Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2013, which is effective from 1 January 2014.

22. Operating Leases

Group as lessee

The Group leases retail sites within the shopping centre "MOM Park" located in Budapest and at two other locations in Budapest and five in Győr partially based on non-cancellable operating lease agreements.

The Group leases 173 parking spaces located in Hoofddorp.

Since September 2001, the Group has been leasing retail sites within "MOM Park"; the relating contract had a term of 7 years, in March 2007, the Group announced its intention to use its option on the outlets rented in "MOM Park", whereby the rental contracts were extended till September 2018.

The Group recalculates its leasing fees by ending of each year and publishes them in its financial statements.

23. Earnings Per Share

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

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

	31 March 2014	31 March 2013
	EUR	EUR
Net profit attributable to equity holders from continuing operations	2,278,863	1,387,087
Net profit attributable to shareholders	2,278,863	1,387,087
Weighted average number of shares in issue during the year	54,676,442	57,455,546
Basic earnings per share (EUR)	<u>0.04</u>	<u>0.02</u>

The diluted earnings per share agree with basic earnings per share in 2014 and 2013 as there is no dilution effect in these years.

24. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à.r.l. ("Blackburn Luxembourg"), a Luxembourg company, Zürich Investments Inc. ("Zürich"), a British Virgin Islands company and Ajka Crystal LLC (California, USA). Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 31 March 2014, Blackburn Luxembourg controlled 50.3% (31 December 2013: 50.3%) of the Company's share capital. These companies are considered to be related parties.

Related party transactions

2014 disclosures

Rental and other related fees paid to Fotex Ingatlan for I-III months 2014 were EUR 90,370 (2013 I-III months: EUR 92,075).

Administrative and expert fees paid by Fotex Ingatlan during the first three months of 2014 were EUR 37,447 (2013 I-III months: EUR 5,431).

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-III months 2014 were EUR 12,000 (2013 I-III months: EUR 39,000).

For the period I-III months 2014, Fotex Netherlands B.V. was charged interest of EUR 192,532 (2013 I-III months: EUR 192,531) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period I-III months 2014, FN 2 B.V. was charged interest of EUR 67,932 (2013 I-III months: EUR 67,932) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

2013 disclosures

Rental and other related fees paid to Fotex Ingatlan for 2013 were EUR 404,614 (2012: EUR 395,590).

Administrative and expert fees paid by Fotex Ingatlan for 2013 were EUR 30,530 (2012: EUR 33,194).

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 2013 was EUR 194,250 (2012: EUR 113,458).

For the period 2013, Fotex Netherlands B.V. was charged interest of EUR 780,821 (2012: EUR 780,821) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

24. Related Party Transactions (continued)

For the period 2013, FN 2 B.V. was charged interest of EUR 275,500 (2012: EUR 275,500) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

Transactions with other related parties

Inventory sold to Fotex Ingatlan by Ajka Kristály Kft. for I-III months 2014 were EUR 3,846 (2013 I-III months: EUR 16,067). The amount of the related cost of sales for I-III months 2014 was EUR 2,210 (2013 I-III months: EUR 9,234).

25. Subsequent Events after the end of the reporting period

After the end of the financial year no significant events have happened.

26. Personnel and structural changes

Structural changes:

During the first three months of 2014 there were no structural changes.

Personnel changes:

During the first three months of 2014 there were no personnel changes.

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 168,757 shares has been paid up to this date and the holders of 166,229 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.

According to resolution No. 5 at their ordinary annual meeting held on 12 May 2014, upon approving the financial statements for 2013, Fotex Holding SE's shareholders decided not to distribute dividends to the holders of dividend preference shares.

According to resolution No. 5 at their ordinary annual meeting held on 12 May 2014, upon approving the financial statements for 2013, Fotex Holding SE's shareholders decided to pay EUR 0.03 dividend per ordinary share to the shareholders eligible to receive dividends for the year 2013.

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

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

The extraordinary general meeting held on 27th 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.