

**Fotex Holding S.E.
46, rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg B 146.938**

**Consolidated financial statements for the year ended 31 December 2012,
Management report, and
Independent auditor's report**

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The logo for FOTEX, consisting of the word "FOTEX" in a bold, 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 December 2012 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 blue ink signature of Gábor Várszegi, consisting of stylized initials and a surname.

Gábor Várszegi
Chairman of the Board

A blue ink signature of Dávid Várszegi, featuring a large, circular flourish.

Dávid Várszegi
Member of the Board

A blue ink signature of Jan Ladenius, with a long, horizontal flourish.

Jan Ladenius
Chairman of the Audit Committee
and Member of the Board

Luxembourg, 15 April 2013

FOTEX HOLDING S.E.
42, RUE DE LA VALLEE
L-2661 LUXEMBOURG

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

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. and FN2 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>2012</u>	<u>2011</u>
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Downington Holding S.à r.l.	Investment holding (Note 22)	-	-
FN 2 B.V.	Property management (Note 22)	100.0	100.0
Plaza Park Kft.	Property management (Note 22)	100.0	100.0
Europrizma Kft.	Advertising (Note 22)	-	-
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services (Note 22)	100.0	87.9
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Fotex Netherlands B.V.	Property management	100.0	100.0
Proprimo Kft.	Advisory services (Note 22)	100.0	100.0
Primo Zrt.	Clothing retailing and wholesaling (Note 22)	-	-
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property services	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

During 2012 the Fotex Group entered into the following transactions and mergers that affect the Group structure:

- At 5 September 2012 Fotex Inगतlan Kft., a related party company, sold all of its shares in Fotexnet Kft. to the Group, consequently the Group's share in Fotexnet Kft. has increased to 100%.
- The owners of Fotexnet Kft. and the owners of Hungaroton Records Kft. accepted the transformation proposals on the shareholder's meetings held on 26 September 2012 and decided finally to merge Hungaroton Records Kft. into Fotexnet Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2012, which will be effective from 1 January 2013.
- The owners of Keringatlan Kft. and the owners of Fotex Cosmetics Kft. accepted the transformation proposals on the shareholder's meetings held on 24 October 2012 and decided finally that Fotex Cosmetics Kft. will merge into Keringatlan Kft. The owners of both companies decided that the date for the conclusion of the merger will be 31 December 2012, which will be effective from 1 January 2013.

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

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

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 followings:

- 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 2012 and 2011 by business lines:

	2012	2011
Net sales:	Net sales EUR	Net sales EUR
Investment property holding and management	27,737,866	25,026,239
Crystal and glass manufacturing	7,181,977	7,198,821
Other	8,744,630	9,643,162
Inter-segment elimination	<u>(2,387,438)</u>	<u>(2,740,782)</u>
Net sales	<u><u>41,277,035</u></u>	<u><u>39,127,440</u></u>

	2012	2011
Profit before income taxes:	EUR	EUR
Investment property holding and management	6,892,552	6,170,311
Crystal and glass manufacturing	1,215,627	902,021
Other	<u>(682,417)</u>	<u>1,337,218</u>
Profit before income taxes	<u><u>7,425,762</u></u>	<u><u>8,409,550</u></u>

The operating results of the Fotex Group vary from year to year due to changes in exchanges 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.

The profit before tax of other segment has decreased significantly compared to the same period in the prior year. The reason for this is that the comparable data contained the gain realized on the sale of OTP and MOL bonds in amount of EUR 2,376,463 which was only a one-off item.

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

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

Sales revenue:	2012	2011
	EUR	EUR
Sale of goods	11,561,465	11,683,893
Provision of services	1,955,855	2,255,390
Rental income revenue	22,339,760	18,764,250
Revenue from service charges to tenants	3,989,020	4,998,909
Royalty revenue	292,276	289,552
Other sales revenue	<u>1,138,659</u>	<u>1,135,446</u>
Total sales revenue:	<u><u>41,277,035</u></u>	<u><u>39,127,440</u></u>

The structure of the activities hasn't changed significantly in 2012 when compared to 2011. It can be seen that revenues from the real estate management is the most significant, which has improved further during the year. In 2011 the investment property portfolio was extended by the acquisition of three major office buildings (two of the three are located in The Netherlands and one in Hungary).

In 2012 an additional office building was acquired in Amsterdam. The rental income derived from investment management has increased in 2012 as compared to the previous year. The reason for this is that two of the three acquisitions happened in July of 2011 so these investment properties generated revenue through the whole year of 2012, but only for six months in the prior period. One of the three transactions happened at year-end 2011, so the revenue generated by this investment property is included for the entire fiscal calendar of 2012 while only a slight amount of revenues were generated by this asset in 2011.

In addition to this a new investment property was acquired in August 2012, which has also contributed to the increase of the revenue from real estate management.

It must be noted that the rental income derived from the investment property portfolio situated in Hungary has decreased. The decline is attributable to the following reasons:

1. Due to the Hungarian economic difficulties the consumer's purchasing power has weakened, so the turnover of the retail sector has decreased.
2. The rental contracts are stipulated in EUR or on EUR basis. The HUF devaluated against the EUR, which resulted in an increase of the rental fees for the tenants, that has further worsened their leasing opportunities.
3. The number of liquidation proceedings against the tenants has increased.
4. Due to the changes of the Hungarian legislation about the organization of gambling, those tenants, who operated a Casino, left their leased sites.
5. As a response to the hard economic circumstances of the Hungarian banking sector, banks have decreased the number of their branches consequently some those sites leased by banks became vacant.
6. 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

This trend in relation to the investment properties situated in Hungary seems to be a long-lasting.

The revenue from selling of goods is generated mainly by selling crystal and glass products and other consumer products. The revenue from selling goods has decreased only slightly compared to the same period in 2011 because the lost revenue due to the sale of Primo Zrt. at the end of 2011, was compensated by the increase of revenue from selling crystal, glass and furniture products.

The Company managed to preserve the EPS on the same level as it was in the prior years. The reason for this is that in view of the adverse market conditions, the Group has paid extra attention to control and optimize its costs to attainable revenues.

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

	Selected financial information		
	(EUR)		
	31.12.2010	31.12.2011	31.12.2012
Revenue	38,995,678	39,127,440	41,277,035
Gross profit*	30,008,607	30,822,651	33,176,392
Operating profit	6,910,565	10,492,984	10,860,641
Pre tax profit	7,050,770	8,409,550	7,425,762
Net income**	6,375,028	6,638,657	6,813,519
Owner's equity***	114,276,069	109,835,692	120,563,298
Total assets	164,837,561	191,203,042	214,590,068
Basic earnings per share	0.11	0.11	0.12
Return on equity****	5.69%	5.92%	5.91%
Return on assets*****	4.08%	3.73%	3.36%

* *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 December 2012 was 3,596 kg (31 December 2011: 1,420 kg), which is merely 0.26% (2011: 0.11%) of the hazardous waste produced throughout the whole year.

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

The Company embraces the principles of diversity and inclusiveness in its recruitment, retention and rewards policies in operation at all group companies.

Risks and Risk management of the Group

The Group's business, financial condition or results can be affected by risks and uncertainties. The 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.

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.

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 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 EURO-LIBOR + 2.2-2.7% and are at fixed rates varying between 3.43% and 7.25%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75 million, ranged 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 intends to mitigate the effects of the 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.
- Staff involved in the Company's accounting and financial reporting are appropriately qualified and are kept up-to date with relevant changes in International Financial Reporting Standards (IFRS). Additionally, specific training and written guidance on particular matters is provided where needed.
- 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 December 2012, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (2011: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

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

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

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2012: EUR 840,000; 2011: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2012, 1,550,000 (2011: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability).

As at 31 December 2012, the Company held 15,166,926 treasury shares (of which are 13,166,926 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 21,385,082 (31 December 2011: 13,449,525 shares – of which 11,449,525 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 20,205,074). During 2012, the Company purchased 1,717,401 of its ordinary shares (2011: 816,976 shares) on an arm's length basis. No dividend preference shares from senior officers were redeemed either in 2012 or in 2011. 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 359,069.

The Extraordinary General Meeting held as of 14 December 2011 decided on authorizing the management body to carry out share buybacks for a further five years at a price set between the nominal value and the market value on the transaction date. The only restriction is that such transactions should not cause the net assets to fall below the share capital and non-distributable reserves combined.

Suggestions for Dividends to be paid to Dividend Preference Shares

At their meeting of 15 April 2013, the Board of Directors approved not to pay dividends on the preference shares. This decision is subject to formal approval by the shareholders' meeting.

The Board of Directors suggests to the Annual General Meeting that the Company pay EUR 0.02 dividend per ordinary share eligible to receive dividends for the year 2012. The Company does not pay dividend on ordinary shares which are held by the Company and its subsidiaries. The Board of Directors suggests to the Annual General Meeting of the shareholders that the payment date of dividend is to be on 30 May 2013.

The Annual General Meeting of the shareholders of the Company will decide on the amount of dividends to be paid on the ordinary shares for the year 2012 and on the date of payment of dividend.

Significant Events after the end of the financial year

After the end of the financial year the following significant events have happened:

- 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 359,069.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan"). As at 31 December 2012, Blackburn controlled 0% (31 December 2011: 16.9%), Fotex Ingatlan controlled 0% (31

December 2011: 17.6%), Blackburn Luxembourg controlled 50.3% (31 December 2011: 15.8%) of the Company's share capital. These companies are considered to be related parties.

Corporate governance

With the exception of principle 6 that "the board will regularly evaluate its performance and its relationship with the executive" which is currently being developed with a view to being implemented in 2013; the Company has 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 have to be first brought before and approved by the shareholders and the General Meeting of the shareholders.

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 26 April 2012 did not elect TITAN S.à r.l. as member of Board of Directors, and elected Mr Peter Kadas as a member of the Board of Directors, which means a personnel change in the composition of the Board of Directors.

The Annual General Meeting of the Company held on 26 April 2012 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 2012.

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 26 April 2012. 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 2012.

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

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

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

Rules Governing Amendments to the Articles of Incorporation

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

Branches of the Company

The Company has no branches.

Other Disclosures

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

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

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

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

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

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

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

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

Future Prospects

The financial position and performance of the Group remained stable, despite the difficult market conditions in 2012. The Dutch investments of the Group have increased by one new property.

Due to the adverse economic situation in Hungary the vacancy rate of the Hungarian real estate is expected to increase because it is assumed that smaller and some major existing tenants will abandon their leased sites, which would result in a significant decline of the sales revenue - generated by the Hungarian real estate - in the foreseeable future.

Due to the unfavorable market conditions the re-leasing of the vacant real estate properties has become more difficult and mostly lower rental fees can be achieved in comparison to prior years.

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

15 April 2013, Luxembourg

Várszegi Gábor
Fotex Holding SE
Chairman of the Board

Independent auditor's report

To the Shareholders of
Fotex Holding S.E.
42, rue de la Vallée
L-2661 Luxembourg

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Fotex Holding S.E., which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fotex Holding S.E. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé



René ENSCH

Luxembourg, 15 April 2013

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

		31 December	
	Note	2012	2011
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	17,382,736	8,199,500
Current portion of other financial assets	6	1,202,842	1,198,987
Accounts receivable and prepayments	7	7,213,332	7,227,778
Income tax receivable	17	295,359	343,261
Inventories	8	6,768,330	6,161,415
Total current assets		<u>32,862,599</u>	<u>23,130,941</u>
Non-current Assets:			
Property, plant and equipment	9	6,657,195	6,527,603
Investment properties	10	158,183,239	145,477,492
Deferred tax assets	17	722,442	529,837
Intangible assets	11	2,776,375	2,792,748
Non-current portion of other financial assets	6	1,928,871	2,015,808
Goodwill arising on acquisition	12	11,459,347	10,728,613
Total non-current assets		<u>181,727,469</u>	<u>168,072,101</u>
Total assets		<u>214,590,068</u>	<u>191,203,042</u>
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	16	1,655,375	1,258,801
Provisions	13	25,421	71,398
Accounts payable and other liabilities	13	7,341,916	15,812,488
Total current liabilities		<u>9,022,712</u>	<u>17,142,687</u>
Non-current Liabilities:			
Interest-bearing loans and borrowings	16	80,689,568	59,822,161
Other long-term liabilities	13	1,389,886	1,443,329
Deferred tax liability	17	2,814,390	2,854,471
Total non-current liabilities		<u>84,893,844</u>	<u>64,119,961</u>
Shareholders' Equity:			
Issued capital	14	30,543,933	30,543,933
Additional paid-in capital		27,598,762	29,267,019
Goodwill write-off reserve	14	(888,738)	(1,211,432)
Retained earnings		84,694,423	71,441,246
Treasury shares, at cost	14	(21,385,082)	(20,205,074)
Equity attributable to equity holders of the parent company		<u>120,563,298</u>	<u>109,835,692</u>
Non-controlling interests in consolidated subsidiaries		110,214	104,702
Total shareholders' equity		<u>120,673,512</u>	<u>109,940,394</u>
Total liabilities and shareholders' equity		<u>214,590,068</u>	<u>191,203,042</u>

The accompanying notes on pages 22 to 82 form an integral part of these consolidated financial statements.

Fotex Holding SE and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Note	for the year ended 31 December	
		2012	2011
		EUR	EUR
Revenue	18	41,277,035	39,127,440
Operating expenses	15	(30,416,394)	(28,634,456)
Interest income		289,595	853,515
Interest expenses	16	(3,724,474)	(2,936,949)
Income before income tax	20	7,425,762	8,409,550
Income tax expense	17	(568,848)	(1,739,562)
Net income		<u>6,856,914</u>	<u>6,669,988</u>
Attributable to:			
Equity holders of the parent company		6,813,519	6,638,657
Non-controlling interests		43,395	31,331
Net income		<u>6,856,914</u>	<u>6,669,988</u>
Basic earnings per share	24	<u>0.12</u>	<u>0.11</u>
Diluted earnings per share	24	<u>0.12</u>	<u>0.11</u>

The accompanying notes on pages 22 to 82 form an integral part of these consolidated financial statements.

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

	Note	for the year ended 31 December	
		2012	2011
		EUR	EUR
Net income		<u>6,856,914</u>	<u>6,669,988</u>
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations	19	<u>5,079,664</u>	<u>(10,152,713)</u>
Total comprehensive income/(loss)		<u><u>11,936,578</u></u>	<u><u>(3,482,725)</u></u>
Attributable to:			
Equity holders of the parent company		11,884,924	(3,502,258)
Non-controlling interests		<u>51,654</u>	<u>19,533</u>
		<u><u>11,936,578</u></u>	<u><u>(3,482,725)</u></u>

The accompanying notes on pages 22 to 82 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 2011	30,543,933	32,895,729	(1,534,125)	71,637,487	(19,266,955)	114,276,069	91,699	114,367,768
Net income 2011	–	–	–	6,638,657	–	6,638,657	31,331	6,669,988
Other comprehensive income	–	–	–	(10,140,915)	–	(10,140,915)	(11,798)	(10,152,713)
Total comprehensive income	–	–	–	(3,502,258)	–	(3,502,258)	19,533	(3,482,725)
Purchase of treasury shares (note 14)	–	–	–	–	(938,119)	(938,119)	–	(938,119)
Increase in minority shareholding	–	–	–	–	–	–	4,279	4,279
Minority dividends	–	–	–	–	–	–	(10,809)	(10,809)
Reversed written off goodwill reserve (note 14)	–	–	322,693	(322,693)	–	–	–	–
Reclassification from additional paid in capital to retained earnings	–	(3,628,710)	–	3,628,710	–	–	–	–
31 December 2011	30,543,933	29,267,019	(1,211,432)	71,441,246	(20,205,074)	109,835,692	104,702	109,940,394

The accompanying notes on pages 22 to 82 form an integral part of these consolidated financial statements.

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

	Issued Capital	Additional Paid-in Capital	Goodwill Write-off Reserve	Retained Earnings	Treasury Shares	Total	Non- controlling interests	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2012	30,543,933	29,267,019	(1,211,432)	71,441,246	(20,205,074)	109,835,692	104,702	109,940,394
Net income 2012	–	–	–	6,813,519	–	6,813,519	43,395	6,856,914
Other comprehensive income	–	–	–	5,071,405	–	5,071,405	8,259	5,079,664
Total comprehensive income	–	–	–	11,884,924	–	11,884,924	51,654	11,936,578
Purchase of treasury shares (note 14)	–	–	–	–	(1,180,008)	(1,180,008)	–	(1,180,008)
Repurchase from non- controlling interest	–	–	–	22,690	–	22,690	(36,760)	(14,070)
Minority dividends	–	–	–	–	–	–	(9,382)	(9,382)
Reversed written off goodwill reserve (note 14)	–	–	322,694	(322,694)	–	–	–	–
Reclassification from additional paid in capital to retained earnings*	–	(1,668,257)	–	1,668,257	–	–	–	–
31 December 2012	30,543,933	27,598,762	(888,738)	84,694,423	(21,385,082)	120,563,298	110,214	120,673,512

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

	for the year ended 31 December		
	Note	2012	2011
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	20	7,425,762	8,409,550
Depreciation and amortisation	15	7,055,365	6,020,268
Provisions charged and reversed	13	(51,168)	(137,456)
Scrapped tangible assets		20,261	34,581
Write off of inventories, impairment loss of debtors and reversals		137,068	672,916
Impairment loss of other financial assets and disposals	6	153,970	-
(Gain) on disposals of fixed assets		(8,527)	(688)
Gain on disposal of other investments		-	(2,729,486)
Interest income		(289,595)	(853,515)
Change in fair value of embedded derivative	6,15	(51,636)	-
Effect of spread of rental related incentives and allowance		(342,567)	(585,801)
Interest expenses	16	3,724,474	2,936,949
Changes in working capital:			
Accounts receivable and prepayments		200,358	1,839,510
Inventories		(568,184)	928,370
Accounts payable and other liabilities		(1,614,303)	(349,433)
Cash generated from operations		15,791,278	16,185,765
Income tax paid	17	(923,263)	(884,745)
Net cash flow from operating activities		14,868,015	15,301,020
Cash flows from investing activities:			
Acquisition of tangible and intangible assets		(22,846,791)	(29,360,018)
Sale proceeds of tangible and intangible assets		28,277	2,184
Acquisition of business combination, net of cash		-	(891,807)
Sale/(purchase) of financial investments		21	(1,245,908)
Repayments of loans granted		264,348	95,778
Interest received		150,793	397,109
Net cash flow used in investing activities		(22,403,352)	(31,002,662)
Cash flows from financing activities:			
Loan received		22,225,574	11,136,675
Dividends paid		(9,382)	(10,809)
Interest paid		(3,472,485)	(2,282,186)
Repayments of loan received		(1,213,621)	(819,996)
Purchased treasury shares		(1,180,008)	(938,119)
Change in other long term liabilities		(5,229)	(1,566)
Net cash flow from financing activities		16,344,849	7,083,999
Change in cash and cash equivalents		8,809,512	(8,617,643)
Cash and cash equivalents at beginning of the year	5	8,199,500	17,480,416
Effect of foreign currency translation		373,724	(663,273)
Cash and cash equivalents at end of the year	5	17,382,736	8,199,500

The accompanying notes on pages 22 to 82 form an integral part of these consolidated financial statements.

1. General

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

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

The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

<u>Subsidiary:</u>	<u>Principal Activities:</u>	<u>2012</u>	<u>2011</u>
		<u>%</u>	<u>%</u>
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton Bútor Kft.	Furniture manufacturer	100.0	100.0
Downington Holding S.à r.l.	Investment holding (Note 22)	-	-
FN 2 B.V.	Property management (Note 22)	100.0	100.0
Plaza Park Kft.	Property management (Note 22)	100.0	100.0
Europrizma Kft.	Advertising (Note 22)	-	-
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
Fotexnet Kft.	Internet retail and other services (Note 22)	100.0	87.9
Hungaroton Music Zrt.	Music archive	99.2	99.2
Hungaroton Records Kft.	Music publishing and music retailing	99.8	99.8
Keringatlan Kft.	Property management	100.0	100.0
Fotex Netherlands B.V.	Property management	100.0	100.0
Proprimo Kft.	Advisory services (Note 22)	100.0	100.0
Primo Zrt.	Clothing retailing and wholesaling (Note 22)	-	-
Sigma Kft.	Property services	75.1	75.1
Székhely 2007 Kft.	Property services	99.1	99.1
Upington Investments S.à r.l.	Investment holding	100.0	100.0

1. General (continued)

The consolidated financial statements of Fotex Holding SE and its subsidiaries for the year ended 31 December 2012 were formally approved by the Board of Directors on 15 April 2013 and will be presented to the Annual General Meeting of shareholders for approval on 26 April 2013.

2. Significant Accounting Policies

Basis of presentation

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

Statement of compliance

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

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

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 – please see accounting policy Note 2 for more detail.

Basis of consolidation

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

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

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

2. Significant Accounting Policies (continued)

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

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

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

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

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

	2012		2011	
First quarter	296.97	HUF/EUR	272.48	HUF/EUR
Second quarter	294.26	HUF/EUR	266.33	HUF/EUR
Third quarter	283.08	HUF/EUR	274.90	HUF/EUR
Fourth quarter	283.11	HUF/EUR	303.63	HUF/EUR

Assets and liabilities have been converted to EUR using the MNB FX rate as at 31 December 2012: 291.29 HUF/EUR (2011: 311.13 HUF/EUR), this resulted in the significant exchange difference in translation of foreign operations shown in the other comprehensive income.

Changes in accounting policies

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

Initial application of new or revised Standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2012. Adoption of these revised Standards and Interpretations did not have any effect on the financial performance or position of the Group.

2. Significant Accounting Policies (continued)

They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies. The changes in accounting policies result from the adoption of the following new or revised Standards:

- *IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- *IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- *IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and as the Company is neither using the fair value model of IAS 40 nor the revaluation model of IAS16 it has had no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group's financial position, performance or its disclosure.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its consolidated financial statements.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Foreign currency translation

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

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

Inventory

Inventory is stated at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items.

Materials and merchandise goods are valued at purchase cost on a weighted average basis. Purchase costs include purchase price, trade discounts, unrecoverable taxes, transport and other cost which are directly attributable to purchase of the raw materials and merchandising goods.

The value of work in progress and finished goods includes cost of direct materials and labour and a proportion of overheads in manufacturing subsidiaries, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at purchase price or production cost less accumulated depreciation and any impairment in value. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Freehold land is not depreciated.

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

Leases

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

Group as a lessee:

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial Instruments

Management uses judgements during initial recognition, subsequent measurement, amortisation, impairment and derecognition of financial instruments. Management's judgements that have the most significant effect on the financial statements are disclosed below in each sub-section in detail.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

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

2. Significant Accounting Policies (continued)

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in the fair value recognised in the income statement. The Group has designated one financial asset at fair value through profit or loss. (Note 6)

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group has one derivative embedded contract as of 31 December 2012 (Note 6).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group had held-to-maturity investments as at 31 December 2010 but transferred them at 1 July 2011 to Blackburn International Luxembourg, a related party. As a consequence of these sold held-to-maturity investments and the requirements of IAS 39, Fotex will not classify any financial assets as held to maturity until 1 January 2014.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement. As more fully described in this note under "Held-to-maturity investments", in 2011 the Group reclassified its held-to-maturity investments to available-for-sale category.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities as at fair value through profit or loss.

2. Significant Accounting Policies (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Offsetting financial instruments

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

Fair value of financial instruments

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

Amortised cost of financial instruments

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

Impairment of financial assets

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

2. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Due from loans and trade receivables and advances to customers

For amounts due from loans and advances to customers carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are significant, or collectively for financial assets that are not individually significant. If the Group determines that objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The Group mainly recognised an allowance for doubtful debts of 100% against all receivables over 360 days since historical experience has been that receivables that are past due beyond 360 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 90 days and 360 days based on estimated unrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Net trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2. Significant Accounting Policies (continued)

Available-for-sale financial investments

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

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

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

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Significant Accounting Policies (continued)

Derecognition of financial instruments (continued)

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

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

Pensions

All pensions are either funded privately by employees or by the local government in the jurisdiction in which the group operates via certain social security charges included in the gross cost of the employees wage.

2. Significant Accounting Policies (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition under the cost model assets are recognised at cost and depreciated systematically over their useful economic life.

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

	Years
Buildings and investment properties	20-30

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

2. Significant Accounting Policies (continued)

Business Combinations and Goodwill (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives such as shop rental rights, production know-how and franchise fees are amortised using the straight-line method over the useful economic lives that range from 5 to 50 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

2. Significant Accounting Policies (continued)

Intangible assets (continued)

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

Income taxes

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

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

- except where the deferred income tax liability arises from a goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant Accounting Policies (continued)

Income taxes (continued)

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

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

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

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Subsidiaries of the Group - domiciled in Hungary - pay local business tax to local municipalities at percentages based on the physical location of their operations in Hungary. The base of the local business tax is the revenue as decreased by the cost of goods sold, raw material expenses and certain other expense items. Local business tax is classified as an income tax expense.

Treasury shares

Fotex ordinary shares repurchased are included in shareholders' equity and are classified as treasury shares. Gains and losses on sale of treasury shares, and differences on repurchase, are credited or debited to retained earnings.

2. Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products.

Interest income

Revenue is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental income

Rental income receivable from operating leases less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non –cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered and at fair value of consideration received or receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect.

Subsequent Events

Material events occurring after the year-end that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2. Significant Accounting Policies (continued)

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures (see Note 6, Note 7 and Note 21).

3. Significant accounting judgments, estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating Lease Commitments-Group as Lessor

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 is EUR 11,459,347 (2011: EUR 10,728,613). Further details are given in Note 12.

Impairment of Intangibles

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of such intangible assets as at 31 December 2012 is EUR 2,658,396 (2011: EUR 2,658,396). Further details are given in Note 11.

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

Estimates and assumptions (continued)

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

Fotex includes in its intangible assets the merchandising and media rights of FTC Labdarúgó Zrt., that are 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. The accumulated tax loss as at 31 December 2012 is EUR 3,658,689 (2011: EUR 1,119,152). Further details are given in Note 17.

Fair Value of Investment Properties

The Group has determined and presented in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 10.

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013 but will have no effect on the Group.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2014 and will have no effect on the Group as it does not have any investment in associates or joint ventures.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

4. Standards issued but not yet effective (continued)

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013 and will not affect the Group's financial statements.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4. Standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2014, and is to be applied retrospectively for joint arrangements held at the date of initial application. The change will not impact the Group's financial statement.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013.

4. Standards issued but not yet effective (continued)

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 *Presentation of Financial Statements*

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 *Property Plant and Equipment*

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 *Financial Instruments, Presentation*

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting*

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

5. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 17,382,736 (2011: EUR 8,199,500).

Cash includes fixed deposits of EUR 464,260 (2011: EUR 2,013,641) at rates ranging from 0.2% to 4.3% (2011: 3.74% to 5.3%). The Company has EUR and HUF deposits. The lower rates are on EUR while the higher ones are on HUF.

6. Other financial assets

	2012	2011
	EUR	EUR
Current		
Cash deposits connected to rented properties	657,161	507,749
Short-term loans to other companies	544,476	690,108
Other short-term investments	1,205	1,130
Other current financial assets, total	<u>1,202,842</u>	<u>1,198,987</u>
Non-current		
Cash deposits connected to rented properties	1,389,886	1,438,100
Unquoted equity instruments available-for-sale	127,427	80,925
Long-term loans to other companies	359,922	496,783
Fair value of embedded derivative	51,636	-
Other non-current financial assets, total	<u>1,928,871</u>	<u>2,015,808</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.

6. Other financial assets (continued)

Short-term loans to other companies:

The short- and long-term loans given to other companies and their interest receivable have been reclassified from other receivables and accrued income to short- and long-term other financial assets (see Note 7).

Impairment in amount of EUR 110,494 was recognised on the short-term loans granted to other companies in 2012 (2011: EUR 0). The annual impairment was recorded as an other operating expense (see Note 15).

Unquoted equity instruments available-for-sale:

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

The balance of unquoted equity instruments available-for-sale increased in 2012 which is mainly due to the fact that Ajka Kristály Üvegipari Kft. acquired a 20% participation in Ajka Crystal LLC.

Impairment in amount of EUR 30,384 was recognised on unquoted equity instruments in 2012 (2011: EUR 0). The annual impairment was recorded as an other operating expense (see Note 15).

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 353,631 (31 December 2011: 491,714) and employee loans totalling EUR 6,291 (31 December 2011: EUR 5,069).

Fair value of embedded derivative:

The fair value of embedded derivative contains the fair value relating to the CAP linked to the I. mortgage loan contract (Note 16).

Fotex Holding SE and Subsidiaries
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7. Accounts receivable and prepayments

	<u>2012</u>	<u>2011</u>
	EUR	EUR
Accounts receivable	5,310,644	5,839,530
Impairment loss on accounts receivable	(858,841)	(1,136,190)
Tax assets	601,235	379,328
Other receivables and prepayments/ accrued income *	2,194,024	2,276,598
Impairment loss on other receivables	<u>(33,730)</u>	<u>(131,488)</u>
Total	<u><u>7,213,332</u></u>	<u><u>7,227,778</u></u>

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

The terms applicable to related parties are set out in Note 25.

Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.

Tax assets are typically received within three months.

Impairment loss on debtors and on other receivables at 31 December 2012 is: EUR 892,571 (2011: EUR 1,267,678).

Movements in impairment loss:

	EUR
1 January 2011	1,611,759
Charge for the year	327,397
Unused amount reversed	(266,896)
Utilised	(271,257)
Currency gain arising on retranslation	(133,325)
31 December 2011	<u>1,267,678</u>
Charge for the year	172,920
Unused amount reversed	(11,834)
Utilised	(623,297)
Currency loss arising on retranslation	87,104
31 December 2012	<u>892,571</u>

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7. Accounts receivable and prepayments (continued)

Aged debtors less impairment loss at 31 December:

	Not overdue and not impaired	< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2012	2,905,060	1,133,154	231,859	93,829	49,423	38,478	4,451,803
2011	3,664,252	678,799	243,552	62,545	30,061	24,131	4,703,340

Aged tax assets, other receivables and prepayments less impairment loss at 31 December:

	Not overdue and not impaired	< 30 days	30-90 days	90-180 days	180-360 days	>360 days	Total
2012	2,275,799	108,229	155,615	4,449	810	216,627	2,761,529
2011	2,219,652	51,532	179,934	129	22,444	50,747	2,524,438

8. Inventories

	2012	2011
	EUR	EUR
Merchandise and finished products	7,267,738	6,751,404
Materials	874,798	782,531
Work in progress	1,971,819	1,832,855
Inventories, gross	<u>10,114,355</u>	<u>9,366,790</u>
Impairment of merchandise and finished products	(2,778,419)	(2,716,272)
Impairment of materials	(28,505)	(35,902)
Impairment of work in progress	(539,101)	(453,201)
Impairment of inventories	<u>(3,346,025)</u>	<u>(3,205,375)</u>
Total inventories, net	<u>6,768,330</u>	<u>6,161,415</u>

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 3,346,025 provision made for the impairment of inventories (2011: EUR 3,205,375) is adequate, from this the current year reversal is EUR 63,723 (impairment loss in 2011: EUR 485,627) which is disclosed as other operating expense (Note 15). In addition to the impairment, in 2012 EUR 7,307,134 of inventories was recognised as an expense (2011: EUR 8,704,625).

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9. Property, plant and equipment

Movements in tangible assets during 2012 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2012	4,563,340	17,660,624	129,030	22,352,994
Additions	31,138	684,695	-	715,833
Other increase	27,703	39,887	-	67,590
Disposals and write downs	(83,121)	(594,297)	(82,237)	(759,655)
Transfer to investment properties	(20,860)	-	-	(20,860)
Currency gain arising on retranslation	311,119	1,192,658	9,316	1,513,093
31 December 2012	<u>4,829,319</u>	<u>18,983,567</u>	<u>56,109</u>	<u>23,868,995</u>
Accumulated depreciation:				
1 January 2012	(1,051,697)	(14,773,694)	-	(15,825,391)
Depreciation expense	(106,066)	(833,450)	-	(939,516)
Disposals and write downs	79,568	568,456	-	648,024
Other increase	(27,703)	(346)	-	(28,049)
Transfer to investment properties	4,993	-	-	4,993
Currency loss arising on retranslation	(71,301)	(1,000,560)	-	(1,071,861)
31 December 2012	<u>(1,172,206)</u>	<u>(16,039,594)</u>	<u>-</u>	<u>(17,211,800)</u>
Net book value				
31 December 2012	<u>3,657,113</u>	<u>2,943,973</u>	<u>56,109</u>	<u>6,657,195</u>
31 December 2011	<u>3,511,643</u>	<u>2,886,930</u>	<u>129,030</u>	<u>6,527,603</u>

At 31 December 2012, the cost of tangible assets fully written down (due to ordinary or extraordinary depreciation) was EUR 7,732,702 (2011: EUR 6,656,823). The cost of tangible assets temporarily out of use is EUR 0 (2011: EUR 0).

9. Property, plant and equipment (continued)

Movements in tangible assets during 2011 were as follows:

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2011	7,804,090	18,843,351	436,957	27,084,398
Additions and acquisition arising on business combination	99,491	1,602,009	-	1,701,500
Disposals and write downs	(152,379)	(750,625)	(292,464)	(1,195,468)
Transfer to investment properties	(2,416,361)	-	-	(2,416,361)
Currency loss arising on retranslation	(771,501)	(2,034,111)	(15,463)	(2,821,075)
31 December 2011	<u>4,563,340</u>	<u>17,660,624</u>	<u>129,030</u>	<u>22,352,994</u>
Accumulated depreciation:				
1 January 2011	(1,716,524)	(15,526,490)		(17,243,014)
Depreciation expense	(156,612)	(929,165)	-	(1,085,777)
Disposals and write downs	175,863	482,516	-	658,379
Accumulated depreciation arising on business combination	(3,641)	(508,748)	-	(512,389)
Transfer to investment properties	463,262	-	-	463,262
Currency gain arising on retranslation	185,955	1,708,193	-	1,894,148
31 December 2011	<u>(1,051,697)</u>	<u>(14,773,694)</u>	<u>-</u>	<u>(15,825,391)</u>
Net book value				
31 December 2011	<u>3,511,643</u>	<u>2,886,930</u>	<u>129,030</u>	<u>6,527,603</u>
31 December 2010	<u>6,087,566</u>	<u>3,316,861</u>	<u>436,957</u>	<u>9,841,384</u>

10. Investment properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation. The Group has made an internal valuation of all its investment properties as of 31 December 2012. The key valuation methodology and major assumptions used in the valuation are set out below in this note.

Movements in investment properties in 2012 were as follows:

	<u>Investment properties</u>
	EUR
Cost:	
1 January 2012	169,532,033
Additions	15,107,998
Disposal	(18,999)
Transfer from tangible assets	20,860
Currency gain arising from retranslation	4,995,633
31 December 2012	<u>189,637,525</u>
Accumulated depreciation:	
1 January 2012	(24,054,541)
Depreciation expense	(6,089,861)
Disposal	2,205
Transfer from tangible assets	(4,993)
Currency loss arising from retranslation	(1,307,096)
31 December 2012	<u>(31,454,286)</u>
Net book value:	
31 December 2012	<u>158,183,239</u>
31 December 2011	<u>145,477,492</u>

10. Investment properties (continued)

The fair values of investment properties at 31 December 2012 are set out below:

Category	Area	Net book value	Estimated fair value
	m ²	EUR	EUR
Retail outlets	146,914	28,653,570	159,126,823
Offices	71,815	102,395,865	119,255,025
Warehouses	83,117	3,450,709	11,507,671
Other structures	42,878	3,859,294	7,656,477
Plots of land	791,255	19,823,801	33,943,626
Total investment properties	1,135,979	158,183,239	331,489,622

Movements in investment properties in 2011 were as follows:

	Investment properties
Cost:	EUR
1 January 2011	124,198,423
Additions and acquisition arising on business combination	54,041,294
Disposal	(1,900,481)
Transfer from tangible assets	2,416,361
Currency loss arising from retranslation	(9,223,564)
31 December 2011	169,532,033
Accumulated depreciation:	
1 January 2011	(21,813,614)
Depreciation expense	(4,904,822)
Accumulated depreciation arising on business combination	(505,040)
Disposal	1,430,899
Transfer from tangible assets	(463,262)
Currency gain arising from retranslation	2,201,298
31 December 2011	(24,054,541)
Net book value:	
31 December 2011	145,477,492
31 December 2010	102,384,809

10. Investment properties (continued)

The fair values of investment properties at 31 December 2011 are set out below:

Category	Area m ²	Net book value EUR	Estimated fair value EUR
Retail outlets	145,554	28,450,115	161,247,924
Offices	65,262	91,699,364	103,611,851
Warehouses	83,780	3,486,640	14,375,903
Other structures	43,522	3,924,863	7,689,074
Plots of land	787,038	17,916,510	32,321,580
Total investment properties	1,125,156	145,477,492	319,246,332

The fair value of investment property is determined based on an internal real estate valuation using recognised valuation techniques.

These techniques comprise both the comparable market price method and the Discounted Cash Flow Method. Present values of the future cash flows are determined separately for each presented category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method. The valuers have used their market knowledge and professional judgement and have not only relied on historical transactional comparables.

The valuations were performed by an internal valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

Key valuation assumptions for 2012

The present values have been calculated based on a market yield rate which is suitable to measure properties in the relevant markets and is based on the following assumptions:

- Due to the current economic situation in the Hungarian real estate market the range of yields widened in comparison to prior year.
- Rents on investment properties have been calculated based on the rental fees in the reporting and basis periods.
- The used yield rate per property item located in Hungary is between 8.3% and 13.5% depending on the type and location of the property (2011: 9-13%). For the Dutch properties, the calculated yield rate is between 6.8% and 10.2% (2011: 6.5%-8.7%).
- Presently vacant office and warehouse units have been valued on an assumed long term 70-80% let-out rate. With respect to the unrecoverable costs of the properties that cannot be re-charged to the tenants by the owner a 70-80% let-out rate was also considered in case of offices and warehouses. On current vacant retail units it was assumed that these will be fully let, and all common costs are fully covered.
- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 285 HUF/EUR exchange rate (2011: 280 HUF/EUR) though this relates only to a small number of properties.

10. Investment properties (continued)

The correlation between the most probable change in the key assumptions and the fair value of the property portfolio is illustrated by the sensitivity analysis below:

	<u>2012</u> EUR	<u>2011</u> EUR
Yield rate drops by 50 bps	17,038,565	13,243,418
Rent rate drops by 5%	(3,159,695)	(2,889,153)

The value of land is typically estimated based on publicly available benchmarks as adjusted for individual circumstances (date of sale, property characteristics, selling terms etc.).

The land beneath existing buildings of a total area of 436,210 m² (2011: 357,735 m²) and the unused land portion of warehouses and similar properties have not been included in the fair value assessment of the plots of land, but was included in the valuation of the buildings.

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

	<u>2012</u> EUR	<u>2011</u> EUR
Revenues from the rent of investment properties	21,282,487	18,249,310
Unrecoverable net operating costs	(1,398,204)	(97,822)
Costs that do not generate direct sales revenues	(18,369)	(6,549)
Net income from the rent of investment properties	<u>19,865,914</u>	<u>18,144,939</u>

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11. Intangible assets

Movements in intangible assets during 2012 were as follows:

	Media and merchandising rights EUR	Other EUR	Total EUR
Cost:			
1 January 2012	6,667,194	1,123,415	7,790,609
Additions	-	22,960	22,960
Other increase	-	-	-
Disposals and write downs	-	(38,214)	(38,214)
Currency loss arising from retranslation	-	(128,016)	(128,016)
31 December 2012	<u>6,667,194</u>	<u>980,145</u>	<u>7,647,339</u>
Accumulated amortisation:			
1 January 2012	(4,008,798)	(989,063)	(4,997,861)
Amortisation expense	-	(25,988)	(25,988)
Other increase	-	-	-
Impairment	-	-	-
Disposals and write downs	-	39,254	39,254
Currency gain arising from retranslation	-	113,631	113,631
31 December 2012	<u>(4,008,798)</u>	<u>(862,166)</u>	<u>(4,870,964)</u>
Net book value:			
31 December 2012	<u>2,658,396</u>	<u>117,979</u>	<u>2,776,375</u>
31 December 2011	<u>2,658,396</u>	<u>134,352</u>	<u>2,792,748</u>

11. Intangible assets (continued)

Movements in intangible assets during 2011 were as follows:

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

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

As part of discontinuing its ownership of FTC Labdarúgó Zrt., (a company that operates and manages the football club „FTC”) acquired in 2001 (at a cost of HUF 1.9 billion – 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, all rights related to the Club’s address, logo and name reverted to the FTC Sport Association. Such reversion is due compensation by FTC, the amount of which is 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.

12. Goodwill arising on acquisition

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

	<u>2012</u>	<u>2011</u>
	EUR	EUR
Cost:		
1 January	18,114,079	19,972,104
Increase (i)	-	2,009,370
Disposal of fully written off goodwill (ii)	-	(1,658,501)
Currency difference arising from retranslation	1,233,764	(2,208,894)
31 December	<u>19,347,843</u>	<u>18,114,079</u>
Impairment:		
1 January	(7,385,466)	(9,904,610)
Disposal of fully written off goodwill (ii)	-	1,658,501
Currency difference arising from retranslation	(503,030)	860,643
31 December	<u>(7,888,496)</u>	<u>(7,385,466)</u>
Net book value		
1 January	<u>10,728,613</u>	<u>10,067,494</u>
31 December	<u>11,459,347</u>	<u>10,728,613</u>

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

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

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

Goodwill is therefore tested as follows:

	<u>2012</u>	<u>2011</u>
	EUR	EUR
Total goodwill	11,459,347	10,728,613
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	<u>(1,567,591)</u>	<u>(1,725,712)</u>
Goodwill tested for impairment	<u>9,891,756</u>	<u>9,002,901</u>

12. 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 2012. 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>2012</u>	<u>2011</u>
	EUR	EUR
Keringatlan Kft.	9,634,090	9,019,747
Plaza Park Kft.	1,825,257	1,708,866
Net book value	<u>11,459,347</u>	<u>10,728,613</u>

13. Accounts payable, other liabilities and provision

	<u>2012</u>	<u>2011</u>
	EUR	EUR
Trade payables	1,083,312	1,484,985
Taxes payable	1,075,193	1,084,526
Advances from customers	56,219	17,369
Accrued expenses	591,197	660,916
Deferred rental income	2,076,803	3,053,581
Remuneration approved for executive incentive scheme – dividend preference shares (see Note 14)	-	488,250
Amounts payable to employees	156,167	169,663
Deposits from tenants (i)	657,161	507,749
Preference shares incentive scheme liability	651,000	498,184
Price of purchased property yet unpaid at the year-end	-	7,000,000
Other liabilities	994,864	847,265
Total accounts payable and other current liabilities	<u>7,341,916</u>	<u>15,812,488</u>
Other long term liabilities (i)	<u>1,389,886</u>	<u>1,443,329</u>

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

Terms and conditions of the above liabilities:

Trade payables are non-interest bearing and are typically settled on a 20 to 30-days term. Other payables are non-interest bearing and have an average term of 1 to 3 months. Payables to employees are non-interest bearing and represent one monthly salary with contributions.

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

- (i) The Group has received 2 to 3 months deposits of EUR 2,047,047 (2011: EUR 1,945,849) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year (EUR 1,389,886 (2011: EUR 1,438,100)), and the part which is expected within a year was classified as short-term tenant deposit liabilities (EUR 657,161 (2011: EUR 507,749)).

Dividend preference shares incentive scheme

The General Meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the capital by a maximum amount of EUR 3,093,041 (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.

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

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

On 13 May 2009, the Company's CEO exercised his redemption right under the approved incentive scheme and redeemed the dividend preference shares of the managers of certain subsidiaries where annual profits fell short of their budget. The shares were redeemed at the rates set out in the underlying sale-purchase contracts (120% of the face value). Fotex set off the redemption price payable against the loans and interest receivable from the affected persons under the loan agreements for the purchase of the dividend preference shares. No dividend was paid on the redeemed shares. No dividend preference shares were redeemed either in 2011 or in 2012; the change in dividend preference shares is due to the year-end foreign exchange difference. 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 359,069.

At their meeting of 6 April 2012, the Board of Directors approved to pay dividends on the preference shares equal to 75% of their face value. This dividend payment was approved by the shareholders' meeting. The total amount of preference dividends due to members of management (holding 1,550,000 preference shares) of EUR 488,250 was presented among payments to personnel in the consolidated financial statements in 2011.

At their meeting of 15 April 2013, the Board of Directors approved not to pay dividends on the dividend preference shares. This decision is subject to formal approval by the shareholders' meeting.

The following table summarizes the movement in provisions in 2012:

	Legal*	Other	Total
	EUR	EUR	EUR
1 January	71,398	-	71,398
Arising during the year	-	-	-
Unused amounts reversed	(51,168)	-	(51,168)
Utilised	-	-	-
Currency loss arising from retranslation	5,191	-	5,191
31 December	<u>25,421</u>	<u>-</u>	<u>25,421</u>

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

14. Share capital and reserves

Share capital

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

The "dividend-bearing preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined – detailed in Note 13 - by the General Meeting, but do not carry voting rights.

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

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

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (2012: EUR 840,000; 2011: EUR 840,000) are also shown in "Treasury shares". As at 31 December 2012, 1,550,000 (2011: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability) as further disclosed in Note 13.

As at 31 December 2012, the Company held 15,166,926 treasury shares (of which are 13,166,926 ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 21,385,082 (31 December 2011: 13,449,525 shares – of which 11,449,525 were ordinary shares and 2,000,000 were dividend preference shares – at a historic cost of EUR 20,205,074). During 2012, the Company purchased 1,717,401 of its ordinary shares (2011: 816,976 shares) on an arm's length basis. No dividend preference shares from senior officers were redeemed either in 2012 or in 2011. 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 359,069.

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 888,738 (2011: EUR 1,211,432).

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15. Operating expenses

	<u>2012</u>	<u>2011</u>
	EUR	EUR
Payments to personnel	(5,935,140)	(6,833,361)
Material-type expenses	(14,509,702)	(15,339,407)
Other expenses, net	(2,916,187)	(441,420)
Depreciation and amortisation charge	<u>(7,055,365)</u>	<u>(6,020,268)</u>
Total operating expenses	<u><u>(30,416,394)</u></u>	<u><u>(28,634,456)</u></u>

In 2012 the audit fee of the auditors of the Company for the year ending 31 December 2012 is EUR 120,000 (31 December 2011: EUR 112,500), which is included in the other expenses, net.

Other expenses (net) include the following:

	<u>2012</u>	<u>2011</u>
	EUR	EUR
Impairment of other financial assets (Note 6)	(140,878)	-
Impairment of inventories (Note 8)	63,723	(485,627)
Impairment of debtors (Note 7)	(161,086)	(60,501)
Realised FX gain (net)	(961,587)	569,416
Unrealised FX gain (net)	761,131	108,520
Taxes other than income tax	(1,474,645)	(1,404,474)
Donations	(736,164)	(1,198,543)
Gain on sale of bonds	-	2,376,463
Fair valuation gain on embedded derivative (Note 6)	51,636	-
Other expenses	<u>(318,317)</u>	<u>(346,674)</u>
Total other expenses, net	<u><u>(2,916,187)</u></u>	<u><u>(441,420)</u></u>

16. 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 25). These four loans (Loans VIII.-XI.) are owed by Fotex Group to Zürich Investments Inc.

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16. 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 Dec 2012 EUR	Current portion at 31 Dec 2012 EUR	Long-term portion at 31 Dec 2011 EUR	Current portion at 31 Dec 2011 EUR
I. mortgage	16/4/2009	1/5/2016	18,400,000	One-month Euribor + 2.7% (rounding +0.05)	16,966,838	327,019	17,363,743	348,947
II. mortgage	1/11/2009	1/11/2016	3,800,000	Three-months Euribor + 2.26% (rounding +0.05)	3,372,161	83,425	3,437,320	88,620
III. mortgage	18/12/2009	1/1/2015	3,750,000	Three-months Euribor + 2.20% (rounding +0.05)	3,426,936	82,197	3,501,585	87,000
IV. mortgage	21/5/2010	1/5/2015	14,000,000	fixed 4.32 % p.a.	12,920,789	327,796	13,168,039	328,804
V. mortgage	1/7/2011	30/6/2016	11,300,000	fixed 4.26 % p.a.	10,620,959	226,000	10,815,432	226,000
VI. mortgage	26/03/2012	31/03/2017	13,800,000	fixed 3.59% p.a.	13,044,833	345,000	-	-
VII. mortgage	30/10/2012	15/10/2017	8,750,000	fixed 3.43% p.a.	8,511,076	87,500	-	-
VIII. loan	1/7/2011	13/4/2018	6,896,624	fixed 7.25 % p.a.	5,660,438	83,334	5,502,515	84,932
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	1,224,243	18,125	1,193,245	18,473
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	1,934,873	28,678	1,886,825	29,228
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,006,422	45,917	2,953,457	46,797
Overdraft					-	384	-	-
Total			88,369,951		80,689,568	1,655,375	59,822,161	1,258,801

16. 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 December 2012 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	9,650,132 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	12,806,994 EUR
Haarlem, Schipholpoort 20	4,946,701 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,538,194 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	17,248,723 EUR
3528 BJ Utrecht, Papendorpseweg 65	15,203,929 EUR
2123 JH Hoofddorp, Polarisavenue 1	18,699,464 EUR
1101 CE Amsterdam Southeast, Entrée 500	14,637,144 EUR

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

The scheduled maturity of long-term loans at 31 December 2012 and 2011 is set out in Euros in the table below:

Due in	between 1-2 years	between 2-3 years	between 3-4 years	over 4 years	Total
2012	4,740,496	13,727,163	30,636,191	31,585,718	80,689,568
2011	932,996	4,307,996	13,294,663	41,286,506	59,822,161

Included in the Group's total interest expense of EUR 3,724,474 (2011: 2,936,949) is a total interest expense in relation to the loans I.-XI. above of EUR 3,719,806 in 2012 (2011: EUR 2,927,397).

16. Interest-bearing loans and borrowings (continued)

In case of loans charged by a fixed interest rate the fair value was determined using a standard DCF model, in which a standard zero swap EUR curve was used as base for discounting, which was adjusted by the spread. In case of an unsecured loan the spread was estimated for 3.823%, in case of a secured loan for 2.431%.

In case of variable interest rate loans, there was no significant change in the interest rate until year-end, the book value approximates their fair value.

Fair value of loans having a fixed interest rate:

Item	Fair value at 31 Dec 2012	Book value at 31 Dec 2012
IV. mortgage	13,738,933	13,248,585
V. mortgage	11,439,631	10,846,959
VI. mortgage	13,864,791	13,389,833
VII. mortgage	8,840,261	8,598,576
VIII. loan	7,772,533	5,743,772
IX. loan	1,699,790	1,242,368
X. loan	2,696,474	1,963,551
XI. loan	4,399,995	3,052,339
Total	64,452,408	58,085,983

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17. Income tax

Income tax receivable:	2012	2011
	EUR	EUR
Opening income tax receivable	343,261	440,601
Income tax charge	(971,165)	(982,085)
Settlement of income tax	923,263	884,745
Closing income tax receivable	295,359	343,261
Income tax expense:	2012	2011
	EUR	EUR
Tax expense	971,165	982,085
Deferred tax expense / (income)	(402,317)	757,477
	568,848	1,739,562

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

	2012	2011
	EUR	EUR
Income before minority interests and income taxes	7,425,762	8,409,550
Tax at statutory rate*	1,157,221	1,373,991
Effect of tax losses for which no corresponding deferred tax asset recognized	1,837,976	1,227,972
Effect of tax rate changes	(223,222)	(66,188)
Differences arising from Dutch and Luxembourg tax rates	(629,552)	(427,985)
Effect of one-off tax relief	(635,859)	(855,999)
Effect of permanent differences	(1,253,648)	(35,492)
Effect of tax adjustment for previous years	22,925	4,193
Local business tax and innovation contribution	655,069	578,019
Tax losses used during the year on unrecognised deferred tax assets	(29,044)	(58,949)
Recognised deferred tax asset on prior year's carried forward loss	(333,018)	-
Income tax expense	568,848	1,739,562

*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%. For the purposes of the tax rate reconciliation, Fotex has used a blended tax rate of 15.58% (2011: 16.34%) based on the tax rates used in Keringatlan Kft.

17. Income tax (continued)

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% (2011: 31.05%) 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.

Deferred tax assets and liabilities for 2012 were calculated as follows:

The tax rates used in the deferred tax calculation differ from company to company based on its expected tax position. For Keringatlan Kft. and Fotex Cosmetics Kft. a tax rate of 15.58% (Keringatlan Kft. 2011: 16.34%; Fotex Cosmetics Kft. 2011: 10%) has been applied whilst for the remaining Hungarian companies a rate of 10% (2011: 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 20% (2011: 23.45%), and in the case of FN 2 B.V. a 20% tax rate was applied (2011: 20%).

Deferred tax assets and deferred tax liabilities as at 31 December 2012 and 2011 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the consolidated income statement items were determined based on average foreign exchange rates for 2012. In 2011 a deferred tax liability of EUR 1,725,712 was recognized against goodwill. In 2012 no deferred tax liability was recognized against goodwill.

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17. Income tax (continued)

	Consolidated statement of financial position		Consolidated income statement	
	2012	2011	2012	2011
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(126,382)	(118,693)	407	39,397
Fair value adjustment of buildings	(1,599,755)	(1,579,087)	89,392	27,884
Capitalisations of small value assets	(49,505)	(84,342)	41,754	8,558
Difference from loan transaction charges	(155,926)	(101,244)	(49,167)	12,418
Deferred tax related to rental discount	(323,697)	(288,968)	(15,483)	(169,392)
Fair value difference of loans	(548,795)	(682,137)	184,999	(698,987)
Fair value difference of embedded derivative	(10,330)	-	(10,625)	-
Gross deferred income tax liabilities	(2,814,390)	(2,854,471)	241,277	(780,122)
Deferred income tax assets				
Provisions	2,541	7,140	(5,231)	(12,344)
Impairment of debtors	109,072	174,860	(79,943)	(149)
Tax losses carried forward	505,059	221,450	276,285	44,643
Difference from capitalised foundation /restructuring costs	-	-	-	(3,869)
Revaluation difference on related party transactions	105,770	126,387	(30,071)	(5,636)
Gross deferred income tax assets	722,442	529,837	161,040	22,645
Deferred income tax income / (expense)			402,317	(757,477)
Net deferred income tax liability	(2,091,948)	(2,324,634)		

The Group has carried forward losses of EUR 3,658,689 (2011: EUR 1,119,152) which can be written off from taxable income of the Group members. Furthermore the Group carries forward losses of EUR 19,743,399 (2011: EUR 16,315,631) which have arisen at subsidiaries that have been loss-making for some time and, in view of the current economic trends, are not expected to generate profits in the foreseeable future against which any such carried forward loss could be written off. As a result of the above, carried forward losses of EUR 19,743,399 (2011: EUR 16,315,631) were not considered in the consolidated financial statements as basis for deferred tax assets of which EUR 19,743,399 (2011: EUR 16,315,631) can be rolled forward for an indefinite period.

18. Revenue

Sales revenue	2012	2011
	EUR	EUR
Sale of goods	11,561,465	11,683,893
Provision of services	1,955,855	2,255,390
Rental income revenue	22,339,760	18,764,250
Revenue from service charges to tenants	3,989,020	4,998,909
Royalty revenue	292,276	289,552
Other sales revenue	1,138,659	1,135,446
Total sales revenue:	<u>41,277,035</u>	<u>39,127,440</u>

19. Other comprehensive income components

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

20. Segment information

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. The transfer prices applied in inter-segment transactions are based on the cost of the transactions as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for non-controlling interests.

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

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20. Segment information (continued)

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

	2012	2012	2012	2011	2011	2011
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	27,229,729	508,137	27,737,866	24,253,670	772,569	25,026,239
Crystal and glass manufacturing	7,181,790	187	7,181,977	7,198,721	100	7,198,821
Other	6,865,516	1,879,114	8,744,630	7,675,049	1,968,113	9,643,162
Inter-segment elimination	-	(2,387,438)	(2,387,438)	-	(2,740,782)	(2,740,782)
Net sales	<u>41,277,035</u>	<u>-</u>	<u>41,277,035</u>	<u>39,127,440</u>	<u>-</u>	<u>39,127,440</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:	2012 EUR	2011 EUR
Investment property management	6,892,552	6,170,311
Crystal and glass manufacturing	1,215,627	902,021
Other	(682,417)	1,337,218
Profit before income taxes	<u>7,425,762</u>	<u>8,409,550</u>

Assets:	2012 Consolidated assets EUR	2012 Intra-business line assets EUR	2012 Total assets EUR	2011 Consolidated assets EUR	2011 Intra-business line assets EUR	2011 Total assets EUR
Investment property management	188,171,579	4,546,060	192,717,639	167,303,676	2,018,617	169,322,293
Crystal and glass manufacturing	8,889,068	14	8,889,082	8,074,775	-	8,074,775
Other	17,529,421	1,148,946	18,678,367	15,824,591	18,885,569	34,710,160
Inter-segment elimination	-	(5,695,020)	(5,695,020)	-	(20,904,186)	(20,904,186)
Net assets	<u>214,590,068</u>	<u>-</u>	<u>214,590,068</u>	<u>191,203,042</u>	<u>-</u>	<u>191,203,042</u>

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20. Segment information (continued)

Liabilities and accruals:	2012	2012	2012	2011	2011	2011
	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	91,128,545	262,852	91,391,397	77,643,870	14,220,971	91,864,841
Crystal and glass manufacturing	611,029	5,237,234	5,848,263	1,279,546	4,763,809	6,043,355
Other	2,176,982	8,296,973	10,473,955	2,339,232	2,226,708	4,565,940
Inter-segment elimination	-	(13,797,059)	(13,797,059)	-	(21,211,488)	(21,211,488)
Liabilities and accruals:	<u>93,916,556</u>	<u>-</u>	<u>93,916,556</u>	<u>81,262,648</u>	<u>-</u>	<u>81,262,648</u>

Tangible and intangible asset additions:

	2012	2011
	EUR	EUR
Investment property management	15,604,496	54,995,548
Crystal and glass manufacturing	43,585	570,047
Other	198,710	204,715
Tangible asset additions:	<u>15,846,791</u>	<u>55,770,310</u>

Depreciation and amortisation:

	2012	2011
	EUR	EUR
Investment property management	(6,272,796)	(5,108,917)
Crystal and glass manufacturing	(219,872)	(285,645)
Other	(562,697)	(625,706)
Depreciation and amortisation:	<u>(7,055,365)</u>	<u>(6,020,268)</u>

21. Financial risks, management objectives and policies

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

The Group entered into a small number of derivative contracts during the year, mainly FX forwards to manage FX risks related to the Group's operations.

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

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

Interest risk

The Group entered into EUR loans to buy properties in The Netherlands for the period between 2009 and 2017. The loan interests either vary between one to three months EURIBOR + 2.2-2.7% or are at fixed rates varying between 3.43% and 4.32%. In 2012 the interest of the variable interest mortgage loans, except for the smaller loan of EUR 3.75 million, ranged 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 a translation risk on transactions – which occurs when the Group buys or sells in a currency other than its presentation currency. Nearly 24.3% of the Group’s revenues (2011: 34%) and 74.6% of costs (2011: 99.81%) are from transactions made in other than the presentation currency of the Group.

The effect of EUR rate fluctuations with respect to other currencies on the Group’s pre-tax profit in terms of unrealised revenues and expenses are as follows (all other variables are considered constant):

		Increase (stronger EUR)/decrease (weaker EUR) in HUF/EUR rate	Impact on the pre-tax profit
			EUR
2012	revenues	+10%	-1,003,241
		-10%	1,003,241
	costs	+10%	2,268,525
		-10%	-2,268,525
2011	revenues	+10%	-1,321,292
		-10%	1,321,292
	costs	+10%	2,837,823
		-10%	-2,837,823

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.

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

Certain of the Group's financial assets and liabilities are denominated in currencies other than the functional currency of Fotex Holding SE and are affected by EUR rate fluctuations as follows:

	Increase/decrease in HUF/EUR rate	Impact on the book value of financial assets and liabilities
		EUR
2012	+10%	-247,199
	-10%	247,199
2011	+10%	-409,082
	-10%	409,082

The financial instruments that are potentially subject to currency risk consist principally of foreign currency trade receivables and payables denominated in foreign currency other than EUR:

	2012	2011
	EUR	EUR
Financial liabilities	4,622,211	4,619,378
Financial assets	7,094,204	8,710,199

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 December 2012 the Group's maximum exposure to credit risk is EUR 27,275,415 (31 December 2011: 18,262,745).

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

Fotex Holding SE and Subsidiaries
Notes to consolidated financial statements (continued)
31 December 2012
Figures in EUR

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

Liquidity risk

Liquidity risk is monitored as follows:

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

The Group's liabilities based on contracted not discounted payments at 31 December 2012 and 2011 are presented below according to maturity.

31 December 2012	Due EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 years EUR	Total EUR
Trade payables	16,135	1,066,209	968	–	–	1,083,312
Taxes payable	–	554,919	520,274	–	–	1,075,193
Advances from customers	–	56,219	–	–	–	56,219
Accrued expenses	1,901	586,446	2,850	–	–	591,197
Amounts payable to employees	–	156,167	–	–	–	156,167
Deposits from tenants	–	25,116	632,045	–	–	657,161
Preference shares incentive scheme liability	–	325,500	–	325,500	–	651,000
Other liabilities	350	829,813	164,701	–	–	994,864
Total current liabilities	18,386	3,600,389	1,320,838	325,500	–	5,265,113
Loans received	–	1,214,642	3,679,054	81,363,525	15,232,338	101,489,559
Other long-term liabilities	–	–	–	1,384,122	5,764	1,389,886
Total	18,386	4,815,031	4,999,892	83,073,147	15,238,102	108,144,558
31 December 2011	Due EUR	within 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	>5 years EUR	Total EUR
Trade payables	617,973	867,012	–	–	–	1,484,985
Taxes payable	19,159	232,209	833,158	–	–	1,084,526
Advances from customers	–	17,369	–	–	–	17,369
Accrued expenses	–	504,550	156,366	–	–	660,916
Dividends approved for executive incentive scheme – dividend preference shares (Note 14)	–	–	488,250	–	–	488,250
Amounts payable to employees	–	169,663	–	–	–	169,663
Deposits from tenants	–	386	507,363	–	–	507,749
Preference shares incentive scheme liability	–	–	498,184	–	–	498,184
Price of purchased property yet unpaid at the year-end	–	7,000,000	–	–	–	7,000,000
Other liabilities	6	360,612	486,647	–	–	847,265
Total current liabilities	637,138	9,151,801	2,969,968	–	–	12,758,907
Loans received	–	953,910	3,080,918	59,405,248	17,251,436	80,691,512
Other long-term liabilities	–	–	–	1,443,329	–	1,443,329
Total	637,138	10,105,711	6,050,886	60,848,577	17,251,436	94,893,748

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

The preference shares incentive scheme liability at 31 December 2012 is EUR 651,000 of which 325,500 is settled within 3 months (see note 13 and note 14), and the remaining amount of EUR 325,500 is expected to be settled within 1-5 years.

Included in other liabilities as at 31 December 2011 is a EUR 7 million deferred payment, which was payable until 31 March 2012 and related to the acquisition of one real estate property purchased by FN 2 B.V.

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 December 2011 and 2012 are presented below:

	2012	2011
	EUR	EUR
Short-term and long-term borrowings (Note 16):	82,344,943	61,080,962
Trade payables and other current liabilities (Note 13):	7,341,916	15,812,488
Cash and cash equivalents (Note 5):	(17,382,736)	(8,199,500)
Net debt:	72,304,123	68,693,950
Equity attributable to the Company:	120,563,298	109,835,692
Total:	192,867,421	178,529,642
Indebtedness ratio:	37.49%	38.48%

The Company's indebtedness ratio decreased from 38.48% at 31 December 2011 to 37.49% at 31 December 2012, primarily due to the significant change in foreign currency translation adjustment due to the change in Hungarian National Bank HUF/EUR rates. The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

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

Fair value

At 31 December 2012 and 2011, the carrying values of liquid assets, short-term investments, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values. The fair value of fixed rate debt is disclosed in note 16.

22. Investments in subsidiaries

During 2012 the Fotex Group entered into the following transactions and mergers that affected the Group structure.

- At 5 September 2012 Fotex Ingatlan Kft., a related party company, sold its shares in Fotexnet Kft. to the Group, consequently the Group's share in Fotexnet Kft. has increased to 100%.
- The owners of Fotexnet Kft. and the owners of Hungaroton Records Kft. accepted the transformation proposals on the shareholder's meetings held on 26 September 2012 and decided finally to merge Hungaroton Records Kft. into Fotexnet Kft. The owners of both companies made a decision that the date for the conclusion of the merger will be 31 December 2012, which will be effective from 1 January 2013.
- The owners of Keringatlan Kft. and the owners of Fotex Cosmetics Kft. accepted the transformation proposals on the shareholder's meetings held on 24 October 2012 and decided finally that Fotex Cosmetics Kft. will merge into Keringatlan Kft. The owners of both companies decided that the date for the conclusion of the merger will be 31 December 2012, which will be effective from 1 January 2013.

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

- On 8 August 2011, the Group disposed of 100% of Europrizma Ügyviteli Kft. As a result Europrizma Ügyviteli Kft. ceased to be a Fotex Group member from this date.
- On 1 July 2011, the Group purchased 100% of Plaza Park Kft., a company located in Hungary. As a result Plaza Park Kft. has been a 100% subsidiary of the Group since 1 July 2011.
- On 24 June 2011, Fotex Netherlands B.V. established a subsidiary in The Netherlands, FN 2 B.V., to enhance and manage the Group's property portfolio in The Netherlands.
- The assets and operations of Downington S.à r.l. were taken over by its former sole owner, Upington Investments S.à r.l. in the second quarter of 2011. Downington S.à.r.l. was struck off the Luxembourg companies register on 7 April 2011.
- Proprimo Kft. was demerged from Primo Zrt, Proprimo Kft.'s core operations are advisory services. The demerger was registered by the Companies Court on 17 October 2011. Following the demerger, Primo Zrt.'s operations were limited to the retail and wholesale of men's clothing.
- The Group sold its share in Primo Zrt. to third parties on 12 December 2011. Accordingly, Primo Zrt. has no longer been a Fotex Group member since that date.

22. Investments in subsidiaries (continued)

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

23. 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 six 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. At 31 December 2012, the leased area in MOM Park totalled 3,120 m² (2011: 3,120 m²).

The contracts on the two retail outlets in Budapest classified as other centres and shops expire in August 2014 and in February 2016. The rents of the six outlets in Győr expire in December 2022 and in December 2023, for which the relating leasing fee is presented for the entire contracted period as at 31 December 2012.

As at 31 December 2012, operating lease commitment in case of other centres and shops also includes the contracted fees for the rented parking spaces in Hoofddorp, which rent expires in July, 2022.

The leasing fees are denominated in Euro and are increased by the customer price index reported by the European Union's Statistical Office commencing from 1 January 2002 in the case of "MOM Park". In the case of the outlets in Győr, the rents are specified in HUF. Accordingly, increases are affected based on the official CPI published by the Hungarian Central Statistical Office. At 31 December 2012, the Group had the following minimum leasing fee commitments:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2013	692,294	416,612	1,108,906
2014	692,294	376,409	1,068,703
2015	692,294	356,545	1,048,839
Thereafter	1,882,654	4,311,869	6,194,523
Total	3,959,536	5,461,435	9,420,971

23. Operating Leases (continued)

At 31 December 2011, the Group was committed to pay the following minimum leasing fees:

	MOM Park	Other centres and shops	Total
Operating lease commitment	EUR	EUR	EUR
2012	621,575	195,459	817,034
2013	497,464	190,108	687,572
2014	-	190,150	190,150
Thereafter	-	844,676	844,676
Total	1,119,039	1,420,393	2,539,432

In 2012, operating lease payments in relation to a non-cancellable rental contract with MOM Park for January to December totalled EUR 680,793 (2011 Jan-Dec: EUR 633,238), and EUR 471,344 (2011 Jan-Dec: EUR 192,899) for January to December in relation to other shops and outlets.

Some of the retail shop premises are still rented from local municipalities. These rentals may be cancelled by the lessor with a notice period of at least one year. The rent relates to a total area of 959 m² (2011: 959 m²) at a rental cost of EUR 122,580 for January to December 2012 (2011: EUR 124,119).

Under certain circumstances the Group has the right to acquire the premises at a value mutually agreed with the relevant municipality. As in 2011, the Group did not exercise any such right in 2012.

Group as lessor

The Group leases property to third parties consisting mainly of retail outlets, offices, warehouses and other structures. Rents are predominantly set in EUR in the rental contracts.

The Group acquired four office buildings in 2009, one in 2010, two in 2011 and one in 2012 in The Netherlands which are leased to tenants on fixed long-term rental agreements. Based on these agreements the contracted revenue is as described in the table below.

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2012 (EUR):

Due in	2013	2014	2015	After 2015	Total
	9,088,675	9,043,287	7,790,002	34,162,188	60,084,152

The Group's fixed rental fee revenue as of 31 December 2011 (EUR):

Due in	2012	2013	2014	After 2014	Total
	7,261,552	7,459,988	7,453,141	32,083,133	54,257,814

24. Earnings Per Share

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

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

	2012	2011
	EUR	EUR
Net profit attributable to equity holders from continuing operations	6,813,519	6,638,657
Net profit attributable to shareholders	6,813,519	6,638,657
Weighted average number of shares in issue during the year	58,388,619	59,817,807
Basic earnings per share (EUR)	0.12	0.11

The diluted earnings per share agree with basic earnings per share in 2012 and 2011 as there is no dilution effect in these years.

25. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International S.à r.l. (“Blackburn Luxembourg”), a Luxembourg company, and Zürich Investments Inc. (“Zürich”), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. (“Fotex Ingatlan”). As at 31 December 2012, Blackburn controlled 0% (31 December 2011: 16.9%), Fotex Ingatlan controlled 0% (31 December 2011: 17.6%), Blackburn Luxembourg controlled 50.3% (31 December 2011: 15.8%) of the Company’s share capital. These companies are considered to be related parties.

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

25. Related Party Transactions (continued)

Related party transactions

2012 disclosures

Rental and other related fees paid to Fotex Ingatlan for 2012 were EUR 395,590 (2011: EUR 376,038) and to Plaza Park Kft. for 2012 were EUR 0 (2011: EUR 320,828).

Administrative and expert fees paid by Fotex Ingatlan for 2012 were EUR 33,194 (2011: EUR 30,856).

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

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2012 was EUR 113,458 (2011: EUR 130,899).

During 2010, Fotex Ingatlan granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 13 for 2012 (2011: EUR 2,601). This loan was repaid in full at the beginning of 2012.

For the period 2012, Fotex Netherlands B.V. was charged interest of EUR 780,821 (2011: EUR 260,987) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period 2012, FN 2 B.V. was charged interest of EUR 275,500 (2011: EUR 92,085) by Zürich, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period 2012, Fotex Netherlands B.V. was charged interest of EUR 0 (2011: EUR 132,633) by Blackburn Luxembourg, on the former intra-group loans transferred to the seller of Plaza Park Kft.

For the period 2012, FN 2 B.V. was charged interest of EUR 0 (2011: EUR 46,797) by Blackburn Luxembourg, on the former intra-group loans transferred to the seller of Plaza Park Kft.

Fotex group has purchased the 100% shares of Plaza Park Kft. as of 1 July 2011 from Blackburn Luxembourg for total purchase price of EUR 19,951,024.

At 1 September 2011 the share capital of Fotexnet Kft. was increased. Fotex Ingatlan, a related party company, also contributed in kind into Fotexnet Kft. an amount of EUR 4,321.

Fotex Ingatlan sold all its shares in Fotexnet Kft. to Keringatlan Kft. as of 5 September 2012.

25. Related Party Transactions (continued)

2011 disclosures

The office rent agreements made with Plaza Park Kft. were modified in December 2000, and were extended until 31 December 2006. Based on their options, Fotex and certain of its subsidiaries renegotiated rental contracts and extended them until 31 December 2016. The rental agreements were for an indefinite period and rental fees were adjusted with the harmonized customer price index (EU27) reported by the European Union's Statistical Office (Eurostat). Transactions with Plaza Park Kft. after 1 July 2011 qualified as intra-group transactions and were fully eliminated upon consolidation.

Transactions with other related parties

Sales revenue invoiced to Ajka Crystal LLC by Ajka Kristály Kft. for 2012 were EUR 16,512 (2011: EUR 2,710). The amount of the related cost of sales for 2012 was EUR 10,035 (2011: EUR 1,463).

Inventory apportioned to Ajka Crystal LLC by Ajka Kristály Kft. for 2012 were EUR 8,485 (2011: EUR 66,840). The amount of the related income for 2012 was EUR 8,485 (2011: EUR 66,840).

Inventory sold to Fotex Ingatlan by Ajka Kristály Kft. for 2012 were EUR 63,665 (2011: EUR 89,720). The amount of the related cost of sales for 2012 was EUR 36,015 (2011: EUR 49,439).

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 537,748 in 2012 (2011: EUR 536,355). In 2011 dividends of EUR 488,250 were approved at the Company's annual shareholders' meeting.

26. Subsequent Events after the end of the financial year

After the end of the financial year the following significant events have happened:

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 359,069.