FOTEX HOLDING SE

Report for the 1st Quarter of 2010

The report showing the activities of Fotex Group for the 1st quarter of 2010 has been set up in accordance with IFRS regulations. The data are consolidated, but they are unaudited.

As part of the Group's restructuring process the family of companies included in consolidation, when compared to the base period, has changed as follows:

As of October 1, 2009 the Europtic Kft., the Domus ZRt. and the Kontúr ZRt. merged into Keringatlan Kft..

The list of companies forming the group of consolidated entities and the consolidated rates of ownership in such companies are shown in a separate table. Due to cross-ownerships in some of the subsidiary undertakings a few voting power figures differ from the consolidated rates of ownership.

In its general meeting held on September 26 and December 9, 2008 the mother company of the Fotex Group, the Fotex NyRt. (Fotex plc.) decided to transform itself into a European Public Limited Company. In accordance with this resolution of the general meeting, as of December 31, 2008 and by virtue of legal form transformation the Trade Registry Court deleted the Fotex First American-Hungarian Holding plc. and on January 9, 2009 issued its Ruling on entering (with effect from January 1, 2009) the Fotex Holding SE, as a European public limited liability company, into the Register of Companies.

In connection with transformation into a European Plc. it became necessary to replace the dematerialized share certificates, which has been accomplished on February 25, 2009. Due to this change in shares the products list of BÉT (Budapest Stock Exchange) has also been changed. Fotex Nyrt's dematerialized registered shares with a face value of HUF 100.- are now equivalent to the dematerialized registered shares of Fotex Holding SE Nyrt. carrying a face value of Euro 0.42. The rights attached to these shares in accordance with the statute had not been changed.

After said transformation into a European public limited liability company, in its ordinary general meeting held on April 28, 2009, the Company resolved to move the registered domicile of the Company to Luxembourg. Admission (as of June 4, 2009) with the new domicile to the Trade Registry is now accomplished. The new registered domicile's address is 75, Parc d' activités, L-8308 Capellen, Luxembourg. On August 28, 2009 the Budapest Municipal Court – acting ex office – deleted/removed the Company from the Hungarian Trade Register.

Due to transformation into a European public limited liability company the accounting records of the Company are now (since January 1, 2009) kept in EUROs. Accordingly the consolidated report for the 1st quarter of 2010 of the Fotex Group is based on EUROs.

Real Estates Owned

The overwhelming part of the Group's assets is composed of real estate property owned by both the mother company and the subsidiaries; the larger part of these is leased to entities not included in our Group. Also the Group's revenue is earned mainly from real property utilization. However, such activities are very easily affected by macro-economical developments. Due to the general economic crisis, the situation both on the commercial and the residential property market is very difficult. The decline hitting each segment of the property market points to difficulties to be faced during the next year. With regard to commercial property the sector which suffers most from the crisis is the retailing sector, while the effects of deteriorating market conditions are also very much felt in the office space and logistics sectors. Under such weakening economic conditions lease and rent demand is steadily falling. Those who are engaged in leasing exert their best efforts to keep and nail down existing tenants and to grant discounts on rent to new tenants. At present, rents and lease rates are stagnant and tend to fall slightly. The business slowdown embracing the retailing sector commands that many internationally operating retail chains are increasingly reluctant to expand, and are getting keen to link lease rates and rents to the volume of merchandise sold.

The ongoing decline in retail business volume thwarts expansion also among the Hungary-based commerce undertakings; most of them strictly rule out the possibility of requiring new or additional rented space. The usual type of property, i.e. downtown-area shop facilities offered by the Group are best suited to the needs and expectations of locally-based traders. The majority of our tenants belong to this category. Due to deteriorating market conditions smaller companies operating one or two shops are by now facing serious paying problems, and their liquidity is expected to decline even stronger. In short, their rent and lease paying capabilities shall deteriorate. The number of such tenants with paying problems is growing that are facing increasing problems when it comes to paying the rent, and who finally resort to give up on renting, offering the space to others, or who request rent, lease, or overhead fee reduction to remain in a position of keeping up business. This often leads to closing down poorly performing facilities, facing the consequences of contract violation. It is increasingly hard to acquire new tenants. Recent unfavorable changes led to less promising situations when it came to renegotiating lease or rent contracts, our main task was to keep regularly paying tenants.

On the logistics market the generally sensed slowdown in demand turned on the national economy's level (due to the effects of the economic crisis) into a more intense fall in business volume which led to a reduction in rent and lease fees. A steady and rapid growth in available modern logistic centers and newly built warehouses makes the leasing out of our less modern warehousing facilities increasingly difficult. On the Group's level the rate of utilization is lowest in the case of our warehousing facilities, which luckily did not grow worse during the reported period, but did not show much favorable change either. And in view of the market situation we cannot expect improvements in the foreseeable future.

The Group adjusted itself to such unfavorable market situation by giving special attention to revising and redefining costs, and to optimize cost levels in order to get even as far as possible with realizable revenue. At the same time the Group makes efforts to use the capital investment opportunities inherent in the stagnation of the real property market. The Group's Dutch subsidiary, the Fotex Netherlands B.V. purchased during the reported period four larger office buildings with a total floor area of 20,386 sq.m. that are fully leased out longterm and that are generating high-level income (Zeitermeer, Gorinchem, Haarlem, Rotterdam).

Unfavorable developments in the world's economy made it particularly important that the Group each year revaluates its real property assets. The investment-bound real property items had been revaluated in the audited annual report compiled at the end of 2009. The figures shown in the 2009 Annual Report are considered to represent the relevant value of the Group's real property assets, which figures shall be readjusted in the Company's audited annual report covering the accounting year.

Category:	(Floor) Area, **m^2**	Current Real Value **EUR**
Retail shop facility	145 670	165 757 256
Offices*	26 831	40 692 869
Warehouses	97 723	13 552 392
Miscellaneous buildings	38 660	5 182 875
Building land	671 816	22 409 604
Investment-bound real estate property, total	**980 700**	**247 594 996**
Real property used by the Company	294 354	10 884 116
Grand total	**1 275 054**	**258 479 112**

The Group's assets and liabilities

Since and as of January 1, 2009 the mother company of Fotex Holding SE uses the EURO currency for its accounting records and to follow suit this consolidated 1st Quarter Report is also based on EUROs.

The subsidiaries as members of the Group – the three foreign subsidiaries exempted – are using Hungarian Forints as the functional currency. With view to EURO being the currency of this presentation , we had to convert the balances and the income statements of such subsidiaries from HUF to EURO.

In the conversion of HUF to EURO we used the following rates of exchange:

- For the items of the income statement: the average rate of MNB (Hungarian National Bank) applicable to the accounting period
- For the items of assets and liabilities (equity excepted): the rate of MNB applicable to March 31, 2010
- For equity items: the rate of MNB applicable to the closing date of December 31, 2009, with the exception of the balance sheet profits item.

To enable comparisons with the basis – by way of removing the effects of rate fluctuations – we used the same rates of exchange in converting the data of the base period. The consolidated balance sheet set up on the basis of adjusted base period figures is shown in the table below:

The consolidated unaudited balance sheet of the Fotex Group for the 1st Quarter of 2010, adjusted to remove the effects of changes in rates of exchange

in EUROs

Balance sheet	2009 first quarter			2010 first quarter			Basis index
A. Fixed assets	86 769 242	0	86 769 242	118 506 358	0	118 506 358	136,58%
I. Intangible assets	3 991 538		3 991 538	2 880 515		2 880 515	72,17%
II. Tangible assets	66 206 156		66 206 156	98 820 264		98 820 264	149,26%
III. Investments	5 720 724		5 720 724	5 844 732		5 844 732	102,17%
IV. Receivables, long-term	316 217		316 217	426 240		426 240	134,79%
V. Accruals	0		0	0		0	
VI. Goodwill	10 534 607		10 534 607	10 534 607		10 534 607	100,00%
B. Current assets	35 185 110	0	35 185 110	29 749 242	0	29 749 242	84,55%
I. Liquid assets	21 967 960		21 967 960	17 469 284		17 469 284	79,52%
II. Receivables	4 450 411		4 450 411	4 323 244		4 323 244	97,14%
III. Inventories	8 651 565		8 651 565	7 723 315		7 723 315	89,27%
IV. Securities	115 174		115 174	233 398		233 398	202,65%
Assets total	121 954 352	0	121 954 352	148 255 600	0	148 255 600	121,57%
C. Long-term liabilities	1 266 489	1 395 278	2 661 767	28 022 005	0	28 022 005	1052,76%
I. Long-term bank loans	0		0	25 213 165		25 213 165	
II. Other liabilities	1 266 489	1 395 278	2 661 767	2 808 840		2 808 840	105,53%
D. Short-term liabilities	7 086 806	-599 258	6 487 548	5 955 176	634 938	6 590 114	101,58%
I. Short-term bank loans	0		0	0		0	
II. Other amounts owed	7 086 806	-599 258	6 487 548	5 955 176	634 938	6 590 114	101,58%
Liabilities total	8 353 295	796 020	9 149 315	33 977 181	634 938	34 612 119	378,30%
Net assets	113 601 057	-796 020	112 805 037	114 278 419	-634 938	113 643 481	100,74%
E. Equity	112 537 079	-796 020	111 741 059	112 893 086	-634 938	112 258 148	100,46%
I. Issued capital	30 543 933		30 543 933	30 543 933		30 543 933	100,00%
II. Own shares held	-18 150 953	-796 020	-18 946 973	-18 533 637	-634 938	-19 168 575	101,17%
III. Capital reserve	32 895 729		32 895 729	32 895 729		32 895 729	100,00%
IV. Profits reserve	69 347 207		69 347 207	69 763 205		69 763 205	100,60%
V. Other reserves (Goodwill)	-2 098 837		-2 098 837	-1 776 144		-1 776 144	84,63%
Net earnings	1 021 236		1 021 236	1 302 528		1 302 528	127,54%
Minority interests	42 741		42 741	82 805		82 805	193,73%

1. To enable comparisons between the accounting and the base period we removed the effects of changes in rates of exchange. In converting base period figures from HUF to EURO we used the same rates used to convert the figures of the reported accounting period. Rates of exchange used in conversions: MNB rate as of March 31, 2010: 266.39 HUF/EURO; MNB rate as of Dec. 31, 2008: 264.78 HUF/EURO; MNB's average rate over the first quarter of 2010: 268.57 HUF/EURO,

2.For the sake of comparisons to the base period, in the base year we moved the amount of EURO 599,258 (sum of tenant surety deposits deemed repayable not earlier than after one year) from "Other amounts owed" to "Other long-term liabilities".

3. The value of own shares repurchased from the Company's senior officers in the amount of EURO 634,938 (1st Quarter 2009: EURO 796,020) has been moved from "Equity" to "Other long-term liabilities".

The Group's balance sheet total grew by 21.6 %, by EURO 26,301,248, as compared to the base period.

In the total of fixed assets we find a growth by EURO 31,737,116 (36.6 %) over the preceding year which growth is a combined result from a drop against the basis (27.8 %) in the total of intangible assets, from the growth in total tangible assets by 49.3 %, from a 2.2 % growth in investments, and from the increase (by 34.8 %) in long-term receivables.

The drop of some 30 % in intangible assets (when compared to the basis) is mainly due to amortization (in the amount of EURO 1,288,713) applied to the Company's FTC-rights at the end of 2009.

The sharp increase in tangible assets is due to the acquisition of four real estate property items (in Zeitermeer, Gorinchem, Haarlem, Rotterdam) for a total of EURO 34,827,504 by the Group's Dutch subsidiary, the Fotex Netherlands B.V., which were added to assets during the base year.

Among long-term investments we also carry the OTP and MOL bonds bought by the Group's subsidiary, the Downington Holding S.a.r.l. . The Group also holds 7,100 subordinated OTP bonds at a face value of EURO 1,000 per bond. Said OTP bonds had been bought by the Group on December 1, 2008, on December 2, 2008, and on January 27, 2009 at a total value of EURO 3,509,853. These OTP bonds had been issued at 100 % of face value as of September 19, 2006 as settlement date and with maturity on September 19, 2016. The bonds yield interest at 5.27 % disbursed annually on the 19th of September.

The Group also holds 1,000 MOL bonds at a face value of EURO 1,000 per bond which had been bought on March 12, 2009 at a value of EURO 524,380. These MOL bonds had been issued with maturity on October 5, 2015 and yield interest at 3.88 % disbursed annually on the 5th of October.

The decrease in the total of current assets by 15.5 % (as compared to the basis) was due to the combined effects exerted by a drop by 20.5 % in liquid assets, by 10.7 % in inventories, and of a growth by 2.9 % in receivables and by 2.7 % in securities.

The drop in liquid assets was mainly due to real property acquisitions realized by Fotex Netherlands B.V. in the course of the base year.

The 10.7 % drop in inventories is typically caused by an observed fall in inventory value that affects Hungaroton Records Kft. (19.3 %), Fotex Cosmetics Kft. (6.2 %), and Balaton Bútor Kft. (16.7 %), as well as Ajka Kristály Kft. (13.5 %). The decrease (as against the basis) in the case of Fotex Cosmetics Kft. and Hungaroton Records Kft. was due to curbing of inventory purchased, while in the case of Hungaroton we had to recognize also the scrapping of frozen stocks at the end of the base year as an additional decrease. The drop in the inventories of Balaton Bútor Kft. (16.7 %) had been caused by the scrapping of stocks representing a considerable amount settled at the end of last year. This Kft. is keen to find the optimum volume for its inventories to avoid blocking of liquid assets; at the same time – in order to ensure continued production – the Kft. does its best to consume for production purposes items of inventory that had been formerly kept as unfinished or semi-finished products . Due to a high versatility in the range of products the Kft. turned to putting into storage semi-finished products instead of finished products, and for the finishing of products in the fulfillment of orders such semi-finished products are taken from storage. Largest in inventories is Ajka Kristály Kft., our production subsidiary; the drop in inventories by 13.5 % is due to amortization and scrapping settled at the end of the year.

The change in total securities may be explained by changes in the stock of negotiable securities covering loan-type relationships held by Group member firms for trading purposes, the majority of these being investment unit certificates.

Among the Group's total liabilities 23.3 % account for obligation-type liabilities, the value of which grew by 278.3 % over the preceding year.

Of total liabilities 81.0 % is the share of long-term liabilities and 19.0 % is the share of short-term liabilities.

The reason for a significant rise over the basis in long-term liabilities lies in the fact that the Group's Dutch subsidiary, the Fotex Netherlands B.V., in the base year took from the FGH Bank N.V. mortgage-backed loans in the total amount of EURO 25,950,000.

The loans in detail are shown in the following table:

Loan	Date of disbursement	Date of maturity	Amount of loan received	Value, as of March 31
Mortgaged loan I	04.16.2009.	05.01.2016.	18 400 000 EUR	17 959 250 EUR
Mortgaged loan II	11.01.2009.	11.01.2016.	3 800 000 EUR	3 580 296 EUR
Mortgaged loan III	12.18.2009.	01.01.2015.	3 750 000 EUR	3 673 619 EUR
Total			25 950 000 EUR	25 213 165 EUR

The above loans are secured by mortgage charged on Fotex' real property.

The book value of said real estate property items, as of March 31, 2010, is as follows:

2719 EP Zoetermeer, Einsteinlaan 20 10,566,383 EUROs
Gorichem, Stadhuisplein 1a, 70 and 70a13,963,365 EUROs
Haarlem, Schipholpoort 20 5,407,948 EUROs
3012 BL Rotterdam, Witte de Withstraat 25 5,990,145 EUROs

Within the long-term liabilities (on the other liabilities row) additional growth comes from the settlement of deferred taxes at the end of 2009.

Our short-term liabilities grew by 1.6 %. Here we carry the Group's short-term liabilities, the amounts of provisions and of accrued expenses and deferred income.

Within the Group's liabilities equity accounts for 76.7 %.

The share capital of FOTEX HOLDING SE as registered by the Trade Registry Court amounts to EURO 30,543,933. The revaluation difference amount resulting from conversion to foreign currency of accounting has been duly settled.

In the own shares held row an additional decrease by 1.2 % (as compared to the basis) in the value of equity is due to a repurchase of own shares. The questioned rule concerning the accounting policy on dividend preference shares issued to top level officers and senior managerial staff as part of their long-term remuneration and motivation (which in the preceding year had been recognized as change in the volume of own shares) has been corrected and changed into liabilities against officers and managers participating in such scheme. This change resulted in moving EURO 796,020 (1st quarter of 2009: EURO 634,938) from equity to liabilities.

Within equity the change in profits reserve has been caused by moving the 2009 balance sheet profits to profits reserve and by the settlements of exchange rate differences arising from transactions among subsidiaries abroad and the Keringatlan Kft. and the Ajka Kristály Kft. and of exchange rate differences resulting from conversing the balance sheet and income statement data of subsidiaries from HUF into EURO.

Within equity the drop by EURO 322,693 (15.4 %), compared to the basis, in the other reserves row (goodwill) is due to the settlement of the annual depreciation amount.

The value of minority interests grew by EURO 40,064, compared to the same period of the preceding year. This growth is due to settling the disbursements to minority interest holders allotted to them from the Group's profits recognized for the accounting period.

Income developments

The table below shows the Group's income statement for the 1st Quarter of 2010, adjusted for the effects of changes in the rate of exchange.

in EUROs

Denomination	1stQ 2009*	1stQ 2010	Base index
Net revenue from sales	8 695 121	8 765 619	100,81%
Costs of sales	2 074 940	1 967 023	94,80%
Gross profits	6 620 181	6 798 596	102,70%
Gross profit margin	76,14%	77,56%	101,87%
Operating costs	5 326 750	5 194 791	97,52%
Staff-related costs	1 956 967	1 668 334	85,25%
Material-related costs	1 957 499	1 903 971	97,27%
Depreciation	1 065 062	1 302 414	122,29%
Miscallaneous expenses	347 223	320 072	92,18%
Income from operations	1 293 431	1 603 805	124,00%
Income from financial transactions	200 042	113 275	56,63%
Interest earned	202 944	362 268	178,51%
Interest expenses	2 901	248 992	8581,53%
INCOME BEFORE TAXES	1 493 473	1 717 080	114,97%
Tax expense on income	418 359	415 349	99,28%
Income before disburesements to minority interests	1 075 114	1 301 731	121,08%
Minority interest	-53 878	797	101,48%
Net income	1 021 236	1 302 528	127,54%

** To enable comparisons between the accounting and the base period we removed the effects of changes in rates of exchange. In converting base period figures from HUF to EURO we used the same rates used to convert the figures of the reported accounting period. MNB's average rate over the first quarter of 2010: 268.57 HUF/EURO,*

After deducting minority interest, the Group closed the 1st Quarter of 2010 with a net after tax income of EURO 1,302,528.

The Group's gross profits grew over the base period by 2.7 %, i.e. by EURO 178,415. This growth in gross profits against the base period results from a drop by 5.2 % (EURO 107,917) in costs of sales and from a rise by 0.8 % (EURO 70,498) in net revenue from sales.

The volume of operating costs incurred to conduct business fell by EURO 131,959 (2.5 %), compared to the base period.

The combined effects of the above items led to the Group's 1st quarter 2010 income from core business operations in the amount of EURO 1,603,805 which represents a growth in such income by EURO 310,374 (24.0 %) over the base period.

Income realized from the Group's financial transactions amounts to EURO 113,275. Compared to the base period this is less by EURO 86,767 (43.4 %) and is the result of growth in interest earned (by EURO 159,324, 78.5 %) and of a growth by EURO 246,091 in interest expenses. The growth in interest earned comes from settlements applied to interest earned with the OTP and MOL bonds. The sharp increase in interest expenses over the base period comes from settling the interest amounts paid on bank loans taken by the Group's Dutch subsidiary, the Fotex Netherlands B.V..

Following from the above our income before taxes of EURO 1,717,080 shows an improvement of EURO 223,607 over the base period. In the reported period the income portion allotted to minority interest improved the Group's net income by EURO 797. The holders of minority interest receive dividends from the income/profit of subsidiaries according to their ownership quotas.

The Group's after tax profit, adjusted for minority interest, amounts to EURO 1,302,528.

Revenue from sales

The Fotex Group's net revenue from sales reached 100.8 % of that of the base period. Revenue from exports was at 173.2 % well above that of the same period in the preceding year; the Group's consolidated domestic turnover amounted to 94.4 %.

In the reported accounting period 73.5 % (in the base period: 75.5 %) of the Group's revenue from sales came from miscellaneous core activities, dominantly from real property utilization, while some 19.0 % (in the base period: 14.3 %) of total revenue originated in goods production and further 7.5 % (in the preceding year: 10.2 %) in retailing and wholesale.

On the Group's level net revenue from sales from production activities grew by 34.8 % over the base period, while revenue from retailing activities fell by 34.4 % as compared to base data, and wholesale activities yielded less by 11.1 % and miscellaneous core activities also yielded less revenue, by 1.3 %.

The Group's member companies engaged in goods production yielded a total revenue from sales that surpassed the basis by 32.0 %. Compared to the preceding year's same period the revenue from exports of the goods production segment grew by 88.9 %, while revenue from domestic sales fell back to 62.6 %. Within the Group two companies are engaged in goods production, the Ajka Kristály Kft. and our manufacturer of furniture, the Balaton Bútor Kft. which was formed on December 15, 2008 by the merger of Bebufa Kft. and Balaton Bútorgyár ZRt.

Compared to the base period, Ajka Kristály Kft. doubled its revenue from sales (211.2%). Its revenue from exports grew to 262.5 % of the base period, while the consolidated domestic revenue from sales amounts to 58.7 % of that in the base period. Revenue from exports accounts for 93.2 % of the realized revenue. In the reported accounting period its revenue from sales, expressed in USD, grew by 128.18 %; a growth of 31.1 % in the volume of goods produced and of 74.1 % in the average of specific foreign exchange units prices of the products, and unfavorable developments in USD exchange rates leading to a decline in revenue earning resulted for the reported period in an average rate of 195.8 HUF/USD which compares to 232.8 HUF/USD in the base period. At current prices the domestics sales of Ajka Kristály Kft. fell by 43.0 % if compared to the base period. Within domestic sales the revenue from glass products fell by 57.8 %, while at the same time the sales volume of porcelain goods rocketed (the related revenue jumped to more than 2.5 times over the basis). The decline in the domestic sale of glass products was due to a drop by 84.9 % in "sale on the premises" and to a reduction of 37.0 % in the sales volume of shops engaged in the promotion selling of the brand. Closing down (in February) the retail shop that operated on the production premises led to a falling sales volume in the brand shops.

In the case of the Group's furniture manufacturing division, the consolidated net revenue from selling goods produced amounts to 68.2 % of the corresponding period in the preceding year. Such drop in net revenue from sales is the result of a drop by 36.5 % in domestic sales and of a decline in the export segment which amounts to a reduction by 31.9 %. Such drop in net revenue from domestic sales was due to shrinking orders (by 51 %) coming from centralized public sector procurement, to shrinking volumes (by 66 %) in the reselling sector, and to less (by 20 %) jobs awarded after tendering. On the other hand, volume of sale grew in goods distributed by shops/retailing firms, the growth amounts to 28 % over the base period. The drop against the basis in export revenue from sales was caused by orders not coming in from our Swedish and Dutch partners.

In the Group's presented business volume the share of revenue coming from retailing activities shows a steadily falling tendency. The share of these activities in total revenue amounts only to 4.0 % (basis: 6.2%).

The Group's retail trading volume fell back to 65.6 % of the preceding period, due to downscaling of retail operations. In the reported accounting period the Group's retailing activities comprised selling of merchandise in the brand shops of Balaton Bútorgyár Kft. (4 shops) and of Ajka Kristály Kft. (4 shops), as well as in 2 cosmetics parlors operated by Fotex Cosmetics and in 3 shops selling video and audio records plus 1 bookselling business operated by Hungaroton Records Kft. and finally in 3 retailing units engaged in apparels selling and operated by Primo ZRt.. The volume of trading in this segment is not significant within the Group and is rather in line with developments and tendencies found in Hungary's domestic retail sector.

The Group's closed-down retailing facilities are utilized by renting out, the revenue so generated is being shown under income from miscellaneous core activities.

The volume of the Group's wholesale business is marginal and amounts to 3.5 % of total turnover. In recent years the mediating wholesale activities had been phased out and now the Group is engaged only in the wholesale of Group produced goods. As for the reported accounting period, such activities comprised mainly the wholesale of branded luxury apparel and of audio and video recordings related to our music publishing segment. On both sectors of these wholesale activities the volume traded was dwindling. The total combined drop in apparel wholesale volume amounted to 39.3 %, due to reductions in revenue from domestic wholesale (by 16,0 %) and from exported goods (by 62.8 %). In the wholesale of audio recordings business went back by 5.5 %.

The major part (73.5 %) of total revenue from sales comes from sales revenue generated by miscellaneous core activities, and within this, revenue from and related to real property utilization is dominant. On this row we recognized revenue from real property utilization, from renting out facilities, from selling licences and royalties in connection with our music publishing activities, from the advertising and trade promotion business, and from Internet sales, from selling cinema tickets and from operating snack—bars.

During the reported accounting period the Group's revenue from real property utilization grew by 10.0 % in comparison to the basis.

Within the Group said revenue in the form of rent and lease fees came mainly from Keringatlan Kft., the subsidiary formed specifically for real property utilization. But also Hungaroton Records Kft. generates revenue from renting out facilities (commercial space in MOM Park Shopping Center). Due to moving the headquarters of Fotex Holding SE NyRt. to Luxembourg a considerable volume of facilities has been given into trust/management by Keringatlan Kft. (Agárd, Budaőrs, property in Palatinus Street).

Real property units in the Group's real estate portfolio that happen to be available for renting, are rented/leased out by Sigma Kft.. Due to dwindling demand there is a significant decline (compared to the base year) in opportunities to let space to tenants. As market conditions become more difficult, the liquidity problems in paying rents of firms operating one or two shops are increasingly harsh and could be definitely felt also during the reported accounting period. Our stock of lettable office space in Hungary consists of Category B units. The real property objects acquired in the Netherlands have been bought together with the tenants, the rent/lease contracts there are on long-term basis and have fixed durations. The newly acquired commercial real property objects are fully occupied by tenants.

For our warehouse objects in Hungary demand keeps on to be weak. Though during the first quarter the number of inquiries for our warehouses offered for letting was larger than in the earlier period, yet contract finalizing steps are not expected earlier than in the next period.

From among our subsidiaries the Keringatlan Kft. generates the largest revenue from renting/leasing fees. Its consolidated revenue fell by 9.0 % as compared to the basis – in which figure the base period revenues from Domus ZRt. and Kontúr ZRt., the two large real property utilization subsidiaries that merged into Keringatlan during the base year with a real property utilization that fell by 5.5 %, are recognized. On the whole, the Group's revenue from real property utilization grew by 5.5 %, due to an expansion in rented out real property space and to a rise in rent and lease fees. The revenue from real property utilization generated by the Group's Dutch subsidiary formed in March of the base year accounts for some 1/10th of the Group's total revenue from real property utilization.

Gross Profits

The Group's gross profits grew by EURO 178,415 (2.7 %) after removing the effects of rate fluctuations as compared to the same period of the base year. This change in gross profits was due to an 0.8 % increase in the volume of business and to a 1.9 % improvement in gross profit margin. A reduction in the costs level of sales brought about a growth by EURO 107,917 in the volume of gross profits, and the expansion of business turnover led to a further growth by EURO 70,498.

Gross profits margin in retailing activities grew by 10.1 %. In the cosmetics branch of our business the gross profits margin of retailing more than doubled, while in the apparel sector the same margin fell by 7.0 %. On the other hand, gross profits margin in our music branch grew, on the average, by 49.7 %.

In wholesaling, the gross profits margin increased by 10.1 %, however, its volume does not have much bearing on developments within the total of gross profits margin. The favorable margin change in this business segment is due to in improvement (by 9.6 %) in the gross profits margin of apparel wholesaling and to a 9.2 % growth in the gross profits margin realized in wholesale revenue earned with audio recordings.

The 29.3 % growth in the gross profits margin of production activities is due partially to changes in the output ratios of individual production branches operating with different gross profits margins, and partially to varying changes within the margins of individual types of activities. The actual gross profits margin in glass production activities grew by 26.5 % which follows from the combined effects of an 11.2 % growth in revenue from sales and of an upsurge (by 167.2 %) in the amount of gross profits. In our furniture manufacturing sector gross profits margin could be improved by 55.5 %, compared to the basis. Yet, the combined effects of the growth in gross profits margin and of an increase in revenue from sales led to a 4.8 % drop in the volume of gross profits.

The growth in the share of "other core activities" within net revenue from sales had a positive effect on the development of the gross profits margin during the reported accounting year, this being the result of an increase in revenue from real property utilization and of the change in ratios among branches that occurred due to downscaling the trading-type activities to a marginal level.

Costs developments

Against the reference period the Group’s costs of operations show a decrease by EURO 131,959 (2.5 %).

Within the operational costs the material-related costs have the largest share with (36.7 %), the amount of which fell by EURO 53,538 (2.7 %) when compared to the base period.

Among the material-related costs was recognized the material costs of non-manufacturing subsidiaries, and the value of services consumed, as well as the value of miscellaneous services consumed by the Group's subsidiaries, as part of the Group's total volume of material-related costs

The material costs of non-manufacturing subsidiaries remained at the level of the basis, in which the items with largest ratios are water, gas, and energy costs (in total: 85.4 %), with a combined value that grew by 3.5 % when compared to the basis.

We may observe that – compared with the preceding year - the costs of material-type services consumed by our non-manufacturing subsidiaries fell by 11 %. Costs could be reduced in the case of telecommunications, of travels, of transport, of provisions for agents, of renting fees, of training and advanced training, and of trade name royalties. On the other hand, costs of maintenance and fees for experts employed grew, if compared to the base period.

On the Group's level the value of miscellaneous services remained at base level. Under miscellaneous services we recognized bank charges, administrative fees paid, and fees for authorities and insurance companies. Bank charges and the volume of property insurance premium went down, while other here relevant costs increased, if compared to the same period of the preceding year.

Among the costs of operations the second largest portion (32.1 %) is formed by staff-related costs, the value of which fell by 14.7 %, compared to the base year.

The Group's member companies typically achieved savings in the segment of staff-related costs. Most significant savings in costs could be achieved by Ajka Kristály Kft., due to staff reductions implemented, but remarkable cuts in costs can be noted also in the case of our furniture manufacturing subsidiary.

On the Group's level, the number of staff in full-time employment has been reduced by 100 persons during one year.

On the Group's level the depreciation and amortization costs account for 25t.1 % of the costs of operation, which denotes a growth by 22.3 % over the basis. This growth is mainly caused by the settlement of depreciation that emerged in connection with the office buildings bought in the base year by our Dutch subsidiary.

The item of miscellaneous expenses represent a share of 6.1 % within the costs of operation, while during the reported accounting period their value dropped by 7.8 % as compared to the base period. This row of the income statement comprises certain miscellaneous expenses, the revenue from and expenses of financial transactions (with the exception of interest earned and interest expenses) as well as the extraordinary income and the extraordinary expenses. The revenue form financial transactions fell by 15.5 %, the expenses of financial transactions fell by 72 % (due to changes in the settlement of exchange rate differences in connection with foreign exchange items), while the amount of miscellaneous expenses fell by 17.0 %.

Against the base period the Group's selling costs decreased by 5.2. % which is due to a decline in the volume of sales and to changes in the assortment of products. The selling costs comprise the costs of materials of the manufacturing companies and their consumed material-type expenses, as well as the purchased value of goods sold and the value of services sold (or mediated in agency), and the capitalized value of own production.

As compared to the basis the costs of materials in our manufacturing companies dropped by 17.2 %: in the case of Ajka Kristály Kft. the costs of materials remained at basis level, while in our furniture manufacturing member the costs of materials dropped by 48.8 %. The largest portions within the costs of materials in the manufacturing companies are formed by raw and supplementary materials (42.7 %) and by water, gas, and energy costs (54.4 %). There was a fall in both the value of raw and supplementary materials (-13.1 %) and in the costs of consumed water, gas, and energy (-21.0 %), as compared to the basis. The value of material-type services consumed by our manufacturing subsidiaries shows a drop by 4.0 % in contrast to the base period.

The purchase value of goods sold, which accounts for a major part of selling costs, shows a drop by 32.5 % if compared to the preceding year. The most significant rate of decrease (54.6 %) can be found in the case of Fotex Cosmetics Kft. which decline is due to revenue that could not be earned.

Staff and organizational developments

Changes in organization

The scope of activities of Europrizma Kft. has been amended: the advertising agency field has been replaced by office and administration services which – since February 1, 2010 - are being rendered for other business entities.

Staff changes

No changes have been made during the reported accounting period in the upper management of our Group.

Miscellaneous developments

In accordance with Resolution No. 23/2000 of its general meeting, with the effective date of May 2, 2001 the Company performed the full-scale exchange of shares – in cooperation with Keler Rt. – of the shares of Fotex NyRt.

As of said effective date a total of 70,388,664 shares have been exchanged, while the owners of 334,986 shares did not show up for exchanging. Shares not exchanged have been declared by the Company nil and void, in accordance with applicable law. The new shares replacing the shares so cancelled have been sold by the Company in a way deemed most favorable to the interests of the shareholders. The revenue so earned – less expenses incurred – are to be disbursed to the owners of cancelled shares as compensation for the old and not exchanged and thus invalidated shares, not earlier than the 30th day following the selling of each of the new set of shares issued in replacement of such invalidated shares. Out of the set of invalidated shares the revenue received for a total of 164,737 shares has been disbursed to date, while the owners of 170,249 invalidated shares did not show up yet.

The ordinary annual general meeting of Fotex NyRt. held on April 28, 2004 resolved that the issued printed paper format shares of Fotex NyRt. are to be transformed into dematerialized securities. The effective date set for such transformation of shares into dematerialized format was November 11, 2004. Said transformation did not affect any rights attached to these shares. The period available for submitting the printed paper format shares extended from September 10, 2004 to November 10, 2004. As of November 11, 2004 any and all printed paper format shares have been declared by Fotex NxRt. as nil and void. Out of the total of shares invalidated under the title of dematerialization the value on 1,210 shares has been disbursed till date, while the owners of 140 invalidated shares did not show up yet.

In the ordinary annual general meeting of Fotex Holding SE NyRt. held on April 28, 2009 the shareholders resolved that the Company's domicile shall be moved to Luxembourg. In this general meeting the shareholders voted on determining the equity ratio to be allotted to shareholders voting against said moving of the Company's domicile, and how and when such ratio shall be transferred to them. The equity ratio allotted to shareholders voting against moving the domicile had been determined by the general meeting as 0.89 EURO per share, according to the ratio of equity capital/subscribed capital that existed as of December 31, 2008. Empowered by the general meeting, the Board of Directors shall repurchase such shares. Two shareholders holding a total of 52,870 shares voted against moving the Company's domicile, the settlement of their claims has been performed.

With Resolution No. 5/26.04.2010 of the ordinary annual general meeting of Fotex Holding SE held on April 26, 2010 the shareholders resolved that along with approving the 2009 balance sheet and financial report, a disbursement of dividends on dividend preference shares amounting to the face value of such shares shall be made.

On October 26 the Ajka Kristály Üvegipari Kft. made a composition in bankruptcy with its creditors. Under such composition the debtor shall satisfy the liabilities included in the composition net and without charges by using revenue from selling its own-produced inventories fixed as of September 1, 2009, as received on or before April 30, 2012. On this basis interim debt payments shall be made before January 15, 2011 and before January 15, 2012. The debtor assumed the obligation to have paid before November 14, 2009 up to the amount of HUF 200,000 to each creditor to ease the debt burden and these payments have been done by the debtor. The sole owner of this firm, the Fotex Holding as creditor, as well as its direct majority held companies, the Upington Ltd. and the Downington Holding LLC, declared that they are not to claim settlement of their debts as long as Ajka Kristály Kft. did not satisfy towards the other creditors all of its obligations under said composition in bankruptcy. The creditors attending the negotiations leading to said composition duly assigned Ms. GAZDA Piroska, auditor, who as proxy of one of the creditors, the Meritum Kft. was party to and attending the negotiations, to monitor compliance with said composition. In line with a promising market outlook, Ajka Kristály Kft. was successful in soliciting orders to keep up full-scale production (in its facilities downscaled to harmonize with market demand) during the first quarter of 2010.

This quarterly report comprises valid and truthful data and assertions and does not conceal facts that could have significant impact on assessing the Company's situation.

Capellen, 26th May 2010

Gábor VÁRSZEGI

Chairman of the Board of Directors