

Management Report

At their meetings held on 26 September 2008 and 9 December 2008, the shareholders of Fotex Nyrt. Fotex Group's holding company, decided to transform Fotex Nyrt. into a European public limited company. Further to the decision of the shareholders, as of 31 December 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January 2009, registered FOTEX HOLDING SE Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING SE European public limited company) as of 1 January 2009.

Following the transformation into a European public limited company, the Company's annual general meeting held on 28 April 2009 decided to move the Company's registered office to Luxembourg. The Company was registered in the Luxembourg (new registered office) companies register at 4 June 2009. The Company's new registered address is at 75, Parc d'activités, L-8308 Capellen, Luxembourg. The Metropolitan Court of Budapest, cancelled the Company from the Hungarian companies register on 28 August 2009.

As a result of its transformation into a European public limited company, the Company's books have been carried in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements for the first 6 months of 2011 are expressed in EUR.

In the first 6 months of 2011 the following significant events happened affecting the Group's structure:

- In the second quarter 2011 all possessions and activity of Downington S.à.r.l. have been taken over by its sole previous owner, which is Upington S.à.r.l. As an effective date of April 7, 2011 Downington S.à.r.l. has been cancelled from the Luxembourg companies register.

- At 24 June 2011, Fotex Netherlands BV established its subsidiary, called FN 2 BV, in The Netherlands to further develop and manage the property portfolio in The Netherlands.

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

List of Shareholdings

| Subsidiaries | Principal Activities | Issued capital EUR | | Ownership (%) | | Voting rights % | |
|-----------------------------|------------------------------------|-----------------------|------------|------------------|------------|-----------------|------------|
| | | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 |
| Ajka Kristály Üvegipari Kft | Crystal manufacturing and retail | 5,050,721 | 5,050,721 | 100.0 | 100.0 | 100.0 | 100.0 |
| Balaton Bútor Kft | Furniture manufacturer | 1,325,100 | 1,325,100 | 100.0 | 100.0 | 100.0 | 100.0 |
| Balaton Glas Hotel Kft | Property management (Note 21) | - | 882,922 | - | 100.0 | - | 100.0 |
| Downington Sàrl, | Investment holding | - | 2,050,000 | - | 100.0 | - | 100.0 |
| Europrizma Kft | Administration services | 35,879 | 35,879 | 100.0 | 100.0 | 100.0 | 100.0 |
| Fotex Cosmetics Kft | Cosmetics retailer | 870,723 | 870,723 | 100.0 | 100.0 | 100.0 | 100.0 |
| Fotexnet Kft | Internet retail and other services | 28,349 | 226,603 | 100.0 | 98.6 | 100.0 | 98.7 |
| Hungaroton Music Zrt | Music archive | 480,399 | 480,399 | 99.2 | 99.2 | 99.2 | 99.2 |
| Hungaroton Records Kft | Music release and music retailing | 1,707,078 | 1,707,078 | 99.8 | 99.8 | 100.0 | 100.0 |
| Keringatlan Kft | Property management | 20,558,176 | 20,677,166 | 100.0 | 100.0 | 100.0 | 100.0 |
| Fotex Netherlands B.V. | Property management | 18,000 | 18,000 | 100.0 | 100.0 | 100.0 | 100.0 |
| FN 2 B.V. | Property management (Note 21) | 18,000 | - | 100.0 | - | 100.0 | - |
| Primo Zrt | Clothing retailing and wholesaling | 1,859,657 | 1,859,657 | 100.0 | 100.0 | 100.0 | 100.0 |
| Sigma Kft | Property services | 100,650 | 100,650 | 75.1 | 75.1 | 75.1 | 75.1 |
| Székhely 2007 Kft | Property management | 86,109 | 86,109 | 99.1 | 99.1 | 99.1 | 99.1 |
| Upington Investments Ltd | Investment holding | 12,500 | 1,710 | 100.0 | 100.0 | 100.0 | 100.0 |

The Group operates in Luxembourg, in the Netherlands and in Hungary. Mostly the Group's revenues are realized in Hungary, geographical segments are not presented in the consolidated financial statements.

The Group management categorizes the Group's business activities along the following 8 segments. In the prior year the advertising activity was taken into account as a separate segment but now this has been reported among the administration and holding activities because of its low importance.

- Furniture production and sales
- Investment property management
- Cosmetics retailing
- Crystal and glass production and sales
- Music records release and distribution
- Clothing retailing and wholesaling
- Advertising
- Other – administration and holding activities

Management separately evaluates the performance of its operating segments in order to make decisions regarding resource allocation and other decisions related to operations management. The performance of each segment is based primarily on the pre-tax profit or loss of each segment. Decisions regarding financing (including financial revenues and expenses) and taxation are made at Group level and not at segment level.

Net sales per segment

| Net sales: | 30 June 2011 | | | 30 June 2010 | | |
|--|---------------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|
| | Net Sales external EUR | Net Sales inter- segment EUR | Net sales EUR | Net Sales external EUR | Net Sales inter- segment EUR | Net sales EUR |
| Furniture | 1,250,105 | 48,600 | 1,298,705 | 1,015,495 | 50,363 | 1,065,858 |
| Investment property | 11,947,556 | 93,687 | 12,041,243 | 11,070,527 | 797,401 | 11,867,928 |
| Cosmetics retailing | 276,832 | 234 | 277,066 | 379,834 | 232 | 380,066 |
| Crystal and glass production and sales | 3,541,512 | 104 | 3,541,616 | 3,457,563 | 125 | 3,457,688 |
| Music records release and distribution | 512,803 | 23,799 | 536,602 | 845,357 | 82,186 | 927,543 |
| Clothing retailing and wholesaling | 278,871 | 4,962 | 283,833 | 320,598 | - | 320,598 |
| Advertising* | 51,692 | 1,756 | 53,448 | - | - | - |
| Other | 1,521,158 | 505,381 | 2,026,539 | 1,189,741 | 562,783 | 1,752,524 |
| Inter-segment elimination | - | (678,523) | (678,523) | - | (1,493,090) | (1,493,090) |
| Net sales | <u>19,380,529</u> | <u>-</u> | <u>19,380,529</u> | <u>18,279,115</u> | <u>-</u> | <u>18,279,115</u> |

Profit before tax per segment

| Profit before tax | 30 June 2011 | 30 June 2010 |
|--|------------------|------------------|
| | EUR | EUR |
| Furniture | (30,566) | (162,722) |
| Investment property | 3,517,760 | 4,133,504 |
| Cosmetics retailing | (29,661) | (34,191) |
| Crystal and glass production and sales | 651,049 | 486,056 |
| Music records release and distribution | (27,772) | 12,217 |
| Clothing retailing and wholesaling | (54,056) | 7,960 |
| Advertising* | (22,142) | - |
| Other | (119,964) | (444,210) |
| Profit before tax: | <u>3,884,648</u> | <u>3,998,614</u> |

Europrizma's scope of activity has changed: it provides administrative services to other companies in stead of advertising agency services since February 1, 2010

Consolidated Cash Flow Statement of Fotex Group

| | 30 June 2011 | 30 June 2010 |
|---|--------------|--------------|
| | EUR | EUR |
| Cash flows from operating activities | 5.130.597 | 6,863,928 |
| Income taxes paid | (186,773) | (786,142) |
| Net cash from operating activities: | 4,943,824 | 6,077,786 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of tangible and intangible assets: | (5.200.930) | (21,078,628) |
| Sale of tangible and intangible assets: | 4.666 | 6,700 |
| Change in investments | 52.888 | (833,460) |
| Interest received | 239.789 | 695,888 |
| Net cash used in investing activities: | (4.903.587) | (21,209,500) |
| | | |
| Cash flows from financing activities: | | |
| Loans received | 0 | 13,878,675 |
| Repayments of loans received | (353,498) | (266,415) |
| Repayments of loans granted (given) | 96,968 | 199,962 |
| Dividend paid | (10,809) | 0 |
| Interest paid | (820,666) | (575,240) |
| Purchase of treasury shares | 0 | (83,529) |
| Change other long term liabilities | (357,013) | 121,403 |
| Net cash used in financing activities: | (1,445,018) | 13,274,856 |
| | | |
| Net increase/decrease in cash and cash equivalents: | (1,404,781) | (1,856,858) |
| Cash and cash equivalents at beginning of year | 17,245,883 | 12,997,087 |
| Effect of foreign currency translation | 981,545 | 88,925 |
| Cash and cash equivalents at 30 June: | 16,822,647 | 11,229,154 |

Shareholders' equity

| | 30 June 2011 | 31 December 2010 |
|---|--------------|------------------|
| | EUR | EUR |
| Shareholder's equity: | | |
| Issued capital | 30,543,933 | 30,543,933 |
| Additional paid in capital | 32,895,729 | 32,895,729 |
| Goodwill write off reserve | (1,372,778) | (1,534,125) |
| Retained earnings | 78,293,524 | 71,637,487 |
| Treasury shares, at cost | (19,266,955) | (19,266,955) |
| Fair value revaluation reserve | 2,600,901 | 0 |
| Equity attributable to equity holders of the parent company | 123,694,354 | 114,276,069 |
| Minority interests in consolidated subsidiaries | 93,269 | 91,699 |
| Total shareholder's equity | 123,787,623 | 114,367,768 |

Registered Share Capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with face value of EUR 0.42 each. At 30 June 2011, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2010: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

Treasury Shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued Capital" (30 June 2011: EUR 840,000; 31 December 2010: EUR 840,000) are also shown in "Treasury Shares". As of 30 June 2011, 1,550,000 (31 December 2010: 1,550,000) dividend preference shares are held by certain employees. These shares are still shown within "Treasury Shares" but also as liability (preference shares incentive scheme liability) as further disclosed in Note 12.

As of 30 June 2011, the Company holds 12,632,549 treasury shares (including dividend preference shares) for a total amount of EUR 19,266,955 (31 December 2010: 12,632,549 shares at a cost of EUR 19,266,955).

During first half of 2011, the company hasn't purchased own shares (during 2010 the company purchased 52,770 shares on arm's length basis). During first half of 2011 and 2010, no dividend preference shares from senior officers were redeemed.

Fair value revaluation reserve

At 15 June 2011 OTP and MOL bonds, which were classified as held to maturity securities previously, have been reclassified to available for sale category, because the company's intention has changed relating to these bonds. Because these securities are in the available for sale category at 30.06.2011, that's why the difference between the book value and fair value of bonds, which is EUR 2,600,901 at 30.06.2011, has been accounted in fair value revaluation reserve of shareholder's equity.

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company and Blackburn International Sarl. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Inगतlan Kft. ("Fotex Inगतlan") and Plaza Park Kft. ("Plaza Park"). At 30 June 2011, Blackburn controls 16.9% of the Company's share capital (31 December 2010: 16.9%), Zurich controls 14.1% (31 December 2010: 14.1%), Fotex Inगतlan controls 17.6% (31 December 2010: 17.6%), Blackburn Luxembourg controls 1.6% (31 December 2010: 0%) and Plaza Park 0 % (31 December 2010: 1.6%). These companies are considered to be related parties.

Related party transactions

In case of Plaza Park office lease agreements were modified in December, 2000, and were extended until 31 December 2006. Based on their options, Fotex Nyrt. and its subsidiaries renegotiated rental contracts and extended them until 31 December 2016. The rental agreements are for an indefinite period and rental fees are adjusted with the harmonized customer price index (EU27) reported by the European Union's Statistical Office (Eurostat).

Rental and other related fees paid to Fotex Ingatlan for 2011 I-VI month were EUR 191,808 (2010 I-VI month: 181,688 EUR) and to Plaza Park EUR 320,829 for 2011 I-VI months (2010 I-VI months: 313,741 EUR).

Further to a helicopter rental agreement between Plaza Park and Keringatlan Kft., the total amount of rent plus related services invoiced by Plaza Park for 2011 I-VI months was EUR 2,706 (2010 I-VI: EUR 3,358).

Further to an airplane rental agreement between Blackburn Inc. and Fotex Holding SE, the total amount of rent plus related services invoiced by Blackburn Inc. for 2011 I-VI months was EUR 43,666 (2010 I-VI months: EUR 63,140).

During 2010, Fotex Ingatlan Kft. granted a loan to Fotex Cosmetics Kft. and charged interest totalling EUR 664 for 2011 I-VI months (2010 I-VI months: EUR 1,605).

Fotex granted arm's length loans to senior officers to purchase dividend preference shares: The balance of officers' loan amounts to EUR 0 at 30 June 2011 (31 December 2010: EUR 92,393) because the loans were totally redeemed in second quarter 2011.

Appointment and Replacement of Board Members

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

Significant events after the Reporting date

In July 2011 FN2 B.V. purchases an office building having 7,122 m² with 129 parking places in Utrecht which is leased for long term to the Government Building Agency which is the part of Ministry of the Interior and Kingdom Relations.

Also in July 2011 UPINGTON INVESTMENTS Ltd. purchases the ownership of 100 % share of PLAZA-PARK Kft. seated in Hungary. By this purchase the real estate property of Fotex's consolidated companies extends by 95,274 m² plot and gross 7,045 m² superstructure.

Other Disclosures

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

There are no restrictions on the transfer of securities in the articles of incorporation of the Company.

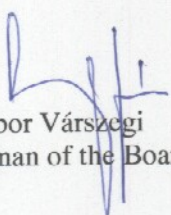
There are no securities granting special control right to their holders.

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

Future prospects

The financial position of the Company is stable; it will continue seeking for favorable investment opportunities taking into account the market conditions given and the stable cash flow of the Group. In the forthcoming 6 months the management does not expect any principal risks and uncertainties, which would have significant impact on the financial statements.

Capellen, 22 August 2011



Gábor Várszegi
Chairman of the Board



FOTEX HOLDING

75, Parc d'activités

L-8308 Capellen, Luxembourg

Financial Statement Certification

To the best of our knowledge, we hereby confirm that, in accordance with the applicable generally accepted reporting standards, the Consolidated interim Financial Statement for the period from 01 January 2011 till 30 June 2011 reflect the true asset, financial, and earnings situation of the Group and that the Management Report is a true and fair representation of the business development including the income and general situation of the Group and that the material risks and opportunities regarding the expected development of the Group for the remainder of the fiscal year have been described therein.

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

Gábor Várszegi
Chairman of the Board

Capellen, 22 August 2011