

Fotex First American-Hungarian Holding Public Limited Company
Flash Report for the I-VI. Months of the year 2007

The flash report on the Fotex Group's monthly activities for the months I-VI. of the year 2007 has been prepared in compliance with IFRS regulations. Data contained herein is consolidated, but it is un-audited.

The group of the consolidated companies has changed remarkably as compared to the reference period. The consolidation group has been extended with the Downington Srl., a Luxembourg based subsidiary founded in the second quarter of the year. Due to the structural reorganisation within the Group, the Azúr Real Estate Development LLC, which was presented in the first quarter of the reference period as an independent subsidiary, merged with the Azúr Co.Ltd., respectively the Kontúr Paper LLC merged with the Kontúr Co.Ltd., and the Fotex-2000 LLC merged during the IV. quarter of the year with the Keringatlan LLC. On the 28th of February of the report period the Dália LLC merged with the Kontúr Co.Ltd.. The companies drawn into the consolidation and our consolidated share proportion in said companies are presented in a separate chart. The ratio of votes and the consolidated ownership stake might differ due to cross-shareholdings throughout the subsidiaries.

The Group's output for the first half of the year was decisively influenced by the reorganisation of the activities of the Domus Group, the arising of onetime additional charges due to the cutting down on its traditional trade activities (stock devaluations, notice costs, etc.). The reorganization of the Domus Group should be finished according to schedule by the end of this year, so these one-time reorganisation cost related to Domus, will not appear in the course of next year. Another expenditure on additional charges in this year, which will not arise further on, is the expenditure of the liquidation of the photo division started in the reference year, but which is reaching over to the first quarter of the period under review. The output of the period under review was also influenced by the fact, that while the sales revenues growth after the completion of the final stage of the renovation works of the Sugár Shopping centre appeared pro-rata, the arising one-time expenditures on the additional charges of the marketing costs connected to the full opening, appeared in the first half of the year.

I. Profit account

The Group closed the first half of the year 2007 with 205.9 M Ft net earnings reduced by a minority holding.

The gross profit margin of the Group has decreased by 7,3 % as compared to the reference period, that is with 350.7 M Ft. The reason for the decrease of the gross profit margin as compared to the reference lies in the perceptible large-scale decline of the sales costs and the net sales revenues.

While the net sales revenues have decreased by 1244.06 M Ft (14.0 %) as compared to the previous period, in the case of the sales costs a decrease amounting to 893.4 M Ft (22.0 %) could be observed.

The amount of the operating expenses used for the purposes of the activity has decreased by 870.4 M Ft as compared to the reference period.

Based on the contracted effect of the above the operating income in the first half of the year 2007 amounts to -324.1 M Ft, which means an output improvement of 519.7 M Ft compared to the reference period.

The output of the financial operations of the Group amounts to -35.7 m Ft. Compared to the reference period this was reduced by 67.1 M Ft, which decrease was due to the common effect of the below:

The decrease by 26.8 % of the interest earned compared to the previous year is primarily due to the freezing of incomes of the interests received from the bank for the commitment of the free funds of the companies pertaining to the Group, as compared to the reference. The significant decrease of the interest expenditures amounting to 96.1 % is due to the reimbursement of the total bank credit portfolio of the Ajka Kristály LLC and Keringatlan LLC in the course of the reference year. Furthermore, we solve every credit needed for the liquidity of our subsidiaries by offering an internal loan within the Group, which results in a further decrease of the interest expenditures.

The incomes and expenditures of the financial operations (except for the interest incomes and expenditures), as well as the extraordinary incomes and expenditures, were stated at another position of the financial operations. Its value declined with more than double, compared to the reference.

The decrease was caused beside the 35.1% increase of the expenditures by a 35.0% decline of the incomes. The reason for the decrease of the financial incomes, in comparison with the previous year, is that while the incomes of the reference year contained the profit realised on the sale of the participation in companies not pertaining to the Group (Fotex Plc. and the Keringatlan LLC sold its share in the Ráday 11 LLC, moreover Fotex Plc. sold its share in the Lux LLC, too), such sales did not arise during the year under review.

Among the other expenditures of the financial operations a significant item of the reference year was the exchange loss realised in connection to the bank credit reimbursements of the Keringatlan LLC and Ajka Kristály LLC. Meanwhile a significant item of the year under review was the exchange loss arisen at Downington Holding S.á.r.l, calculated at the exchange of USD loans to EUR, when the Group turned from bank credits to internal financing, respectively the item accounted for in connection with the termination of the goodwill arisen from the Domus- consolidation in the year under review.

Our pre-tax profit amounts due to the above to the sum of 288.3 M Ft, showing an improvement of 452.6 M Ft compared to the reference period. The profit ratio of the minority participation spoils the group profit by 7.6 M Ft. Minority owners benefit from the profit of the subsidiaries according to their ownership stake.

The Group's taxed profit corrected by the minority participation is 205.9 M Ft.

II. Sales revenue

The net sales revenues of the Fotex Group amount to 86.0% of the values of the reference period. Income on exported goods was 104.3% while the domestic consolidated turnover was 67.7% as compared to the previous period.

The above indicated Group revenues are mainly a result of the deliberate withdrawal from the commercial activities, in the course of which the photo and Telecom division, still present among the data of the reference year, were terminated, respectively it arises from the turnover deficiency due to store closings resulting from the liquidation still under way of the activities of the furniture, interior design and cosmetics divisions.

At Group level with a 0.8% increase production remained practically on the reference level, the revenues of the retail and wholesale activities dropped as planned with 62.1%, respectively 22.7% in comparison with the reference data. The income from other core activities increased in turn by 4.6%.

The **manufacturing** companies of the Group have not changed as compared to the reference. The current price total sales revenue was the same as the reference level. Two companies from the Group perform manufacturing activities, the Ajka Kristály LLC, and our furniture company, the Bebufa LLC, which supplies commodity stocks to Balaton Furniture Factory Co.Ltd. The income of the Ajka Kristály LLC rose by 2.1% as compared to the reference period.

The net revenue of the furniture division of the Group realised towards a company not pertaining to the Group is 21.7% less than in the same period of the previous year. The net revenue of the domestic sales of our companies performing manufacturing activities shows a decline, while the export sales revenue shows an increase in the case of both of our companies in spite of the unfavourable exchange evolutions. Our glass manufacturing company realised beside a smaller (8.2%) domestic drop, export sales surpassing the reference level by 3.7%. The actual manufacture value of our furniture producing company has dropped by merely 1.1% compared to the reference level, but following the drop of the sale of not self-produced products arisen from service supply, execution and general contracting activities connected to the furniture manufacture, which are performed by the Balaton Furniture Factory, the income of the division dropped by 21.7%. The decrease was mainly due to the 59% decline of the revenues of the present year as compared to the revenues realised through successful applications for public procurements in the previous years, as well as the 44% drop of the own retail sales. Revenues realised on the successful application on the hotel market could not compensate for the domestic turnover deficiency, and the domestic turnover before consolidation dropped to 61.4% of the reference rate. On the export market it realised an outstanding turnover, it could increase its export revenues surpassing reference data by 20.1%.

As a result of a concept change the Group gradually moves out from the commercial activities. In the course of this change it liquidated its participation in the music wholesale company having a large turnover up to that moment (sale of the share in the Gong Express Ltd.), it sold its Telecom agency network, and liquidated subsequently its electronic retail and wholesale trade (Owner's decision regarding the termination of the activities of Keravill Ltd.). it sold its optical division (by selling the share owned in the F-O Optika Fotó LLC), as well as its paper retail activity (by selling a significant part of its Kontúr Paper LLC retail trade network). In the first half of the reference year it sold part of its cosmetics and telecom retail stores (sale of a significant part of the Azúr Ltd. and Fotex-2000 LLC retail trade network), and following the delisting of Domus Plc. it also started the profile change on its furniture sale division. In January of the report period it liquidated the retail trade of its photo services and photo products. Real estates liberated by the cut down on the commercial network were leased out to companies outside the Group.

Revenues from the retail activities form a shrinking part of the Group's reported turnover. According to the concept change the ratio of this activity as compared to the total revenue is 19.7% (reference rate 39.8%). This trend will be maintained in the future, according to the Group's resolutions.

The Group's retail turnover dropped by 62.1% compared to the previous period. The development of the retail trade turnover is the result of a deliberate set back of this kind of

activity. In the reference year it closed the less profitable units of our companies of the music and interior design divisions. Telekom and cosmetics stores were sold for the most part. Those stores of these two divisions, which we could not sell in operating state, were employed profitably by leasing out.

The retail trade turnover of the Group's furniture division decreased due to the turnover deficiency of the closed or further leased out units connected to the profile change of Domus. The retail trade turnover of the cosmetics and household divisions was mainly defined by the fact that the lease right and the stock of a significant part of the stores of Azúr Co.Ltd. were sold in the reference year. On the key date there were only 5 retail trade units operating in the household and cosmetics divisions, three of which are exclusive parlours specialised on the marketing of selective and half-selective cosmetic products (Fotex Parlour), and only two stores operate with the traditional Azúr profile. The 9.0% decrease of the clothing retail trade turnover occurred while maintaining the same retail trade capacity. The Kontúr Co.Ltd., which merged in the reference year with the Kontúr Household Equipment LLC gradually terminated its retail trade activity. We are operating only one trade unit, whose realised revenue appears in the Kontúr Co.Ltd. come into being by the merger. Closed stores were made profitable by leasing them. The photo retail and service trade activities of the Fotex-2000 LLC were liquidated in January of the reporting period.

The turnover arising from the **wholesale trade** activity of the Group is marginal, amounting to 3.4 % of the total turnover. In recent years the intermediary wholesale trade was liquidated, the Group performing only the wholesale trade of self-manufactured products (clothing, sound carrying devices). The revenues of the clothing wholesale trade increased in the reference rate, but could not maintain the revenues of exports to the Russian market in the period under review, its export income dropping by more than a third. This was somehow counterbalanced by the domestic wholesale reaching a turnover growth in the II. quarter of the year. A smaller decrease was realised in the turnover change of the wholesale trade of sound carrying devices. This division realised higher export revenue in the reference year due to the initial purchases of the joining new dealers, which performance could not be repeated in the reported period. Beside the drop in the export sales the domestic wholesale trade decreased too. Our cosmetics wholesale trade was liquidated during the reference period, as the Fotex Cosmetics LLC terminated its wholesale trade activity in January 2006.

A constantly growing part of the total revenues is made up by the revenues of **other core activities**, more precisely the revenues realised in connection with the real estate developments. Real estate developments, leasing, licence sales and royalties connected to the music publishing activity, the revenue of the advertising activities, respectively the Internet department store sales, DVD-rentals and the revenues of the ticket and snack-bar sales of the newly opened cinema were all reported here. The Group's earned premium from rentals augmented significantly as compared to the reference rate, due to the extension of the real estate leasing and the increase of the leasing fees.

III. Margin

The Group's total gross margins decreased by 350.7 M Ft compared to reference period. The decrease of the gross total margin happened by way of the 24.0% set back of the turnover and a 4.24% increase of the margin level. Total margins dropped by 727.7 M Ft due to the occurred turnover recession, but this was counterbalanced with a 377.0 M Ft margin level increase due to the greater decrease of sales costs than those of the turnover figures.

In the period under review the margin levels of all its core activities augmented: the retail trade activity developed by 4.7%, the wholesale trade by 14.6% and the manufacturing activity by 25.4%.

A favourable effect on the margin level change of the period under review had the modification of the rate of other core activities within the net sales revenues, which increased by 14.1% compared to the reference period, due to the cut back on the commercial activities of the group and the increase of the revenues of this kind of activities.

IV. Expense Tendencies

The Group's operational charges show a decrease of 870.4 M Ft (17.3 %) compared to the reference period.

Within the operational costs, the *cost of personnel* represent the highest proportion (42.1 %).

Expenses associated with personnel decreased by 14.8 % as compared to reference year, while the average number of full time employees dropped by 28.9 %. A significant effect on the evolution of the personnel expenses had beyond the utilisation of the average number of permanent staff, the accounting of one time additional expenses arisen due to downsizing of the staff made necessary by the reorganisation of the Group's activity.

On Group level wages of full time employees increased by 13.9 % mainly due to changes in the mix of employees or rather because of wage developments performed by the Group members. All Group members have rationalised their number of employees proportionate to the turnover deficiency as compared to the reference period. The most significant cost saving on personnel expenses was reached at Azúr CC due to store closings, respectively the Ajka Kristály LLC and the Domus Group due to the staff savings.

After the merge of Fotex-2000 LLC on 30.11.2006 into the Keringatlan LLC, respectively the merger of the Kontúr Home LLC and Kontúr Paper LLC on 31.07.2006 into the Kontúr Ltd., the value of personnel expenses has significantly decreased on Group level in connection with the liquidation and set back of the activities following the mergers.

The number of the Group's permanent full time staff dropped by 241 employees in one year.

Within operational costs the second largest item (33.2 %) were the *charges for materials*.

Their value decreased by 28.7 % compared to reference period.

Among material charges were reported cost items like the material charges of non-manufacturing companies, calculated from the Group's material charges, as well as the value of the employed services, respectively the value of other services of companies pertaining to the Group.

Material charges of non-manufacturing companies show a 35.6 % drop compared to the reference period due to the setback of the activities. Within the category of material charges of non-manufacturing companies the most significant items were costs of water, gas and energy consumption.

On Group level the 7.8 % decrease of the employed material service charges as compared to the previous year, were due to the cut back on the activity and the cost reducing measure implemented by the companies. Among the employed material services the highest rate is that of the leasing fees, whose value dropped by 18.8% compared to the same period of the reference year.

As a consequence of store closings and cost cutting measures, communication fees, maintenance charges, transportation expenses, agency fees, contract work fees, respectively the costs of safeguarding and property protection decreased on Group level. However advertising, publicity and promotion costs, as well as expert's and franchise fees increased as compared to the previous year's same period.

A decline on Group level showed also the value of other services (-32.9 %) as compared to the reference rate.

On a Group level the *amortisation expenses* represented 13.2 % of total operating expenses, the value of which decreased by 4.8 % compared to the reference period, which can be accounted for with the decrease of the total value of amortisations accounted in the individual accounts of the Group members as compared to the reference rate.

Among the Group member companies the amortisation expenses of Keringatlan LLC rose to the highest extent, which can be explained by the capitalization in connection with the reconstruction of the Sugár Shopping centre. An increase could be noticed also at the Balaton Furniture Factory Co.Ltd.. because of the inclusion as asset of the new premises. However, a significant decline was observable in the case of Ajka Kristály LLC as compared to the reference rate, the cause of which is the complete depreciation of two furnaces and one glass drop dispenser in the second half of the year 2006.

Other costs in the current period represented 11.5 % of total operating expenses.

Their value augmented by 3.0 % as compared to the first half of the year 2006. A significant decrease occurred at Ajka Co.Ltd., which drop was caused by the fact that a significant item was represented by the delisting value of the sold and redundant tangible assets arising in connection with the store sales of the reference period. A significant increase could be noticed by Keringatlan LLC mainly due to the fact that in May 2007 it had come to an agreement in the trial case with the Magyar Építő Ltd. Keringatlan LLC retransferred 190.0 million Ft from the damage claim. Following the retransfer the trial was terminated.

The Group's *sales costs* significantly decreased by 21.9 % as compared to the reference period, which can be accounted for with the decrease of its sales volume, as well as with the modification of its composition. Sales expenses include manufacturing companies' material charges and employed material expenditures, as well as the purchase value of sales goods and the value of services sold (intermediated), respectively the value of the private capitalised output.

Material expenses and the value of the employed material services of our manufacturing companies show a decline compared to the reference period. In case of Ajka Kristály LLC one could notice the cut back of the costs of used primary and auxiliary materials, as well as the energy consumption, which decrease arose from the failure of performing investments at own expenses, respectively from the rationalization of the production.

The purchase value of sales goods representing a large part of the sales costs shows a 32.8% decrease compared to the previous year. The purchase value of sales goods has significantly decreased in the case of Azúr Co.Ltd., respectively the Domus Plc.

V. Group Assets and Resources

The aggregated amount of the Group balance decreased by 9.7% compared to the reference period.

The stock of invested assets shows an increase of 459.9 M Ft (+2.1%) as compared to the previous year.

The 34.5% decrease of the intangible property is mainly due to the approx. 30% value loss of the FTC Trade Right regarded as a right with property value in the books of the Group, a loss accounted at the estimation made at the end of the year 2006.

The stock of tangible assets augmented by 9.9% compared to the previous period.

A significant stock increase of the intangible assets occurred in the current period at the Balaton Furniture Factory Co.Ltd... This was due to the construction of a plant on the premises in Házgyári Street, respectively in connection with the extension of the energy supply system. The same occurred at Keringatlan LLC due to the asset investment in connection with the reconstruction of the Sugár Shopping centre (items related to the III. stage of the reconstruction were capitalized in May 2007), respectively due to other acquisition of businesses. A significant stock decrease is observable in the case of Ajka Kristály LLC. Beside the deliberate setback on the equipment investments the significant decrease was caused by the complete depreciation of two furnaces and one glass drop dispenser in the second half of 2006.

The 62.6 % decrease of the long term investment stock, as compared to the same period of the previous year, can be accounted for mainly by the technical reranking of the participation of the Group in the Balaton Glas Hotel LLC to the tangible assets during the audit at the end of 2006.

The 5.1% goodwill decrease can be accounted for with the value loss accounted in connection with the Primo goodwill at the end of 2006, respectively, by the merger of the Domus Lánč LLC and the Domus IBC LLC into the Domus Plc., the Domus goodwill was brought to an end.

The working capital decreased by a total 25.0% as compared to the reference stock. The significant 33.4% drop of the financial asset stock can be explained by the repayment of the external bank credits, the continuous acquittal of the investment invoices of Keringatlan LLC connected to the reconstruction of the Sugár Shopping Centre, as well as by the financial fulfilment of the plant of Balaton Furniture Factory Co.Ltd.. built on its premises in the Házgyári street and the extension of its energy supply system.

The decrease of the Group's claims (18.4%) was due beside the reference period claim changes of companies removed from the consolidation, to the modification of client claims, respectively other claims.

The total value of the stock of the Group did not change greatly, but within its composition the own manufacturing stocks increased, and the trade stocks came to represent a lesser value. The securities stock shows a 99.5% drop, which can be explained by the change of the securities stock owned by the Group members, used for the endorsement purposes and representing a credit relationship. The Securities stock of the group is made up mainly of securities having a due-date shorter than 3 months, which were reranked to the financial instruments.

The **resource** stock of the Group is made up to 6.9% of the liabilities, which show a 50.4% drop compared to the previous year.

25.6 % of the liabilities have a long term maturity, 74.4% are short term liabilities.

The value of long term liabilities decreased by 75.9% as compared to the same period of previous year. The reason for this is the fact, that Ajka Kristály LLC and the Keringatlan LLC have fully reimbursed their long term bank loans by using resources from within the Group.

Among other long term liabilities were reported inter alia the security deposits of the buyers on account of the leased real estates, respectively the postponed tax liabilities of previous years. Its value augmented by 52.0 %. In the case of Keringatlan LLC the value of the security deposit received from clients has significantly grown, respectively in the case of Domus Plc. the bail sum received from clients on account of the leased real estates in connection with the profile change, appeared as a new, major position.

Our short term liabilities dropped according to the balance by 22.1%.

Short term liabilities are completely made up of other debts.

Short term credits have been completely reimbursed. The reimbursement was rendered possible on the one hand by the improvement of the liquidity of some of the Group members (Azúr Co.Ltd.), and on the other hand by the fact that the Group exchanged the external financing for an internal one (internal financing of Ajka Kristály LLC and Keringatlan LLC). The decrease of the stock of other short term liabilities can be explained by the drop of the Group's delivery stock, respectively that of other short term liabilities. A significant delivery stock decrease can be noticed in the cases of Domus, FotexNet LLC and the Hungaroton Records LLC.

The rate of the equity capital within the resources of the Group is 93.0%.

The significant change of the accumulated profit reserve within the equity capital was due to the reranking of the output according to the balance sheet of the year 2006 to the accumulated profit reserve, the settling of the exchange currency differences arising from the conversion of the balances and output reports of foreign subsidiaries which were conducted and reported in EURO in Forint, respectively the settling of the exchange currency differences arising from the transactions between these foreign subsidiaries and the Keringatlan LLC, Ajka Kristály LLC and the Balaton Furniture Factory Co.Ltd...

The shrinkage of the position referring to the capital and other retained earnings (good-will) is caused by the value loss accounted in the current year.

The significant 81.4 % drop of the minority participation is mainly due to the business acquisitions from external third parties, which represent an ownership stake.

VI. Situation of the Group's companies

The Group's total net revenues of the current period increased by 2.1 % compared to the reference period. Its export revenues calculated in Forint were lying, in spite of the unfavourable exchange-rate movements, 3.7% above the reference rate. Its domestic sales dropped by 8.2%. The export revenues amount to 87.2% of its net sales revenues. Due to the transformations on the glass product market the company's role changed greatly. As a result of the transformation, due to its exceptional quality products and reliable availability, the company became one of the suppliers of the world's greatest trade marks. The insecurity of the capacity utilization observable in the first quarter of the year gradually disappeared in second quarter and its capacity was used to a major extent. The capacity rationalisation of the company performed in the reference year became justified taking into consideration the present utilizations. Beyond the transformation of its product structure the LLC took into consideration for the sake of the optimisation of its capacity not only the demand of existing and future customers, but also their solvency. With fewer customers it realised export revenues higher by 3.7% than the reference rate, despite the fact that the HUF/USD mean exchange rate dropped from the reference period rate of 212.78 HUF/USD to a rate of 188.25 HUF/USD in the current period. The company restricted its capacity to satisfying on an outstanding quality level the market needs of solvent players regarded as sufficiently covered. It decreased the rate of the lower coverage product in its product range. It withdrew from the production of lower priced luxury item and it pushed the manufacture of higher priced, premium category luxury products into the foreground. Due to the transformation of its product structure a 7.6% volume drop occurs in the current period, and despite the unfavourable exchange rate movements the company could increase its revenues reported in HUF, as the unit price of the glass sales reported in specific foreign currencies rose by 25.9%. Among its customers there are some worldwide famous companies present, like William Yeoward, Fabergé, Waterford, Tiffany, Calvin Klein etc., which are playing an outstanding

role in the distribution of glass products of a premium luxury category. The company managed again a significant loss in the report period, but its loss on the operating output level dropped to one third of its reference period value. Its loss is mainly due to the great restructuring of the market demands. As a consequence of market processes customers order series growing less and less in number. The fritting away of the production brings the efficiency greatly down. The frequent switches arising from the small series production cause higher rates of faulty products and longer standstill periods, which give rise to major additional charges. In the previous period the LLC performed a capacity rationalisation and in accordance with this it cut back on its staff number, due to which it operated with an average staff number lower by 109 employees that in the reference period. The solvency situation of the company did not improve. Taking into consideration the value loss at the end of the year 2006, the consolidated profit of its own manufactured stocks augmented in comparison to the reference period value. The stock evolution is unfavourably influenced by the so-called excess production needed for the secure delivery of short run series' orders.

In March of the reference period the Group switched to internal financing. In the course of this it reimbursed the LLC's bank credit stock by employing resources from within the Group. Its solvency can be maintained only by employing serious loans from within the Group.

Following the outsourcing of the manufacture of the Balaton Furniture Factory Co.Ltd., the Group's **furniture production** is performed by the Bebufa LLC founded in 2005. It partly wound up its own production capacity, liquidating Dália LLC in 2004, respectively outsourcing them from the Balaton Furniture Co.Ltd.. due to a profile cleaning. The commodity stock production needed for the trade activities of **Balaton Furniture Factory Co.Ltd.** is performed by Bebufa LLC since the 1. September 2005. The LLC has no independent trading activity, the domestic and international sales are handled entirely by the Balaton Furniture Factory directly. Besides its full scale trading activity the Ltd. performs property management tasks too. This latter activity will be terminated due to the profile cleaning, and the Ltd. will perform activities related only to trading. After the end of the changes, property management will be performed by the Kontúr Co.Ltd.. specialised in this domain. During the reference period Balaton Furniture Factory build a new, 3,100 sqm. surface plant hall on its free hold peripheral property, which incorporates the space needed for the manufacture of spare parts and the offices on the upper storey. The investment was completed by securing resources from within the Group. By the inauguration of the new plant it was rendered possible to have the entire furniture manufacturing technology on one single site, which resulted in the decrease of the production costs of the two premises existing until at that moment, as well as in the increase of its marketability due to the drop in the per unit costs of products. By the take over of the plant hall, a real estate situated in a central place of the town of Veszprém, which was used until then as an office and plant asset having several superstructures and a more than 20,000 sqm. well exploitable surface was liberated. The consolidated revenues of Balaton Furniture Factory Co.Ltd.. in the current period dropped by 21.7 5, while the pre-taxation revenues decreased by 21.2 % as compared to the same period of the previous year. The revenue deficiency occurred mainly in the budget on the home market, the constant uncertainty factors related to this, as well as of the doubling of the suppliers of this market, the position of the company in this market sector continues to decline. Its domestic retail sales decreased somewhat (by 21 %) compared to the reference rate. Within the realization of its domestic revenues an ever greater role is given to the projects requiring unique manufacturing, which were won on non public procurement tenders, mainly connected to hotel renovations and constructions. On the hotel market it realized a 28 % increase compared to the same period of the previous year. It augmented the volume and value of its exports by a significant 20.1 %, which arose on the one hand from the average 3% price increase, but on the other hand from a major increase of the volume. This latter increase was due to the new models successfully introduced on the Norwegian market. The high stock level of the orders for these products has a positive effect also on the future, but the volume increase is due also to the extension of the clientele. Both the manufacturing LLC and the Co.Ltd..

transacting the sales had accounted losses in the first half of the year. Their joint after-tax output declined in the current period by nearly 100 M Ft as compared to the reference period.

The highest trade turnover was realised in the **furniture sales**, partly by the sale of the commodity stocks manufactured by Balaton Furniture Factory Co.Ltd.'s own subsidiary, partly realising sales through the Domus department store chain. The furniture retail trade of the Fotex Group was mainly transacted by the **Domus Group**. In the completed part of the year there were some significant changes in the structure of the Domus Group. Together with the registration on 31st of March 2007 at the Registry Court the two existing subsidiaries of the Domus Plc., the Domus Chain LLC and the Domus Office Furniture Center LLC have merged with the mother company. Based on an ownership decision Domus gradually withdraws from the commercial activities, and reorganising its area of business, the main source of its income production will be the real estate development. The reason for this is that the trade activity output of the Domus Group has not reached, due to the continuous decline of the turnover in recent years and the consequently declining profitability, a profitability level, which it can realise by leasing out the owned valuable real estates. The big profile change within the Domus Group was forecasted by the start of leasing the department store surfaces used by the Domus Chain LLC towards foreign parties in the reference year, respectively the putting up the department stores for sale outside the Group. During 2006 the department stores in Debrecen, Miskolc, Szentes, Barcs, Zalaegerszeg, Szeged and Kaposvár were closed, in the first half of 2007 there followed the department stores in Mosonmagyaróvár and Pécs. The new turn in exploitation is justified by the continuous turnover decline and the subsequent profitability deficiency arisen in recent years at the Domus Chain LLC specialised in interior design, respectively the situation of the domestic furniture trade. Its sale performance was in recent years influenced by the increasing competition on every sub-market, and the turnover curtailing effect of the new market places and surplus capacities. The turnover evolution of Domus in the current period was mainly defined by the turnover shortfall of the already closed units. Its revenues show, due to the closings, a drop of 23.0 %. The revenues of department stores in Budapest reached an increase by 2.2 %, but the turnover of department stores in the countryside decreased by 43.0 %, due to the continuous closing downs. The turnover of countryside department stores operating as well in the reference period as in the current period had a level near to the reference rate (96.8 %). In order to minimise the one-time losses in connection to the store closings, the remaining department stores overtook significant stocks from the closed units, which slowed down bigger volume import acquisitions which need a longer transit time. The rate of domestic acquisitions changed in the case of Budapest from 61.0 % to 69.0 % and in the countryside from 69.0 % to 71.0 %. The company's total margin shrank more than the turnover deficit, due to the stock sales in connection with the store closings, and the 1.54 percentage point margin level decrease caused by the increase of the ratio of domestic products. The closing stock of Domus Group on the accounting day was by 343 M Ft smaller than the reference value as a consequence of the department store closings and effect of the stock-sales. The closing staff number of the Domus group decreased from the previous year's 300 employees to 189. As a joint effect of the drop of revenues due to the coverage deficit, and the price margin deficit due to the notice wages and severance payments arisen as a one-time effect of the staff downsizing, respectively to the additional charges accounted in relation with the current period and the stock sales, the Domus Group realised a loss of 151 M Ft (157 million Forint less than in the reference period). The termination of the interior design products' marketing in further department stores in the course of the rest of the year means a further increase of one-time personnel costs and a price margin deficit. This can not be fully counterbalanced by the end of the year by the output improving effect of the external leasing fees with higher profitability.

The Group's **cosmetics** division was greatly restructured before the current period. The Azúr Co.Ltd., representing the retail trade activity of the division, provided a performance in the red, therefore the owner decided to terminate its trade activities. While carrying this decision out, the company sold in the reference period the lease right of part of its retail trade units and

its stock to professional investors. The employees of the stores passed on, were taken over by the customers with legal continuity of their employment. For this reason this passing on of staff did not cause any additional charges. The reduction of the network and the setback of the trade activities was accompanied beside the above by a significant staff reduction. The number of employees dropped from 80 to 12 persons between the reference and current periods. The management output of the Azúr Co.Ltd.. became lucrative in the reference period due to the revenues arising from the sale of department stores. On the accounting date of the current period the Co.Ltd.. operated 2 stores, whose activity would be terminated. After this accounting date it passed on for operation purposes, against payment and with a franchise right, its retail trade activity to an LLC, whose minority owner is Fotex.

The company possesses 9 private real estates, which can be exploited by leasing. A major ratio of its coverage comes from this kind of activity. Despite this it worked with a loss on the trading profit level. Its interest rate revenues arisen from the engagement of its free financial assets influenced positively its output evolution, but despite the positive financial output the taxed yield still showed red figures. On the ordinary meeting of the company a decision was made concerning the merger with the Keringatlan LLC dealing with real estate employments, because of the liquidation of the additional charges arising from the performance of parallel activities. The probable date of the merger is 31. August 2007.

The Group's cosmetics division was practically set back to the retail trade activity of the **Fotex Cosmetics LLC**. The LLC liquidated its wholesale trade in January of the reference period. It focused its retail trade activities on three department stores dealing further on with sale of cosmetic products and supplying luxury cosmetic services. Its retail turnover dropped by 2.1 %, while its consolidated turnover increased by 9.8 %, compared to the reference period. Just like in the reference period, the current period activity of Fotex Cosmetics LLC is operating at a loss, but its rate is on operating output level by 10.1 %, and due to the improvement of the financial output on company level by 17.7 % lower than the reference period values. By terminating the financings of the LLC's wholesale stocks, its solvency turned positive, it continues its activity without external credits, by employing loans from within the Group.

Based on a decision of the management of the Fotex Plc. the Group withdrew three years ago from the traditional wholesale trade of **sound- and image carrying devices**, it reduced its retail capacities in this division; however, it invariably continues its publishing activity through the Hungaroton Records LLC, and takes care of the record archive by operating the Hungaroton Music Co.Ltd..

In recent years the trade activity of the **Fotex Records LLC**, dealing mainly with the music retail trade activities of the Group, was terminated. The operation of the Fotex Records LLC is restricted only to the intermediated services, which refers to the management and exploitation of the leasing in the MOM Park, as well as to the subsequent lease of an own asset purchased from the local authority.

The actual publishing and trading tasks of the music division are performed by the **Hungaroton Records LLC**. The revenue of the LLC dropped by 23.2 %. Its turnover deficiency was caused by the 40.5 % drop in its retail trade activity. On 15th of January the LLC closed its store situated in the Duna Pláza. The store was showing the highest turnover, but was still realising a turnover with negative tendency. The turnover deficit arising from this closing down could not be counterbalanced by the other two stores functioning in different shopping centres, and the new store opened on the 23rd of March in the Sugár Shopping Centre instead of the closed one. The company's export revenues reported in Forint decreased by 14.7 %, and the domestic publisher wholesale turnover dropped by 4.8 %. Its licence sales and royalty revenues augmented by 7.2 %. The retail trade unit of a larger surface opened in the Sugár shopping centre does not mean a development on company level of the retail trade

surfaces; it is only a restructuring, because the technical development, the spreading of the download of musical pieces from the Internet and the widening of the black market does not justify it. In the current period the company realised losses 62.4 % higher than in the reference period. This deficiency is mainly due to the one-time revenue deficit caused by the store closings, and the employment of the additional charges in connection with this.

The core activity of the **Primo Co.Ltd.** is the domestic and export trade of branded, mainly men's fashion. Its net revenues decreased by 13.0 % as compared to the same period of the previous year. Within this, the decrease of its retail trade turnover was of 9.1 %, that of the domestic wholesale of 9.5 %, and the export revenues were 35.4 % less than in the same period of the previous year. Its export turnover is mainly realised on the Russian and Ukrainian markets. On the accounting date the company possesses 4 retail trade units to be found in very popular places, which supply one quarter of its total revenues. The company's operational-business output is in the current period lucrative, as compared to the reference period, even despite the turnover deficit, because the cheap dollar positively influenced the market price of the products. Its taxed output evolved on the same scale as the reference level. The Co.Ltd.. possesses a high stock as compared to its turnover, the stock turnover period being of 351 days.

The Group has terminated its **photo supply** activity. After the sale of the shares in the F- O Photo LLC, it has terminated also the **photo service activity of the Fotex-2000 LLC**. In the third quarter of the reference year, at the expiry of its exclusive contract with the T-Mobile division of the Magyar Telekom Plc., the company has terminated, based on an owner's decision, its telecommunication service supply and device retail trade activities. Due to the shrinking of the photography market and the spreading of the digital photography technique since 2001, as well as the decrease of analogue prints and of the quantity of processed pictures, gave rise to an unstoppable process both among the producers and service suppliers. The LLC ceased its photography product wholesale during the 4th quarter of 2004, and its retail trade activity in January of the current year. The owner has supplied a franchise right to two external third parties regarding retail trade units performing photography service activities. In order to exploit and manage the real estates and investments owned by the company, based on an owner's decision, it merged on the 30th of November of the reference year with the Keringatlan LLC dealing with real estate exploitations.

The core business of the **Fotexnet LLC** is the sale of Internet surfaces through its Internet store functioning without logistics as „Shopping centre”, which was opened and restructured on 29th of July 2005. Internet surfaces can be employed against payment of a fixed monthly rental fee, or a leasing fee and a trade commission. There is a very big interest in services supplied on the Internet, on the accounting date there were 60 department stores and 23 smaller, so-called express stores within the Fotexnet Department Store. The department store is mainly filled up by the company with the products of external partners, the delivery of the sold products being the responsibility of the selling partner. The company supplies the marketing area, its reliability and notoriety. This activity supplied 27.3 % of its total revenues. Its revenues were realized beyond the incomes of the operation of the Internet department store, through market survey and advertising activities, as well as the supply of information technology devices and services. The costs and expenses of the company rose to a less rate than the turnover evolution, so the company management could close with a slight positive output as compared to the red figures of the reference period.

The main revenue of the **DVDrent LLC** comes from the operation of the cinema opened on 22. March 2007 in the Sugár Shopping centre, but it continues renting DVDs too, in connection with which it carries out the activity of DVD-polishing and other advertising tasks

related to these activities. Due to the extension of its scope of activities its turnover rose to more than its fourfold. It closed its current period with a significant output improvement and a slight profit as compared to the reference period.

By transforming the Group's activities that part of the assets, which were employed through the trade activities of the subsidiaries, or were employed for other private operation ends, by driving back the trade activity, an ever larger rate of the real estates is employed by leasing outside the Group. As a result of the strategy switch the Group became a real estate developing company. At the end of the year, as part of the audited annual report, both the investment and the privately used real estates have been reassessed.

The composition of the Group's real estate assets and in the case of the factors employed in the course of establishing the real value, there was no meaningful change in the current period. Therefore we regard the audited data published in the Group's annual report for the year 2006 as the relevant values when establishing the immovable property of the Group.

Category	Surface sqm.			Real value (lox estimation) thd Ft		
	For investment purposes	Privately employed	Total	For investment purposes	Privately employed	Total
Dep. Store	111 924	28 810	140 734	41 614 428	10 711 869	52 326 297
Office	8 255	275	8 530	2 762 467	92 023	2 854 490
Warehouse	91 584	21 869	113 453	10 215 564	2 439 337	12 654 901
Other building	57 695	58 156	115 851	3 813 369	4 324 140	8 137 509
Plot	95 000	765 000	860 000	2 102 501	16 930 538	19 033 039
Total:	364 458	874 110	1 238 568	60 508 329	34 497 907	95 006 236

Real estates for investment purposes were the assets leased or to be leased to third parties. The real value was established as the present value of future cash flows on the basis of the presently realisable leasing fees. In the annual report the real value was determined with a low, middle and upper estimation. The middle value was calculated at a discount rate of 7.1 % of the probable cash flows, while the lower and upper values were determined with rate deflected by +/- 1 percentage point as compared to the basic discount rate. The value of assets for non-investment purposes was determined as the present value of those cash flows, which would come to being if the real estates were leased to third parties, and it is based on the same type of calculation, as in the case of assets for investment purposes.

Taking into consideration that the Group revises the real value when preparing the annual report, and considering the due diligence, we regard the lower value of the Group's immovable assets as a benchmark, which value goes beyond 90 billion Ft.

Among the real estate stock offered for leasing by the Group the retail trade properties prevail. Our market position is especially strong in the segment of the so-called town department stores. The mainly well situated Budapest stores with good potentials can be leased out quickly. Presently we have only 9 unrented stores in Budapest and 6 in the countryside.

From our department stores there are only three countryside units belonging to the Domus Co.Ltd. (Nagykanizsa, Veszprém and Szombathely) waiting to be leased.

At the end of the III. renovation stage of the Sugár Shopping Centre, its stores are completely leased out, except for the II. catering and entertainment storey, where there still are some unrented stores or ones in the process of leasing them out. On the ground and first floors of the shopping centre there were some quality changes in the tenants.

The office stock of the Group consists mainly of a leasable asset stock in B category office buildings. As a consequence of the major expansion of the modern office stock, the non-A category offices have been pushed into the background considering the leasability, as those looking for lower leasing fee offices have many such assets to choose from, and the upper level of the leasing fees can be realised only on ever decreasing levels.

In the case of the warehouses the stock both in Budapest and in the countryside is of a significant size, but the majority of the immovable assets belong to the second or third categories ever since the appearance of the modern logistic centres. Their leasing out requires longer and more intense work than those of the stores.

An important task of the coming period on the leasing area is beside the lease of still untenanted real estates, the revision and renegotiation of the unfavourable leasing fee contracts closed for indefinite periods, and the improvement of the quality mix of the tenants by retaining the letting index numbers, for the sake of which tenant changes have to be implemented.

The core business of the **Sigma LLC** is the cooperation in the lease and the economical development according to the real estate market conditions, of the real estates liberated in the real estate portfolio of the Group. The counselling and real estate intermediation towards external partners make out only 2.7 % of the total revenues. Its revenues arise due to its main activity from the services supplied to companies within the Group. Its unconsolidated turnover was in comparison to its annual revenue plan higher than the pro-rata, mainly due to the commission fees of the leasing out of two Domus department stores effected at the end of the first quarter of the year. According to the trend of the previous years, the lease of the retail trade assets was the most fruitful as a consequence of the mix of immovable assets offered for renting. In this sub market there were 50 business transactions in the current period, which produced 87.5 % of its total revenues. In this period the company signed new lease contracts or extended older contracts for stores with a total surface area of 19.400 sqm. Among the more important transactions there were the leasing out of the Department stores of Domus Plc. in Pécs, Debrecen and Nyíregyház, and the prolonged and newly signed contracts for the spaces on the I.- II. floors of the Sugár Shopping Centre. Its income from the lease of office and warehouse assets amounts to 9.5 % of its total revenues. In the first quarter of 2007 the LLC signed leasing contracts for 6,480 sqm. warehouse and 520 sqm. office surfaces. 3.0 % of its total revenues come from counselling and other activities. The pre-tax output of the company surpassed by 10.1 % that of the reference period, due to the realisation of revenues higher than the pro-rata.

The business area of the **Kontúr Co.Ltd.** is after the fusion of its subsidiaries, the Kontúr Paper LLC and the Kontúr Home Equipment LLC on the 31st of July 2006, restrained to the real estate development. However, due to the merger of the subsidiary of the Kontúr Home Equipment LLC it still operates one interior design retail trade unit. On the accounting day dated 28th of February 2007, the Dália LLC merged with the Co.Ltd., so from that moment on the revenues arising from the own assets' lease of the LLC are reported among the revenues of the Co.Ltd.. The Kontúr Co.Ltd. realises its revenues mainly from the leasing of its own real estate assets. Its immediate revenues are increased by the leasing fees arising from the sublease of a leasehold form the local authority and the forward invoiced costs connected to this, as well as by the revenues arising from the supply of business management services. Its consolidated revenue rose with a significant 98.2 % due to the additional revenues reported in the Co.Ltd. arising from mentioned merger operations. The core business of the Co.Ltd. is

further on the development of its private property assets, which is constantly extended by the purchase of new real estates. In the second quarter of the reference year it bought the entire business participation of the Glas Hotel LLC belonging until then to Ajka Kristály LLC, by which it could indirectly increase its real estate property by another high value real estate asset (a hotel in Balatonalmádi). The company's management was lucrative, the after-tax output increase could not keep pace with the extent of the turnover extension, but it grew by 41.9 %.

The Keringatlan LLC is our major company dealing only with real estate developments. The LLC underwent several transformations. On the accounting day dated the 27th of July 2005, two subsidiaries of the Keringatlan LLC dealing also with real estate developments, the Alfa-Örs LLC, and the Szivárvány Ltd., merged with the mother company. On the 1st of December 2006 the Fotex-2000 LLC merged with the company, and its retail trade activity was terminated at the beginning of January of the current year, but its revenues arising from the real estate leasing are reported in the books of the Keringatlan LLC. The LLC is its direct property, and it manages 30 % of the real estate stock of the Group and 30 % of the Group's warehouse surfaces. Its revenues arise mainly from the real estate leasing.

More than 92.0 % of its revenues are made from transactions with external third parties. Its consolidated revenue augments significantly, eliminating the technical effects of the mergers in the reference year. The revenue increase arose mainly from the increase of the leasing fees, which is due to the additional income caused by the leasing out of formerly untenanted real estates (Kistarcsa, Szervita square, Kossuth Lajos street, II. floor of the Sugár Shopping Centre) and the higher fees imposed on new tenants. The leasing fees determined in Euro were negatively influenced by the Euro exchange rate, which could not be compensated for with the leasing fees increase proportional to the inflation incorporated in the contract. The LLC manages effectively, both its business and its pre-tax output are of a significant size, but in spite of the increasing revenues it taxed output decreased by 6.6 %. Its investments and tangible assets rose in comparison with the reference period due to the real estate purchases. The LLC contracted a bank credit for the purchase of the investments of its two subsidiaries which were incorporated by merger in 2005, respectively for the financing of the reconstruction of the Sugár shopping centre. Based on the decision of the Group it switched in the reference period to financing means from within the Group. Its foreign currency bank credits were reimbursed by loan granted by a member of the Group. The third stage of the reconstruction works of the Sugár shopping centre were financed from existing own financial assets without employing more important external sources. The first stage of the full renovation of the Sugár shopping centre ended in 2004, the second in November 2005. And the third stage of the renovation was practically completed before the end of the first quarter of the current year; furthermore the cinema was opened too, operating within the Group. During the renovation and reconstruction works the shopping centre functioned uninterruptedly.

The consolidated turnover of the Europrizma LLC engaged in the advertising business and the Europtic LLC, included into the consolidated group, is further on insignificant. Both LLCs realise their revenues mainly by the advertisement intermediation activities for the companies within the consolidation circle.

For the management of investments Fotex Plc. founded in November 2005 the Upington Investments Ltd., with a 100 % ownership and headquarters in Cyprus. The company owns significant financial assets arising from the sale of investments, rendering possible the financing of some subsidiaries within the Group. In the reference period the Upington Ltd. founded for the management of financial instruments a subsidiary in Luxembourg under the name of Downington Srl., which plays a major role in the Group's financings. The fact that

the group switched to internal financing, gave rise on the final accounting day of the current period to an external loan demand of 4,202 M Ft.

Personnel and organisational changes

The structure of the Domus Group is influenced by the fact, that the General Meeting of the Domus Plc. held on the 19th of October 2006 decided to incorporate the two remaining subsidiaries, the Domus Chain LLC and the Domus Office Furniture Centre LLC into the mother company by mergers. The purpose of the merger is the simplification of the structure and the work processes as a consequence of the termination of invoicing between each other and performing parallel tasks. The restructuring was registered at the Registry Court with the accounting date of 31st of March 2007.

The General Meeting of the Domus Plc. held on the 28th of February 2007 transformed the company into a closed corporation. This meeting recalled from their positions the members of the Board of Directors elected on the 27. November 2006, as well as the members of the auditing committee elected from the independent members of the Board of Directors. Subsequently to the vote for the transformation into a closed corporation new officials were elected. The members of the Board of Directors are: Enikő Borsy, president, further members: Gábor Várszegi, Dávid Várszegi.

At their ordinary annual meeting the Balaton Furniture Factory Co.Ltd. came to a decision concerning the corporate transformation, in the course of which the ownership right and management of the real estates forming the property of the corporation will be separated and removed from the core business of the Co.Ltd. by founding a new corporation. The separation is under way in a registry court procedure.

Miscellaneous

According to the General Meeting's decision no. 23/2000, with Keler Ltd's assistance a full share swap was effected on the 2nd of May 2001.

On the closing date 70.388.664 shares were swapped, 334.986 old shares were not converted by their owners, hence due to the rules of the exchange in force, these shares became null and void. For the sake of shareholders' interests the shares were substituted by new shares which were sold at the best possible price 30 days after sale, from the 15th of November 2001, the purchase price –minus charges- was due to share owners upon presentation of void shares. Until now 155.495 void shares have been compensated, while 179.491 shares were not yet claimed by their owners.

At the Annual Ordinary General Meeting of shareholders for Fotex Plc. –held on the 28th of April 2004 - a decision was made to dematerialise the printed shares. The 11th of November 2004 was fixed as the day of the dematerialisation. The conversion of shares does not affect the right connected to the shares. The submission period of previously printed shares lasted from the 10th of September 2004 until the 10th of November 2004.

Printed shares were pronounced void from the 11th of November 2004 by the Fotex Plc.

The dematerialised shares substituting the non presented ones in a total nominal value of HUF 135.000 were sold on the Budapest Stock Exchange on the 15th of February 2005 at an exchange rate of HUF 241. This purchase price deducting charges for the transaction was paid by the Fotex Plc. upon presentation of said shares to the last authenticated share owner, taking into consideration statutory laws on limitation claims. Following the dematerialisation

procedure, the value of 860 shares has been paid, while 490 void shares have not yet been presented by their owners.

On the 20th of September 2001 the Fotex Group opened several retail outlets in MOM Park Shopping Mall on a 7000 square meter total floor area. Most of our retail companies were exclusively represented in this shopping centre. In December 2001 Fotex Plc. initiated a claim to the Budapest Court against MOM Park Bt. about defaults and inadequacy of the leaser. The suit is still in court. Fotex Group concluded a contract with the Leaser that from the 31st of December 2003. onwards the leased area in MOM Park is to be decreased by approximately 1.500 square meters, and is presently carrying on negotiations about the transformation of its tenancies.

At the extraordinary General Meeting held on the 9th of December 2004 shareholders decided, based on the corporate management results and its market opportunities, to liquidate Keravill Ltd. without a legal successor by final settlement. In the course of the final settlement all commercial and other business activities were closed. As income derived from the final property sales could not cover the companies existing commitments, due to a sale on a lower price level than planned, the liquidator initiated a mandatory bankruptcy liquidation process on the 11th of March 2005 at the Budapest Court. Due to the company's insolvency the termination process without a legal successor was transformed into a winding-up proceedings as per the Budapest Court's mandatory writ of April 2005. The liquidation is currently in process, according to which the Company lost all its property, all of its activities were closed, and it was removed from the consolidation at the reference period's year end turnover date.

The Euler Hermes Magyar Hitelbiztosító Co.Ltd. sued the Fotex Plc. claiming that we should assume full responsibility for the 52,771,000 Ft. debt of the Keravill Ltd. being under liquidation, and that we should pay for the claim together with its interest and trial costs. Fotex Plc. considered the claim unfounded, the trial is underway.

Following Hungary's admittance into the European Union on the 1st of May 2004 the Group felt that the local trading tax is contrary to the laws of the community, as such a tax is an illegal turnover tax, thus from this date on our trading tax payment obligation ended. Taking into consideration that the local authorities have a contradictory standpoint on the subject, the warrants for their payments representing a significant tax payment obligation, were appealed by the Group members. Against the Court's decision in the second instance the Group has filed an appealed and is awaiting the results of the judicial process. The Group members have accounted for their local trading tax obligations and fulfilled their payment by reservation of a right.

The quick report squares with the facts and statements, no data relevant to judge the company's position was withheld.

Budapest, 13th August 2007.

Gábor Várszegi
Managing Director