

FOTEX HOLDING

SOCIETE EUROPEENNE

2009 8400 010

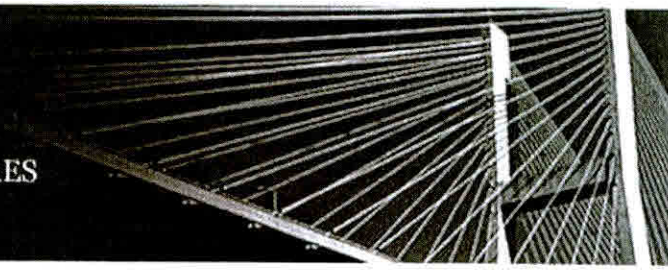
75, parc d'Activités
L-8308 Capellen

STATUTORY ANNUAL ACCOUNTS

From 01/01/2011 to 31/12/2011

FOTEX

HOLDING SE PUBLIC COMPANY LIMITED BY SHARES



FOTEX

FOTEX HOLDING S.E.
75, parc d'Activités
L-8308 CAPELLEN

N° Fiscal : 2009 8400 010

R.C.S. Luxembourg : B-146938

Report of the Board of Directors

FOTEX HOLDING S.E.

75, Parc d'Activités
L-8308 CAPELLEN (Grand Duché de Luxembourg)
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Dear Sirs,

The Board of Directors is pleased to present the Annual Accounts for the financial year ended 31/12/2011.

The company's financial statements show a loss of 1.453.057,43 Eur.

At this time, there is no information concerning items likely to affect the company's financial position.

Relevant events of the year 2011

On May 17, 2011, the Company sold 50% of the shares owned in the company Hungaroton Records Kft to Upington Investments Sàrl. After the sale Fotex Holding SE participation in Hungaroton Records Kft decreased from 58.98% to 8,98%

On August 8, 2011, the Company sold 100% of the shares in the Company Europrizma Kft to the Company MTK Budapest Zrt.

Significant events after the reporting date

- As from February 23, 2012 Fotex Holding S.E. is quoted on the Luxembourg stock exchange.
- The Board of Directors of the Company at the meeting held as of 14 March 2012 has decided on the full transfer of the Company's shares listed on the Budapest Stock Exchange to the Luxembourg Stock Exchange. The date of transfer was 30 March 2012. After transferring the shares from the Budapest Stock Exchange the shares are traded only on the Luxembourg Stock Exchange.

Activities and future prospect

The company will carry on its activities and development as it did during the last former years – no amendment is foreseen by the Board of Directors for the future.

Research & Development projects

The company did not undertake any Research & Development projects.

Own shares

During the year 2011, the company has acquired 816.976 own shares. At the reporting date, the company holds 16,36 % of its own shares::

Direct own shares :

- 1.125.635 ordinary shares ;
- 450.000 dividend preference shares.

Indirect own shares :

- 10.323.890 ordinary shares.

The reasons of acquisition of own shares by Fotex holding S.E. is that Fotex feels responsibility towards its shareholders and tries to protect the investment of its shareholders in Fotex, and when the share price changes adversely than Fotex does the necessary actions to reverse these changes. The repurchase of shares depends on the market conditions.

Financial overview

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

	31.12.2010	31.12.2011
	EUR	EUR
Revenue	1,001,025	1,004,266
Net profit	(2,975,955)	(1,453,057)
Own equity	59,253,123	57,149,066
Total assets	60,835,181	59,657,235
Number of issued shares	72,723,650	72,723,650
Return on equity	(4.87%)	(2.5%)
Return on assets	(4.78%)	(2.41%)

Risks and Risk management of the Company

The Company's business, financial condition or 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.
- Credit risk
- Interest risk
- Liquidity risk

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

Credit risk

The Company aims to mitigate credit risk by its careful and continuous debtor portfolio monitoring process. In addition, the Company regularly follows up information about the main debtors in the market.

Interest risk

In order to mitigate the interest risk the Company applies the following procedures:

- Tries to obtain fixed rate loans
- In case of variable interest rate loans the Company tries to balance its interest income and interest expense by granting loans with appropriate interest rate.

Liquidity risk

Liquidity risk is monitored as follows:

Monitoring daily available deposited and free cash

Monitoring weekly cash flows

As part of the management information system, the operations of the Company is monitored on a monthly basis

Suggestions for Dividends to be paid to Dividend Preference Shares and to be paid on ordinary shares

It is proposed to the Annual General Meeting that the Company pays 0.02 Eur dividend per ordinary shares eligible to receive dividends for the year 2011 and to distribute dividends for an amount of 488,250.- Eur on the dividend preference shares, equal to 75% of their face value in drawing on the additional paid-in capital.

The Company do not pay dividend on those ordinary shares which are held by the Company and its subsidiaries.

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.

