

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 principal consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	30 September 2012	30 September 2011
		%	%
AjkaKristályKft. (Ajka)	Crystal manufacturing and retail	100.0	100.0
Balaton BútorKft.	Furniture manufacturer	100.0	100.0
Downington Holding S.à.r.l.	Investment holding	-	-
FN 2 B.V.	Property management	100.0	100.0
Plaza Park Kft.	Property management	100.0	100.0
EuroprizmaKft.	Administration services	-	-
Fotex Cosmetics Kft.	Cosmetics retailer	100.0	100.0
FotexnetKft.	Internet retail and other services	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
ProprimoKft.	Advisory services	100.0	-
Primo Zrt.	Clothing retailing and wholesaling	-	99.9
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 the period I-IX. months 2012 the Group has entered into transactions and mergers that affect the Group structure.

- At 5 September 2012 Fotex Ingatlan Kft, a related party company, sold all of its share in Fotexnet to the Group, consequently the Group's share in Fotexnet has increased.

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

- On 8 August 2011, the Group disposed of 100% of Europrizma Ügyviteli Kft. As a result Europrizma Ügyviteli Kft. was not a Fotex Group member since 8 August 2011.
- On 1 July 2011, the Group purchased 100% of Plaza Park Kft., a company located in Hungary. As a result Plaza Park Kft. has been a 100% subsidiary of the Group since 1 July 2011.
- On 24 June 2011, Fotex Netherlands B.V. established a subsidiary in The Netherlands, FN 2 B.V., to enhance and manage the Group's property portfolio in The Netherlands.
- The assets and operations of Downington S.à.r.l. were taken over by its former sole owner, Upington S.à.r.l. in the second quarter of 2011. Downington S.à.r.l. was struck off the Luxembourg companies register on 7 April 2011.
- Proprimo Kft. was demerged from Primo Zrt. Proprimo Kft.'s core operations are advisory services. The demerger was registered by the Companies Court on 17 October 2011. Following the demerger, Primo Zrt.'s operations was limited to the retail and wholesale of men's clothing.
- The Group sold its share in Primo Zrt. to third parties on 12 December 2011. Accordingly, Primo Zrt. has no longer been a Fotex Group member since that date.
- At 1 September 2011 the share capital of Fotexnet Kft was increased. Fotex Ingatlan 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 Luxembourg, The Netherlands and in Hungary. From management point of view the Group is divided into 3 business lines, which are the following:

- Investment property holding and management
- Crystal and glass manufacturing
- Other – administration and holding activities

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables below summarize the Group's revenues and profit before tax for 30 September 2012 and 30 September 2011 by business lines:

Net sales revenue	30 September 2012	30 June 2012	31 March 2012	30 September 2011
	EUR	EUR	EUR	EUR
Investment property management	20,237,838	13,393,236	6,308,394	18,593,123
Crystal and glass manufacturing	5,467,691	3,425,868	1,317,630	5,418,498
Other	4,401,123	3,003,322	1,302,957	5,185,837
Net sales revenue	30,106,652	19,822,426	8,928,981	29,197,458

Profit before income taxes:	30 September 2012	30 June 2012	31 March 2012	30 September 2011
	EUR	EUR	EUR	Restated EUR
Investment property management	6,283,003	4,156,964	1,633,923	4,935,977
Crystal and glass manufacturing	697,062	351,937	(92,814)	1,080,358
Other	(763,232)	(428,154)	(183,237)	1,181,137
Profit before income taxes	6,216,833	4,080,747	1,357,872	7,197,472

The operating results of the Fotex Group varies 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.

In the Crystal and glass manufacturing segment the profit before tax has decreased in comparison to the same period in the prior year, which is mainly due to the FX derivative transactions carried out by Ajka Kristály Kft. 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 also 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	30 September 2012	30 June 2012	31 March 2012	30 September 2011
	EUR	EUR	EUR	EUR
Sale of goods	8,171,809	5,364,200	2,173,762	9,217,791
Provision of services	1,288,047	817,406	401,475	1,524,457
Rental income revenue	16,820,841	11,214,766	5,507,918	14,494,986
Revenue from service charges to tenants	2,863,798	1,626,374	774,267	2,741,000
Royalty revenue	239,745	104,133	5,846	314,176
Other sales revenue	722,412	695,547	65,713	905,048
Total sales revenue:	30,106,652	19,822,426	8,928,981	29,197,458

The structure of the activities hasn't changed significantly in I-IX months 2012 in comparison to the same period of 2011. It can be seen that revenue from the real estate management is the most significant, which is further improved mainly due to the new investment property acquisitions in 2011 (two investment properties were purchased by the FN 2 BV in The Netherlands and the investment property portfolio was also increased by the acquisition of Plaza Park Kft.). The rental income derived from these investment properties are reflected in the period I-IX months 2012 but lower revenue were generated by these properties in the same reporting period of the prior year because two of the three acquisitions happened at 1 July 2011 and one acquisition happened at the end of 2011. In addition to this a new investment property has been acquired in August 2012, which has also slightly 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 out of a necessity to retain existing tenants and convince new tenants to lease vacated properties. 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 in I-IX months 2012 compared to the same period in the prior year due to fact that Primo Zrt's revenue from the sale of goods is not included in I-IX months of 2012 but included in the same period of the prior year.

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

	Selected financial information (EUR)			
	30.09.2012	31.12.2011	30.09.2011	31.12.2010
			Restated	
Sales	30,106,652	39,127,440	29,197,458	38,995,678
Gross profit	24,765,470	30,822,651	22,894,281	30,008,607
Operating profit	8,739,613	10,492,984	8,440,718	6,910,565
Pre tax profit*	6,216,833	8,409,550	7,197,472	7,050,770
Net profit*	4,793,456	6,638,657	5,791,825	6,375,028
Owner's equity**	120,919,531	109,835,692	114,275,786	114,276,069
Total assets	207,278,158	191,203,042	186,161,369	164,837,561
Number of issued shares	72,723,650	72,723,650	72,723,650	72,723,650
Earnings per share	0.08	0.11	0.1	0.11
Return on equity	4.15%	5.92%	5.07%	5.69%
Return on assets	2.41%	3.73%	3.30%	4.08%

* *net profit attributable to equity holders of the Company*

** *equity attributable to equity holders of the Company*

Risks and Risk management of the Group

The Group's business, financial condition and results can be affected by the 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.

In addition 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.

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 interest rate by applying cap.

The loan interests vary between one to three month EURO-LIBOR + 2.2-2.7% and are at fixed at 3.59%, 4.26%, 4.32% and 7.25%. The interest risk of the variable interest mortgage loans, except for the smaller loan of EUR 3.75m is limited between 3.3 to 3.64%.

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.

Research and development

The Company directly has no activity in relation to 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 face value of EUR 0.42 each. At 30 September 2012, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preference shares (31 December 2011: 70,723,650 ordinary shares and 2,000,000 dividend preference shares).

Treasury shares

The 2,000,000 dividend preference shares issued by the Company which are shown as part of "Issued capital" (30 September 2012: EUR 840,000; 31 December 2011: EUR 840,000) are also shown in "Treasury shares". As at 30 September 2012 1,550,000 (31 December 2011: 1,550,000 shares) dividend preference shares are held by certain employees. These shares are shown within "Treasury shares" and as a liability (preference shares incentive scheme liability).

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.

The dividend rate on the preference shares shall not exceed 50% of the given year's average stock exchange price of Fotex shares, but shall not be less than an amount equivalent to double of the European central bank twelve months base interest rate relevant for the year, applied to the face value of the share. The total sum of the dividend determined for preference dividend cannot exceed 30% of the consolidated IFRS profit after taxes minus non-controlling interests.

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

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

As at 30 September 2012, the Company held 15,013,518 treasury shares (of which 13,013,518 are ordinary shares and 2,000,000 are dividend preference shares) at a historic cost of EUR 21,304,713 (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 1,563,993 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.

The extraordinary general meeting held on the 14th December 2011 decided to authorize 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.

Significant Events After the end of the reporting period

After the end of the reporting period the following significant events have happened:

- As of 30 October 2012 a new mortgage loan was obtained by the Group's Dutch subsidiary FN 2 BV in amount of EUR 8,750,000 bearing fixed 3.43 % interest rate.
- 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 on the merger of Fotex Cosmetics Kft into Keringatlan Kft. The owners of both companies decided that the expected date for the conclusion of merger will be 31 December 2012.

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 International Luxembourg"), a Luxembourg company, and Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. Blackburn Luxembourg has a controlling interest in Fotex Inगतlan Kft. ("Fotex Inगतlan"). As at 30 September 2012, Blackburn controlled 0 % (31 December 2011: 16.9%), Fotex Inगतlan 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 had been recognised as a related party up to 30 June 2011 and has been a Fotex Group member since 1 July 2011.

Corporate governance

The Company is committed to adopt best practice corporate governance standards, including to comply with 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 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 the 26th April 2012 did not elect TITAN S.á.r.l as member of board of directors, and elected Mr Peter KADAS as a member of 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 the 26th 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 December 31st 2012.

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

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 opines the annual report of the Company, controls and evaluates the operation of the financial system, provides its tasks in connection with the Auditor of the Company.

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 Audit Committee)

The Members of the Audit Committee were appointed at the annual general meeting held on the 26th 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 December 31st 2012.

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

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

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 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.

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 law shall fall within the remit of the Board of Directors.

Future Prospects

The Group will continue seeking favorable investment opportunities taking into account the priority of the Group's financial stability.

22 November 2012, Luxembourg



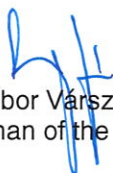
Várszegi Gábor
Fotex Holding SE
Chairman of the Board



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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 30 September 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.



Gábor Várszegi
Chairman of the Board

Luxembourg, 22 November 2012