Fotex Holding SE
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L-8308 Capellen

R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 30 September 2010

Fotex Holding SE and its subsidiaries
Consolidated statement of financial position
Figures in EUR

	Notes	September 30 2010 EUR	December 31 2009 EUR
Assets:			
Current assets:			
Cash and short term deposits	4	14,966,812	12,997,087
Other current financial assets	5	637,571	957,318
Accounts receivable and prepayments	6	4,051,613	5,426,818
Income tax receivable		266,041	1,116,079
Inventories	7	7,824,570	7,669,126
Total current assets		27,746,607	28,166,428
Non-current assets			
Property, plant & equipment	8	113,420,274	98,623,366
Deferred tax asset		409,426	419,236
Intangible assets	10	2,759,202	2,844,347
Other non current financial assets	5	6,712,755	7,066,520
Goodwill arising on acquisition	11	10,119,043	10,361,520
Total non current assets		133,420,700	119,314,989
Total assets:	19	161,167,307	147,481,417
Liabilities and shareholder's equity			
Current liabilities:			
Interest-bearing loans, borrowings and overdrafts	15	837,335	426,994
Provisions		457,812	474,542
Accounts payable and other liabilities	12	5,815,608	8,931,819
Total current liabilities:		7,110,755	9,833,355
Non-current liabilities:			
Interest bearing loans and borrowings	15	38,084,982	24,881,480
Other long-term liabilities	12	1,959,220	2,040,474
Deferred tax liability		672,034	688,133
Total non current liabilities		40,716,236	27,610,087
Shareholder's equity:			
Issued capital	13	30,543,933	30,543,933
Capital reserve		32,895,729	32,895,729
Goodwill write off reserve	13	(1,614,798)	(1,856,818)
Retained earnings		70,627,929	67,493,126
Treasury shares, at cost	13	(19,205,137)	(19,121,608)
Equity attributable to equity holders of the parent company		113,247,656	109,954,362
Minority interests in consolidated subsidiaries		92,660	83,613
Total shareholder's equity		113,340,316	110,037,975
Total liabilities and shareholder's equity		161,167,307	147,481,417

See the accompanying notes to the consolidated financial statements.

Fotex Holding Se and its subsidiaries
Consolidated Income statement
Figures in EUR

	Notes	September 30 2010	September 30 2009
		EUR	EUR
Revenue	19	27,625,436	27,217,480
Cost of sales		6,241,290	6,158,790
Gross income		21,384,146	21,058,690
Selling, general and administration expenses	14	15,519,581	16,994,417
Interest income		1,108,364	1,013,382
Interest expense		961,578	356,405
Income before income taxes	19	6,011,351	4,721,250
Income tax expense	16	957,747	1,035,966
Net income		5,053,604	3,685,284
Attributable to			
Equity holders of the parent company		5,044,557	3,523,231
Minority interest		9,047	162,053
Net income		5,053,604	3,685,284
Earnings per share	23	0.08	0.06
Diluted earnings per share	23	0.08	0.06

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE its subsidiaries
Consolidated Statement of Comprehensive Income
Figures EUR-ban

	Notes	September 30 2010 EUR	September 30 2009 EUR
Net income		5,053,604	3,685,284
Other comprehensive income:			
Exchange differences on translation of foreign operations	18	(1,667,734)	(1,723,933)
Total comprehensive income		3,385,870	1,961,351
Attributable to:			
Equity holders of the parent company		3,376,823	1,785,499
Minority interest		9,047	175,852
		3,385,870	1,961,351

See the accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

30 September 2010

	Issued Capital	Capital reserve	Goodwill Write off Reserve	Retained Earnings	Treasury shares	Total	Minority Interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1 January 2010	30,543,933	32,895,729	(1,856,818)	67,493,126	(19,121,608)	109,954,362	83,613	110,037,975
Profit for the period 2010	–	–	–	5,044,557	–	5,044,557	9,047	5,053,604
Other comprehensive income	–	–	–	(1,667,734)	–	(1,667,734)		(1,667,734)
Total comprehensive income	–	–	–	3,376,823	–	3,376,823	9,047	3,385,870
Redeemed treasury shares (Note 13)	–	–	–	–	(83,529)	(83,529)	–	(83,529)
Minority dividends	–	–	–	–	–	–	–	–
Reversed written off goodwill reserve (Note 13)	–	–	242,020	(242,020)	–	–	–	–
30 September 2010	30,543,933	32,895,729	(1,614,798)	70,627,929	(19,205,137)	113,247,656	92,660	113,340,316

See accompanying notes to the consolidated financial statements.

Fotex Holding SE and its subsidiaries
Consolidated Statements of Changes in Equity

30 September 2009

	Issued Capital EUR	Capital reserve EUR	Goodwill Write off Reserve EUR	Retained Earnings EUR	Treasury shares EUR	Total EUR	Minority Interest EUR	Total EUR
1 January 2009	27,465,688	32,895,729	(2,179,511)	70,745,443	(18,612,487)	110,314,862	35,497	110,350,359
Profit for the period 2009	–	–	–	3,523,231	–	3,523,231	162,053	3,685,284
Other comprehensive income	–	–		(1,737,732)	–	(1,737,732)	13,799	(1,723,933)
Total comprehensive income	–	–	–	1,785,499	–	1,785,499	175,852	1,961,351
Redeemed treasury shares	–	–	–	–	(509,121)	(509,121)		(509,121)
Minority dividends	–	–	–	–	–	–	(46,427)	(46,427)
Reversed written off goodwill reserve	–	–	242,020	(242,020)	–	–	–	–
Share conversion*	3,078,245	–	–	(3,078,245)	–	–	–	–
30 September 2009	30,543,933	32,895,729	(1,937,491)	69,210,677	(19,121,608)	111,591,240	164,922	111,756,162

*Further to the transformation of Fotex, the Company's issued capital was translated into EUR on 1 January 2009 at the rate 264.78 HUF /EUR. The difference between the opening rate in 2009 and the rate in the articles of association has been shown as a correction to the share capital.

See accompanying notes to consolidated financial statements

Fotex Holding SE and its subsidiaries
Consolidated Statements of Cash Flows (EUR)

	30 September 2010	30 September 2009
	EUR	EUR
Cash flows from operating activities:		
Income / (Loss) before minority interests and income taxes	6,011,351	4,721,252
Correction:		
Cash received without repayment liability	-	(796)
Cash given without repayment liability	-	3,241
Transaction cost relating to loan	(131,663)	(101,917)
Income / (Loss) before minority interests and income taxes after correction	5,879,688	4,621,780
Depreciation and amortization	3,940,810	2,921,453
Provision used and reversed	(5,668)	(121,115)
Scrapped inventories, impairment loss of debtors and investments, reversed impairment loss	471,350	337,940
Gain on disposal of tangible and intangible assets	(1,333)	11,902
Interest income	(1,108,364)	(1,013,382)
Interest expense	961,578	356,405
Changes in assets and liabilities:		
Accounts receivable and prepayments	1,559,615	210,297
Change in current assets (without accounts receivable and cash)	65,164	(680,415)
Accounts payable and accrued expenses	(2,791,710)	482,490
Cash flows from operating activities	8,971,130	7,127,355
Income taxes paid	(957,747)	(1,035,966)
Net cash from operating activities:	8,013,383	6,091,389
Cash flows from investing activities:		
Purchase of tangible and intangible assets:	(20,054,242)	(25,976,823)
Sale of tangible and intangible assets:	13,181	59,273
Change in investments	(539,101)	925,109
Interest received	1,108,364	345,779
Net cash used in investing activities:	(19,471,798)	(24,646,662)
Cash flows from financing activities:		
Loans granted	984,387	42,315
Loans received	13,615,754	18,285,000
Dividend paid	-	(44,225)
Interest paid	(961,578)	(356,405)
Purchase of treasury shares	(83,529)	(489,928)
Change in subordinate and other long term liabilities	(33,502)	-
Cash received without repayment liability:	-	836
Cash given without repayment liability:	-	(3,403)
Net cash used in financing activities:	13,521,532	17,434,190
Net increase/decrease in cash and cash equivalents:	2,063,117	(1,121,083)
Cash and cash equivalents at beginning of year	12,997,087	18,130,262
Effect of foreign currency translation	(93,392)	261,931
Cash and cash equivalents at 30 September:	14,966,812	17,271,110

See accompanying notes to consolidated financial statement

1. General information

Fotex Group's report on its operations in the period I-IX months 2010 is prepared in accordance with IFRS requirements. These figures are consolidated but not audited.

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

On the cut off date of October 1, 2009 Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.
Subsidiaries taken into account at the consolidation at 30 September 2010 and at 30 September 2009 are as follows:

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		30/09/2010	30/09/2009	30/09/2010	30/09/2009	30/09/2010	30/09/2009
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	879,979	731,853	100.0	100.0	100.0	100.0
Downington Sàrl.	Investment holding	2,050,000	2,050,000	100.0	100.0	100.0	100.0
Domus Zrt	Property management and furniture retailer	-	6,167,384	-	99.5	-	99.5
Europrizma Kft.	Administration services (Note 25)	35,879	35,879	100.0	100.0	100.0	100.0
Europtic	Advertising	-	2,681,471	-	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	99.97	98.6	100	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	14,911,889	100.0	100.0	100.0	100.0
Kontúr Zrt	Property management	-	4,699,207	-	99.9	-	99.9
Fotex Netherlands B.V.	Property management	18,000	18,000	100.0	100.0	100.0	100.0
Primo Zrt.	Clothing retailing and wholesaling	1,859,657	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

1. General information (Continued)

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.

In connection with the transformation into a European public limited company, the dematerialized shares had to be replaced. The replacement took place on 25 February 2009. As a result of the replacement, the product list listed at the Budapest Stock Exchange (BSE) was changed. One dematerialized subscribed share of Fotex Nyrt. at HUF 100 face value is equivalent to one dematerialized subscribed share of Fotex Holding SE Nyrt. at EUR 0.42 face value. The rights related to the shares as set out in the company statutes have remained unchanged.

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.

2. Significant accounting policies

Basis of presentation

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The consolidated financial statements have been prepared on a historical cost basis.

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”).

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS that have been adopted by the EU. At 30 September 2010, due to the endorsement process of the EU, and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

2. Significant accounting policies (Continued)

As a result of Fotex's transformation to an SE (Societas Europaea) from 1 January 2009, Fotex Holding SE became a European Company. The reporting currency of the consolidated financial statements is EUR.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 30 September 2010. 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.

Minority 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 balance sheet, 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 balance sheet 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 books have been carried in EUR since 1 January 2009. Accordingly, Fotex Group's consolidated financial statements for the period I-IX months 2010 are prepared in EUR.

The functional currency of the group's subsidiaries included in the consolidation – except the 3 foreign subsidiaries – is HUF. Considering that the reporting currency is EUR, it was necessary to convert the elements of Statement of Financial Positions of subsidiaries and the elements of Consolidated Income Statements of subsidiaries from HUF to EUR.

The following FX rates have been applied at the conversion from HUF to EUR:

- Elements of income statement have been converted by using the **current year's MNB average FX rate**
- Elements of assets and liabilities have been converted by using the **MNB FX rate as of September 30, 2010**
- Elements of own equity have been converted by using **MNB FX rate as of December 31, 2008** except the current year's Profit and Loss.

3. Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made judgements on the balance sheet date of prior year. The management makes these judgements at the preparation of the annual financial statements, and in the interim financial statements the effect of judgements, which have been made on the prior year's balance sheet date, are applied. The key assumptions concerning the future and other key sources of estimation uncertainty made at the prior year's balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the preparation of current year's closing annual financial statement. From these the following has the most significant effect on the figures presented in the financial statement.

3. Significant accounting judgements, estimates and assumptions (Continued)

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

Impairment of Goodwill
The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of Intangibles
The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. On an annual basis 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. There was no recognised tax loss at 31 December 2009

Fair Value of Investment Properties
The Group determines on an annual basis and presents in the notes the fair value of investment property as the present value of the estimated future cash flows generated from leasing such assets. Future cash flows are 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 are calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets.

4. Cash and cash equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in view of the prompt 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 at 30 September 2010 is EUR 14,966,812 (31 December 2009: EUR 12,997,087).

Cash includes fixed deposits of EUR 4.763.025 (31 December 2009: EUR 7,964,063) at rates ranging from 4.15% to 5.7% (2009: 2% to 9%). The Company has EUR, USD and HUF deposits. The lower rates are on foreign currencies while the higher ones are on HUF.

5. Other financial assets

Short term	30 September 2010 EUR	31 December 2009 EUR
Cash deposit connected to rented properties	269,314	228,840
Current part of long-term loans to other companies	76,536	571,219
Other short-term investment held-to-maturity – less impairment loss	291,721	157,259
Other short-term investments, total	637,571	957,318

Long term	30 September 2010 EUR	31 December 2009 EUR
Cash deposit connected to rented properties	1,959,220	2,040,474
Investments held to maturity	4,650,909	4,356,649
Loans to senior officers	92,393	265,755
Long-term part of long-term loans to other companies – less impairment loss	10,233	403,642
Other long-term investments, total	6,712,755	7,066,520

Investments held-to-maturity

Long-term securities held-to-maturity include OTP Bank Nyrt. ("OTP") bonds purchased by the Group's subsidiary in Luxembourg. The Group has 7,100 subordinated OTP bonds of EUR 1,000 face value each purchased by the Group on 1 and 2 December 2008 and on 27 January 2009 for EUR 3,509,853. The bonds were issued at 19 September 2006 as value date maturing on 19 September 2016 at a rate of 100% of the face value. The bonds bear 5.27% interest and interest is paid on 19 September each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 30 September 2010 is EUR 3,924,697 (31 December 2009: EUR 3,734,520). The applied average effective interest rate is 18%. The fair value of OTP bonds as of September 30, 2010 is EUR 6,193,402 (at 31 December 2009: EUR 5,456,606).

The Group has 1,000 MOL Nyrt ("MOL") bonds of EUR 1,000 face value each purchased on 10 March 2009 for EUR 524,380. The MOL bonds mature on 5 October 2015 and bear an interest of 3.88% payable on 5 October each year. The cost of the investment, which the Group intends to hold to maturity, less the effective interest at 30 September 2010 is EUR 624,648 (31 December 2009 EUR 517,812). The applied average effective interest rate is 16%. The fair value of MOL bonds as of September 30, 2010 is EUR 938,644 (at 31 December 2009: EUR 822,870).

Loans to senior officers:

Arm's length loans granted by Fotex are to senior officers to purchase dividend preference shares totalling EUR 92,393 (31 December 2009: 265,755) (Note 13).
Most other long-term loans represent loans that were granted to companies that had taken over the discontinued operations of Domus Lánc Kft. by Domus Zrt. until its merger into Keringatlan.
The amount of loan granted to Domus VIVA Kft is EUR 621,157 as of September 30, 2010 (31 December 2009: EUR 1,469,235). The loan was granted at 12 month EURO-LIBOR interest rate. The loan is secured by a mortgage on Domus VIVA Kft.'s assets and prompt collection orders on the company's bank accounts. The loan matures on 31 August 2012. The accumulated impairment loss on the loan at 30 September 2010 is EUR 621,157 (31 December 2009: EUR 606,616) so the its value less impairment loss at 30 September 2010 is EUR 0 (31 December 2009: EUR 889,619).

5. Other financial assets (continued)

The related interest revenue recognised on the loan in the income statement till 30 September 2010 is EUR 12,556 (31 December 2009: EUR 55,778).
The loan agreement have been cancelled with immediate effect on 15 July 2010. On the date of abrogation there has been operative interest in a value of EUR 55,468 and late payment interest in a value of 30,447 over the obligation existing from the loan agreement. The Company converted the hypotheticated total wealth of the pledger into pawn and lien charging claims. The assets put in pawn have been sold to one of the group members as of August 2, 2010.

The amount of loan granted to Modusz Alba Kft is EUR 101,900 as of September 30, 2010 (31 December 2009: EUR 104,342). The loan was granted at 12-month EURO-LIBOR interest rate. The loan is secured by a mortgage on Modusz Alba Kft.'s assets and prompt collection orders on the company's bank accounts. The loan was to mature on 31 August 2012. The loan agreement was cancelled with immediate effect on 7 September 2009 as the debtor had failed to meet its timely instalment paying obligations. The total loan was written off.

The amount of loan granted to Domus Store Kft is 98,612 EUR as of September 30, 2010 (31 December 2009: EUR 112,833). The loan was granted at 12-month EURO-LIBOR interest rate.
The loan is secured by a mortgage on Domus Store Kft.'s assets and prompt collection orders on the company's bank accounts. The loan would have initially matured on 31 October 2010 but was rescheduled during 2009 to 31 October 2012. The accumulated impairment loss at 30 September 2010 is EUR 22,076 (31 December 2009: EUR 40,721), so its value less impairment loss is EUR 76,536 at September 30 2010 (31 December 2009: EUR 72,112). The related interest revenue recognised on the total loan in the income statement till 30 September 2010 is EUR 1,094 (31 December 2009: EUR 1,952). The loan agreement has been terminated as of September 21, 2010.

6. Accounts receivable and prepayments

	30 September 2010	31 December 2009
	EUR	EUR
Debtors	3,352,595	5,112,572
Impairment loss on debtors	(833,934)	(697,161)
Tax assets	641,499	364,800
Impairment loss on tax assets	(4,086)	–
Other receivables and prepayments/accrued income	1,061,597	715,308
Impairment loss on other receivables	(166,058)	(68,701)
Total	4,051,613	5,426,818

The terms applicable to related parties are set out in Note 24.
Debtors typically pay between 0 and 60 days, during this period no late payment interest is charged.
Tax assets are typically received in three months.

Impairment loss on debtors, tax assets and on other receivables at 30 September 2010: EUR 1,004,078 (31 December 2009: EUR 765,862).

6. Accounts receivable and prepayments (Continued)

Movements in the impairment loss:

	EUR
1 January 2009	860,235
Charge for the year	390,164
Utilised	(223,224)
Unused amount reversed	(233,662)
FX loss	(27,651)
31 December 2009	765,862
Charge for the year	263,541
Utilised	(588)
Unused amount reversed	(6,815)
FX loss	(17,922)
30 September 2010	1,004,078

7. Inventories

	30 September 2010	31 December 2009
	EUR	EUR
Merchandise and finished products	8,785,425	8,645,798
Materials	1,377,323	1,399,812
Work in progress	1,652,205	1,826,318
Inventories, gross	11,814,953	11,871,928
Impairment of merchandise and finished products	3,448,985	3,648,431
Impairment of materials	202,412	207,263
Impairment of work in progress	338,986	347,108
Impairment of inventories	3,990,383	4,202,802
Total inventories, net	7,824,570	7,669,126

Management has identified a number of Group companies that have slow moving inventories. During 2010 some finished goods have been sold for which impairment were created previously, that's why in 2010 inventory impairment in a value of EUR 114,066 has been reversed. Management considers the recognised impairment loss of EUR 3,990,383 as adequate, and as of September 30, 2010 no further inventory impairment has been created in I-IX months 2010.

8. Property, plant & equipment

Movements in tangible assets during period I-IX months 2010 were as follows (the table contains the property plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2010	114,042,089	20,205,460	1,115,426	135,362,975
Additions	19,249,615	858,201	130,634	20,238,450
Disposals and write downs	(135,382)	(1,695,956)		(1,831,338)
Currency (loss)/gain arising from retranslation	(1,683,088)	(465,188)	(27,084)	(2,175,360)
30 September 2010	131,473,234	18,902,517	1,218,976	151,594,727
Accumulated depreciation:				
1 January 2010	(19,870,659)	(16,865,398)	(3,552)	(36,739,609)
Depreciation expense	(3,220,893)	(685,155)	(2,990)	(3,909,038)
Disposals and write downs	14,176	1,609,704		1,623,880
Currency (loss)/gain arising from retranslation	462,109	387,555	650	850,314
30 September 2010	(22,615,267)	(15,553,294)	(5,892)	(38,174,453)
Net book value				
30 September 2010	108,857,967	3,349,223	1,213,084	113,420,274
31 December 2009	94,171,430	3,340,062	1,111,874	98,623,366

8. Property, plant & equipment (Continued)

Movements in tangible assets during 2009 were as follows (the table contains the property, plant & equipment and investment property together):

	Land, buildings, improvements	Furniture, machinery, equipment, fittings	Construction in progress	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2009	78,493,646	21,039,798	1,466,541	100,999,985
Additions	37,491,004	822,576	(373,172)	37,940,408
Disposals and write downs	(336,306)	(1,232,483)	–	(1,568,789)
Currency (loss)/gain arising from retranslation	(1,606,255)	(424,431)	22,057	(2,008,629)
31 December 2009	114,042,089	20,205,460	1,115,426	135,362,975
Accumulated depreciation:				
1 January 2009	(17,226,486)	(17,203,558)	–	(34,430,044)
Depreciation expense	(3,272,979)	(775,282)	(3,552)	(4,051,813)
Disposals and write downs	328,954	756,395	–	1,085,349
Currency (loss)/gain arising from retranslation	299,852	357,047	–	656,899
31 December 2009	(19,870,659)	(16,865,398)	(3,552)	(36,739,609)
Net book value				
31 December 2009	94,171,430	3,340,062	1,111,874	98,623,366
31 December 2008	61,267,160	3,836,240	1,466,541	66,569,941

9. Real estate property

The Group's assets principally comprise of real estates owned by the parent company and the subsidiaries and rented out predominantly to third parties. Most of the Group's revenues are realized from real estate utilization. This type of activity is highly sensitive to macroeconomic trends. Real estate market players still have no reason to be optimistic, because the Hungarian economic growth in 2010 is expected to be around 1% and due to the fact that the effects of macroeconomic trends appear later than elsewhere in the real estate market, the best expectation can only be that the local real estate market would reach its lowest point this year. The current setback that has affected each segment of the real estate market foretells the difficulties of the forthcoming years. As for commercial real estates, the biggest loser of the crisis is the retail sector and even the most optimistic forecasts predict at least another two hard years before an upturn can start. The effect of the adverse market conditions can also be strongly felt in the office and logistics sectors. Demand has further decreased as overall economic conditions have worsened. Both real estate developers and owners find it challenging to keep their existing tenants. Attainable rental fees have significantly declined. As a result of the slowdown in the commercial market, a number of international trading chains hold back expansion (in 3rd quarter 2010 no new multinational market player has appeared on the real estate market) and increasingly require that rental fees be linked to actual turnover. In the retail market, local trading companies still tend to

9. Real estate property (Continued)

hold back expansion and most of them do not envisage opening a location in the near future, because domestic purchasing power is still at a very low level. In addition there has been no increase in the Hungarian domestic market and these circumstances have worsened retailers and lessors position. The so called city shops offered by the Group mainly pique the interest of local trading companies. The majority of our tenants are such traders. As a result of the increasingly adverse market circumstances, smaller companies that operate one or two shops already have serious financial difficulties and their liquidity position is likely to deteriorate even further. Their ability to pay their rents has also suffered. There is an increasing number of tenants that experience financial difficulties and find it increasingly hard to pay their rent and would like to give back their rented area or ask for reduced rental fees and overhead charges in order to keep their tenancy and sustain their operations. Many try to close down the most lost making shops even if such actions conflict with their contractual obligations. Finding new tenants is getting similarly difficult. As a consequence of the changes, contract renegotiation conditions have also become unfavourable and now the main objective is to keep all solvent tenants. In the logistics market, the normally modest demand has declined further, on a nationallevel as a result of the crisis; while rental fees have also dropped. A continuous increase in the supply of state-of-the-art logistic centres and newly built warehouses make it increasingly difficult for us to rent out our less up-to-date warehouses. At group level, the vacancy rate of warehouse space has increased by 20% as opposed to the reporting period. Since the beginning of the financial crises the logistic property rental fees have dropped significantly, the decreases in the market can be as high as 30-40%. In the office space market, the already high vacancy rate is expected to remain the biggest problem for the next two years to come. Rental fees have plummeted as a result of high vacancy rates (26,5%) and moderate demand. In view of the adverse market conditions, the Group pays extra attention to controlling and optimising its costs to attainable revenues. Nonetheless, the Group makes efforts to make the best of investment opportunities offered by the stagnating real estate market. The Group's Dutch subsidiary, Fotex Netherlands B.V., purchased four significant office buildings totalling an area of 20 386 m^2 (Zoetermeer, Gorinchem, Haarlem, Rotterdam) in the basis period and one major office building of 10 000 m^2 area in the reporting period. All these buildings are fully let with long term contracts, at good returns.

Adverse changes in the world's economy have made it particularly necessary to review the value of the Group's real estate properties on an annual basis. Our investment properties were revalued as part of the audited annual financial statements prepared at the end of 2009. The figures disclosed in the annual financial statements for 2009 are considered as relevant values with respect to the Group's real estate property which will be revalued by the Company in the audited financial statement for the current year.

Category	**Area m^2**	**Fair value EUR**
Retail outlets	145,670	165,757,256
Offices	26,831	40,692,869
Warehouses	97,723	13,552,392
Other structures	38,660	5,182,875
Plots of land	671,816	22,409,604
Investment properties, total	**980,700**	**247,594,996**
Real estate in own use	294,354	10,884,116
Grand total	**1,,275,054**	**258,479,112**

Note: The table does not include the new office building with 10,000 m^2 purchased by our Dutch subsidiary at a purchasing price of EUR 18.600.000 in 2010.

10. Intangible assets

Movements in intangible assets during period I-IX months 2010 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2010	6,667,194	943,087	7,610,281
Additions	–	15,663	15,663
Disposals and write downs	–	(3,088)	(3,088)
Currency loss arising from retranslation	(52,260)	225,892	173,632
30 September 2010	6,614,934	1,181,554	7,796,488
Amortisation:			
1 January 2010	(4,008,798)	(757,136)	(4,765,934)
Amortisation expense	–	(31,772)	(31,772)
Impairment	(170,389)	–	(170,389)
Disposals and write downs	–	1,355	1,355
Currency gain arising from retranslation	(88,491)	17,945	(70,546)
30 September 2010	(4,267,678)	(769,608)	(5,037,286)
Net book value:			
30 September 2010	2,347,256	411,946	2,759,202
31 December 2009	2,658,396	185,951	2,844,347

The column ’Other’ reflects rental rights associated with trading companies. As part of discontinuing its ownership of FTC acquired in 2001 (at a cost of HUF 1.9 billion – ca. EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights [billboards]) in 2003 for an unlimited period. By 31 December 2005, there was no indication of any impairment. In view of the cash inflows in the near future and estimated potential inflows, management calculated the fair value of these rights based on the expected cash flows discounted at 9%. Based on management’s estimation, an impairment loss of EUR 3,149,785 was made in previous years with an additional EUR 1,118,324 impairment loss recognised in 2009 (2008 no impairment loss was recognised)

10. Intangible assets (Continued)

Movements in intangible assets for 2009 were as follows:

	Media and merchandising rights	Other	Total
	EUR	EUR	EUR
Cost:			
1 January 2009	6,667,194	1,490,680	8,157,874
Additions	–	26,574	26,574
Disposals and write downs	–	(514,945)	(514,945)
Currency loss/gain arising from retranslation	–	(59,222)	(59,222)
31 December 2009	6,667,194	943,087	7,610,281
Amortisation:			
1 January 2009	(2,890,474)	1,290,683	(4,181,157)
Amortisation expense	–	(42,391)	(42,391)
Impairment	(1,118,324)		(1,118,324)
Disposals and write downs	–	480,005	480,005
Currency loss/gain arising from retranslation	–	95,933	95,933
31 December 2009	(4,008,798)	(757,136)	(4,765,934)
Net book value:			
31 December 2009	2,658,396	185,951	2,844,347
1 January 2009	3,776,720	199,997	3,976,717

11. Goodwill

Movements in goodwill on business combinations at 30 September 2010 and 31 December 2009 were as follows:

	30 September 2010	31 December 2009
	EUR	EUR
Cost:		
1 January	20,555,398	21,025,848
Addition	–	–
Disposal	–	–
FX difference	(481,031)	(470,450)
Closing balance	20,074,367	20,555,398
Impairment:		
1 January	(10,193,878)	(10,427,185)
Increase in impairment loss	–	–
FX difference	238,554	233,307
Closing balance	9,955,324	(10,193,878)
Net book value:		
1 January	10,361,520	10,598,663
Closing balance	10,119,043	10,361,520

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 cash generating units attributable to goodwill based on operating profits in both the reporting period and the basis period discounted at 10% discount rate. Based on this calculation, no impairment loss was recognised on goodwill.

The goodwill is allocated to the following entities:

	30 September 2010	31 December 2009
	EUR	EUR
Keringatlan Kft.	9,994,587	10,234,083
Balaton Glas Hotel Kft.	124,456	127,437
Net book value	10,119,043	10,361,520

Management estimates that goodwill is not impaired despite any potential changes in the underlying valuation model since the fair value of the investment properties, to which the goodwill relates, are significantly higher than the book value of the properties.

12. Accounts payable and other liabilities

	30 September 2010	31 December 2009
	EUR	EUR
Trade payables	1,745,807	2,194,122
Taxes payable (excluding income taxes)	371,994	858,399
Advances from customers	39,379	27,053
Accrued expenses	548,380	877,577
Deferred rental income	576,539	2,110,016
Remuneration approved for executive incentive scheme – dividend preference shares (Note 13)	-	651,001
Amounts payable to employees	211,016	145,791
Deposits from tenants (i)	269,314	255,971
Preference shares incentive scheme liability	634,938	634,938
Other liabilities	1,418,241	1,176,951
Total	5,815,608	8,931,819

Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are typically settled within 20 to 30-days. 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 2,228,534 (31 December 2009: EUR 2,296,445) 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 that part of the deposit liabilities as other long-term liabilities EUR 1,959,220 (31 December 2009: EUR 2,040,474) which are expected to be repayable in more than one year, and those parts which are expected within a year were classified as short-term tenant deposit liabilities EUR 269,314 (31 December 2009: EUR 255,971).

Dividend preference shares in incentive scheme

The general meeting of the Company on 31 August 2007 authorised the Board of Directors to increase the equity 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 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

12. Accounts payable and other liabilities (Continued)

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 minority interests. The total preference dividend payable is subject to approval of the general meeting of the Company. Given the nature of the employee preference shares, the amount of shares in issue are treated as a short-term liability and any dividend payable will be treated as employee expense.

In November 2007, Fotex issued 2,000,000 preference shares with a face value of EUR 840,000 (HUF 200 million). These preference shares were presented in the balance sheet as treasury shares. Group management purchased the dividend preference shares on 28 April 2008. On that date this part of 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 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 preference shares. No dividend was paid on the redeemed shares in 2010 either.

The Board of Directors has approved on 9 April 2010 to pay dividends on the dividend preference shares equal to their face value. This dividend payment is subject to formal approval by the shareholders’ meeting. The total amount of preference dividends due to members of management of EUR 651,001 is presented among payments to personnel in the consolidated financial statements in 2009. The annual general meeting, which will accept the current year’s annual consolidated financial statements, will decide about the possible dividend paid for 2010 relating to dividend preference shares. Interim dividend advance hasn’t been determined yet.

13. Share capital and reserves

Share capital

The Company’s approved and issued share capital totals EUR 30,543,933 consisting of shares of EUR 0.42 each. At 30 September 2010, the Company’s issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2009: 70,723,650 ordinary shares and 2,000,000 dividend preference shares). The dividend preference shares were issued by Fotex in November 2007.

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of “Issued Capital” (30 September 2010: EUR 840,000; 31 December 2009: EUR 840,000) are also shown in “Treasury Shares”. As of 30 September 2010, the Company has sold 1,550,000 (31 December 2009: 1,550,000) dividend preference shares to some of its employees. These shares are still shown within “Treasury Shares” but also as liability (preference shares incentive scheme liability) as further disclosed in Note 12.

The Company’s treasury shares (including dividend preference shares) are 12,632,549, totalling EUR 19,205,137 at 30 September 2010 (31 December 2009: 12,579,779 shares at a cost of EUR 19,121,608). During 2010, the Company purchased 52,770 (2009: 466,510) shares in a value of EUR 83,529 (2009: EUR 348,039). In 2010 the company hasn’t bought back dividend preference shares from its senior officers (2009: 450,000 pcs; EUR 161,082), so the preference shares incentive scheme liability has remained unchanged compared to year-end 2009, shown in note 12 above.

13. Share capital and reserves (Continued)

Goodwill write-off reserve

In 1990, in connection with the transformation of the Company to an Rt. (public limited company) and associated increase in share capital, certain intangible assets of Fotex (principally the "Fotex" name) were valued by an independent appraisal at approximately EUR 7.7 million (HUF 2.05 billion). 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 not shown as an asset, rather as a deduction from shareholders' equity in these consolidated financial statements.

14. Selling, general and administration expenses

	30 September 2010	30 September 2009
	EUR	EUR
Payments to personnel	4,776,329	5,479,511
Material-type expenses	5,324,203	5,936,752
Other expenses	1,478,239	2,656,701
Depreciation charges	3,940,810	2,921,453
Total selling, general and administration expenses	15,519,581	16,994,417

Other expenses include the following:

	30 September 2010	30 September 2009
	EUR	EUR
Impairment of intangibles (Note 10)	(170,389)	-
Impairment of granted loans	(11,998)	(301,038)
Impairment of receivables (Note 6)	(262,953)	(152,991)
Impairment of inventories/release of impairment	114,066	-
Realised FX gain/loss (net)	86,981	(222.143)
Unrealised FX gain/loss (net)	–	(18,108)
Taxes payable (mostly property tax)	(852,738)	(1,129,673)
Assets received without payment obligation	187,830	-
Other expenses	(569,038)	(832,748)
Other expenses, total	(1,478,239)	(2,656,701)

15. Long term liabilities

The significant increase in long-term liabilities compared to the basis period is due to the fact that the Group's Dutch subsidiary, Fotex Netherlands B.V. has taken out 1 more mortgage loan (EUR 14,000,000) from FGH Bank N.V.

The details of loan are presented below:

Loan	Starting Date	Maturity date	Facility	Interest	Long-term part at 30 September 2010	Short-term part at 30 September 2010
Mortgage loan I	16/04/2009	01/05/2016	EUR 18,400,000	1-month Euribor prevailing on the 2nd working day prior to the first day of the interest period + 2.7 %, rounding: +0.05	EUR 17,556,300	EUR 337,077
Mortgage loan II	01/11/2009	01/11/2016	EUR 3,800,000	3-month Euribor prevailing on the 2nd working day prior to the first day of the interest period + 2.26 %, rounding +0.05	EUR 3,483,842	EUR 85,960
Mortgage loan III	18/12/2009	01/01/2015	EUR 3,750,000	3-month Euribor prevailing on the 2nd working day prior to the first day of the interest period 2.20 %, rounding +0.05	EUR 3,566,505	EUR 84,234
Mortgage loan IV	21/05/2010	01/05/2015	EUR 14,000,000	4.32 %/year	EUR 13,478,335	EUR 330,064
Total			**EUR 39,950,000**		**EUR 38,084,982**	**EUR 837,335**

The above loans are secured by mortgage on Fotex's Dutch real estates.

The book values of these real estates at 30 September 2010 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	10,383,133 EUR
Gorichem, Stadhuisplein 1a, 70 and 70a	13,721,304 EUR
Haarlem, Schipholpoort 20	5,315,699 EUR
3012 BL Rotterdam, Witte de Withstraat 25	5,899,755 EUR
8017 JV Zwolle, Zuiderzeelaan 43-51	18,509,936 EUR

16. Corporate tax

The Group has used the enacted Hungarian corporate tax rate as the basis in tax reconciliation as the majority of the Group operates and is subject to corporate taxation in Hungary.

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.

16. Corporate tax (Continued)

The Corporate income tax rate is 16% in Hungary, however, effective from 1 September 2006 the Hungarian government introduced an additional, so called solidarity tax of 4% payable on statutory accounting profits made in the period from 1 September 2006.

As of 1 January 2010, the corporate tax rate increased to 19% in Hungary and the above solidarity tax was abandoned as of the same date. Deferred tax assets and liabilities have been calculated at the effective tax rate of 19%.

Owing to the move of Fotex's and Upington's registered offices during 2009, the effective income tax rate in Luxembourg is 22% plus municipal tax.

The Group has no carried forward losses which could be written off from taxable income of the Group members as such losses have arisen in 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 6,891,973 were not considered in the consolidated financial statements of which EUR 6,831,252 can be rolled forward for an indefinite period.

17. Discontinuing operation

The Group had no discontinuing operations in either 2009 or in the period of I-IX months of 2010.

18. Other comprehensive income components

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

19. Segment information

For management purposes, the Group is divided into 7 business lines:

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

Management 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 as identified based on the principles pertaining to the operating profit or loss presented in the financial statements.
Decisions regarding financing (including financial revenues and expenses) and taxation are made at Group level and not at segment level.

19. Segment information (Continued)

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 transaction as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for minority interests.

The Group has operations in Hungary, in The Netherlands and in Luxembourg. Mostly the Group's operations are carried out in Hungary, geographical segments are not presented in the consolidated financial statements.

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 financial statements.

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

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

	30 September 2010			30 September 2009		
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
Furniture	1,650,549	72,163	1,722,712	2,150,806	63,676	2,214,482
Investment property	16,539,901	1,141,414	17,681,315	16,692,237	1,390,833	18,083,070
Cosmetics retailing	542,194	341	542,535	785,573	2,641	788,214
Crystal and glass production and sales	5,372,726	124	5,372,850	2,752,449	5,864	2,758,313
Music records release and distribution	1,225,690	131,094	1,356,784	1,600,936	44,622	1,645,558
Clothing retailing and wholesaling	508,174	38	508,212	614,415	-	614,415
Advertising*	-	-	-	85,569	254,662	340,231
Other	1,786,202	962,853	2,749,055	2,535,495	1,055,322	3,590,817
Inter-segment elimination	–	(2,308,027)	(2,308,027)	–	(2,817,620)	(2,817,620)
Net sales	27,625,436	–	27,625,436	27,217,480	-	27,217,480

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

19. Segment information (Continued)

Crystal and glass sales mainly reflect export sales realised in foreign currencies. Nearly half of net own produced furniture sales is from export. Other sales mainly reflect domestic sales realised in HUF.

Profit before tax	30 September 2010	30 September 2009
	EUR	EUR
Furniture	(128,334)	137,492
Investment property	5,740,756	6,037,762
Cosmetics retailing	(71,200)	(52,875)
Crystal and glass production and sales	908,940	(1,107,092)
Music records release and distribution	91,261	171,578
Clothing retailing and wholesaling	(1,036)	36,156
Advertising*	–	(197,614)
Other	(529,036)	(304,157)
Profit before tax:	6,011,351	4,721,250

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

	30 September 2010			31 December 2009		
Assets:	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR	Consolidated assets EUR	Intra-business line assets EUR	Total assets EUR
Furniture	3,347,297	119,423	3,466,720	3,779,498	56,565	3,836,063
Investment property	133, 943,692	1,504,811	135,448,503	121,911,947	675,238	122,587,185
Cosmetics retailing	1,409,166	3,874	1,413,040	2,309,278	103,977	2,413,255
Crystal and glass production and sales	9,579,541	5,077	9,584,618	6,391,881	2,944,620	9,336,501
Music records release and distribution	1,093,982	253	1,094,235	1,387,029	48,524	1,435,553
Clothing retailing and wholesaling	2,153,723	38	2,153,761	1,764,776	12,661	1,777,437
Advertising*	–	–	–	163,792	517	164,309
Other	9,639,906	2,103,170	11,743,076	9,773,216	778,043	10,551,259
Balances among business lines set off		(3,736,646)	(3,736,646)	–	(4,620,145)	(4,620,145)
Total assets:	161,167,307	–	161,167,307	147,481,417	–	147,481,417

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

19. Segment information (Continued)

	30 September 2010			31 December 2009		
Liabilities and accruals	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR	Consolidated liabilities EUR	Intra-business line payables EUR	Total liabilities EUR
Furniture	238,344	240,463	478,807	320,473	56,760	377,233
Investment property	43,523,223	11,507,063	55,030,286	31,710,526	11,512,361	43,222,887
Cosmetics retailing	131,352	146,667	278,019	200,855	104,237	305,092
Crystal and glass production and sales	1,861,183	6,310,518	8,171,701	2,386,778	6,233,581	8,620,359
Music records release and distribution	147,094	4,826	151,920	239,925	15,334	255,259
Clothing retailing and wholesaling	47,182	799,488	846,670	55,405	12,738	68,143
Advertising*				30	517	547
Other	1,878,613	1,376,178	3,254,791	2,529,450	615,022	3,144,472
Balances among business lines set off	–	(20,385,203)	(20,385,203)	–	(18,550,550)	(18,550,550)
Liabilities and accruals	47,826,991	–	47,826,991	37,443,442	–	37,443,442

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

Tangible asset additions:	30 September 2010	31 December 2009
	EUR	EUR
Furniture	62,656	895
Investment property	19,865,439	37,704,336
Cosmetics retailing	476	11,731
Crystal and glass production and sales	27,230	144,922
Music records release and distribution	4,967	13,238
Clothing retailing and wholesaling	158,668	7,217
Advertising*	–	–
Other	134,677	84,643
Tangible asset additions:	20,254,113	37,966,982

Depreciation:	30 September 2010	30 September 2009
	EUR	EUR
Furniture	76,549	42,548
Investment property	3,450,028	2,417,196
Cosmetics retailing	30,853	46,618
Crystal and glass production and sales	177,964	208,077
Music records release and distribution	27,526	36,140
Clothing retailing and wholesaling	11,822	7,986
Advertising*	–	1,933
Other	166,068	160,955
Depreciation:	3,940,810	2,921,453

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

20. Financial risk 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 Company's Group's liquid assets are held in larger banks in Hungary, Luxembourg and in the Netherlands. Financial liabilities and receivables are directly attributable to the Group's operations.

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

Risks associated with assets

In view of its losses on its subsidiaries in Ajka and Balaton furniture factory, management has been revising its strategy related to its operation at Ajka and Balaton Bútor Kft. Irrespective of the final strategy of the Group, management believes that the value of the currently used production facilities will be recovered.

Interest risk

The Group entered into EUR loans to buy properties in the Netherlands for the period between 2009 and 2016. The loan interests vary between one month EURO-LIBOR + 2.2-2.7%. The interest risk of these loans has been capped at a EURO-LIBOR rate of % (3.3 to 3.64%) except for a smaller loan whose value is EUR 3.75m. In order to reduce interest risk, the lending banks charge a 0.7% interest guarantee with respect to 70% of all loans taken.

Foreign currency ("FX") risk

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

The Group also has FX risks on transactions – which occurs when the Group buys or sells in a currency other than its functional currency.

According to management, beyond the Group's FX risks, 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.

Lending risk

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

20. Financial risk 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.

Capital management

The Group has significant amounts of cash which is used for intra-group financing as necessary. In 2006, the Group switched from bank loans to intra-group financing and financing costs and risks have significantly diminished as a result across the Group.

Fair value

At 30 September 2010 and 31 December 2009, the carrying values of liquid assets, short-term investment, receivables, liabilities and accruals approximated their fair values owing to their short-term nature. Receivables are presented in the balance sheet at cost less impairment loss on doubtful debts.

21. Investments in subsidiaries

During the first 9 month of 2010 the Group has not entered into such transactions, the ongoing merging of Balaton Glas Hotel Kft. into Keringatlan Kft. is an event after the reported period.

During 2009, Fotex Group entered into the following transactions and mergers:

- On 5 February 2009, Upington Investment Ltd. moved its headquarters from Cyprus to Luxembourg.
- At 29 February 2009, KONT-VESZ Kft. merged into Kontúr Zrt.
- At 4 March 2009, Keringatlan Kft. established a subsidiary in the Netherlands - Fotex Netherlands B.V., to create, develop and manage a property portfolio in the Netherlands.
- On the cut-off date of October 1, 2009, Europtic Kft., Domus Zrt. and Kontúr Zrt. merged into Keringatlan Kft.

22. Operating leases

The Group leases retail sites within shopping centres and at 5 other locations in Győr and 2 other sites situated in Budapest based on non-cancellable operating lease agreements. The Group recalculates its leasing fees by ending of each year and publishes them in its financial statement.

23. Earnings per share

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year less treasury shares held by the Company. Similarly, totally diluted earnings per share is also calculated based on the weighted average number of ordinary shares in issue during the

23. Earnings per share (Continued)

year as adjusted by the estimated value of an issue of potentially convertible securities. For the calculation of totally 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:

	30 September	
	2010	2009
	EUR	EUR
Net profit attributable to equity holders from continuing operations	5,044,557	3,523,231
Net profit / (loss) attributable to shareholders	5,044,557	3,523,231
Weighted average number of shares in issue during the year	60,105,792	60,258,079
Basic earnings/(deficit) per share (EUR)	0.08	0.06

The diluted earnings per share agree with basic earnings per share in 2010 and 2009 as there is no dilution effect in these years

24. Related party transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company and Blackburn International Inc. ("Blackburn Luxembourg"), a Luxembourg company and Zurich Investments Inc. ("Zurich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Ingatlan Kft. ("Fotex Ingatlan") and Plaza Park Kft. ("Plaza Park"). At 30 September 2010, Blackburn controls 16.9% of the Company's share capital (30 September 2009: 16.9%), Zurich controls 14.1% (30 September 2009: 14.1%), Fotex Ingatlan controls 17.6% (30 September 2009: 17.6%), and Plaza Park 1.6% (30 September 2009: 1.6%). These companies are considered to be related parties.

Related party rental 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 2011. The rental fees are adjusted with the harmonized customer price index (EU27) reported by the European Union's Statistical Office (Eurostat). Rental agreements with Fotex Ingatlan Kft. were modified to an indefinite rent period.

Rental fees are increased annually by the average of the general CPI announced by the EU’s Statisticals Office. Rental and other related fees paid to Fotex Ingatlan for 2010 I-IX month were EUR 267,117 (2009 I-IX month: EUR 257,025) and to Plaza Park EUR 450,693 for 2010 I-IX month (2009 I-IX month: EUR 521,118). Based on the aircraft leasing contract concluded between Blackburn International Inc. and Fotex Holding SE the value of the fees for aircraft leasing and connected services invoiced by Blackburn International Inc. were EUR 95,060 in 2010 I-IX month (2009 I-IX month EUR 10,500 EUR)

24. Related party transactions (Continued)

Transactions with other related parties

There were no significant related party transactions in either 2009 or in 2010.

25. Personnel and structural changes

Structural changes:

Europrizma Kft's scope of activities has changed and, since 1 February 2010, has been providing administrative services to other enterprises instead of advertising agency services.

Personnel changes

There were no changes in the Group's management in the reporting period.

26. Other matters

According to the resolution of the shareholders meeting No. 23/2000, on 2 May 2001, Fotex Nyrt. converted all its shares with the involvement of Keler Rt.

At that date, 70,388,664 shares were replaced and 334,986 old shares were not converted by their holders. In accordance with prevailing legal regulations, the Company made the unconverted shares void. The new shares that replaced the void ones were sold by the Company in the most optimal way that best served the interest of the shareholders. The consideration received less incurred costs are forwarded to the holders of the void shares after the 30th day, 15 November 2001, following the sale of all the shares that replaced the void shares as compensation for the void shares. Of the void shares, consideration relating to 164,917 shares has been paid up to this date and the holders of 170,069 void shares has not come forward so far.

Fotex Nyrt's ordinary shareholders' meeting held on 28 April 2004 decided to convert Fotex Nyrt's printed shares into dematerialised shares. The conversion to dematerialised shares took place on 11 November 2004. The conversion does not affect the rights related to the shares. The printed shares could be presented for conversion between 10 September 2004 and 10 November 2004.

On 11 November 2004, all printed shares were made void by Fotex Nyrt.
Consideration for 1,210 shares made void due to dematerialization has been paid up to this day, the holders of 140 void shares have not come forward so far.

At Fotex Holding SE Nyrt's ordinary shareholders meeting held on 28 April 2009, the shareholders decided to move the Company's registered office to Luxembourg. At this general meeting, the shareholders made a decision about the determination of the share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg as well as about the way and timing of redemption. The share of equity to be allotted to shareholders that voted against moving the registered seat to Luxembourg was determined by the shareholders' meeting as 0.89 EUR/share based on the equity/issued capital ratio as at 31 December 2008. The meeting authorized the Board of Directors to redeem such shares. Settlement has since been done with the two shareholders that voted against moving the registered office with 52,870 shares.

According to resolution No. 5/2010.04.26, at their ordinary annual meeting held on 26 April 2010, upon approving the financial statements for 2009, Fotex Holding SE's shareholders decided to distribute dividends to the holders of dividend preference shares equalling the face values of the shares.

26. Other matters (Continued)

On 26 October 2009, Ajka Kristály Üvegipari Kft. signed a solvency agreement with its creditors. As a result of the agreement, the debtor wishes to pay off its debts that are included in the scope of the solvency agreement without late payment penalty and other charges from sales revenues to be collected up to 30 April 2012 from selling own manufactured inventories as at 1 September 2009. In the meantime, interim instalments would be paid on 15 January 2011 and on 15 January 2012. The debtor assumed an obligation to pay all its creditors up to HUF 200,000 by 14 November 2009, which was duly done. The sole owner of the company, the creditor, Fotex Holding, and two entities under direct majority control of the owner, Upington Ltd. and Downington Holding LLC., asserted that they did not demand settlement of the debts towards them until Ajka Kristály Kft. met its obligation towards its other creditors under the solvency agreement. The creditors that attended the agreement negotiation meeting engaged Piroska Gazda, a statutory auditor who also attended the meeting as representative of one of the creditors, Meritum Kft., to check compliance with the terms of the agreement.

In the period I-IX months 2010, Ajka Kristály Kft. has managed to book its entire production capacity, which had been reduced to meet market demand, with a positive lookout to the future of the market.

The securities with ISIN-code T0008806916, (so-called “certificates”), which were previously traded on the Vienna Stock Exchange, have been withdrawn from Stock Exchange’s trading for the request of Company as of June 30, 2010. Fotex ordinary share with ISIN-code HU0000096409 have been automatically credited on the accounts of the owners of the certificates kept at their custodian bank in 1:1 proportion. The credit has been taken place automatically 3 workdays after the withdrawal of the certificates. Our company has entrusted the Erste Group Bank AG with the technical transaction of the SWAP of securities.

Since 1 October 2010 Keringatlan Ltd has outsourced its facility management activity to the group’s member Székhely 2007 Ltd.