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Independent Auditor's Report

To the owner of MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság

We have audited the accompanying 2006 annual report of MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság (hereinafter referred to as "the Company"), which comprises the balance sheet as at 31 December 2006, which shows total assets of HUF 850,910 million, and retained loss for the year of HUF 83,842, and the income statement for the year then ended, and the supplement including basic accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the annual report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

The auditor's responsibility is to express an opinion on the annual report based on the audit and to assess whether the business report is consistent with the annual report. Except as described in the next paragraph, we conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report. Our work with respect to the Business Report was limited to the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Qualified Opinion

We issued a qualified opinion in our Auditor's Report dated 18 April 2006 on the 2005 annual report of the Company. In the case of the divisions generating losses (Passenger Transportation division and Railway Track division) we deem that recovery of the book value of the assets of these divisions is not ensured neither in the previous year nor in the current year due to loss-making operation both in the past and according to plans for the future. Loss-making operation is primarily due to service prices below prime cost; determination of prices is beyond the Company's power. Valuation of assets belonging to these divisions was not carried out neither in the previous year nor in the current year, and we have been unable to satisfy ourselves as to the appropriateness of valuation of assets of the Passenger Transportation and the Railway Track divisions by other audit procedures.

Opinion

We have audited the annual report of MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság, its components and elements and their accounting and documentary support in accordance with Hungarian National Standards on Auditing and apart from the appropriateness of valuation of assets of the Passenger Transportation and the Railway Track divisions gained sufficient and appropriate evidence that except for the effects of any adjustments which would have been necessary had we been able to satisfy ourselves as to the appropriateness of valuation of assets of the Passenger Transportation and the Railway Track divisions, the annual report has been prepared in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. In our opinion, with the above qualification, the annual report gives a true and fair view of the financial position of MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság as of 31 December 2006, and of its financial performance and of the result of its operations for the year then ended. The business report is consistent with the disclosures in the annual report.

Emphasis of matter

Without qualifying our opinion we point out that the Company's equity amounts to HUF -31,581 million thus it falls short of the minimum level prescribed in Act IV of 2006 on Business Associations. Actions taken by the owner are described in Note II.3.3.1. of the Supplement.

Budapest, 8 May 2007

KPMG Hungária Kft.
1139 Budapest, Váci út 99
Chamber registration number: 000202

Marcin Ciesielski
Partner

Dr. Ferenc Eperjesi
Registered auditor
Identification number: 003161

Statistical code: 10856417-6010-114-01


Registration number: 01-10-042272

MÁV MAGYAR ÁLLAMVASUTAK
Zártkörűen Működő Részvénytársaság

1062 Budapest, Andrássy út. 73-75.

Annual Financial Statements
2006

Date: Budapest, 8 May 2007



Manager (representative) of the Company

Stamp

Statistical code: 10856417-6010-114-01

Registration number: 01-10-042272

BALANCE SHEET Version "A" - Assets

31 December 2006

Data in HUF million

No.	Description	Previous year	Previous year(s) adjustments	Current year
a	b	c	d	e
1	A. Fixed assets	715 043	-250	763 742
2	I. INTANGIBLE ASSETS	3 420	-22	4 332
3	Capitalised value of formation and transformation	0	-10	0
4	Capitalised value of research and development	97	-12	97
5	Rights and concessions	2 788	0	2 757
6	Intellectual property	535	0	1 478
7	Goodwill	0	0	0
8	Advances on intangible assets	0	0	0
9	Upwards revaluation of intangible assets	0	0	0
10	II. TANGIBLE ASSETS	697 126	-228	719 385
11	Land and buildings and related rights and concessions	409 419	-68	420 244
12	Plant, equipment, machinery, vehicles	248 691	-105	227 824
13	Other equipment, fittings, vehicles	1 032	-55	609
14	Breeding animals	0	0	0
15	Assets under construction, renovations	30 128	0	44 730
16	Payments on account	7 856	0	25 978
17	Upwards revaluation of tangible assets	0	0	0
18	III. INVESTMENTS	14 497	0	40 025
19	Long-term holdings in related companies	10 337	0	36 612
20	Long-term loans to related companies	485	0	8
21	Other long-term holdings	1 062	0	1 013
22	Long-term loans to companies in other holding relationships	0	0	0
23	Other long-term loans	2 612	0	2 392
24	Long-term debt securities	1	0	0
25	Upwards revaluation of investments	0	0	0
26	Revaluation difference on investments	0	0	0

Date: Budapest, 8 May 2007

Stamp


 Manager (representative) of the Company

Statistical code: 10856417-6010-114-01

Registration number: 01-10-042272

BALANCE SHEET Version "A" - Assets

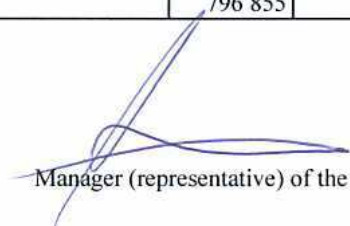
31 December 2006

Data in HUF million

No.	Description	Previous year	Previous year(s) adjustments	Current year
a	b	c	d	e
27	B. Current assets	58 299	2 675	55 326
28	I. STOCKS	7 301	-374	6 068
29	Raw materials and consumable goods	7 234	-375	5 936
30	Work in progress and semi-finished goods	18	0	2
31	Young, fattened and other livestock	0	0	0
32	Finished goods	29	0	103
33	Goods	20	1	19
34	Advances on stocks	0	0	8
35	II. RECEIVABLES	38 348	3 047	29 683
36	Trade receivables	13 648	3 723	4 925
37	Receivables from related companies	3 633	0	11 361
38	Receivables from companies in other holding relationships	89	0	38
39	Bills receivable	250	0	0
40	Other receivables	20 728	-676	13 359
41	Revaluation difference on receivables	0	0	0
42	Revaluation difference (+) on derivative transactions	0	0	0
43	III. SECURITIES	0	0	0
44	Holdings in related companies	0	0	0
45	Other holdings	0	0	0
46	Treasury shares, business shares	0	0	0
47	Debt securities held for trading	0	0	0
48	Revaluation difference on securities	0	0	0
49	IV. LIQUID ASSETS	12 650	2	19 575
50	Cash, cash equivalents	75	2	67
51	Bank deposits	12 575	0	19 508
52	C. Prepaid expenses and accrued income	23 513	-22	31 842
53	Accrued income	9 448	-22	15 949
54	Prepaid expenses	11 421	0	13 472
55	Accrued payables	2 644	0	2 421
56	Total assets	796 855	2 403	850 910

Date: Budapest, 8 May 2007

Stamp


 Manager (representative) of the Company

Statistical code: 10856417-6010-114-01

Registration number: 01-10-042272

BALANCE SHEET Version "A" - Equity and liabilities

31 December 2006

Data in HUF million

No.	Description	Previous year	Previous year(s) adjustments	Current year
a	b	c	d	e
57	D. Shareholders' equity	55 562	-3 016	-31 581
58	I. SUBSCRIBED CAPITAL	80 000	0	80 000
59	of which: repurchased ownership shares at face value	0	0	0
60	II. SUBSCRIBED, BUT UNPAID CAPITAL (-)	0	0	0
61	III. CAPITAL RESERVE	0	0	16
62	IV. PROFIT RESERVE	41 659	0	-41 905
63	V. NON-DISTRIBUTABLE RESERVE	14 546	0	14 150
64	VI. VALUATION RESERVE	0	0	0
65	Valuation reserve from upwards revaluations	0	0	0
66	Valuation reserve from fair valuations	0	0	0
67	VII. RETAINED PROFIT / LOSS FOR THE YEAR	-80 643	-3 016	-83 842
68	E. Provisions	12 645	0	24 457
69	Provisions for expected liabilities	10 560	0	22 268
70	Provisions for future costs	1 301	0	1 256
71	Other provisions	784	0	933
72	F. Liabilities	638 185	5 805	767 836
73	I. SUBORDINATED LIABILITIES	0	0	0
74	Subordinated liabilities to related companies	0	0	0
75	Subordinated liabilities to companies in other holding relationships	0	0	0
76	Subordinated liabilities to other entities	0	0	0
77	II. LONG-TERM LIABILITIES	508 831	-2	667 381
78	Long-term borrowings	0	0	0
79	Convertible bonds	0	0	0
80	Debts on the issuance of bonds	0	0	0
81	Investment and development loans	68 272	0	107 281
82	Other long-term loans	77 500		161 500
83	Long-term liabilities to related companies	0	0	0
84	Long-term liabilities to companies in other holding relationships	0	0	0
85	Other long-term liabilities	363 059	-2	398 600

Date: Budapest, 8 May 2007

Stamp


 Manager (representative) of the Company

Statistical code: 10856417-6010-114-01

Registration number: 01-10-042272

BALANCE SHEET Version "A" - Equity and liabilities

31 December 2006

Data in HUF million

No.	Description	Previous year	Previous year(s) adjustments	Current year
a	b	c	d	e
86	III. CURRENT LIABILITIES	129 354	5 807	100 455
87	Short-term borrowings	394	0	324
88	of which: convertible bonds	0	0	0
89	Short-term loans	66 893	0	45 287
90	Advances from customers	36	2	217
91	Trade payables	34 730	4 657	25 275
92	Bills payable	63	0	0
93	Current liabilities to related companies	16 434	0	18 232
94	Current liabilities to companies in other holding relationships	261	0	127
95	Other current liabilities	10 543	1 148	10 993
96	Revaluation difference on liabilities	0	0	0
97	Revaluation difference (-) on derivative transactions	0	0	0
98	G. Accrued expenses and deferred income	90 463	-386	90 198
99	Deferred income	12 756	-305	13 049
100	Accrued expenses	5 581	-2	9 712
101	Accrued assets	72 126	-79	67 437
102	Total equity and liabilities	796 855	2 403	850 910

Date: Budapest, 8 May 2007

Stamp


 Manager (representative) of the Company

Statistical code: 10856417-6010-114-01

Registration number: 01-10-042272

PROFIT AND LOSS STATEMENT Version "A" (total-cost method)

31 December 2006

Data in HUF million

No.	Description	Previous year	Previous year(s) adjustments	Current year
a	b	c	d	e
1	Net domestic sales	179 966	-543	196 729
2	Net export sales	30 391	1 226	8 877
I.	Net sales revenue (01+02)	210 357	683	205 606
3	Changes in self-manufactured stocks ±	-3	913	57
4	Capitalised value of self-manufactured assets	3 587	0	3 572
II.	Own performance capitalised (±03+04)	3 584	913	3 629
III.	Other income	17 016	-92	15 074
	III. of which: reversed impairment	0	0	0
5	Material costs	36 131	102	41 806
6	Services used	69 447	1 959	56 290
7	Other services	811	29	650
8	Cost of goods sold	3 482	67	3 966
9	Services sold (mediated)	2 942	-1	1 607
IV.	Material-type expenses (05+06+07+08+09)	112 813	2 156	104 319
10	Wage cost	85 180	0	81 939
11	Other staff benefits	15 158	230	13 837
12	Wage contributions	30 638	133	28 840
V.	Staff costs (10+11+12)	130 976	363	124 616
VI.	Depreciation	34 927	205	34 405
VII.	Other expenses	29 788	1 015	36 516
	VII. of which: impairment	465	0	5 127
A.	TRADING PROFIT/LOSS (I±II+III-IV-V-VI-VII)	-77 547	-2 235	-75 547

Date: Budapest, 8 May 2007

Stamp


 Manager (representative) of the Company

Statistical code: 10856417-6010-114-01

Registration number: 01-10-042272

PROFIT AND LOSS STATEMENT Version "A" (total-cost method)


31 December 2006

Data in HUF million

No.	Description	Previous year	Previous year(s) adjustments	Current year
a	b	c	d	e
13	Dividends and profit-sharings received	681	0	1 211
	13. of which: from related companies	598	0	1 141
14	Exchange gains from the sale of holdings	0	0	1
	14. of which: from related companies	0	0	0
15	Interest and exchange gains on investments	134	0	7
	15. of which: from related companies	133	0	0
16	Other interest received (due) and similar income	601	10	1 387
	16. of which: from related companies	44	0	62
17	Other income from financial transactions	1 467	1	4 328
	17. of which: revaluation difference	0	0	0
VIII.	Income from financial transactions (13+14+15+16+17)	2 883	11	6 934
18	Exchange losses on investments	1	0	0
	18. of which: to related companies	1	0	0
19	Interest payable and similar expenses	11 222	0	16 552
	19. of which: to related companies	22	0	49
20	Impairment of holdings, securities and bank deposits	1 192	0	832
21	Other expenses on financial transactions	675	7	3 631
	21. of which: revaluation difference	0	0	0
IX.	Expenses on financial transactions (18+19+20+21)	13 090	7	21 015
B.	PROFIT / LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)	-10 207	4	-14 081
C.	PROFIT / LOSS ON ORDINARY ACTIVITIES (±A±B)	-87 754	-2 231	-89 628
X.	Extraordinary income	7 628	358	36 143
XI.	Extraordinary expenses	517	1 143	30 357
D.	EXTRAORDINARY PROFIT/LOSS (X-XI)	7 111	-785	5 786
E.	PROFIT / LOSS BEFORE TAXATION (±C±D)	-80 643	-3 016	-83 842
XII.	Tax liability	0	0	0
F.	PROFIT / LOSS AFTER TAXATION (±E-XII)	-80 643	-3 016	-83 842
22	Use of profit reserve for dividends, profit sharings	0	0	0
23	Dividends and profit-sharings paid	0	0	0
G.	RETAINED PROFIT / LOSS FOR THE YEAR (±F+22-23)	-80 643	-3 016	-83 842

Date: Budapest, 8 May 2007

Stamp


 Manager (representative) of the Company



**HUNGARIAN STATE RAILWAYS (MÁV)
PRIVATE LIMITED COMPANY**

**SUPPLEMENT TO THE
2006 ANNUAL FINANCIAL STATEMENTS**

8 MAY 2007

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I General notes

I.1 Introduction

Based on the provisions of Act LIII of 1992 on the Management and Utilisation of Entrepreneurial Assets Remaining in Long-Term State Ownership and Act XVI of 1991 on Concessions, and exercising the ownership rights of the Hungarian State, the Ministry of Transport, Telecommunications and Water Management of the Republic of Hungary (Founder) established the Hungarian State Railways Company (hereinafter referred to as: MÁV ZRt. or the Company) on 30 June 1993 as a one-person company limited by shares. MÁV ZRt. was founded by means of transformation and its task was to provide rail passenger transport and cargo activities, whereby the cargo activity is no longer performed after it was outsourced into a separate company from 1 January 2006.

In accordance with the provisions of Act CXLIV of 1997 on Business Organisations, Act CXI of 1996 on the Issue of Securities, on Investment Services and on the Stock Exchange, Act XCV of 1993 on Railways and Act XXXIX of 1995 on the Sale of State-owned Entrepreneurial Assets, the Founder approved the Company's Deed of Foundation on 93 June 19 before subsequently modifying it several times.

The Deed of Foundation contains the fundamental provisions regarding the operation, organisation and governance of MÁV ZRt. The managing body of the Company is the Board of Directors, while the organisation is headed up by the General Manager.

Authorised to sign the annual financial statements: István Heinczinger General Manager, address: 1036 Budapest, Lajos u. 53-63.

Person responsible for accounting and bookkeeping services: Kunné Porkoláb Andrea, Head of Accounting, address: 2040 Budaörs Fém utca 5., registration number: Chamb. of Aud. Reg. No 000819.

In accordance with Section 155 (2) of the Act on Accounting, MÁV ZRt. is obliged to have its annual financial statements audited. Auditor of the Company: KPMG Hungária Kft.

Name of Company:

Magyar Államvasutak Zártkörűen Működő Részvénytársaság (Hungarian State Railways (MÁV) Private Limited Company)

Names of Company in foreign languages:

English: MÁV Hungarian State Railways Company Private Company by Shares

French: MÁV Chemins de Fer de l'Etat Hongrois Société Anonyme privée

German: MÁV Ungarische Staatseisenbahnen Aktiengesellschaft betreibend in geschlossener Weise.

Abbreviated Company name:

MÁV ZRt.

Foreign language abbreviations:

English: MÁV Co.

French: MÁV S.A.

German: MÁV AG.

Registered office:

1062 Budapest, Andrásy út 73-75. Tel: 322-0660

The Company's web site:

www.mav.hu

Founder of Company:

Ministry of Transport, Telecommunications and Water Management of the Republic of Hungary

Date of formation: 30 June 1993

The sole owner of the Company:

Ministry of Economy and Transport.

Subscribed capital

The subscribed capital of the Company as of 31 December 2006 totals HUF 80,000,000,000, which comprises 1 share with a face value of HUF 80,000,000,000.

Company registration number: Cg 01-10-042272

Tax number: 10856417-2-44

Statistical code: 10856417-6010-114-01

Core activity:

60.10 Rail transport (passenger transport by rail, traction)

63.21 Services supporting rail transport (track network access service)

Based on the provisions of Act CLXXXIII of 2005 on Railways and Decree No. 34/2003 (V. 28.) remaining in force issued jointly by the Ministry of Economy and Transport and the Ministry of Finance, the following organisations (divisions) are separated within the railway company: railway track, passenger transportation, machinery as well as central management and services. This segregation relates to the separation of assets, liabilities and human resources of the divisions, the accounting of inter-division services, the keeping of separate general ledgers, balance sheets and profit and loss statements, compiling business plans and operating individual controlling systems.

The 2006 prime cost calculation procedure for the divisions of MÁV ZRt. determines the profit and loss statement of the separate railway and other activities performed by the divisions, including the settlements between the divisions.

Looking at the separate railway activities

- the railway track network is operated by the Railway Track Division (along with other activities),
- passenger transportation including public passenger transport (and other activities) is performed by the Passenger Transport Division
- traction (and other activities) is performed by the Machinery Division
- other activities (central services, central management and other activities) are performed by the central management and service organisations.

Based on the contract regarding the operation of state-owned (Treasury) property, in its books the Company recognises managed Treasury assets and their corresponding sources stated as other long-term liabilities. In respect of asset management MÁV ZRt. carries out asset management activities aimed at efficiently executing state tasks, preserving and protecting the condition and value of the property and increasing the value.

I.2 Changes to Accounting Policies in 2006

Reasons for changes in 2006 Accounting Policies:

- amendments to Act on Accounting entering into force,
- new Railways Act,
- changes in the Company's core activity, and accordingly its management, as well as major structural changes.

I.2.1 Changes related to amendments in Act on Accounting

Based on amendments made to the Act on Accounting the following changes were made to the Accounting Policies of MÁV ZRt., in addition to the fine-tuning of definitions:

- 1) The Company previously wrote off the value of intangible and tangible assets with a purchase value of less than THUF 50 in one amount as depreciation when first used, as per prevailing regulations. In the case of intangible and tangible assets purchased after 1 January 2006, the amendment to the Act on Accounting has raised this limit to THUF 100, and therefore from the 2006 financial year the Company writes off the value of intangible and tangible assets with a purchase value of less than THUF 100 in one amount as depreciation when first used. The modification to the limit increases costs by HUF 40-50 million each year, which is not a substantial amount in light of the size of annual depreciation expense.
- 2) Act CXII of 2005 amending the Act on Accounting removed the opportunity to recognise exchange losses as an accrued payable under prepaid expenses and accrued income in connection with the year-end remeasurement of foreign currency investment loans, which was reintroduced by Act CXXXI of 2006 from 1 January

2007, whereby it can also be applied for 2006 annual financial statements. In contrast to previous practice this provision has been changed in that the exchange loss recognised as an accrued payable – against other expenses on financial transactions – must be reduced by the exchange gain recorded for individual financial years on the foreign currency liability in question. As a result of this change, the Company accounted 2006 exchange gains against non-realised exchange losses it had accrued in earlier years – prior to 2005 – on foreign currency investment loans. Consequently, the amendment to the Act reduced the profit on financial transactions by HUF 88 million.

I.2.2 Changes due to new Railways Act

Act CLXXXIII of 2005 on the Railways

- Based on Section 27 (5), in the profit and loss statement for the passenger transport division in the annual financial statements the result on public services is disclosed separately.
- Based on Section 37 (1), accounting records relating to costs, expenses and income within the divisions are disclosed separately, while the following activities are shown separately in the profit and loss statement of the divisions:
 - a) operation of the railway track network,
 - b) railway passenger transport,
 - c) traction.
- Based on Section 55 (11), the costs, expenses and income related to the fees applied in the network access system are determined in the manner laid down in the prime cost calculation procedure.

I.2.3 Reflecting changes made to MÁV ZRt.'s business and internal management system in the Accounting Policies

- a) MÁV CARGO ZRt. was formed as of 1 January 2006, following which one of the core activities of MÁV ZRt., cargo, is now performed by a legally independent company. The change in the Company's core activity induced the following important modifications in the internal rules recorded in the accounting policies and applied when preparing reports:
 - Instead of the former 5 separate divisions, reports are now only compiled for 4 separate divisions.
 - It was decided that receivables from cargo activities shall be shown separately in the report for central management and services until they are settled.
 - A major proportion of settlements between railway companies is accounted for by items related to cargo, and from 1 January 2006 these are accounted for by the independent cargo company MÁV CARGO ZRt. The system of inter-railway settlements for passenger transportation services enables reporting year data to be defined using calculations based on sales and settlement figures from the previous year, then the accounted figures can be adjusted in the year following the reporting year. This succeeded in substantially shortening the period for closing

the general ledger of MÁV ZRt., and therefore more time is available for consolidation and other reporting processes now that the Group has undergone such significant transformation.

- b) The structure of accounting services underwent radical change from 1 January 2006. In place of the mixed organisation of accounting services based around divisional and regional principles, accounting services are now built solely around a divisional structure. The previous 24 general ledgers have been replaced by 4 general ledgers along with bookkeeping and reporting centred around the separate divisions. The restructuring triggered changes in the division of work between organisations as well as in responsibilities and authorities, all of which were stated in the accounting policies.
- c) The performance figures of the regional railways were separated within the profit and loss statements of the divisions and on this basis, profit and loss statements were compiled based on their organisations constituting part of the individual divisions.

I.3 Accounting Policies applied by the Company

Aside from the requirements set forth in the Act on Accounting, the accounting policies drawn up by the management of MÁV ZRt. comply with the contents of the Railways Act and the related contract between the Hungarian State and MÁV ZRt. as well as Decree No. 34/2003 remaining in force issued jointly by the Ministry of Economy and Transport and the Ministry of Finance (segregation of railway activities within railway company from an accounting perspective).

The standard application of the accounting policies drawn up by the management of MÁV ZRt. enables the MÁV ZRt. annual financial statements to provide a true picture of its actual situation, not just on MÁV ZRt. as a whole but with regard to all of the separate divisions as well.

Based on regulatory conditions, MÁV ZRt. is obliged to compile stand-alone annual financial statements and consolidated annual financial statements on the calendar year with a reporting date of 31 December, in which Version "A" of the balance sheet and Version "A" of the profit and loss statement are prepared, ensuring the comparability of the Company's financial statements between years. The profit and loss statement is compiled using the total-cost method, but the supplement also contains a profit and loss statement drawn up using the cost-of-sales method.

The Company presents the figures in the financial statements in millions of forints, and neither the balance sheet nor the profit and loss statement have rows that are combined or broken down further. The Company keeps double-entry books.

The deadline for compiling the annual financial statements of MÁV ZRt. is 20 April of the year following the reporting year. The date of the closing general ledger statement (date for accepting last document affecting previous year) is 15 February of the year following the reporting year.

For the purpose of accounting procedures:

- Any difference between a carrying value used in lieu of an invoice or other accounting document and the value of the invoice or other accounting document subsequently received is always considered to be significant.
- In the case of estimation procedures used for international settlements between railways, the difference between the estimate and the actual amount is always considered significant.
- When recording impairment on assets and receivables, the difference between the historical cost and the fair market value is always assessed individually.
- When recording impairment on holdings, the differences between book values and market values are always rated significant on a case-by-case basis, and accounted if the difference is permanent.
- When recording extraordinary depreciation on intangible and tangible assets, any permanent difference (over one year) between the book value and the market value is considered significant if said difference exceeds the depreciation accounted on the given asset in one year.
- In light of the international settlements of MÁV ZRt., all exchange differences derived from the year-end revaluation of receivables, liabilities, securities and liquid assets denominated in foreign currencies (including FX and FX-based receivables) are considered to be significant, irrespective of their size.
- Since all errors and the effects thereof revealed during self-revisions and audits are always considered significant, the non-significant error category is not used at MÁV ZRt.
- Errors materially affecting the true and fair view (the aggregate value of significant errors and the effects thereof materially change the value of equity, and for this reason the figures already published on the financial position of the Company and the results of its operations are misleading) are ones where the equity recognised in the balance sheet of the business year preceding the year in which the error was detected changes by at least 20% as a result.

I.4 Valuation procedures applied by the company

Fixed assets are classified, accounted and valued based on the provisions of the Act on Accounting.

According to the Act on Accounting (Section 58 (5)), if the fair market value of assets significantly exceeds their book value they can be revalued, while the difference between the historical value and the fair market value can be accounted as an upwards revaluation under assets and in the valuation reserve under equity. MÁV ZRt. did not measure assets to fair value in 2006.

Items constituting part of the cost value are taken into account when they occur, when the business event happens (at the latest upon capitalisation). Depending on their use, the cost value of intangible assets is distributed over the years when these assets will presumably be used. Depreciation must be accounted in accordance with PVH Order No. 27/2005. (VIII.19. MÁV Ért. 33.) on "the method and rates for recording depreciation". MÁV ZRt. accounts ordinary depreciation on a daily basis using straight-line rates on gross values, until the net value reaches zero.

Taking advantage of the simplification provided by law, MÁV ZRt. writes off tangible and intangible assets immediately as depreciation expense when put to first use if their purchase value is below THUF 100.

The provisions of Section 53 of the Act are followed for recording extraordinary depreciation on intangible and tangible assets. Extraordinary depreciation is recognised if the book value of the intangible or tangible asset is permanently and significantly higher than its fair market value, and this difference exceeds the depreciation recorded on the asset during one year.

The assessment of market values as well as the recording and reversal of extraordinary depreciation falls under the sphere of competence of the Deputy General Manager, Portfolio Management based on requests from the heads of divisions/departments.

In accordance with Section 57 (2) of the Act on Accounting, if the recording of the extraordinary depreciation brings the book value of the asset below its original cost value and the reasons for the extraordinary depreciation no longer prevail, the extraordinary depreciation must be eliminated (reversed). This reversal ensues up to the market value of the intangible, tangible asset but at most up to its net value with due consideration of the ordinary depreciation. Reversals are only recorded for assets still recognised as of the reporting date, they are not recorded for assets derecognised during the year.

Intangible and tangible assets are stated in the balance sheet at their purchase or production cost net of ordinary and extraordinary depreciation, but raised with the value of any reversed depreciation.

Apart from related legislation the bookkeeping rules regarding treasury property are contained in the asset management contract concluded with the Treasury Property Directorate and in the related Asset Management Procedure.

Fair value measurement in accordance with Section 59/A-F of the Act on Accounting is not applied for financial assets.

The provisions of the Act on Accounting are applied when classifying and valuing current assets:

- Material inventories are measured using the weighted average price method, by calculating standard prices on a monthly basis. During the year-end valuation, impairment is accounted with due consideration of the market value and any previously accounted impairment is reduced with a reversal if the market value is permanently (over one year) and significantly above the book value.
- Self-manufactured stocks are recognised at the direct prime cost that is closely linked to the production and which can be allocated to the product based on appropriate indicators.

- Trade receivables as well as receivables from companies in holding relationships and other receivables are recognised net of any impairment and raised with the value of any reversed impairment.

During the year-end valuation of items denominated in foreign exchange, investments, securities, liquid assets, receivables and liabilities are converted using the official rate published by the MNB, and the aggregate exchange difference is accounted under income from or expenses on financial transactions in accordance with the Act on Accounting.

In the case of non-realised exchange differences of foreign currency investment loans on foreign currency accounts not covered by foreign reserves, if it is a loss it is accrued, but if it is a gain then it is recorded under income from financial transactions parallel to accounting previous accrued losses under expenses on financial transactions.

II Detailed notes

II.1 Notes to the balance sheet

The assets and liabilities in the balance sheet are assessed based on the year-end inventories and individual valuations. The balance sheet preparation date – last day for accepting external documents – is the date recorded in the accounting policies, 15 February 2007, while the last day for recording trade receivable and payable invoices is 30 January 2007.

II.1.1 Changes to fixed assets

Under fixed assets, there was substantial growth in tangible assets compared to the previous year of HUF 22,259 million or 3.19%, which mainly comprised an increase of HUF 32,724 million in assets under construction and payments on account as well as a fall of HUF 10,465 million in land and buildings and plant and other equipment.

The closing net value of intangible and tangible assets without assets under construction and payments on account totalled HUF 653,009 million, down by 1.44% on the previous year.

The value of investments rose by HUF 25,528 million or 3.19%. The growth in holdings totalled HUF 26,226 million, while long-term loans dropped by HUF 697 million.

The changes in intangible and tangible assets as well as in work in progress are contained in Tables 1-7 per asset group on the following pages.

II.1.1.1 Changes in intangible assets

Under intangible assets the net value of rights and concessions fell by HUF 31 million, while intellectual property rose by HUF 943 million. The capitalisation of intellectual property totalling HUF 1,143 million was the main factor behind the change in intangible assets. The net value of intangible assets decreased by HUF 56 million in connection with the foundation of MÁV CARGO ZRt.

Data in HUF million				
DESCRIPTION	Rights and concessions (111)	Intellect. property (112)	Research+d evelopm. (113)	TOTAL (11)
1. Gross opening value	3 447	10 499	177	14 123
2. Additions-renovations (capitalisation)	114	1 143	0	1 257
3. Other additions	213	52	10	275
4. Disposals	-2	-531	0	-533
5. Reclassifications	72	-72	0	0
6. Gross closing value	3 844	11 091	187	15 122
7. Opening depreciation	659	9 964	80	10 703
8. Current year ordinary depreciation	349	196	10	555
9. Current year extraordinary depreciation		0	0	0
10. Additions	9	2	0	11
11. Disposals	-2	-477	0	-479
12. Reclassifications	72	-72		0
13. Closing depreciation	1 087	9 613	90	10 790
14. Net closing value	2 757	1 478	97	4 332

Table 1: Changes to intangible assets in 2006

Work in progress under intangible assets is displayed in the following table:

Data in HUF million				
	Rights and concessions	Intellectual property	Research+d evelopm.	Total:
Opening	2 072	291	85	2 448
Current year expenditure	181	1 342	11	1 534
Capitalisation	-114	-1 143	0	-1 257
Closing	2 139	490	96	2 725

Table 2: Changes to intangible assets in progress in 2006

II.1.1.2 Changes in tangible assets

The following table shows the major factors behind the change in tangible assets in 2006:

Data in HUF million	
Opening net value of tangible assets	659 142
Capitalisations	54 025
Surplus stock	463
Depreciation	-34 096
Contribution in kind to Cargo	-27 029
Scrapping	-1 808
Transferres treasury assets to GySEV	-918
Sales	-850
Missing and destroyed tangible assets	-362
Other changes	110
Closing net value of tangible assets	648 677

Table 3: Major changes to tangible assets

From capitalised tangible assets, the net value of other growth aside from assets under construction and renovations totalled HUF 4,607 million. HUF 3,759 million is owned by the Treasury (dismantled assets HUF 3,772 million, surplus inventories HUF 9 million, reclassification from MÁV ZRt. assets HUF 8 million, and depreciation from the previous year of HUF 30 million, which reduced the net value), and HUF 848 million is owned by MÁV ZRt. (dismantled assets HUF 493 million, surplus inventories HUF 455 million, free assets received from the Treasury HUF 74 million, free assets received from other organisations HUF 1 million, and depreciation from the previous year totalling HUF 175 million, which reduced the net value).

The net value of disposals in addition to the reporting year depreciation totalled HUF 35,001 million. The Treasury portion of this totals HUF 5,928 million (dismantled assets HUF 3,772 million, partial and full asset retirements HUF 1,162 million, free transfers to GySEV HUF 918 million, transfer to MÁV ZRt. assets HUF 74 million, sales HUF 2 million), and the MÁV ZRt. portion HUF 29,073 million (assets contributed to MÁV CARGO ZRt. HUF 27,029 million, retired assets HUF 624 million, sales HUF 557 million, dismantled assets HUF 493 million, missing assets HUF 267 million, destroyed assets HUF 95 million, transfer to Treasury HUF 8 million).

Within tangible assets, land and buildings rose by HUF 10,825 million in comparison to the previous year, while machinery and equipment fell by HUF 21,290 million.

DESCRIPTION	State	Data in HUF million	
		MÁV ZRt	TOTAL (12 - 14)
1. Gross opening value	447 997	476 310	924 307
2. Additions-renovations (capitalisation)	32 899	21 126	54 025
3. Other additions	5 425	1 262	6 687
4. Disposals	-8 401	-65 233	-73 634
5. Reclassifications	0	0	0
6. Gross closing value	477 920	433 465	911 385
7. Opening depreciation	127 116	138 049	265 165
8. Current year ordinary depreciation	18 504	15 346	33 850
9. Current year extraordinary depr.	0	246	246
10. Additions	1 666	414	2 080
11. Disposals	-2 473	-36 160	-38 633
12. Reclassifications	0	0	0
13. Closing depreciation	144 813	117 895	262 708
14. Net closing value	333 107	315 570	648 677

Table 4: Changes to tangible assets in 2006

Data in HUF million

DESCRIPTION	Buildings			Structures			Land			Prop. rel. rights	Total (12)
	State (122,1)	MÁV ZRt (122,2)	Total (122)	State (123,1)	MÁV ZRt (123,2)	Total (123)	State (121,1)	MÁV ZRt. (121,2)	Total (121)		
1. Gross opening value	6 479	79 052	85 531	360 759	37 889	398 648	14 901	26 067	40 968	58	525 205
2. Additions-renovations (capitalisation)	203	2 175	2 378	25 917	765	26 682	99	0	99	16	29 175
3. Other additions	0	21	21	5 303	107	5 410	96	569	665	1	6 097
4. Disposals	-1	-303	-304	-7 896	-329	-8 225	-158	-558	-716	-1	-9 246
5. Reclassifications	0	0	0	0	0	0	0	0	0	0	0
6. Gross closing value	6 681	80 945	87 626	384 083	38 432	422 515	14 938	26 078	41 016	74	551 231
7. Opening depreciation	778	7 320	8 098	99 699	7 956	107 655	0	0	0	33	115 786
8. Current year ordinary depreciation	1	885	886	14 037	985	15 022	0	0	0	7	15 915
9. Current year extraordinary depr.		224	224		22	22	0	0	0		246
10. Additions		0	0	1 587	11	1 598			0		1 598
11. Disposals		-114	-114	-2 344	-99	-2 443	0	0	0	-1	-2 558
12. Reclassifications		0	0	0	0	0			0		0
13. Closing depreciation	779	8 315	9 094	112 979	8 875	121 854	0	0	0	39	130 987
14. Closing net value	5 902	72 630	78 532	271 104	29 557	300 661	14 938	26 078	41 016	35	420 244

Table 5: Changes to land and buildings in 2006

Data in HUF million

DESCRIPTION	Other production			Non-production		TOTAL (13- 14)
	State (131)	MÁV ZRt (132)	Total (13)	MÁV ZRt (142)		
1. Gross opening value	65 858	326 868	392 726	6 376		399 102
2. Additions-renovations (capitalisation)	6 680	18 020	24 700	150		24 850
3. Other additions	26	557	583	7		590
4. Disposals	-346	-63 180	-63 526	-862		-64 388
5. Reclassifications	0	6	6	-6		0
6. Gross closing value	72 218	282 271	354 489	5 665		360 154
7. Opening depreciation	26 639	117 396	144 035	5 344		149 379
8. Current year ordinary depreciation	4 466	12 969	17 435	500		17 935
9. Current year extraordinary depreciation		0	0			0
10. Additions-renovations (capitalisation)	79	368	447	35		482
11. Disposals	-129	-35 129	-35 258	-817		-36 075
12. Reclassifications	0	6	6	-6		0
13. Closing depreciation	31 055	95 610	126 665	5 056		131 721
14. Closing net value	41 163	186 661	227 824	609		228 433

Table 6: Changes to machinery, equipment, vehicles in 2006

II.1.1.3 Changes in assets under construction

Changes to assets under construction are shown in the following table:

Description	Data in HUF million		
	Assets under construction 2005	Assets under construction 2006	Change
Opening	38 516	30 128	-8 388
Current year expenditure	57 802	68 933	11 131
Capitalisation (-)	64 100	54 025	-10 075
Sales (-)	0	306	306
Scrapping (-)	2 090	0	-2 090
Closing	30 128	44 730	14 602

Table 7: Changes to assets under construction

Work in progress totals HUF 44,730 million, which represents a fall compared to the previous year of 48.47%. Investment expenditure in the reporting year rose by 19.26% (HUF 11,131 million) in comparison to the previous year, while capitalisations fell by 15.72% (HUF 10,075 million) compared to 2005.

In addition to work in progress, payments on account rose substantially by HUF 18,122 million on account of the purchase of passenger carriages launched in 2006. This relates primarily to the acquisition of the new Flirt trains, totalling HUF 11,849 million and the acquisition of the Talent trains amounting to HUF 4,246 million.

II.1.1.4 Impact of reporting year depreciation

The following table presents the reporting year depreciation of intangible and tangible assets:

Description	Data in HUF million				
	Depreciation			Total book depr.	Tax depr.
	Gross value	Ordinary	Extraord.		
Land	41 016	0	0	0	0
Real estate (without land)	510 215	15 915	246	16 161	19 092
Machinery, equipment	354 489	17 435	0	17 435	34 653
Other machinery, equipment	5 665	500	0	500	363
Total tangible assets:	911 385	33 850	246	34 096	54 108
of which: treasury	477 920	18 504	0	18 504	22 746
MÁV ZRt	433 465	15 346	246	15 592	31 362
Intangible assets*	12 397	555	0	555	555
Grand total:	923 782	34 405	246	34 651	54 663

*Note: It does not include intangible assets in progress amounting to HUF 2,725 million.

Table 8: Depreciation of intangible and tangible assets in 2006

Ordinary depreciation decreased compared to the previous year by HUF 522 million.

The decline was caused by the following factors:

The gross value of real estate, without land, rose by HUF 25,978 million, as a result of which, ordinary depreciation also increased by HUF 843 million; however, the gross value of plant and machinery fell by HUF 38,948 million due principally to the derecognition of assets contributed in kind into MÁV CARGO ZRt, and consequently, ordinary depreciation dropped by HUF 1,066 million. The overall impact on tangible assets was therefore a decline of HUF 223 million.

Although the gross value of intangible assets increased by HUF 723 million, the sum of depreciation recorded during the year fell by HUF 299 million. The reason for this is that intangible assets are written down more quickly on account of the higher amortisation rates applied.

Extraordinary depreciation was accounted totalling HUF 246 million for land and buildings which were not retired or dismantled in the course of 2006, but a decision has already been made to retire these assets in light of their technical condition or the fact that they are unused. The level of extraordinary depreciation was determined with due consideration of the value of materials likely to be recycled.

II.1.1.5 Free asset transfers / receipts

Data in HUF million

Description	Transfer	Receipt	Impact on profit	Impact on sources
MÁV ZRt tangible assets	0	75	75	0
Treasury tangible assets	918	0	0	-918
Total capitalised tangible assets	918	75	75	-918
MÁV ZRt investments	0	0	0	0
Treasury investments	0	365	0	365
Total investments	0	365	0	365
Total	918	440	75	-553

Table 9: Free asset transfers

MÁV ZRt. tangible assets received free of charge from the Treasury totalled HUF 74 million, while assets received from other organisations amounted to HUF 1 million. Looking more closely at Treasury assets, the main item was the transfer of assets recorded on line No. 21 to GySEV ZRt. at a net value of HUF 918 million. This transfer occurred alongside the sale of the related asset management right, with both the transfer of the assets and the asset management right taking place on 10 December 2006.

Table 12 details the receipt of Treasury investments free of charge.

II.1.1.6 Presentation of treasury property

Tangible assets that qualify as treasury assets under the Railways Act and Schedule 1 to Decree No. 34/2003 issued jointly by the Ministry of Economy and Transport and the Ministry of Finance are recorded separately in the books of MÁV ZRt.

The net value of treasury assets as of 31 December 2005 totalled HUF 342,502 million, which rose to HUF 367,507 million as of 31 December 2006 owing to interim changes.

Data in HUF million

	2005	2006	Change
Total land	14 901	14 938	37
Total buildings	5 701	5 902	201
Total structures	261 060	271 104	10 044
Total machinery, equipment, vehicles	39 219	41 163	1 944
Work in progress	21 621	34 400	12 779
Total treasury assets	342 502	367 507	25 005
Opening long-term liabilities at the date of Asset Management Contract as of 30 September 2001	275 578	275 578	0
Purchases from treasury sources	84 910	119 891	34 981
Purchases from own resources	41 858	52 190	10 332
Treasury assets received free of charge	5 341	5 714	373
Surplus treasury assets	91	100	9
Total additions:	132 200	177 895	45 695
Depreciation	59 196	77 730	18 534
Sale	35	37	2
Scrapping	3 544	4 706	1 162
Missing assets	310	310	0
Treasury assets transferred free of charge	2 191	3 183	992
Total disposals:	65 276	85 966	20 690
Total sources of treasury assets	342 502	367 507	25 005

Table 10: Treasury assets and their sources in the balance sheet

The following table presents the changes to treasury assets in 2006.

Data in HUF million

	2005	2006	Change
Opening net value of treasury assets	333 579	342 502	8 923
Treasury assets acquired from budget allocation	13 328	34 981	21 653
Treasury assets acquired from own resources	13 457	10 332	-3 125
Treasury assets received free of charge	108	365	257
Surplus assets	0	9	9
Transfer from MÁV ZRt. assets to treasury assets	6	8	2
Total current year additions	26 899	45 695	18 796
Treasury assets transferred free of charge	1	918	917
Current year depreciation of treasury assets	17 475	18 504	1 029
Previous year depreciation of treasury assets	45	30	-15
Sale	2	2	0
Scrapped, destroyed	351	1 162	811
Missing assets	3	0	-3
Transfer from treasury assets to MÁV ZRt. assets	89	74	-15
Asset settlement affecting previous year and disclosed in self-revision	10	0	-10
Total current year disposals	17 976	20 690	2 714
Closing net value of treasury assets	342 502	367 507	25 005

Table 11: Changes to treasury assets in 2006

The net value of treasury assets rose by HUF 25,005 million during 2006, caused by the reporting year investments which well exceeded the depreciation of HUF 18,534 million recorded during the year. HUF 34,981 million of the investments was financed from budgetary sources and HUF 10,332 million from own resources. The net value was reduced by depreciation accounted in the reporting year as well as other changes totalling HUF 2,156 million, of which the most significant items were scrapping totalling HUF 1,162 million and the transfer of the assets of line 21 to GySEV ZRt. totalling HUF 918 million.

Data in HUF million

Transferring body	Value of transferred assets	Future asset
Licet '95 Kft.	3	Outdoor lights and reconstrucion of track no. 8 (Sajószentpéter)
TÁVTEK Kft.	50	Outdoor lights and reconstrucion of track no. 8 (Sajószentpéter)
TBÉSZ Kft.	15	Warning light (Hódmezővásárhely-Földeák)
ASSONO Mo. Kft.	3	Outdoor lights (Sajószentpéter)
MÁVÉPCCELL Kft.	100	Linking track structures, sustructures (Bagod-Zalaegerszeg)
MÁV Informatika Kft.	58	TMIS endpoint to MÁV IP network
Ornament 2000 Kft.	45	Station building renovation (Szeged MÁV station)
Jász-Vasút Müsz.Terv. Kft.	6	Outdoor lights and reconstrucion of track no. 8 (Sajószentpéter)
Vasútvill Kft.	52	Outdoor lights and reconstrucion of track no. 8 (Sajószentpéter)
Zalaeg.Polg.Hiv.	28	Linking track structures, sustructures (Bagod-Zalaegerszeg)
MÁV Zrt.	1	TMIS endpoint to MÁV IP network
MÁV Zrt.	2	Station building renovation (Szeged MÁV station)
MÁV Zrt.	2	Outdoor lights and reconstrucion of track no. 8 (Sajószentpéter)
Total:	365	

Table 12: Assets received free of charge

The following table details the utilisation of budgetary subsidies for capital expenditure purposes:

Data in HUF million

Description	2005	2006	Change
Rail network development	2 188	104	-2 084
Unhindered transport	45	74	29
ISPA budgetary share	5 357	19 316	13 959
TEN-T budgetary share	553	832	279
Cegléd-Kkfélegyháza (Szeged) track rehabilitation	621	0	0
Development of "Schengen" railway border stations	61	0	0
KIOP grant for treasury assets from budget sources	0	458	458
GSM-R grant for treasury assets from budget sources	0	56	56
Costs not recognised by ISPA	663	1 743	1 080
TEN-T grant VAT	157	280	123
Costs not recognised by TEN-T	4	4	0
Budget total:	9 649	22 867	13 218
KIOP grant for treasury assets from ERFA fund	0	1 373	1 373
Cohesion Fund grant	8 684	11 846	3 162
TEN-T grant	74	432	358
Total (budget+EU funding):	18 407	36 518	18 111
Of which: - treasury	17 627	35 782	18 155
- non-treasury	780	736	-44

Table 13: Utilisation of budget funds for capital expenditure

The HUF 34,981 million in Table 11 is the growth in treasury assets in the current year from budgetary resources, while the HUF 36,518 million budget allocation in Table 13 is the sum paid by the Hungarian State Treasury in 2006. The paid budget allocation of HUF 36,518 million is not entirely the financial settlement of the 2006 treasury asset growth, but also the payment in 2006 of invoices unpaid from 2005 and advances paid in 2006 for treasury investments, from which there was no treasury asset growth in the current year.

Tables 14 and 15 on the following pages detail the values of treasury assets and the assets required to operate them as of 31 December 2006.

		Data in HUF million	
Value of treasury assets		Gross value	Net value
Land		14 938	14 938
12201	Administration buildings - listed	6 331	5 587
12411	Rail traffic buildings - listed	275	251
12415	Weigh houses	75	64
Total buildings		6 681	5 902
21211	Nat. public railway structures	185 068	135 302
21212	Nat. public railway sub-structures, add. buildings, buffers	63 273	44 880
212127	Nat. public railway loaders	667	519
212129	Other additional railway buildings of nat. public railway	18 865	14 309
212131	Medium-voltage (between 1-35 kv) high-power cables of nat. public railway	1 637	816
212132	Low-voltage (under 1 kv) high-power cables of nat. public railway	7 896	2 915
2121331100	Overhead communication cable network with supporting pillars of nat. public railway	126	46
212133	Communication cable network of nat. public railway	23 150	12 077
2121332	Data network cables of nat. public railway	335	226
212134	Overhead electric cables of nat. public railway	29 626	20 618
212135	Traction transformer station	3 959	3 193
212136	HM high-power, low-power cables, overhead electric cables	6	5
2122	HM industrial track structures and sub-structures	694	469
21412	Bridges	38 583	27 729
2142	Ditches, underpasses, tunnels	10 120	7 961
242003	Air raid shelter	78	39
Total structures		384 083	271 104
42	Loader	21	7
442	Power supply equipment	1 726	1 195
443	Battery above 100 A/h	170	136
444	Telecommunication equipment	21 183	9 582
447	Measurement devices	127	65
448566	IT equipment	3 367	575
4486	Rail safety equipment	45 624	29 603
Machinery, equipment, vehicles total		72 218	41 163
Work in progress		34 400	34 400
Grand total:		512 320	367 507

Table 14: Value of treasury assets, by type

Data in HUF million

MÁV ZRt. assets required to operate treasury assets		Gross value	Net value
111, 112, 113	Common residential bldgs. (workers hostel, quarters, etc.)	1 532	1 355
1211, 1212 (1230)	Commercial and service buildings	73	65
1220	Administration buildings	2 074	1 875
12411	Loading buildings	22 567	20 767
124121	Telecommunications and safety equipment buildings	1 933	1 750
124122	Automation and track-brake buildings of shunting yard	307	284
124123	Electrical traction sub-station buildings	260	238
124124	Track maintenance buildings	1 301	1 181
124125	Central telegraph and telecommunication building	206	188
124126,-27,-29	Traction and traffic buildings	2 421	2 251
12413	Engine and carriage depot	493	428
1242	Vehicle storage and maintenance buildings	144	130
12511, 12512	Works and workshop buildings	1617	1422
12513	Engine and boiler houses	849	696
12515	Pump buildings	237	198
12516	Fuel measurement and filling buildings	15	9
12517	Electric transformer control equipment building	1 060	970
12521	Commercial warehouse	53	48
125213	Transport warehouses (station, railway)	672	574
125214	Other warehouses	37	33
12526	Material stores	190	160
12527	Containers	68	53
1261-1263	Cultural and training buildings	907	770
1264, -65	Social and accommodation buildings	252	225
1271	Animal housing buildings	35	31
1274	Other buildings	2 391	2 185
Total buildings		41 694	37 886
2112	Roads, areas	5 324	4 319
21221	Industrial and narrow gauge railway structures	7 935	5 460
212221, -25	Industrial and narrow gauge railway sub-structures	1 546	1 080
212226	Buttress and revetment walls	53	36
212227	Railway loaders	5 478	4 354
212229	Railway crossings	437	328
21223	Network cables of industrial and narrow gauge railways	115	86
214124	Bridges of industrial and narrow gauge railways	854	630
214203	Ditches of industrial and narrow gauge railways	59	34
21421	Tunnels, wells and subterranean areas	40	34
2221	Oil, gas and other pipelines	776	683
2222	Water supply structures	2 985	2 331
2223	Sewage and rainwater structures	3 919	3 107
2304,2412, 2420	Other structures	2 042	1 670
2920	Rights and concessions related to land and buildings	56	31
Total structures		31 619	24 183
4 ...	Other machinery and equipment	9 994	4 120
4485,8...	IT equipment	3 312	233
Total machinery, equipment		13 306	4 353
6411,-12	Railway vehicles	4 469	3 033
6413,-15	Public road vehicles	219	13
Total vehicles		4 688	3 046
78-,79,797,8KF Intangible assets		1 002	194
Work in progress		3 456	3 456
Grand total:		95 765	73 118

Table 15: Assets owned by MÁV ZRt. required to operate treasury assets

II.1.1.7 Changes to MÁV ZRt. investments

Changes to investments recorded at MÁV ZRt. as per classification on 31 December 2006:

Data in HUF million

Investments	2005	Additions	Disposals	2006	Index (%)
Consolidated subsidiaries (SO1)	7 164	30 031	2 276	34 919	487,42
Companies treated as affiliated firms (SO2)	1 633	20	957	696	42,62
Jointly-managed companies (SO4)	0	0	0	0	0,00
Affiliated companies (SO5)	1 540	2	546	996	64,68
Other enterprises (SO6)	1 062	0	49	1 013	95,39
Total:	11 399	30 053	3 828	37 624	330,06

Table 16: Book value of MÁV ZRt. investments by category

With due consideration of the Act on Accounting MÁV ZRt. consolidated 14 subsidiaries fully into the 2006 consolidated annual financial statements. In comparison to 2005, MÁV CARGO ZRt. and MÁV Vagyonkezelő ZRt. were included among the fully-consolidated subsidiaries. These companies were selected based on the significant influence they bear on the business of MÁV ZRt., and the fact they are still majority-owned by the parent company. The most significant change here was the HUF 29,513 million capital increase in MÁV CARGO ZRt. Of the subsidiaries consolidated in full, impairment of HUF 688 million was recorded on the Company's holding in MÁV FKG Kft. and HUF 61 million on MÁV Vagyonkezelő ZRt., since their fair market values were permanently and significantly below their book values. All of the Company's holding in Mávtranszsped Kft. and 60.4% of the holding in BILK Kombiterminál ZRt. were contributed in-kind to MÁV CARGO ZRt. at a book value of HUF 1,615 million, while in the case of BILK Kombiterminál ZRt., previously recorded impairment of HUF 79 million was derecognised owing to the in-kind contribution.

MÁV CARGO ZRt. and MÁV Vagyonkezelő ZRt. were removed from the group of affiliated subsidiaries, but a new enterprise – ZÁLORASZ ZRt. – was founded with capital of HUF 20 million in which the Company holds all the shares. On account of the future outsourcing of passenger transportation activity, MÁV-START ZRt. was also founded in 2006 with capital of HUF 20 million and is wholly owned by MÁV ZRt. It was registered on 11 January 2007 and therefore is not included under holdings. Liquidation proceedings were conducted or were completed against several companies in the course of 2006. Liquidation proceedings were launched at Vasútigazgatási-Fejlesztési Tanácsadó Kft. (VIFT Kft.), and therefore the Company recorded impairment on its entire holding totalling HUF 3 million. Liquidation was completed at MÁV ÉHK Kft., MÁV Lián Kft. and Zöld Lác Rt., and these companies were derecognised from the books. Impairment of HUF 80 million was recorded on the Company's entire holding in MÁVTI Kft. The holdings in MÁV Raktár Kft. and MÁV Kombiterminál Kft. were contributed in-kind into MÁV CARGO ZRt., amounting to a book value of HUF 356 million.

The group of affiliated companies changed principally on account of the establishment of MÁV CARGO ZRt., with holdings in Agrochimtranspack Kft., Logisztár Kft., East-Rail Kft., Univer Trans Kft. and in MÁV-Rec Kft. being contributed in-kind for a total of HUF 546 million.

Of the associated enterprises, Ornament 2000 Kft., Logiszol Kft., Praelog Kft. and Kombiwest Kft. were sold during 2006. The Company's holdings in Hungarokombi Kft. and ICA Austria Kft. were contributed in-kind into MÁV CARGO ZRt. Liquidation proceedings against

Jouleimpex Kft., Diósgyőri Általános Szolgáltató Kft., Diósgyőri Vagyon Szolgáltató Kft. and Mozaik Rt. were completed, and therefore these holdings were derecognised from the books. The book value of associated companies decreased by HUF 21 million on account of derecognised holdings, and by HUF 28 million on account of year-end re-measurements of holdings.

Tables 82 and 83 detail the long-term holdings of MÁV ZRt. and their impairment.

II.1.2 Reclassifications in receivables and liabilities rows in the balance sheet,

The following reclassifications were conducted in the balance sheet between individual rows:

- Intellectual property in progress totalling HUF 2,072 million was reclassified under rights and concessions not related to land and buildings.
- The current account overdraft of HUF 4,386 million recognised under bank deposits was reclassified to short-term loans.
- A sum of reclaimable VAT totalling HUF 8,234 million stated under other current liabilities was reclassified under other receivables.
- The portion of other long-term loans due in 2006 and totalling HUF 367 million was reclassified to other receivables.
- HUF 7 million as the portion of long-term loans due in 2007 was reclassified to receivables from related companies.
- A HUF 38,001 million repayment instalment for 2007 was reclassified from long-term loans to short-term loans, while the HUF 984 million leasing fee due in 2007 was reclassified from other long-term liabilities to current liabilities.
- The adjusted amount of employer contributions payable due to early retirement and totalling HUF 164 million was reclassified from other current liabilities to accrued expenses.
- HUF 4 million was reclassified from other current liabilities to other receivables.
- HUF 174 million was reclassified from other receivables to other current liabilities.

II.1.3 Receivables and related impairment

There was major restructuring under receivables in 2006, which resulted in a substantial decline of HUF 8,723 million in trade receivables yet growth in receivables from associated companies of HUF 7,677 million. The chief reason for this was the foundation of MÁV CARGO ZRt. as a subsidiary and the outsourcing of cargo activity, meaning that receivables which accounted for a large portion of trade receivables now appear at the subsidiary. At the same time, services provided to MÁV CARGO ZRt. were included under receivables from related companies. The other factor which reduced the portfolio of receivables overall was the impairment recorded in the reporting year amounting to HUF 3,708 million, which is detailed later.

Under other receivables, the sum of reclaimable VAT totals HUF 8,234 million, while budgetary claims amount to HUF 1,926 million. Budgetary claims fell by HUF 7,369 million in comparison

to the previous year, which was largely due to the HUF 6,313 million decline in the production price subsidy receivable. Receivables from the budget are stated in the table at HUF 1,926 million, of which HUF 933 million is a consumer price subsidy receivable, HUF 521 million is an excise tax receivable related to rail transportation, while HUF 472 million is a receivable due to health insurance and family support benefits. Under other receivables, HUF 1,186 million is a VAT receivable related to rented railway vehicles, which in 2007 will appear as a receivable from the budget, and therefore budget receivables total HUF 11,346 million.

Data in HUF million

Name of debtor	Receivables					2006 impairment							
	Not yet due	1-90 days	91-180 days	181-365 days	More than 365 days	Total	Opening	Impairment derec.	Current year impairment (862.2)	Sums received on impaired debts (962.3)	Reversal (962.2)	Closing	Book value of receiv.
Trade debtors	1 950	1 614	358	544	6 304	10 770	6 103	222	1 188	1 224	0	5 845	4 925
Receivables from related companies	4 146	6 664	1 350	633	371	13 164	259	0	1 544	0	0	1 803	11 361
of which: subsidiary	4 098	6 615	1 344	631	346	13 034	234	0	1 544	0	0	1 778	11 256
other related company	48	49	6	2	25	130	25	0	0	0	0	25	105
Receivables from companies in other holding relationships	18	4	0	16	0	38	0	0	0	0	0	0	38
Bills receivable													0
Other receivables													13 359
of which: VAT													8 234
Other budgetary claims													1 926
Receivable from car rental VAT													1 186
Securing own resources for ISPA investment projects													460
Settlements between B/L rows													415
Receivables from employees													349
Advances													37
Other receivables													752
Total receivables:													29 683

Table 17: Receivables and related impairment

The impairment accounted on receivables was determined in accordance with the following sections.

II.1.3.1 Impairment on trade receivables

- ✚ Full impairment was recorded on receivables from customers who were under bankruptcy or liquidation proceedings, totalling HUF 117 million.
- ✚ In respect of receivables from MÁV CARGO ZRt. in relation to previous cargo activities, impairment was recorded up to the level of the sales price totalling HUF 41 million.
- ✚ Impairment amounting to HUF 316 million was recorded on receivables from foreign railway companies on the basis of compensation arrangements based on international agreements, of which HUF 109 million was accounted on receivables from the Macedonian railway and HUF 207 million on receivables from the Bulgarian railway.

- ✚ In addition to the above, further impairment of HUF 714 million was recorded on trade receivables on a case-by-case basis in light of the payments expected from partners.

II.1.3.2 Impairment recorded on receivables from related companies

- ✚ Of the company's subsidiaries, given that both MÁV FKG Kft. and MÁV GÉP Kft. permanently run at a loss and the withdrawal of liquid assets would make it impossible for them to function, full impairment totalling HUF 1,360 million was accounted on receivables overdue by more than 90 days, while full impairment was also recorded on the receivables of MÁV Hídépítő Kft. overdue by more than 180 days and totalling HUF 17 million.
- ✚ Full impairment amounting to HUF 359 million was accounted on the member loans of MÁV Debreceni Járműjavító Kft., of which HUF 163 million is short-term loans and HUF 196 million is long-term loans.
- ✚ In addition to the above, full impairment totalling HUF 4 million was accounted on receivables from related companies under bankruptcy and liquidation proceedings.

II.1.3.3 Impairment on other receivables

- ✚ In 2006, the capital increase disbursed to remedy the equity situation at MÁV Debreceni Járműjavító Kft., which for lack of registration at the Court of Registration was recorded under other receivables, was impaired in full totalling HUF 750 million.
- ✚ Full impairment totalling HUF 25 million was accounted on receivables from partners who are under bankruptcy and liquidation proceedings.
- ✚ Employee debts were impaired totalling HUF 5 million.

II.1.4 Presentation of liabilities

II.1.4.1 Liabilities related to treasury assets and treasury-financed investments

According to Section 23 (2) of the Act on Accounting, managed treasury assets must be recognised under the assets of the asset manager, while in accordance with Section 42 (5),

liabilities related to treasury assets must be recognised under long-term liabilities. The accounting of changes in assets is regulated by Government Decree 58/2005 on the management and sale of treasury property and other obligations related to such assets as well as the Asset Management contract concluded between the Treasury Property Directorate (KVI) and MÁV ZRt.

In accordance with the contents of the Asset Management contract, long-term liabilities sometimes change in parallel to individual asset modifications, while in other cases the corresponding liability may not change.

Owing to the differing change in treasury assets and the related liabilities, as of 31 December 2006 MÁV ZRt. recognised a long-term liability of HUF 396,752 million in relation to the treasury assets totalling HUF 367,507 million as well as investments financed from the budget and EU funds but which are owned by MÁV ZRt.

Long-term liabilities to the State were HUF 29,245 million higher than the managed treasury assets, which include a replenishment obligation amounting to HUF 26,971 million. The difference of HUF 2,274 million is caused by the accumulated balance of settlement accounts (receivables-payments) vis-à-vis the Hungarian State Treasury.

Changes to liabilities related to treasury property are shown in the following table:

Data in HUF million			
Liabilities related to treasury assets	2005	2006	Change
<i>Liabilities related to treasury assets, opening</i>	345 363	362 779	17 416
Reporting year additions in treasury assets (+)	26 899	45 696	18 797
Reporting year disposals in treasury assets (-)	17 976	20 691	2 715
Rise in reporting year replenishment obligation (+)	4 122	8 325	4 203
Balance of State Treasury settlements in reporting year (+)	4 371	643	-3 728
of which: investment invoices submitted to treasury in reporting year (-)	14 242	35 875	21 633
payments made by treasury in reporting year (+)	18 407	36 518	18 111
previous year invoices submitted to treasury but paid by MAV (+)	206	0	-206
<i>Liabilities related to treasury assets, closing</i>	362 779	396 752	33 973

Table 18: Liabilities related to treasury assets

The following table details the replenishment obligation of MÁV ZRt:

	Data in HUF million		
	2005	2006	Change
Replenishment obligation, opening	14 524	18 646	4 122
Reporting year depreciation of treasury assets (+)	17 475	18 504	1 029
Previous year depreciation of tangible assets (+)	45	31	-14
Sale of treasury assets (+)	0	2	2
Use of materials from retired treasury assets (+)	10	116	106
Use of money from third-parties for treasury capex (+)	45	12	-33
Treasury capex/renovation from own resources (-)	13 457	10 332	-3 125
Own assets transferred to treasury (-)	6	8	2
Asset settlement affecting previous year and disclosed in self-revision (+)	10	0	-10
Replenishment obligation, closing	18 646	26 971	8 325

Table 19: Replenishment obligation

II.1.4.2 Long-term liabilities

Long-term liabilities totalled HUF 667,381 million as of the reporting date – including liabilities related to treasury property – which represents growth of 31.16% on the previous year. Long-term liabilities account for 78.43% of the balance sheet total and 86.92% of total liabilities. Without liabilities connected to treasury property, long-term liabilities amount to HUF 270,629 million. Long-term liabilities comprise investment and development loans totalling HUF 107,281 million and liquidity loans totalling HUF 161,500 million.

II.1.4.3 Long-term loans of MÁV ZRt.

The long-term loans of MÁV ZRt. as of the reporting date are shown in the following table:

Description of loan	Date of loan contract	Expiry of loan contract	State surety (gov. res. no.)	Currency	Contracted portfolio (million, original currency)	Outstanding loan portfolio (31.12.2006)	
						in mill. of currency	HUF million
Investment loans							
EIB-ISPA	03.09.2001	15.09.2015	1082/2001	EUR	20	18	4 541
EBRD	23.02.1998	12.12.2012	1021/1998	EUR	40	23	5 904
EUROFIMA 10	20.08.2003	2010, 2013	1211/2002	EUR	35	35	8 830
EUROFIMA 11	31.12.2003	17.12.2018	1036/2003	EUR	35	35	8 830
EUROFIMA 12	31.12.2004	12.05.2014	1037/2004	EUR	25	25	6 307
EUROFIMA 13	31.12.2005	06.03.2015	1113/2005	EUR	28	28	7 064
EUROFIMA 13 b	03.10.2006	07.04.2016	1113/2005	EUR	35	35	8 830
OTP 2.2 billion (diesel tank)	26.02.2002	31.01.2007	1099/2001	HUF	2 200		159
Consortium HUF 12.87 billion	05.10.2004	05.04.2014	1037/2004	HUF	12 870		11 700
Consortium HUF 10.957 billion	21.04.2006	21.04.2013	1113/2005	HUF	10 957		10 957
Raiffeisen HUF 9.609 billion	26.04.2006	21.04.2016	1113/2005	HUF	9 069		9 609
KfW	05.05.1998	30.06.2008	-	EUR	10 332	0	0
MFB (13 desiro)	28.01.2002	30.06.2014	-	EUR	31	23	5 769
KfW (5+5 desiro)	02.02.2005	30.09.2016	-	EUR	29	26	6 609
OTP (10 telent)	23.03.2006	31.12.2016	-	EUR	45	17	4 338
Calyon-CIB (30 flirt)	22.03.2006	16.06.2020	-	EUR	145	47	11 849
MKB HUF 2.8 billion	24.04.2003	22.03.2008	-	HUF	2 800		875
MKB HUF 2.9 billion	05.05.2003	22.03.2008	-	HUF	2 900		906
ERSTE HUF 2.5 billion	26.03.2002	26.04.2007	-	HUF	2 500		412
K&H HUF 2.5 billion	22.04.2003	22.04.2008	-	HUF	2 500		882
HVB HUF 2.9 billion	17.01.2003	30.01.2008	-	HUF	2 900		781
HVB HUF 1.777 billion	01.06.2003	31.05.2008	-	HUF	1 777		628
Total:						115 780	
Working capital loans							
ERSTE HUF 8 billion	28.03.2003	30.06.2009	1211/2002	HUF	8 000		8 000
K&H HUF 15.5 billion	14.07.2003	14.07.2007	1036/2003	HUF	15 500		15 500
K&H HUF 6.3 billion	20.01.2004	26.11.2007	1036/2003	HUF	6 300		6 300
K&H HUF 7.7 billion	20.01.2004	26.11.2007	1036/2003	HUF	7 700		7 700
Consortium HUF 40 billion	05.10.2004	05.10.2012	1037/2004	HUF	40 000		40 000
KDB HUF 4 billion	27.12.2005	27.11.2010	1089/2005	HUF	4 000		4 000
IEB HUF 6 billion	27.12.2005	27.11.2010	1089/2005	HUF	6 000		6 000
M.Takarékszöv. HUF 10 billic	27.12.2005	27.11.2011	1089/2005	HUF	10 000		10 000
Consortium HUF 10 billion	27.12.2005	27.11.2012	1089/2005	HUF	10 000		10 000
Raiffeisen HUF 28.5 billion	27.12.2005	27.11.2015	1089/2005	HUF	28 500		28 500
Consortium HUF 55 billion	09.10.2006	09.10.2016	1075/2006	HUF	55 000		55 000
Total:						191 000	
Grand total:						306 780	

Note: FX loans were converted at 252.30 HUF/EUR rate (MNB rate as of the reporting date), the balances do not include the reclassification of instalments due within one year

Table 20: Long-term loans of MÁV ZRt

II.1.4.4 Repayment schedule for long-term loans recognised in the balance sheet

Description of loan	Data in HUF million						Total
	2007	2008	2009	2010	2011	2012 and later	
EIB-ISPA					908	3 633	4 541
EBRD	984	984	984	984	984	984	5 904
EUROFIMA 10				2 308		6 522	8 830
EUROFIMA 11						8 830	8 830
EUROFIMA 12						6 307	6 307
EUROFIMA 13 a						7 064	7 064
EUROFIMA 13 b						8 830	8 830
OTP 2.2 billion (diesel tank)	159						159
Consortium HUF 12.87 billion	1 560	1 560	1 560	1 560	1 560	3 900	11 700
Consortium HUF 10.957 billion					5 334	5 623	10 957
Raiffeisen HUF 9.609 billion						9 609	9 609
MFB (13 MUs)	1 162	775	775	775	775	1 509	5 771
KfW (acq. of 5+5 desiro)	734	734	734	734	734	2 937	6 607
OTP (acq. of 10 Talent trains)	434	434	434	434	434	2 169	4 339
Calyon (30 MUs)			1 030	1 030	1 030	8 758	11 848
MKB HUF 2.8 billion	700	175					875
MKB HUF 2.9 billion	725	181					906
ERSTE HUF 2.5 billion	412						412
K&H HUF 2.5 billion	588	294					882
HVB HUF 2.9 billion	625	156					781
HVB HUF 1.777 billion	418	210					628
Total investment loans:	8 501	5 503	5 517	7 825	11 759	76 675	115 780
ERSTE HUF 8 billion			8 000				8 000
K&H HUF 15.5 billion	15 500						15 500
K&H HUF 6.3 billion	6 300						6 300
K&H HUF 7.7 billion	7 700						7 700
Consortium HUF 40 billion		2 353	9 411	9 412	9 412	9 411	40 000
KDB HUF 4 billion				4 000			4 000
Takarékbank HUF 10 billion					10 000		10 000
Inter-Európa Bank HUF 6 billion				6 000			6 000
Consortium HUF 10 billion						10 000	10 000
Raiffeisen HUF 28.5 billion					5 700	22 800	28 500
Consortium HUF 55 billion				1 000	14 000	40 000	55 000
Total working capital loans:	29 500	2 353	17 411	20 412	39 112	82 211	191 000
Grand total:	38 001	7 856	22 928	28 237	50 871	158 886	306 780

Note.: FX loans are converted at 252.30 HUF/EUR rate (MNB rate as of the reporting date)

Table 21: Repayment schedule of long-term loans

II.1.4.5 Leasing liability

The Company's leasing liability as of the reporting date was in relation to the purchase under financial leasing of 300 used railway carriages, which is presented in the following table.

	Currency	2007	2008	2009	2010	Total:
Total contract value	EUR million	3,9	4,6	4,6	0,7	13,8
	HUF million	984	1 155	1 155	171	3 465
Performance value in the balance sheet	EUR million	3,9	3,3	3,3	0,0	10,5
	HUF million	984	833	833	0	2 649
Value of remaining deliveries	EUR million	0,0	1,3	1,3	0,7	3,3
	HUF million	0	322	322	171	816

Note:leasing liabilities were converted at a rate of 252.30 HUF/EUR (MNB rate as at the balance sheet date)

Table 22: Leasing liability

II.1.4.6 Current liabilities and other information

Current liabilities on the reporting date totalled HUF 100,455 million, which represents decrease on the previous year of 22.34% (HUF 28,899 million). Current liabilities account for 11.81% of the balance sheet total and 13.08% of total liabilities. Short-term loans decreased by HUF 21,606 million, trade payables by HUF 9,455 million and current liabilities to related companies by HUF 1,798 million. Current liabilities to related companies comprise a liability to subsidiaries totalling THUF 15,723. Reclaimable VAT of HUF 8,234 million was reclassified from other current liabilities to other receivables.

Description	Data in HUF million		
	2005	2006	Change
Budgetary payment liabilities	2 296	3 169	873
Wages	5 003	4 962	-41
Early retirement pension	1 100	79	-1 021
Factoring liabilities	1 275	500	-775
Current liabilities to treasury	0	316	316
Private pension fund membership fee deducted from employees	276	293	17
Forwarding and pension settlements	333	247	-86
Current portion of leasing liabilities	0	984	984
Other liabilities	260	443	183
Total other liabilities	10 543	10 993	450

Table 23: Other liabilities

II.1.4.7 Environmental liabilities

Based on Act LIV of 1992 and in accordance with the regulations of the Ministry of Environmental Protection, an "Environmental Damage Remediation Plan" (KKRT) was compiled with knowledge of the due diligence on the environmental condition of the railway and the audit results, which has since been run as a Railway Sub-programme of the National Environmental Remediation Programme (OKKP). The Ministry of Transport and Water Management set the deadline for the planned annual tasks as 2010.

When allocating provisions for environmental liabilities the following principle was applied:

- ✚ The status of environmental liabilities was assessed as of the reporting date, on which basis the difference between the level of provisions required and existing provisions was determined, which resulted in the provision to be allocated in the reporting year.
- ✚ The liabilities underlying the provisioning are partly liabilities expected on the basis of exploratory documentation work and orders from authorities, and partly from estimated, expected environmental liabilities assessed by the balance sheet date.
- ✚ Provisions were allocated for costs not covered from other resources.

Based on preliminary cost estimates, to fund the KKRT a total of HUF 5.4 billion was segregated from the capital reserve when transforming to a company limited by shares and was placed in the non-distributable reserve as of 1 January 2001. The non-distributable reserve was gradually reduced with the amounts used, thus the sum still in the non-distributable reserve totals HUF 3,617 million. Based on a previous cost estimate a provision of HUF 6,533 million was allocated in the 2002 financial year, while HUF 7,805 million in the current year. After sums used and released the amount available for use until 2010 totals HUF 12,446 million.

Changes in environmental liabilities:

Data in HUF million		
Period	2005	2006
Environment protection liabilities	1 112	1 517

Table 24: KKRT costs (environmental damage remediation plan)

On the strength of the above, a provision totalling HUF 7,805 million was allocated for expected liabilities.

non-distributable reserve:	HUF 3,617 million
2002 provisions:	HUF 6,533 million
Provisions used in 2003:	HUF -1,092 million
Havária provision released in 2003:	HUF -700 million
2004 utilisation:	HUF -1,086 million
2005 utilisation:	HUF -1,112 million
2006 utilisation:	HUF -1,517 million
2006 provisions:	HUF 7,805 million
total:	HUF 12.446 million

On the basis of Government Decree No. 219/2004, a "long-term environmental damage" margin note was registered in the Land Registry on some areas owned by the Treasury and the Company. The number of areas affected by long-term environmental damage totals 37, while proceedings are underway in relation to five plots of land.

II.1.4.8 Tangible assets that serve environmental protection purposes

The following table presents the changes to tangible assets that directly serve environmental protection purposes:

Data in HUF million			
Description	Opening	Additions	Closing
Gross value	1 483	599	2 082
Depreciation	121	89	210
Net value	1 362	510	2 292
Assets under construction			0
Total:	1 362	510	1 872

Table 25: Changes to tangible assets directly serving environmental protection purposes

The table includes the values of environmental objectives REKO I. and REKO II. implemented from 2004 as well as noise reduction wall investments to reduce noise pollution.

II.1.4.9 Changes in waste quantities

	2006 non-hazardous quantities from production (kg)	2006 hazardous quantities (kg)	2006 quantity produced from remediation (kg)
Budapest	9 498 315	301 256	3 100 000
Debrecen	169 226	126 589	2 800 000
Záhony	4 255 065	74 662	5 000
Miskolc	6 673 107	155 600	1 569 000
Pécs	868 193	113 065	1 633 390
Szeged	216 356	269 365	3 000
Szombathely	65 300	112 321	2 390 000
Total	21 745 562	1 152 858	11 500 390

Table 26: Changes in waste quantities (kg)

II.1.4.10 Off-balance sheet liabilities

II.1.4.10.1 Drawing and repayment schedule for long-term loans

The following table presents the planned schedule for drawing investment and development loans based on signed loan agreements:

Data in HUF million			
Type of transaction	2007	2008	Total
OTP (Acq. of 10 Talent trains)	7 293	0	7 293
Calyon (30 MUs)	18 928	6 360	25 288
Total	26 221	6 360	32 581

Note: loans denominated in foreign currency were converted at a rate of 259 HUF/EUR, MÁV-START Zrt. is expected to take on all of the loan agreements as of 1 July 2007.

Table 27: Schedule for drawing investment loans contracted by 31 December 2006

Repayment schedule for investment and development loans contracted by 31 December 2006 but not drawn in full:

Data in HUF million

Purpose of the loan	2007	2008	2009	2010	2011	2012 and later	Total:
OTP (Acq. of 10 Talent trains)	729	729	729	729	729	3 648	7 293
Calyon (30 MUs)	0	0	2 199	2 199	2 199	18 691	25 288
Total:	729	729	2 928	2 928	2 928	22 339	32 581

Note: loans denominated in foreign currency were converted at a rate of 259 HUF/EUR, MÁV-START Zrt. is expected to take on all of the loan agreements as of 1 July 2007.

Table 28: Repayment schedule for investment loans

Drawdown and repayment schedule for investment and renovation loans planned based on loan agreements to be signed in 2007:

Data in HUF million

Purpose of the loan	2007	2008	2009	Total:
Eurofima 13/c (25 M EUR)	6 475			6 475
<i>of which: part expected to remain at MÁV ZRt.</i>	<i>1 658</i>			<i>1 658</i>
Eurofima 14	9 051	11 225		20 276
<i>of which: part expected to remain at MÁV ZRt.</i>	<i>1 920</i>	<i>2 380</i>		<i>4 300</i>
HUF 37.34 billion invest. loan guaranteed by state	24 415	12 925		37 340
<i>of which: part expected to remain at MÁV ZRt.</i>	<i>20 917</i>	<i>11 074</i>		<i>31 991</i>
+30 MU option	11 002	7 451	18 222	36 675
<i>of which: part expected to remain at MÁV ZRt.</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total:	50 943	31 601	18 222	100 766
<i>of which: part expected to remain at MÁV ZRt.</i>	<i>24 495</i>	<i>13 454</i>	<i>0</i>	<i>37 949</i>

Note: loans denominated in foreign currency were converted at a rate of 259 HUF/EUR

Loans related to acquisitions in respect of passenger transportation are expected to be assumed by MÁV-START Zrt. and from 1 July 2007 these borrowings will be stated at MÁV-START Zrt.

Table 29: Drawdown schedule for investment loans based on contracts to be concluded in 2007 (MÁV ZRt. and MÁV-START Zrt.)

Purpose of the loan	Data in HUF million			
	2010	2011	2012 and later	Total:
Eurofima 13/c (25 M EUR)	0	0	6 475	6 475
<i>of which: part expected to be charged on MÁV ZRt.</i>	<i>0</i>	<i>0</i>	<i>1 658</i>	<i>1 658</i>
Eurofima 14	0	0	20 276	20 276
<i>of which: part expected to be charged on MÁV ZRt.</i>	<i>0</i>	<i>0</i>	<i>4 300</i>	<i>4 300</i>
HUF 37.34 billion invest. loan guaranteed by state	0	4 481	32 859	37 340
<i>of which: part expected to be charged on MÁV ZRt.</i>	<i>0</i>	<i>3 840</i>	<i>28 151</i>	<i>31 991</i>
+30 MU option	2 392	3 189	31 094	36 675
<i>of which: part expected to be charged on MÁV ZRt.</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total:	2 392	7 670	90 704	100 766
<i>of which: part expected to be charged on MÁV ZRt.</i>	<i>0</i>	<i>3 840</i>	<i>34 109</i>	<i>37 949</i>

* loans denominated in foreign currency were converted at a rate of 259 HUF/EUR

Table 30: Repayment schedule for investment loans based on contracts to be concluded in 2007 (MÁV ZRt. and MÁV-START Zrt.)

II.1.4.10.2 Forward transactions

The planned FX balances for MÁV ZRt. in 2006 reveal a shortfall of EUR 49.3 million while an investment loan totalling EUR 35 million was drawn (EUROFIMA 13). In accordance with the FX Management Procedure the planned MÁV ZRt. foreign currency transactions and the conversion of the investment loan were covered by a forward purchase of EUR 37.6 million and forward sales of EUR 5.2 million and EUR 35 million.

Purchase	Sale	Value date	Forward exch. rate	Closing exch.r. (MNB) on the day of closing*	Result (HUF)	Settlement method	Note
1. 1 600 000 EUR		16.03.2006	251,00	262,20	17 920 000	net	2006 hedge
2. 6 600 000 EUR		06.04.2006	251,00	264,20	87 120 000	net	2006 hedge
3. 4 600 000 EUR		26.04.2006	265,01	265,22	966 000	gross	rolling over of transaction 2
4. 2 000 000 EUR		26.04.2006	265,01	262,48	-5 060 000	net	rolling over of transaction 2
5. 2 500 000 EUR		15.05.2006	251,00	268,34	43 350 000	gross	2006 hedge
6. 4 700 000 EUR		15.06.2006	251,00	270,60	92 120 000	net	2006 hedge
7. 800 000 EUR		15.08.2006	251,00	270,00	15 200 000	net	2006 hedge
8. 2 300 000 EUR		15.09.2006	251,00	272,84	50 232 000	gross	2006 hedge
	5 200 000 EUR	31.07.2006	251,00	279,83	-149 891 950	gross	2006 hedge
10. 9 900 000 EUR		15.12.2006	251,00	252,75	17 325 000	gross	2006 hedge
11. 2 000 000 EUR		16.10.2006	251,00	265,40	28 800 000	net	2006 hedge
12. 4 500 000 EUR		16.10.2006	251,00	264,70	61 650 000	net	2006 hedge
13. 6 500 000 EUR		26.10.2006	267,09	261,44	-36 725 000	gross	rolling over of transaction 11-12
14. 2 700 000 EUR		15.11.2006	251,00	257,31	17 037 000	gross	2006 hedge
15.	10 000 000 EUR	31.07.2006	251,00	279,83	-288 253 750	gross	EUROFIMA 13 conversion
16.	15 000 000 EUR	31.07.2006	251,00	279,83	-432 380 625	gross	EUROFIMA 13 conversion
17.	10 000 000 EUR	31.07.2006	251,00	279,83	-288 253 750	gross	EUROFIMA 13 conversion

*- For EUR buying transactions with gross settlement the MNB fixing valid on the settlement date was applied to determine results

The results of transactions with gross settlement is reflected in lower FX average price

Table 31: FX forwards in the reporting year

The exchange-rate hedges achieved their objectives overall; the required foreign currency cash-flow was ensured at rates close to the planned rate. The loan was drawn at the planned rate of 251 HUF/EUR, while the operating FX loss materialised on average at 252.4 HUF/EUR in spite of the substantially higher MNB average exchange rate and the volatile rate during the year. The reason for the deviation from the planned rate was the higher opening inventory value and the exchange risk of the unsecured part.

There were no settlements in 2006 from hedges concluded to cover interest risk.

		Data in HUF million	
Type of transaction		Impact on profit	Cash flow effect
Settlement transactions	Forward	-861	-861
	Option	0	0
	Total:	-861	-861
Delivery transactions*	Forward	0	0
	Option	0	0
	Total:	0	0
Grand total:		-861	-861
of which	Hedge	-861	-861
	Non-hedge	0	0
	Total	-861	-861
of which	Stock exch.	0	0
	OTC	-861	-861
	Total	-861	-861

*Note: The profit effect of delivery transactions is reflected by the lower FX average prices

Table 32: Closed forward sales in 2006

As of 31 December 2006 MÁV ZRt. had no open FX forward transactions. To secure the risk from changes in interest rates the Company had 4 interest collar transactions worth EUR 93 million as of the reporting date, which cover the interest risk from FX investment loans and are aligned with the loan interest repayment periods. The last covered interest period is in 2009.

II.1.4.10.3 Sureties

As of 31 December 2006 MÁV ZRt. had the following surety and guarantee contracts as included in the following table:

Company name	Creditor's name, contract No.	Start of surety	Expiry of surety	Data in HUF million	
				Contract value	Value as of 31.12.2006
MÁV Északi J.J. Kft. K-1396/2006	Surety for (not revolving) investment loan K & H Rt. NSF/2006-0057/BKK, Békéscsaba	13.02.2006	28.02.2007	16	16
MÁV Tiszavas Kft K-4364/2003	K & H Rt. CRM/TTH-03-809/KK/M, CRM/TTH-04-673/KK terminated, replaced by NSF/SER/2005-1081/KK overdraft facility, suretyship	26.09.2003 modification 06.01.2004, 22.09.2004, 28.09.2005	26.09.2007	450	450
MÁVGÉP Kft. K-8799/2004	K & H Rt. CRM/TTH-04-676/KK and KK/M terminated, replaced by NSF/SER/1082/KK overdraft facility, suretyship	27.09.2004 modified 17.05.2005 and 28.09.2005	26.09.2007	625	625
MÁV FKG Kft. K-8798/2004	K & H Rt. CRM/TTH-04-675/KK and KK/M, replaced by HSF/SER/2005-1080/KK overdraft facility, suretyship	22.09.2004 modified 16.05.2005 and 28.09.2005	26.09.2007	475	475
MÁV RakSzer Kft K-4117/2005	K&H CRM/TTH-05-0254/KK overdraft facility, suretyship	29.04.2005	28.09.2007	10	10
MÁV Debreceni JJ	Advance repayment guarantee with MKB Rt, with MÁV suretyship	20.12.2005	31.10.2007	1 208	1 208
MÁV Északi J.J. Kft. K-11471/2004	K & H Rt. CRM/TTH-031051/KK, renewed CRM/TTH-04-0911, NSF/SFI/2005-1312/KK overdraft facility, suretyship	08.01.2004, modified 03.12.2004, 01.07.2005, 02.12.2005, 24.11.2006	30.11.2007	300	300
MÁV Tiszavas Kft .	Contract with COTHEC Kft. for the renovation of the heating system with MÁV suretyship	11.12.2001	30.06.2009	531	33
MÁV Tiszavas Kft .	ABN AMRO long-term rental contract for renting 200 covered Hsbblnss carriages with sliding doors, with MÁV suretyship	27.07.1998	31.08.2009	3 059	978
MÁV Északi J.J. Kft. K-11396/2006	Surety for (not revolving) investment loan K & H Rt. NSF/2006-0057/BKK, Békéscsaba	13.02.2006	14.02.2011	18	18
Total sureties:				6 692	4 113

Table 33: Unconditional payment guarantees

Company name	Type of guarantee	Contracting party	Start of guarantee	End of guarantee	Amount of guarantee EUR	Amount of guarantee HUF million
Assumed bank guarantees						
MÁV Északi J.J. Kft. K-1396/2006	For the investment project of ÉJJ carried out at its Békéscsaba site	K & H Rt. NSF/2006-0057/GKK	13.02.2006	14.02.2011	0	19
Total bank guarantees assumed					0	19
Performance guarantees						
MÁV Debreceni JJ	Performance guarantee	MÁV Rt.	15.09.2005	31.10.2007	2 311 716	580
MÁV Debreceni JJ	Surety from owner	MÁV Rt.	15.09.2005	31.12.2008	630 468	158
MÁVGÉP KFT K-10998/2004	Surety from owner	MÁV Rt.	14.02.2005	31.12.2010	0	68
MÁV FKG KFT K-10997/2004	Surety from owner	MÁV Rt.	14.02.2005	31.12.2010	0	120
MÁVGÉP KFT K-10998/2004	Surety from owner	MÁV Rt.	14.02.2005	31.12.2010	0	42
MÁV FKG KFT K-10997/2004	Surety from owner	MÁV Rt.	14.02.2005	31.12.2010	0	35
MÁVGÉP KFT K-10998/2004	Surety from owner	MÁV Rt.	09.05.2005	31.12.2010	0	40
Total performance guarantees:					2 942 184	1 043
Total guarantees:					2 942 184	1 062

Table 34: Guarantees

II.1.4.10.4 Mortgage right

The loans drawn from EUROFIMA are secured by liens on the vehicles overhauled with the loan. The mortgage is registered on the assets until the loan is repaid. This also applies to loans assumed by the state but which are still outstanding.

In connection with the purchase of 10 Desiro suburban trains (lending bank: KfW), 10 Talent trains (lending bank: OTP) and 30 Flirt trains (lending bank: Calyon), mortgages were registered on the assets to be purchased from the loan with the beneficiary being the lending bank, in accordance with the respective loan agreement.

To secure the loan drawn on 27 July 1987 to develop the measurement system a mortgage was registered totalling HUF 23 million on the building of the Railway Track Division located at Budapest, Kmetty u. 3 on behalf of the Ministry of Transport, Telecommunications and Water Management.

Based on the KAC subsidy agreement, the property at X. Kőbányai út 24. (top. lot no.: 38920) worth HUF 2.5 billion is collateral for the Ministry of Environment over the period of the subsidy.

Based on the Operating Licence of MÁV ZRt. the BVSC sports ground located at Szőnyi u. 2, District XIV, Budapest serves as collateral for the Central Transport Supervisory Authority in respect of damage caused to third parties.

II.1.4.10.5 Off-balance sheet interest and additional liabilities

Description of loan	Data in HUF million						Total:
	2007	2008	2009	2010	2011	2012 and later	
EIB-ISPA	200	209	201	211	211	404	1 436
EBRD	288	240	182	140	94	40	984
EUROFIMA 10	346	363	347	317	290	446	2 109
EUROFIMA 11	360	361	363	367	392	2 751	4 594
EUROFIMA 12	259	261	255	260	280	707	2 022
EUROFIMA 13 a	277	289	285	292	302	1 096	2 541
EUROFIMA 13 b	351	362	365	366	371	1 768	3 583
EUROFIMA 2-8 commissions	141	116	81	80	48	138	604
OTP 2.2 billion (diesel tank)	1	0	0	0	0	0	1
Consortium HUF 12.87 billion	928	728	532	390	285	285	3 148
Consortium HUF 10.957 billion	902	795	690	646	405	291	3 729
Raiffeisen HUF 9.609 billion	788	720	628	577	567	1 756	5 036
MFB (13 MUs)	240	206	163	134	104	93	940
KfW (acq. of 5+5 desiro)	299	262	218	206	176	321	1 482
OTP (acq. of 10 Talent trains)	457	494	420	383	346	827	2 927
Calyon (30 MUs)	853	1 745	1 661	1 680	1 573	6 414	13 926
MKB HUF 2.8 billion	52	4	0	0	0	0	56
MKB HUF 2.9 billion	55	4	0	0	0	0	59
ERSTE HUF 2.5 billion	8	0	0	0	0	0	8
K&H HUF 2.5 billion	55	9	0	0	0	0	64
HVB HUF 2.9 billion	47	3	0	0	0	0	50
HVB HUF 1.777 billion	45	11	0	0	0	0	56
Total investment loans:	6 952	7 182	6 391	6 049	5 444	17 337	49 355
ERSTE HUF 8 billion	821	602	271	0	0	0	1 694
K&H HUF 15.5 billion	881	0	0	0	0	0	881
K&H HUF 6.3 billion	510	0	0	0	0	0	510
K&H HUF 7.7 billion	625	0	0	0	0	0	625
Consortium HUF 40 billion	3 434	2 773	2 365	1 890	1 070	396	11 928
KDB HUF 4 billion	332	291	253	215	0	0	1 091
Takarékbank HUF 10 billion	1 027	729	634	593	538	0	3 521
Inter-Európa Bank HUF 6 billion	498	453	396	396	0	0	1 743
Consortium HUF 10 billion	833	757	661	607	597	664	4 119
Raiffeisen HUF 28.5 billion	2 372	2 156	1 890	1 737	1 466	2 905	12 526
Consortium HUF 55 billion	4 106	4 128	3 591	3 206	3 091	4 865	22 987
Total working capital loans:	15 439	11 889	10 061	8 644	6 762	8 830	61 625
Financial lease:	182	139	54	6	0	0	381
Grand total:	22 573	19 210	16 506	14 699	12 206	26 167	111 361

Note: FX interests were converted at a budgeted rate of 259 HUF/EUR

Table 35: Repayment schedule for off-balance sheet liabilities (interest and additional costs)

II.2 Provisioning

II.2.1 Provisioning for expected liabilities

In accordance with Section 41 (1) of the Act on Accounting: "Provisions must be allocated against the pre-tax profit for payment liabilities which are derived from old or present transactions or contracts and which, based on the information available up until the balance sheet preparation date, are expected to or will arise, however, their amount or the day when they fall due is as yet uncertain."

Data in HUF million				
Provisions allocated for liabilities	Opening	Use in 2005	Allocation in 2005	Closing
Staff, early retirement severance pay	6 848	6 394	6 343	6 797
Environment protection liabilities	2 541	1 517	7 805	8 829
Sureties to Máv companies	96	63		33
Litigation	825	268	6 052	6 609
BNA bill of exchange	250	250		0
Total:	10 560	8 492	20 200	22 268

Table 36: Provisions allocated for expected liabilities

A provision of HUF 6,343 million was allocated for the planned downsizing in 2007 based on liabilities expected in the reporting year, in respect of which it is unlikely that the Company will receive any subsidies or support. A provision of HUF 6,052 million was allocated for 84 pending legal actions.

In addition to the above, a provision of HUF 7,805 million was allocated for environmental liabilities, which is detailed in Section II.1.4.6.

II.2.2 Provisions for future costs

According to Section 41 (2) of the Act on Accounting, provisions can be allocated from the pre-tax profit. This ensues for significant and periodically recurring future costs which are expected to or will arise but their amount or the date of their occurrence is still uncertain as of the balance sheet preparation date. Such provisions allocated by MÁV ZRt. are as follows:

Data in HUF million

Provisions for future costs	Opening	Re-allocation during the year	2006 use	2006 allocation	Closing
Dismantling	579	0	104	526	1 001
of which: Railway Track division	560		100	256	716
Machinery division				85	85
Central units	19		4	185	200
Maintenance	722	0	657	0	65
of which: Railway Track division	60				60
Goods Transp. division	662	-5	657		0
Central units		5			5
Damage from flooding	0	0	0	157	157
Monitoring fee	0	0	0	33	33
Total:	1 301	0	761	716	1 256

Table 37: Provisions allocated for future costs

II.2.3 Provisions allocated for exchange losses

According to Section 41 (4) of the Act on Accounting, provisions must be allocated for the non-realised exchange losses of liabilities that are not secured with sufficient foreign currency on the FX account.

The following table presents the changes in provisions allocated on the exchange loss of investment and development FX loans as recognised in the other provisions row:

Description	Closing balance EUR '000	Closing balance HUF million	Accumulated accr. HUF million	Start of term	End of term	Prov. in HUF million opening	2006 utilisation HUF million	2006 alloc. HUF million	Prov. in HUF million closing
431,311 MFB 30,7 M	22 865	5 769	299	01.07.2002	30.06.2014	95	0	17	112
431,321 OTP (Talent)	17 193	4 338	0	23.03.2006	31.12.2016	0	0	0	0
431,331 Calyon	46 962	11 849	0	22.03.2006	16.06.2020	0	0	0	0
431,351 Desiro	26 193	6 609	100	02.02.2005	30.06.2016	10	0	7	17
431,3623 E.fima 10/a	9 150	2 308	216	11.02.2003	25.03.2010	89	0	29	118
431,3624 E.fima 10/b	25 850	6 522	610	11.02.2003	11.02.2013	179	0	58	237
431,3625 E.fima 11	35 000	8 830	332	05.11.2003	17.12.2018	50	0	19	69
431,3626 E.fima 12	25 000	6 307	166	02.11.2004	12.05.2014	21	0	17	38
431,3627 E.fima 13/a	28 000	7 064	40	19.12.2005	06.03.2015	0	0	4	4
431,3628 E.fima 13/b	35 000	8 830	0	19.06.2006	07.04.2016	0	0	0	0
431,371 EBRD	23 403	5 904	590	01.09.1999	12.12.2012	334	8	0	326
431,381 EIB	18 000	4 541	68	29.03.2005	15.09.2015	6	0	6	12
Total:	312 616	78 871	2 421			784	8	157	933

Note: FX loans were converted at 252.30 HUF/EUR rate (MNB rate as of the reporting date), the balances do not include the reclassification of instalments due within one year

Table 38: Provisions allocated on exchange losses

Accumulated and accrued exchange losses total HUF 2,421 million. In comparison to the previous year the provision allocated for exchange losses and for changes in maturities was raised by HUF 157 million.

II.2.4 Changes to provisions as per the 2006 balance sheet

The following table reveals changes in the 2006 provisions:

Data in HUF million				
Description	Provisions allocated for expected liabilities	Provisions for future costs	Provisions allocated for non-realised exchange losses	Total:
Opening provisions	10 560	1 301	784	12 645
2006 utilisation	8 492	761	8	9 261
2006 allocation	20 200	716	157	21 073
Closing provisions	22 268	1 256	933	24 457

Table 39: Changes to provisions as per balance sheet

II.3 Prepayments and accruals

II.3.1 Prepaid expenses and accrued income

Prepaid expenses and accrued income rose by HUF 8,329 million (35.42%) in comparison to the previous year.

The table presents the changes to prepaid expenses and accrued income as of the reporting date:

Data in HUF million

G/L account no.	Name of ledger account	2005 closing			2006 closing		
		over 1 year	under 1 year	Total	over 1 year	under 1 year	Total
392	Receivables account for unsettled goods traffic	273	6 012	6 285	99	4 513	4 612
397	Accrued income	0	3 163	3 163	229	11 108	11 337
Accrued income		273	9 175	9 448	328	15 621	15 949
391,2	Prepaid expenses	0	2 080	2 080	0	127	127
391,31	Accrual form the debt service part of the utilisation fee (Viacom)	9 278	0	9 278	13 016	0	13 016
391,32	Accrual of pylon utilisation (Viacom)	63	0	63	39	3	42
391,4	Average earnings for notice period and prepayments	0	0	0	0	287	287
Prepaid expenses		9 341	2 080	11 421	13 055	417	13 472
394,311	Accrual of non-realised exchange loss related to EUR 30.7 million loan	286	42	328	259	40	299
394,351	Accrual of non-realised exchange loss on KfW loan for 5+5 Desiro electric trains (K11680)	107	16	123	89	11	100
394,3623	Accrual of non-realised exchange loss on Eurofima contract 10/a (Nr. 2576)	220	0	220	212	4	216
394,3624	Accrual of non-realised exchange loss on Eurofima contract 10/b (Nr. 2576)	621	0	621	599	11	610
394,3625	Accrual of non-realised exchange loss on Eurofima contract 11 (Nr. 2582)	348	0	348	320	12	332
394,3626	Accrual of non-realised exchange loss on Eurofima contract 12 (Nr. 2604)	176	0	176	155	11	166
394,3627	Accrual of non-realised exchange loss on Eurofima contract 13/a (Nr. 2649)	52	0	52	30	10	40
394,371	Accrual of non-realised exchange loss related to EUR 40 billion EBRD loan	600	100	700	492	98	590
394,381	Accrual of non-realised exchange loss related to EUR 60 million EIB investment loan	76	0	76	68	0	68
Accrued payables		2 486	158	2 644	2 224	197	2 421
Total prepaid expenses and accrued income:		12 100	11 413	23 513	15 607	16 235	31 842

Table 40: Changes to prepaid expenses and accrued income

Accrued income rose by HUF 6,501 million in comparison to the previous year. This includes a sum of HUF 8,334 million in cost reimbursements for public services as well as HUF 2,546 for track utilisation fees.

The receivables account for unsettled goods traffic reduced prepaid expenses and accrued income by HUF 1,673 million, principally thanks to the outsourcing of MÁV CARGO ZRt. During settlements with foreign railway companies the amount based on available documentation is accrued, which is then released during the actual settlement and the customer is charged the confirmed amount.

Prepaid expenses increased by HUF 2,051 million. The growth is attributable to the prepayments made to VIACOM Hungária Rt. VIACOM Rt. is a concession company established to electrify railway lines. In the agreement between the Ministry of Transport, Communication and Water Management and MÁV ZRt., the Company undertook to treat the equipment utilisation fee for the lines to be electrified separately in its business plans and accounting records, and always to transfer this to the concession company in full and according to the schedule specified by the loan contracts. Under this agreement, the level of annual utilisation fee paid by MÁV ZRt. depends on the status of its debt service performance. The basic principles set forth in the Act on Accounting require that debt service liabilities and utilisation fees payable to concession companies be treated separately in accounting records, which in accordance with the agreement

between MÁV ZRt. and VIACOM Rt. is ensured by means of accruals: the difference between the sum for the given year of the utilisation fee set for the entire concession period and the debt service sum appears at MÁV ZRt. as an accrued cost and at VIACOM Rt. as accrued income. The rise in the amount accrued in 2006 in comparison to the previous year was due to the higher debt service liability in 2006.

The value of prepaid expenses and accrued income fell by HUF 223 million on account of the decline in the accrual of the non-realised exchange loss on loans.

II.3.2 Accrued expenses and deferred income

Accrued expenses and deferred income fell by HUF 265 million in comparison to the previous year. This represents a decrease of 0.29% on the previous year.

The following table presents the changes to accrued expenses and deferred income:

G/L account no.	Name of ledger account	Data in HUF million					
		2005 closing			2006 closing		
		over 1 year	under 1 year	Total	over 1 year	under 1 year	Total
481,32	Liquid assets received definitively as compensation for costs, expenses	0	0	0	0	360	360
481,8	Pantel Kft deferred income	12 184	0	12 184	11 605	289	11 894
481,9	Other deferred income	198	374	572	649	146	795
Deferred income		12 382	374	12 756	12 254	795	13 049
482	Accrued expenses		465	465	0	1 846	1 846
483	Liabilities account for unsettled traffic	334	3 916	4 250	364	4 074	4 438
485	Pending damages	0	0	0	0	221	221
487	Accrued interest	0	564	564	0	2 625	2 625
488	Accrual of bonuses and related contributions	0	302	302	0	582	582
Accrued expenses		334	5 247	5 581	364	9 348	9 712
481,1	Tangible and intangible assets received free of charge or as gifts	752	32	784	664	25	689
481,2	Surplus tangible and intangible assets	371	10	381	596	25	621
481,3112	Other definitive liquid asset receipts from the budget	8 980	253	9 233	8 624	92	8 716
481,3113	Accrual of Phare funds received for development purposes	1 200	87	1 287	1 111	88	1 199
481,3114	Grants received from EU and other central projects	1 145	17	1 162	1 825	0	1 825
481,312	Liquid assets received definitively from local governments and businesses	1 751	96	1 847	2 442	146	2 588
481,4	Accrual of liabilities assumed by the government in relation to asset purchases	53 134	4 298	57 432	47 586	4 213	51 799
Accrued assets		67 333	4 793	72 126	62 848	4 589	67 437
Total accrued expenses and deferred income:		80 049	10 414	90 463	75 466	14 732	90 198

Table 41: Changes in accrued expenses and deferred income

Deferred income increased by HUF 293 million. Deferred income rose by HUF 352 million on account of the subsidies received from the Ministry of Economy and Transport to mitigate flooding damage, while the amount of other deferred income due to Pantel Kft. fell by HUF 290 million.

Under accrued expenses, the accrual of interest payable rose significantly on the previous year. This is primarily due to the higher borrowings in 2006 in comparison to the previous year, i.e. the additional loans drawn to finance the operating deficit raised accrued interest by HUF 1,333 million, while investment loans pushed the figure up by another HUF 645 million.

The majority of the decline in accrued assets totalling HUF 4,689 million is attributable to the release of accrued liabilities assumed by the Government in relation to asset purchases, which decreased overall by HUF 5,633 million. The change on the ledger account is due partly to the released accrual of HUF 4,469 million that corresponds to the depreciation of assets purchased from debts assumed by the Government, and partly to the HUF 1,164 million decline derived from a restructuring of liabilities during the year. The HUF 517 million decrease in the value of other liquid assets received permanently from the budget in the reporting year is due to the release of an accrual corresponding to the depreciation of assets owned by MÁV ZRt. and purchased using budgetary resources totalling HUF 339 million, and a decline of HUF 178 million from the restructuring of liabilities during the year.

II.3.3 Equity

II.3.3.1 Changes to equity

Due to the losses sustained by MÁV ZRt. its equity does not comply with the capital adequacy criteria prescribed in Act IV of 2006 on Business Organisations, and sits at HUF -31,581 million:

- The following measures were taken by the owner in order to resolve the equity situation: Based on Single Shareholder (Founder) Resolution No. 37/2006 (10.27.) and No. 1/2007 (01.29.) amending the former, subscribed capital was reduced to HUF 20 billion, but the capital decrease was only registered on 7 February 2007. As a result, the subscribed capital of the Company did not change in the reporting year.
- Single Shareholder (Founder) Resolutions No. 2/2007 (01. 30.) and No. 3/2007 (01. 30.) provided for the following capital increases:

Data in HUF million

Resolution No.	Date of capital increase	Subscribed capital	Capital reserve	Total:
2/2007. (01.30)	31.01.2007	250	46 750	47 000
	31.08.2007	250	21 750	22 000
3/2007. (01.30)	31.10.2007	250	19 750	20 000
	31.12.2007	250	22 350	22 600
Total:		1 000	110 600	111 600

Table 42: Expected capital increases

Data in HUF million

Description	Sub-scribed capital	Capital reserve	Profit reserve	Non-distrib. reserve	Retained profit or loss	Share-holders' equity
2006 opening balance	80 000	0	41 659	14 546	-80 643	55 562
Release of fixed liquid assets received from vocational training fund		16		-16		0
Transfer of 2005 retained loss			-80 643		80 643	0
Transfer of non-distributable reserve to profit reserve, difference of non-realised exchange losses and provisions			370	-370		0
Settlement of experimental development sum not yet written off Government Resolutions Nos. 2225/2006 (XII.18.) and 2226/2006 (XII.25) to compensate for the state debt of the Russian Federation			10	-10		0
Additional payment to Vift Kft based on document No. K-8491/2006			249			249
Additional payment to Locomotív Hotels based on document No. K-9046/2006			-91			-91
Previous year results, middle c.			-443			-443
Retained loss for 2006			-3 016			-3 016
					-83 842	-83 842
2006 closing balance	80 000	16	-41 905	14 150	-83 842	-31 581

Table 43: Changes to equity components

II.3.3.2 Presentation of changes to equity

- The 2005 retained earnings in the balance sheet were transferred into the profit reserve.
- The HUF 3,016 million loss sustained in previous years comprises a loss of HUF 14,028 million and a profit of HUF 11,012 million, which was placed into the reporting year's profit reserve.
- The profit reserve rose by HUF 370 million against the non-distributable reserve, which is the difference between the non-realised exchange loss and related provisions.
- The non-distributable reserve was decreased against the profit reserve by a sum of HUF 10 million which corresponds to the amount of research and development not yet capitalised.
- The capital reserve increased by HUF 16 million against the non-distributable reserve, on account of the expiry of the period that support received from the vocational training fund (DT-HA/57/2001, DT-CSO/1/2001, DT-JÁ/35/2001) must be tied down.
- HUF 249 million was placed into the profit reserve based on Government Resolutions Nos. 2225/2006 (XII.18.) and 2226/2006 (XII.25) to compensate for the state debt of the Russian Federation.
- Over and above additional payments made in previous years totalling HUF 1,530 million, further payments were made in 2006 from the profit reserve totalling HUF 91 million to VIFT Kft., and amounting to HUF 443 million to MÁV Locomotiv Hotels ZRt.
- Equity is reduced by the 2006 retained loss of HUF 83,842 million.
- The opening non-distributable reserve contains a capital injection of HUF 8,994 million received based on Founder Resolutions Nos. 2/2005 and 5/2005, a reserve of HUF 3,617

million for the remediation of environmental damage, capitalised research and development totalling HUF 24 million, support received from the vocational training fund totalling HUF 51 million and the difference between the non-realised exchange loss and related provisions totalling HUF 1,860 million.

- The closing balance of the non-distributable reserve contains a capital injection of HUF 8,994 million received based on Founder Resolutions Nos. 2/2005 and 5/2005, a reserve of HUF 3,617 million for the remediation of environmental damage, the difference between the non-realised exchange loss and related provisions totalling HUF 1,490 million, support received from the vocational training fund totalling HUF 35 million and an 'other' non-distributable reserve of HUF 14 million.

II.4 Notes on the profit and loss statement

II.4.1 Evaluation of comparability

The Cargo Division of MÁV ZRt was outsourced into a separate company from 1 January 2006 (MÁV CARGO ZRt.), and therefore the 2006 figures do not contain the costs and income of the outsourced activity. Any major differences compared to 2005 that occur as a result of this adjustment are detailed at the individual categories.

II.4.1.1 Notes affecting previous years' results

In accordance with the Act on Accounting the current year financial statements must separately present the corrections of any errors made in previous years if such exert a significant effect on the financial statements.

The accumulated value of items affecting the previous years' results of MÁV ZRt. totalled HUF 25,040 million in absolute terms, which was recognised separately

Increasing the result HUF 11,012 million,

Decreasing the result HUF 14,028 million.

The sum affecting the result was accounted for as an item increasing and an item decreasing the profit reserve, which resulted in a decrease of HUF 3,016 million. In terms of the results in previous years, major items booked into the proper reserve included border traffic services, railway vehicle rental settlements, international fare settlements and commissions recorded in relation to inter-railway settlements, and the change to the value added tax on rented railway vehicles, which improved the result by HUF 1,007 million, as well as items bringing the result

down including principally rental and re-invoiced utility fees. The overall impact on net sales revenue in previous years was HUF +683 million.

The capitalised value of self-manufactured assets row includes the difference between the market and invoiced values of fees billed for using real estate, which improved the result from previous years by HUF 913 million, while at the same time, these items including VAT appear under extraordinary expenditure, as the value of unpaid services, which brings the extraordinary profit of previous years down by HUF 1,142 million.

Services used increased by HUF 1,959 million in comparison to the previous year, which is principally due to the accounting of HUF 1,591 million on account of settlements between railways.

Under other expenses, the main item under previous year entries totalling HUF 1,015 million is the non-deductible value-added tax of HUF 654 million assessed on a proportionate basis, as well as HUF 180 million recorded based on the findings of a tax authority audit.

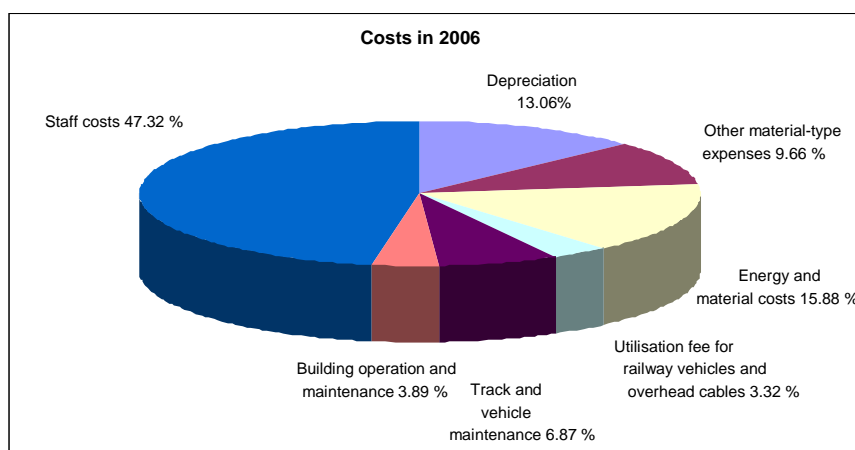
Items relating to previous years and disclosed during self-revisions are presented in tables 58, 59 and 60 in line with the balance sheet and profit and loss statement structure.

II.4.1.2 Impact on 2006 result of changes to accounting policies

Section I.2 details changes to the accounting policies. None of the changes significantly influenced comparability between the accounting statements.

II.4.2 Details on costs per cost type

MÁV ZRt. costs broke down as follows in 2006.



Similar to previous years, the majority of costs incurred by MÁV ZRt. in 2006 were staff costs (47.32%). These were followed by energy and material costs at 15.88% and depreciation expense at 13.06%.



Data in HUF million		
Description	Amount	Ratio (%)
Total material-type expenses	104 319	39,62
Total staff costs:	124 616	47,32
Total depreciation:	34 405	13,06
Total:	263 340	100,00

Table 44: Changes to costs

II.4.2.1 Material and material-type costs

Material-type expenses fell overall by 7.53% in the course of 2006, since the increase in material costs fell short of the decline in services used thanks to the outsourcing of cargo activities.

Material costs rose by 15.71%, principally because of increases in

-  fuel and energy costs, and
-  the costs of specialised machinery materials

Data in HUF million

Description	2005 amount	2006 amount	Change	Index (%)	Ratio of 2006 total costs (%)
Traction fuel and combustibles	12 603	14 212	1 609	112,77	5,40
Traction electric power	11 299	14 362	3 063	127,11	5,45
Traction diesel excise tax refund	-5 707	-5 748	-41	100,72	-2,18
Other fuels, energy	8 394	8 918	524	106,24	3,39
Special machinery materials	3 443	4 037	594	117,25	1,53
Track and TEB materials	1 418	1 300	-118	91,68	0,49
Clothing	1 084	891	-193	82,20	0,34
Other materials	3 597	3 834	237	106,59	1,46
Total materials	36 131	41 806	5 675	115,71	15,88
Renting of railway and road vehicles	16 601	5 503	-11 098	33,15	2,09
Railway vehicles maintenance	10 447	7 778	-2 669	74,45	2,95
Track maintenance	8 965	10 313	1 348	115,04	3,92
Overhead cable utilisation fee	3 529	3 233	-296	91,61	1,23
Railway vehicle cleaning	1 850	1 975	125	106,76	0,75
Building operation, maintenance	9 558	10 239	681	107,12	3,89
IT services	4 460	3 536	-924	79,28	1,34
Security service	2 756	2 327	-429	84,43	0,88
Welfare activity	962	562	-400	58,42	0,21
Post and telephone	1 154	983	-171	85,18	0,37
Expert fees	631	382	-249	60,54	0,15
Commissions	533	690	157	129,46	0,26
Other material-type services	8 001	8 769	768	109,60	3,33
Services used	69 447	56 290	-13 157	81,05	21,37
Fees and stamp duties paid to authorities	257	71	-186	27,63	0,03
Bank charges	419	403	-16	96,18	0,15
Insurance premiums	135	176	41	130,37	0,07
Other services	811	650	-161	80,15	0,25
Cost of goods sold	3 482	3 966	484	113,90	1,51
Mediated services	2 942	1 607	-1 335	54,62	0,61
Total material-type expenses	112 813	104 319	-8 494	92,47	39,62

Table 45: Changes to material-type expenses

The costs of fuel and combustibles used for traction purposes rose by HUF 1,609 million, since the increase in diesel traction performance (number of train kilometres up by 0.6% and the 1000 tonne/km indicator rose by 5.8% in 2006 compared to 2005) was accompanied by a rise in the unit price of diesel from 185.5 HUF/l to 211 HUF/l. The reimbursement of excise tax on diesel rose in harmony with the increase in diesel traction performance by 0.72%.

HUF 577 million of the HUF 3,063 million increase in the cost of electricity for traction was due to the increase in electrical traction performance (train km up by 2.9%, 1000 tonne/km up by 6.5% in 2006 compared to 2005). The other component of the higher costs of electricity for traction was the increase of HUF 2,478 million in the fee for using the high-voltage electricity power line network. One of the elements of the utilisation fee, the system operation fee accounted by the electricity company, rose twice in 2006 by a total of 2.5 HUF/kWh.

The HUF 524 million increase in other fuel and energy costs was influenced by higher costs of all energy resources, i.e. gas went up by HUF 188 million, district heating by HUF 121 million, electrical energy for other purposes by HUF 87 million, fuel and combustibles bought for other

purposes by HUF 66 million, and water / wastewater charges by HUF 62 million in comparison to 2005.

The annual average unit price in 2005 for piped natural gas was 58.09 HUF/m³, rising in 2006 to 78.62 HUF/m³. The increase in the unit price and the 11.7% decline in consumption were collectively responsible for the increase in gas costs.

The increase in the cost of district heating was caused by the incorporation of the gas price hikes into the tariffs for district heating.

The increase in electricity costs for other purposes was also influenced by the higher prices, but this was largely compensated for by the free market agreement on the Budapest 120/10 kV ring. As a result of this agreement the annual average unit price rose from 23.46 HUF/kWh in 2005 to just 23.90 HUF/kWh in 2006.

The costs of specialised machinery materials rose by HUF 594 million on the previous year, principally thanks to the materials used for the maintenance and renovation of passenger rail carriages as well as electric and diesel multiple units.

The cost of services used fell by HUF 13,157 million thanks essentially to the outsourcing of rail cargo activities to CARGO ZRt. In terms of services used there were major changes between the two years for

- ✚ rental income from rail and road vehicles,
- ✚ the maintenance of railway vehicles and railway track,
- ✚ the costs of building operation and maintenance,
- ✚ IT and security services, and
- ✚ the costs of other material-type services.

Following the outsourcing of rail cargo activities into CARGO ZRt. the fees for using and renting goods trains did not appear at MÁV ZRt. in 2006. This caused the HUF 11,098 million decline in costs derived from renting rail and road vehicles.

The costs of maintaining railway vehicles fell by HUF 2,669 million on account of opposing changes in the costs of maintaining goods trains and passenger carriages. The maintenance of goods trains for CARGO ZRt. is not carried out by MÁV ZRt. and this led to a reduction in costs of HUF 5,351 million. The maintenance cost for passenger carriages rose by HUF 2,090 million on account of the increase in demand for carriages for passenger transport.

The increase in costs for external maintenance carried out on railway structures, sidings and bridges as well as on high-voltage equipment pushed the costs of railway track maintenance up by HUF 1,348 million.

On account of the constant changes to building management within MÁV ZRt. the outsourcing of facility management activities ensued gradually in 2005. The gradual outsourcing of activities increased the costs of material-type services by HUF 681 million in 2006, since before the outsourcing, part of the maintenance and operation work was performed by workers in the division in 2005 (and appeared as material and payroll cost).

The outsourcing of rail cargo activities into CARGO ZRt. caused a decrease in the cost of security services by HUF 429 million and a decline in IT service costs by HUF 924 million because of the transfer of cargo property and cash security services as well as IT processing.

New costs recognised under other material-type services in 2006 were the market monitoring fee paid to the Hungarian Railways Office (HUF 231 million) and the cost of railway cargo services from CARGO ZRt. (HUF 83 million).

II.4.2.2 Staff costs

Data in HUF million

Description	2005 amount	2006 amount	Change	Index (%)	Ratio of total costs (%)
Wage costs	85 180	81 939	-3 241	96,20	31,12
Wage contributions	30 638	28 840	-1 798	94,13	10,95
Other staff benefits	15 158	13 837	-1 321	91,29	5,25
Total staff costs:	130 976	124 616	-6 360	95,14	47,32

Table 46: Staff costs

Staff costs fell by 4.86% overall from 2005 to 2006. This is the result of two opposing factors. On the one hand, the staff cuts – including the largest decline of 9.3% due to the outsourcing of cargo activities – and on the other hand the cost-increasing impact of wage hikes.

The 3.80% drop in wage costs was the result of the planned wage increase for 2006 in addition to the outsourcing of activities and the other implemented staff cuts. (Decrease in average full-time headcount: 6,469; -14.52%).

The reduction in the health-care contribution from November 2005 and the proportionate change in contribution costs following the decline in wage costs impacted favourably on wage contributions.

Major impacts of staff cuts on other staff benefits in comparison to 2005

- fringe benefit sum rose from 165 THUF/person to 180 THUF/person, but the fringe benefit system costs fell by HUF 431 million, since the decrease in the average headcount more than compensated for the afore-mentioned increase.
- the sum paid for early retirement was HUF 812 million lower in 2006 (including a fall of HUF 672 million for higher-cost early retirements that were not encouraged).

II.4.2.3 Depreciation

Data in HUF million

Description	2005 amount	2006 amount	Change	Index (%)	Ratio of total costs (%)
Depreciation	34 927	34 405	-522	98,51	13,06

Table 47: Changes in depreciation

Depreciation expense fell by HUF 522 million, which included an increase in amortisation on Treasury assets of HUF 1,029 million and a decline on assets owned by MÁV ZRt. by HUF 1,551 million. The opposing changes in depreciation expense were thanks to changes in the portfolio of tangible assets (reporting year investments of Treasury assets rose substantially in comparison to 2005, while assets owned by MÁV ZRt. fell in connection with the establishment of CARGO ZRt.).

II.4.2.4 Other income



Other income totalling HUF 15,074 million was booked in 2006, constituting a fall of HUF 1,942 million in comparison to 2005.

The following table presents the differences in the figures between the two periods:

Description	Data in HUF million			
	2005 amount	2006 amount	Change	Index (%)
Income from sold intangible and tangible assets	4 683	1 355	-3 328	28,93
Of which: Own tangible assets sold	4 643	1 269	-3 374	27,33
Reversal of impairment on stocks and receivables	1 854	1 226	-628	66,13
Disallowed items	694	562	-132	80,98
Of which: Income related to damage	183	190	7	103,83
Default interest received	324	123	-201	37,96
Fines received	73	133	60	182,19
Utilisation of allocated provisions	6 300	9 261	2 961	147,00
Of which: Use of provisions allocated for expected liabilities	5 963	8 492	2 529	142,41
Use of provisions allocated for future costs	295	761	466	257,97
Income from trade receivables sold	0	174	174	-
Sundry income	242	112	-130	46,28
Non-refundable subsidies received to compensate for costs	3 243	2 384	-859	73,51
Of which: Subsidy received to finance downsizing	2 704	740	-1 964	27,37
Subsidies to compensate for pass.transp. loss of income (Unified Budapest Travel Pass)	206	1 022	816	496,12
Subsidies received for flooding	0	531	531	-
Total:	17 016	15 074	-1 942	88,59

Table 48: Other income

Items that changed substantially between the two periods:

-  Income from sold intangible and tangible assets: in 2006, income from sold land and buildings fell by HUF 3,176 million.
-  The following provisions were used in 2006
 - HUF 6,394 million allocated for liabilities in connection with staff cuts,
 - HUF 1,517 million allocated for environmental protection liabilities,
 - HUF 63 million allocated for surety liabilities related to MÁV companies,
 - HUF 268 million allocated in connection with litigation,
 - HUF 250 million allocated for bills receivable,
 - HUF 761 million allocated for extra maintenance and dismantling costs.

- ✚ The non-refundable subsidies received to compensate for costs in 2006 fell HUF 859 million short of the 2005 figure. The subsidy received to finance staff costs in connection with the downsizing decreased by HUF 1,964 million. This was compensated for somewhat by the subsidies received to compensate for the loss of income following the introduction of the Unified Budapest Travel Pass and the damage to Treasury assets in 2006 following the flooding.

II.4.2.5 Other expenses

Other expenses totalled HUF 36,516 million in 2006; this represents growth of HUF 6,728 million on 2005.

The following table presents the differences in the figures between the two periods:

Data in HUF million				
Description	2005	2006	Change	Index (%)
Expenses related to sold, scrapped, missing fixed assets	5 683	2 384	-3 299	41,95
Of which: Expenses of sold own tangible and intangible assets, assets under construction	1 589	873	-716	54,94
Expenses of scrapped own tangible and intangible assets, assets under construction	2 677	900	-1 777	33,62
Net value of missing own assets	60	264	204	440,00
Impairment on own tangible assets	1 310	246	-1 064	18,78
Impairment on stocks, receivables, missing and scrapped stocks	466	5 127	4 661	1 100,21
Of which: Depreciation of stocks	0	1 388	1 388	-
Impairment on receivables	417	3 709	3 292	889,45
Disallowed items	6 841	7 299	458	106,69
Of which: Bad debts written off	114	307	193	269,30
Losses related to damage	4 360	5 072	712	116,33
Default interest paid	540	376	-164	69,63
Compensation	341	149	-192	43,70
Self-revision charge	328	15	-313	4,57
Various other expenses	1 074	1 209	135	112,57
Provisioning	7 323	21 073	13 750	287,76
Of which: Provisions for early-retirement and severance pays	6 848	6 343	-505	92,63
Provisions for environment protection liabilities	0	7 805	7 805	-
Provisions for litigation	98	6 052	5 954	6 175,51
Provisions for non-realised losses on investment loans	377	156	-221	41,38
Provisions for dismantling costs	0	527	527	-
Provisions for damage from flooding	0	157	157	-
Provisions allocated for monitoring fee	0	33	33	-
Book value of trade receivables sold	0	183	183	-
Subsequent discounts related to goods transportation	1 046	305	-741	29,16
Taxes, duties and VAT against profit	8 374	17	-8 357	0,20
Of which: Non-deductible part of pro-rated VAT	8 317	0	-8 317	-
Contributions to central funds	48	125	77	260,42
Of which: Innovation contribution	45	119	74	264,44
Expenses related to other liabilities	7	3	-4	42,86
Total:	29 788	36 516	6 728	122,59

Table 49: Other expenses

Reasons for change:

- ✚ The 2006 decrease in land and building sales contributed to the HUF 716 million fall in expenses on tangible asset sales.
- ✚ The impairment accounted on tangible assets as well as the lack of unplanned asset retirements seen in 2005 for tangible assets, investments and intangible assets meant that other expenses fell by HUF 1,064 million and HUF 1,777 million in comparison to 2005.
- ✚ Idle machinery inventories of MÁV ZRt. (purchased for diesel and electric engines, as well as railway vehicles for passenger transport) totalling HUF 991 million and track maintenance materials totalling HUF 397 million were written off in 2006, while missing and retired inventories totalling HUF 31 million were also accounted under impairment.
- ✚ Impairment of HUF 3,708 million was recorded on receivables of MÁV ZRt. in 2006, of which HUF 1,360 million was accounted due to the long-term losses sustained by MÁV

FKG Kft. and MÁV GÉP Kft. while HUF 1,109 million was recorded due to the financial situation of Debreceni Járműjavító Kft. Other significant sums under recorded impairment include HUF 316 million for the debts of the Macedonian and Bulgarian railways, HUF 143 million because of bankruptcy and liquidation proceedings, as well as HUF 41 million due to the difference between the book value and purchase value of receivables sold to CARGO ZRt.

- ✚ The cost of damage to railway track because of flooding rose by HUF 609 million in 2006 in comparison to the previous year.
- ✚ Provisions for expected liabilities in 2005 totalled HUF 6,946 million while in 2006 a sum of HUF 20,200 million was recorded.
- ✚ The increase in the reporting year in comparison to 2005 was due to HUF 7,805 million allocated for environmental liabilities and the HUF 6,052 million allocated for litigation (no provisions were allocated in the previous year for environmental liabilities, while a sum of HUF 98 million was allocated for lawsuits).
- ✚ Another major item in 2006 was the sum of HUF 6,343 million allocated in respect of downsizing.
- ✚ In 2006 it was no longer necessary to pay VAT as a result of proportioning state budget subsidies that did not form part of the tax base, which reduced other expenses by HUF 8,317 million.

II.4.3 Financial and extraordinary results

II.4.3.1 Financial income

HUF 6,934 million was accounted for in 2006 as income from financial transactions; this is HUF 4,051 million more than in 2005. The following table presents the differences in the figures between the two periods:

Data in HUF million

Description	2005	2006	Change	Index (%)
Dividends and profit-sharings received	681	1 211	530	177,83
Exchange gains from the sale of holdings	0	1	1	-
Interest and exchange gains on investments	134	7	-127	5,22
Interest received and similar income	601	1 387	786	230,78
Of which: Interest from financial institutions	-	1 256	1 256	-
Other income from financial transactions	1 467	4 328	2 861	295,02
Of which: Realised exchange gains on receivables and liabilities denominated in foreign exchange	564	3 954	3 390	701,06
Exchange gains on forward contracts	670	303	-367	45,22
Exchange gains from year-end revaluation of receivables, liabilities	223	0	-223	-
Total:	2 883	6 934	4 051	240,51

Table 50: Income from financial transactions

Dividends and profit-shares received: the dividends received from MÁV companies in 2006 on the basis of a decision by the owner exceeded the previous year by HUF 471 million; the dividend from Bombardier MÁV Kft. was up by HUF 333 million, while the dividend from Jegynyomda Kft. increased by HUF 128 million.

The sharp increase in the euro exchange rate in the middle of 2006 and then its subsequent fall towards the end of the year resulted in substantial exchange gains both for investment loans and other liabilities in comparison to 2005 (HUF +2,234 million for loans and HUF +1,293 million for other liabilities).

II.4.3.2 Expenses on financial transactions

HUF 21,015 million was accounted for in 2006 as expenses on financial transactions; this represents growth of HUF 7,925 million on 2005.

The following table presents the differences in the figures between the two periods:

Data in HUF million

Description	2005	2006	Change	Index (%)
Interest paid and impairment on investments	11 223	16 552	5 329	147,48
Interest paid to financial institutions	11 128	15 422	4 294	138,59
Impairment on holdings, securities, bank deposits	1 192	832	-360	69,80
Other expenses on financial transactions	675	3 631	2 956	537,93
Of which: Realised losses on receivables and liabilities denominated in foreign exchange	549	1 202	653	218,94
Exchange losses on forward contracts	105	1 165	1 060	1 109,52
Exchange losses from year-end revaluation of receivables, liabilities	0	1 242	1 242	-
Total:	13 090	21 015	7 925	160,54

Table 51: Expenses on financial transactions

The greatest change in 2006 was connected to interest paid to credit institutions; the interest paid on working capital loans rose by HUF 3,804 million thanks to the long-term loans drawn, while the interest payable on investment loans increased by HUF 1,417 million on account of the rise in the investment loan portfolio.

The HUF 653 million increase in the realised exchange loss on receivables and liabilities denominated in foreign currency was caused by the changes in the euro exchange rate during the year and at year-end.

The exchange loss on forwards rose by HUF 1,060 million in 2006 compared to 2005. The change in the exchange loss was influenced on the one hand by the change in risk exposure in relation to the loss of cargo revenue (which pushes up hedging costs substantially), and on the other hand by the extreme volatility of the HUF/EUR exchange rate during the year. The loss sustained on the forwards was compensated for to some extent by the gains on the transactions. The exchange-rate hedges achieved their objectives overall, with the required foreign currency cash-flow being ensured at rates close to the planned rate.

The year end re-measurement of advance payments made to purchase the Flirt and Talent trains resulted in a loss of HUF 1,163 million thanks to the increase in the euro exchange rate during the year and the subsequent decline in the MNB rate to 252.3 HUF/EUR at year-end.

II.4.3.3 Extraordinary income

HUF 36,143 million was accounted as extraordinary income in 2006; this represents growth of HUF 28,515 million on 2005.

The following table presents the differences in the figures between the two periods:

Data in HUF million

Description	2005	2006	Change	Index (%)
Income related to assets received free of charge or surplus assets	155	369	214	238,06
Income from assets contributed in kind	49	29 514	29 465	60 232,65
Of which: Contract value of tangible assets contributed in kind	47	27 074	27 027	57 604,26
Contract value of contributed liquid assets	2	2 439	2 437	121 950,00
Other extraordinary income	7 424	6 260	-1 164	84,32
Of which: Use of budget allocation	651	527	-124	80,95
Use of PHARE funding	137	88	-49	64,23
Liquid assets received definitively	359	147	-212	40,95
Debts forgiven by government	6 069	5 496	-573	90,56
Total:	7 628	36 143	28 515	473,82

Table 52: Extraordinary income

It was essentially the contractual value of tangible assets and liquid assets contributed in-kind into CARGO ZRt. that increased extraordinary income by HUF 27,027 million and HUF 2,437 million.

Another significant item was the extraordinary income derived from debts forgiven by the Government, totalling HUF 5,496 million.

II.4.3.4 Extraordinary expenses

HUF 30,357 million was accounted as extraordinary expense in 2006; in comparison to 2005 this represents a growth of HUF 29,840 million.

The following table presents the differences in the figures between the two periods:

Data in HUF million				
Description	2005	2006	Change	Index (%)
Expenses related to assets transferred free of charge	181	393	212	217,13
Expenses on assets contributed in kind	46	29 525	29 479	64 184,78
Of which: Net value of tangible assets contributed in kind	44	27 029	26 985	61 429,55
Carrying value of contributed liquid assets	2	2 440	2 438	122 000,00
Other extraordinary expenses	290	439	149	151,38
Of which: Support given definitively to employees for house purchases	55	77	22	140,00
Forgiven domestic receivables	0	331	331	-
Definitive liquid asset transfers	221	17	-204	7,69
Total:	517	30 357	29 840	5 871,76

Table 53: Extraordinary expenses

The net value of tangible assets contributed in-kind into CARGO ZRt. and the carrying value of liquid assets transferred increased extraordinary expenses by HUF 26,985 million and HUF 2,438 million.

II.4.4 Presentation of MÁV ZRt. results using the cost-of-sales method

Based on the accounting policies the profit and loss statement was also compiled using the cost-of-sales method in addition to the total-cost method, which is presented below:

Data in HUF million

No.	Description	2005	2006	Difference	Index (%)
01.	Net domestic sales revenue	179 966	196 729	16 763	109,31
02.	Net export sales revenue	30 391	8 877	-21 514	29,21
I.	Total net sales revenue	210 357	205 606	-4 751	97,74
03.	Direct prime cost of sales	201 223	198 212	-3 011	98,50
04.	Cost of goods sold	3 482	3 966	484	113,90
05.	Services sold	2 942	1 607	-1 335	54,62
II.	Direct cost of sales	207 647	203 785	-3 862	98,14
III.	Gross profit on sales (I-II)	2 710	1 821	-889	67,20
06.	Sales costs	805	745	-60	92,55
07.	Administration costs	33 468	28 030	-5 438	83,75
08.	Other general costs	33 212	27 151	-6 061	81,75
IV.	Indirect cost of sales	67 485	55 926	-11 559	82,87
V.	Other income	17 016	15 074	-1 942	88,59
VI.	Other expenses	29 788	36 516	6 728	122,59
A.	Operating profit/loss	-77 547	-75 547	2 000	97,42
VII.	Income from financial transactions	2 883	6 934	4 051	240,51
VIII.	Expenses on financial transactions	13 090	21 015	7 925	160,54
B.	Profit/Loss on financial transactions	-10 207	-14 081	-3 874	137,95
C.	Profit/Loss on ordinary activities	-87 754	-89 628	-1 874	102,14
IX.	Extraordinary income	7 628	36 143	28 515	473,82
X.	Extraordinary expenses	517	30 357	29 840	5871,76
D.	Extraordinary profit/loss	7 111	5 786	-1 325	81,37
E.	Profit/Loss before tax	-80 643	-83 842	-3 199	103,97
XI.	Tax liability	0	0	0	0,00
F.	Profit/Loss after tax	-80 643	-83 842	-3 199	103,97

Table 54: Profit and loss statement using cost-of-sales method

The 3.97% increase in the loss of MÁV ZRt. was fundamentally influenced by the HUF 3,874 million rise in the financial loss as a result of the increase in interest paid on borrowings of MÁV ZRt.

The following factors played roles in the HUF 16,763 million increase in net domestic sales revenue and the HUF 21,514 million decrease in net export sales revenue:

- ✚ Based on Government Decree No. 293/2006 (XII.23.), MÁV ZRt. received a production price subsidy of HUF 24,400 million in December in accordance with its liquidity plan, which meant that such support exceeded the previous year by HUF 24,023 million.
- ✚ The 2006 sales revenue generated from track network services – access, traction, railway vehicle maintenance and inspections – and central services (HR services, purchasing and stockpiling, etc.) for Cargo, which in 2005 were internal services, increased domestic sales revenue by HUF 50,705 million.
- ✚ The outsourcing of cargo activities into MÁV CARGO ZRt. resulted in a decrease in net domestic sales by HUF 61,257 million and a decline in net export sales of HUF 22,371 million.
- ✚ Export sales revenue from passenger transport rose by HUF 857 million thanks to the increase in income from international fares.

MÁV ZRt. benefits from cost reimbursements provided for public passenger transport services carried out by railway companies as defined in the prevailing Budget Act (production subsidy). This is shown as part of net sales revenue, yet based on an opinion expressed by the Ministry of Finance after the balance sheet was closed it qualifies as other income. In accordance with the rules of self-revisions, MÁV ZRt. will modify these settlements in 2007.

II.4.5 Export and import sales revenue from MÁV ZRt. goods and services, broken down by market

Country	Data in HUF million									
	2005					2006				
	Service exports	Total exports	Goods imports	Service imports	Total imports	Service exports	Total exports	Goods imports	Service imports	Total imports
Germany	3 425	3 425	4 351	471	4 822	1 030	1 030	3 560	16 100	19 660
Austria	8 180	8 180	0	57	57	2 444	2 444	216	2 459	2 675
Italy	2 024	2 024	0	0	0	315	315	0	258	258
Slovakia	1 638	1 638	0	31	31	804	804	31	903	934
Czech Republic	2 987	2 987	0	482	482	1 118	1 118	485	983	1 468
Slovenia	2 152	2 152	0	0	0	185	185	0	226	226
Poland	489	489	0	13	13	211	211	0	203	203
France	388	388	0	6	6	163	163	0	73	73
Great-Britain	13	13	0	150	150	9	9	13	12	25
Sweden	46	46	0	0	0	17	17	0	6	6
Belgium	219	219	0	0	0	10	10	0	162	162
Denmark	52	52	0	18	18	15	15	11	9	20
Finland	10	10	0	0	0	10	10	0	3	3
Greece	667	667	0	0	0	30	30	0	23	23
The Netherlands	596	596	0	0	0	91	91	0	26	26
Ireland	15	15	0	0	0	18	18	0	3	3
Latvia	0	0	0	24	24	0	0	0	0	0
Lithuania	0	0	0	24	24	0	0	0	1	1
Luxembourg	62	62	0	0	0	1	1	0	0	0
Portugal	6	6	0	0	0	6	6	0	2	2
Spain	65	65	0	77	77	22	22	20	8	28
Total EU countries	23 034	23 034	4 351	1 353	5 704	6 499	6 499	4 336	21 460	25 796
Romania	3 763	3 763	0	0	0	1 550	1 550	0	1 426	1 426
Croatia	1 129	1 129	0	0	0	200	200	0	223	223
Serbia and Montenegro	628	628	0	85	85	135	135	71	222	293
Ukraine	251	251	0	0	0	129	129	0	97	97
Switzerland	192	192	0	39	39	136	136	42	68	110
Bulgaria	296	296	0	0	0	58	58	0	65	65
Turkey	659	659	0	0	0	7	7	0	5	5
Belarus	3	3	0	0	0	3	3	0	2	2
Bosnia-Herzegovina	60	60	0	0	0	29	29	0	34	34
Macedonia	79	79	0	0	0	1	1	0	1	1
Russia	75	75	0	15	15	55	55	271	46	317
Norway	8	8	0	0	0	9	9	0	3	3
United States	138	138	0	0	0	12	12	0	0	0
Albania	3	3	0	0	0	0	0	0	0	0
Turkmenistan	35	35	0	0	0	0	0	0	0	0
Uzbekistan	4	4	0	0	0	0	0	0	0	0
Moldova	1	1	0	0	0	0	0	0	0	0
Kazakhstan	33	33	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	15	15	0	2	2
Australia	0	0	0	0	0	39	39	0	5	5
Total non-EU countries	7 357	7 357	0	139	139	2 378	2 378	384	2 199	2 583
Grand total:	30 391	30 391	4 351	1 492	5 843	8 877	8 877	4 720	23 659	28 379

Table 55: MÁV ZRt. export/import sales revenue

II.5 Presentation of the true financial situation and the results of operations

II.5.1 Values and composition of assets

As of 31 December 2005 the Company's assets totalled HUF 796,855 million rising to HUF 850,910 million as of 31 December 2006, constituting year-on-year growth of HUF 54,055 million. This includes a rise in tangible assets of HUF 22,259 million, which represents growth of 3.19% compared to the end of the previous year. Current assets declined by HUF 2,973 million in comparison to the previous year. Receivables fell even more strongly than current assets by HUF 8,665 million or 22.59%, whereby trade receivables dropped by HUF 1,046 million and other receivables by HUF 7,369 million. In addition to an overdraft of HUF 4,386 million, liquid assets exceed the previous year's figure by HUF 6,925 million which constitutes growth of 54.74%.

In light of its negative equity, the Company finances all of its assets from external resources, which is illustrated by the negative value of the asset coverage indicators.

II.5.1.1 Fixed asset ratio:

Fixed assets amount to HUF 763,742 million constituting 89.76% of total assets.

$$\frac{\text{Fixed assets}}{\text{Total assets}} = \frac{763,742}{850,910} = 89.76 \% \text{ prev. year } 89.73\%$$

The change in this indicator is not significant in terms of the business of MÁV ZRt.

II.5.1.2 Coverage of tangible assets

Equity including Treasury resources finances 50.76% of tangible assets including Treasury assets from the fixed assets involved directly in production activities. Both indicators deteriorated in comparison to the previous year. A good value here is 100-150%.

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{-31,581}{351,878} = \text{not applicable, prev. year } 15.67 \%$$
$$\frac{\text{Equity} + \text{Treasury sources}}{\text{Tangible assets}} = \frac{365,171}{719,385} = 50.76 \% \text{ prev. year } 60.01 \%$$

II.5.1.3 Fixed asset coverage

$$\frac{\text{Shareholders' equity}}{\text{Own fixed assets}} = \frac{-31,581}{396,235} = \text{not applicable, prev. year 14.91 \%}$$

$$\frac{\text{Equity + Treasury sources}}{\text{Fixed assets}} = \frac{365,171}{763,742} = 47.81 \% \text{ prev. year 58.51 \%}$$

Equity including treasury sources finances 47.81% of fixed assets together with treasury assets.

II.5.1.4 Ratio of fixed assets to current assets

$$\frac{\text{Fixed assets}}{\text{Current assets}} = \frac{763,742}{55,326} = 13.8 \text{ prev. year 12.27}$$

The fixed asset portfolio is 13.8 times the size of the current asset portfolio.

$$\frac{\text{Current assets}}{\text{Fixed assets}} = \frac{55,326}{763,742} = 7.24 \text{ prev. year 8.15}$$

There is HUF 7.24 of current assets for every HUF 100 of fixed assets. Apart from the extreme asset intensity of the activities, this indicator also reveals the very narrow scope for current asset management.

II.5.2 Values and composition of equity and liabilities

Equity and liabilities totalled HUF 796,855 million as of 31 December 2005 and HUF 850,910 million as of 31 December 2006, just like the assets. This corresponds to year-on-year growth of HUF 54,055 million. Shareholder's equity, which is a major item of the Company's equity and liabilities, totals HUF -31,581 million, meaning that the gearing and capital structure indicators cannot be calculated.

II.5.2.1 Capital strength ratio

$$\frac{\text{Shareholders' equity}}{\text{Fixed assets}} = \frac{-31,581}{763,742} = \text{not applicable, prev. year 6.97 \%}$$

Total equity and liabs. 850.910

$$\frac{\text{Shareholders' equity}}{\text{Total equity/liabs. - Treasury sources}} = \frac{-31.581}{454.158} = \text{not applicable, prev. year 12.80 \%}$$

This indicator must be interpreted together with the indebtedness indicator revealing the ratio of liabilities. The situation is critical if the indicator falls below 40% since this means the ratio of liabilities is very high.

II.5.2.2 Gearing ratio

$$\frac{\text{External resources}}{\text{Shareholders' equity}} = \frac{858,034}{-31,581} = \text{not applicable, prev. year 1,311.41 \%}$$

$$\frac{\text{External resources - Treasury sources}}{\text{Shareholders' equity}} = \frac{461,282}{-31,581} = \text{not applicable, prev. year 65.85 \%}$$

These indicators reveal the relation between external and own resources, namely, the level of liabilities that encumbers own resources. These indicators continue to deteriorate and lie way above the ideal figure.

II.5.2.3 Indebtedness

$$\frac{\text{Liabilities}}{\text{Shareholders' equity}} = \frac{767,836}{-31,581} = \text{not applicable, prev. year 1,148 \%}$$

$$\frac{\text{Liabilities - Treasury liabilities}}{\text{Shareholders' equity}} = \frac{371,084}{-31,581} = \text{not applicable, prev. year 495.67 \%}$$

The indicator reveals that equity is encumbered with liabilities. The lower this indicator is the better. This ratio is critical.

II.5.2.4 Indebtedness

$$\frac{\text{Liabilities}}{\text{Total assets}} = \frac{767,836}{850,910} = 90.24\% \text{ prev. year 80.09 \%}$$

$$\frac{\text{Treasury liabilities}}{\text{Treasury assets}} = \frac{396,752}{367,507} = 107.96 \% \text{ prev. year 105.92\%}$$

According to the indicator, 90.24% of assets are encumbered with liabilities. In comparison to the previous year the level of indebtedness is growing, which in itself is not a favourable development. The indicator excluding treasury assets and liabilities and the ratio of treasury liabilities and assets also failed to improve.

II.5.2.5 Debt ratio

$$\frac{\text{Long-term liabilities}}{\text{Long-term liabs. + Equity}} = \frac{667,381}{635,800} = 104.97 \% \text{ prev. year } 90.16 \%$$

$$\frac{\text{Long-term liabilities - Treasury liabs.}}{\text{Long-term liabilities - Treasury liabs. + Equity}} = \frac{270,629}{239,048} = 113.21 \% \text{ prev. year } 72.44 \%$$

By debt the Company means long-term liabilities in excess of one year. This indicator reveals the extent to which the Company is indebted over the long term. The lower this value is the better for the Company.

II.5.2.6 Equity growth ratio

$$\frac{\text{Shareholders' equity}}{\text{Subscribed capital}} = \frac{-31,581}{80,000} = \text{not applicable, prev. year } 69.45 \%$$

II.5.2.7 Fixed asset coverage

$$\frac{\text{Shareholders' equity}}{\text{Fixed assets}} = \frac{-31,581}{763,742} = \text{not applicable, prev. year } 7.77\%$$

$$\frac{\text{Shareholders' equity}}{\text{Own fixed assets}} = \frac{-31,581}{396,235} = \text{not applicable, prev. year } 14.91\%$$

The value of the indicator has deteriorated, a good value here is 100%.

II.5.2.8 Profitability indices

$EBITDA = \text{Operating loss} + \text{depreciation} = -75,547 + 34,405 = -41,142$ prev. year -42,620

$$EBITDA \text{ rate} = \frac{EBITDA}{\text{Net sales revenue}} = \frac{-41,142}{205,606} = -20.01\% \text{ prev. year } -20.26\%$$

$$\text{Operating ratio} = \frac{\text{Operating loss}}{\text{Net sales revenue}} = \frac{-75,547}{205,606} = -36.74\% \text{ prev. year } -36.86\%$$

II.5.3 Financial situation

II.5.3.1 Working capital and liquidity

The amount of working capital reveals the most when examining the financial situation, and it shows that current assets are HUF 45,129 million lower than current liabilities:

$$\begin{aligned} \text{Current assets} - \text{Current liabilities} &= \text{HUF } 55,326 \text{ million} - \text{HUF } 100,455 \text{ million} \\ &= \text{HUF } -45,129 \text{ million, prev. year HUF } -71,055 \text{ million} \end{aligned}$$

This indicator reveals the short-term payment position of the Company. The indicator reveals that there has been a substantial improvement in comparison to the previous year; however, current liabilities are still significantly higher than current assets, which could cause payment difficulties.

The following indicators present the liquidity situation of the Company as of 31 December 2006:

Liquidity ratio I. (Liquidity ratio)

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{55,326}{100,455} = 55.08\% \text{ prev. year } 45.07\%$$

Liquidity ratio I totalled 45.07% in the previous year, thus the growth totals 10.01%. This increase was caused by the 5.1% decrease in current assets alongside a 22.34% decrease in current liabilities.

The liquidity situation reveals that current assets, i.e. stocks, receivables and liquid assets only cover 55.08% of current payment liabilities (within 1 year), and this has improved. This indicator is acceptable in international practice if it is around 200%.

Liquidity ratio II. (acid-test ratio)

$$\frac{\text{Current assets less stocks}}{\text{Current liabilities}} = \frac{49,258}{100,455} = 0.49 \quad \text{prev. year } 0.39$$

Liquidity ratio II reveals the extent to which mobilisable assets cover current payment liabilities. The figure has improved from the previous year. This indicator is sound in the region of 1.3.

Liquidity ratio III. (Cash ratio)

$$\frac{\text{Current assets} - \text{Stocks} - \text{Receivables}}{\text{Current liabilities}} = \frac{19,575}{100,455} = 19.49 \% \quad \text{prev. year } 9.78\%$$

Liquidity ratio III reveals short-term liquidity, namely, it shows the ratio of liquid assets (cash+securities) to current liabilities. This indicator essentially expresses the current solvency of the Company. The ratio is good if it exceeds 100%.

Liquidity ratio IV. (Cash liquidity ratio)

$$\frac{\text{Liquid assets}}{\text{Current liabilities}} = \frac{19,575}{100,455} = 19.49 \% \quad \text{prev. year } 9.78\%$$

Liquidity ratio IV shows the ratio of fully liquid assets to current liabilities. Liquid assets provide cover for 19.49% of current liabilities. This ratio is acceptable between 160-180%.

Liquidity ratios III and IV are the same, as current assets do not contain any securities.

II.5.3.2 Changes to the financial situation

The following tables present the cash flow statement, which was compiled in accordance with Section 51 (8) of the Act on Accounting. The 2005 and 2006 figures were produced from the balance sheet, profit and loss statement and the sub-ledger records.

Data in HUF million			
No.	Description	2005	2006
I.	Cash flows from ordinary activities (Operating cash flow rows 1-14)	-48 616	-42 500
1.	Profit/Loss before tax ±	-81 311	-85 183
	of which: definitive liquid asset receipts accounted as income	208	147
	definitive liquid asset transfers accounted as expense	-221	-17
	dividends received	681	1 211
2.	Ordinary amortisation +	34 927	34 405
3.	Booked impairment +	5 881	8 357
4.	Reversal of booked impairment -	0	0
5.	Changes in provisions ±	1 024	11 812
6.	Result from sale of fixed assets ±	-3 369	-846
7.	Changes in trade creditors ±	8 370	-9 455
8.	Changes in other current liabilities ±	5 319	2 232
9.	Changes in accrued expenses and deferred income ±	-6 517	-265
10.	Changes in trade receivables ±	-2 492	5 015
11.	Changes in current assets (without trade receivables and liquid assets) ±	-2 413	-243
	of which: change in stocks	209	-185
	receivables from budget	-1 662	7 936
	securities bought for resale	0	0
	other receivables (without budgetary ones)	-960	-7 994
12.	Changes in prepaid expenses and accrued income ±	-8 035	-8 329
13.	Corporation tax payable -	0	0
14.	Dividends and profit-sharings payable	0	0
II.	Cash flows from investing activities (rows 15-18)	-53 781	-84 975
15.	Purchase of fixed assets -	-57 680	-99 309
16.	Disposal of fixed assets +	5 018	31 245
17.	Changes in payments on account ±	-1 800	-18 122
18.	Dividends received +	681	1 211

Table 56: Cash flow statement I.

Data in HUF million		
III. Cash flows from financing activities	103 585	134 400
(Financing cash flow rows 19-28)		
19. Proceeds from issuance of shares (capital increase) +	0	0
20. Proceeds from bond issues +	0	0
21. Borrowings +	83 160	162 995
of which: Raiffeisen Rt. loan (431,01)	0	9 609
World Bank loan (431,1)	0	0
MKB Rt. forint loan (431,2)	0	0
MFB Rt. FX loan (431,31)	0	0
OTP FX loan (431,32)	0	4 580
Calyon-CIB (431,33)	0	12 770
MKB Rt. FX loan (431,34)	0	0
KFW FX loan (431,35)	5 591	1 760
Eurofima loan (431,36)	7 723	9 819
EBRD loan (431,37)	12	0
EIB loan (431,38)	4 549	0
OTP and Ker. Bank Rt. loan (431,4)	0	0
Postabank Rt. loan (431,5)	0	0
CIB Rt. loans (431,6)	0	0
Erste Bank Rt. loan (431,7)	0	0
HVB Bank Rt. loan (431,8)	0	10 957
K&H Bank Rt. loan (431,9)	12 870	0
Research and development loans (432,1)	0	0
Liquidity loans (432,2)	0	113 500
Short-term loans and borrowings (45)	25 650	0
Overdraft facilities	26 765	0
Losses from revaluation at the balance sheet date	0	0
22. Changes to long-term loans	180	697
23. Definitive liquid asset receipts +	208	147
24. Changes to equity	138 015	-3 301
of which: profit/loss from previous years	1 745	-3 016
25. Withdrawal of shares (capital decrease) -	-121 232	0
26. Repayment of bonds -	0	0
27. Repayment of loans -	-7 194	-61 662
of which: Raiffeisen Rt. loan (431,01)	0	0
World Bank loan (431,1)	0	0
MKB Rt. forint loan (431,2)	-1 425	-1 425
MFB Rt. FX loan (431,31)	-254	-345
OTP FX loan (431,32)	0	0
Calyon-CIB (431,33)	0	0
MKB Rt. FX loan (431,34)	-465	0
KFW FX loan (431,35)	0	-735
Eurofima loan (431,36)	0	0
EBRD loan (431,37)	-785	-986
EIB loan (431,38)	0	0
OTP and Ker. Bank Rt. loan (431,4)	-703	-628
Postabank Rt. loan (431,5)	-31	0
CIB Rt. loans (431,6)	-624	0
Erste Bank Rt. (431,7)	-1 029	-659
HVB Bank Rt. loans (431,8)	-1 230	-1 043
K&H Bank Rt. loan (431,9)	-588	-1 759
Research and development loans (432,1)	0	0
Liquidity loans (432,2)	0	0
Short-term loans and borrowings (45)	-60	-28 170
Overdraft facilities	0	-23 672
Gains from revaluation at the balance sheet date	0	-2 240
28. Definitive liquid asset transfers -	-221	-17
29. Changes in liabilities to founders and other long-term liabilities	10 669	35 541
of which: treasury property source account	17 415	33 974
Capital increase related to Russian railcars, not yet registered	-6 812	0
Other changes	66	1 567
IV. Changes in liquid assets (rows ±I±II±III) ±	1 188	6 925

Table 57: Cash-flow statement II.

Evaluation of individual rows:

The HUF 83,842 million pre-tax loss was adjusted with definitive liquid asset transfers and receipts, which are recognised as part of the financing cash flow, and with dividends received, which are recognised as part of the investment cash flow.

Impairment on assets totalled HUF 8,357 million (row 3), which contains the impairment of receivables and stocks and missing and scrapped stocks (HUF 5,127 million), impairment of holdings (HUF 832 million), and missing tangible assets, destroyed assets, extraordinary depreciation and derecognition owing to scrapped assets (HUF 2,398 million).

Under changes to other current liabilities (row 8) the Company recognises advances from customers, bills payable, liabilities to related companies and associated companies as well as other liabilities.

Changes to equity (row 24) include the changes to the capital reserve, the profit reserve and the non-distributable reserve, which comprise the items modifying the results of previous years. (HUF 3,016 million loss).

Changes to liquid assets (row IV) present the change to the liquid assets row in the balance sheet (row B. IV.). Taking the above into consideration liquid assets increased by HUF 6,925 million in 2006, which is due to the significant rise in the financing cash flow in comparison to the previous year.

The operating cash flow in relation to core activities was an outflow of HUF 42,500 million in 2006, which is a slight improvement in comparison to the outflow in the previous year of HUF 48,616 million. The outflow was caused by the HUF 11,812 million increase in provisions, the HUF 2,232 million rise in other current liabilities and the HUF 8,329 million growth in prepaid expenses and accrued income, while trade payables fell by HUF 9,455 million, accrued expenses and deferred income by HUF 265 million and trade receivables by HUF 5,015 million.

The cash flow from investing activities reduced liquid assets by HUF 84,975 million, which comprised fixed asset purchases of HUF 99,309 million, fixed asset sales of HUF 31,245 million, a rise in payments on account of HUF 18,122 million and HUF 1,211 million dividends received.

The financing cash flow brought in HUF 134,400 million, including the following main factors: borrowing of HUF 162,995 million, loan repayments of HUF 61,662 million, HUF 3,301 million changes to equity as well as a HUF 35,541 million rise in liabilities to founders and other long-term liabilities.

II.5.4 Balance sheet and profit and loss statement items of MÁV ZRt. affecting previous years

Data in THUF

No.	Description	2000	2001	2002	2003	2004	2005	Total:
.01.	A. FIXED ASSETS	0	-594	-1 453	-23 428	-49 040	-175 616	-250 131
.02.	I. INTANGIBLE ASSETS	0	0	0	0	-5 461	-16 909	-22 370
.03.	Capitalised value of formation, transformation	0	0	0	0	0	0	0
.04.	Capitalised value of research and development	0	0	0	0	0	0	0
.05.	Rights and concessions	0	0	0	0	-2 219	-8 260	-10 479
.06.	Intellectual property	0	0	0	0	-3 242	-8 649	-11 891
.07.	Goodwill	0	0	0	0	0	0	0
.08.	Advances on intangible assets	0	0	0	0	0	0	0
.09.	Upwards revaluation of intangible assets	0	0	0	0	0	0	0
.10.	II. TANGIBLE ASSETS	0	-594	-1 453	-23 428	-43 579	-158 707	-227 761
.11.	Land and buildings and related rights and concessions	0	-594	-1 360	-1 983	-3 873	-59 795	-67 605
.12.	Plant, equipment, machinery, vehicles	0	0	-49	-5 465	-21 809	-77 715	-105 038
.13.	Other equipment, fittings, vehicles	0	0	-44	-15 980	-17 897	-21 197	-55 118
.14.	Breeding animals	0	0	0	0	0	0	0
.15.	Assets under construction	0	0	0	0	0	0	0
.16.	Payments on account	0	0	0	0	0	0	0
.17.	Upwards revaluation of tangible assets	0	0	0	0	0	0	0
.18.	III. INVESTMENTS	0	0	0	0	0	0	0
.19.	Long-term holdings in related companies	0	0	0	0	0	0	0
.20.	Long-term loans to related companies	0	0	0	0	0	0	0
.21.	Other long-term holdings	0	0	0	0	0	0	0
.22.	Long-term loans to related companies	0	0	0	0	0	0	0
.23.	Other long-term loans	0	0	0	0	0	0	0
.24.	Long-term debt securities	0	0	0	0	0	0	0
.25.	Upwards revaluation of investments	0	0	0	0	0	0	0
.26.	B. Current assets	0	-1 183	-171	522 280	395 909	1 758 361	2 675 196
.27.	I. STOCKS	0	0	0	-464	-312	-373 325	-374 101
.28.	Raw materials and consumable goods	0	0	0	-464	-614	-373 878	-374 956
.29.	Work in progress and semi-finished goods	0	0	0	0	0	0	0
.30.	Young, fattened and other livestock	0	0	0	0	0	0	0
.31.	Finished goods	0	0	0	0	0	0	0
.32.	Goods	0	0	0	0	302	553	855
.33.	Advances on stocks	0	0	0	0	0	0	0
.34.	II. RECEIVABLES	0	-1 183	-171	522 719	395 046	2 131 203	3 047 614
.35.	Trade receivables	0	2 145	539	886 085	757 210	2 077 866	3 723 845
.36.	Receivables from related companies	0	0	0	0	-42	0	-42
.37.	Receivables from companies in other holding relationships	0	0	0	0	0	0	0
.38.	Bills receivable	0	0	0	0	0	0	0
.39.	Other receivables	0	-3 328	-710	-363 366	-362 122	53 337	-676 189
.40.	III. SECURITIES	0	0	0	0	0	0	0
.41.	Holdings in related companies	0	0	0	0	0	0	0
.42.	Other holdings	0	0	0	0	0	0	0
.43.	Treasury shares, business shares	0	0	0	0	0	0	0
.44.	Debt securities held for trading	0	0	0	0	0	0	0
.45.	IV. LIQUID ASSETS	0	0	0	25	1 175	483	1 683
.46.	Cash, cash equivalents	0	0	0	25	1 175	483	1 683
.47.	Bank deposits	0	0	0	0	0	0	0
.48.	C. PREPAID EXPENSES AND ACCRUED INCOME	0	0	0	0	0	-21 569	-21 569
.49.	Accrued income	0	0	0	0	0	-21 569	-21 569
.50.	Prepaid expenses	0	0	0	0	0	0	0
.51.	Accrued payables	0	0	0	0	0	0	0
.52.	TOTAL ASSETS	0	-1 777	-1 624	498 852	346 869	1 561 176	2 403 496

Table 58: Balance sheet items of MÁV ZRt. affecting previous years - Assets

Data in THUF

No.	Description	2000	2001	2002	2003	2004	2005	Total
.53	<i>D. Equity (54+...61)</i>	181 242	20 484	102 641	-277 121	-771 840	-2 271 754	-3 016 348
.54	<i>I. SUBSCRIBED CAPITAL</i>	0	0	0	0	0	0	0
.55	of which: repurchased ownership shares at face value	0	0	0	0	0	0	0
.56	II. SUBSCRIBED, BUT UNPAID CAPITAL (-)	0	0	0	0	0	0	0
.57	III. CAPITAL RESERVE	0	0	0	0	0	0	0
.58	IV. PROFIT RESERVE	0	0	0	0	0	0	0
.59	V. NON-DISTRIBUTABLE RESERVE	0	0	0	0	0	0	0
.60	VI. VALUATION RESERVE	0	0	0	0	0	0	0
.61	VII. RETAINED PROFIT/LOSS FOR THE YEAR	181 242	20 484	102 641	-277 121	-771 840	-2 271 754	-3 016 348
.62	<i>E. Provisions (63+...65)</i>	0	0	0	0	0	0	0
.63	1. Provisions for expected liabilities	0	0	0	0	0	0	0
.64	2. Provisions for future costs	0	0	0	0	0	0	0
.65	3. Other provisions	0	0	0	0	0	0	0
.66	<i>F. LIABILITIES (67+71+80)</i>	-181 242	36 092	118 953	794 963	1 159 037	3 877 618	5 805 421
.67	<i>I. SUBORDINATED LIABILITIES</i>	0	0	0	0	0	0	0
.68	Subordinated liabilities to related companies	0	0	0	0	0	0	0
.69	Subordinated liabs. to comp. in other holding relationships	0	0	0	0	0	0	0
.70	Subordinated liabilities to other entities	0	0	0	0	0	0	0
.71	<i>II. LONG-TERM LIABILITIES</i>	0	0	0	0	0	-1 954	-1 954
.72	Long-term borrowings	0	0	0	0	0	0	0
.73	Convertible bonds	0	0	0	0	0	0	0
.74	Debts on the issuance of bonds	0	0	0	0	0	0	0
.75	Investment and development loans	0	0	0	0	0	0	0
.76	Other long-term loans	0	0	0	0	0	0	0
.77	Long-term liabilities to related companies	0	0	0	0	0	0	0
.78	Long-term liabilities to other companies	0	0	0	0	0	0	0
.79	Other long-term liabilities	0	0	0	0	0	-1 954	-1 954
.80	<i>III. CURRENT LIABILITIES</i>	-181 242	36 092	118 953	794 963	1 159 037	3 879 572	5 807 375
.81	Short-term borrowings	0	0	0	0	0	0	0
.82	of which: convertible bonds	0	0	0	0	0	0	0
.83	Short-term loans	0	0	0	0	0	0	0
.84	Advances from customers	0	0	0	0	0	2 066	2 066
.85	Trade payables	-181 242	24 435	86 930	778 802	874 591	3 074 124	4 657 640
.86	Bills payable	0	0	0	0	0	0	0
.87	Current liabilities to related companies	0	0	0	0	0	0	0
.88	Current liabs. to companies in other holding relationships	0	0	0	0	0	0	0
.89	Other current liabilities	0	11 657	32 023	16 161	284 446	803 382	1 147 669
.90	<i>G. ACCRUED EXPENSES AND DEFERRED INCOME</i>	0	-58 353	-223 218	-18 990	-40 328	-44 688	-385 577
.91	Deferred income	0	-57 101	-217 611	0	-17 013	-12 544	-304 269
.92	Accrued expenses	0	0	0	0	-47	-2 241	-2 288
.93	Accrued assets	0	-1 252	-5 607	-18 990	-23 268	-29 903	-79 020
.94	TOTAL EQUITY AND LIABILITIES	0	-1 777	-1 624	498 852	346 869	1 561 176	2 403 496

Table 59: Balance sheet items of MÁV Rt. affecting previous years - Liabilities

Data in THUF

No.	Description	2000	2001	2002	2003	2004	2005	Total
.01.	Net domestic sales revenue	0	0	-4 490	-241	85 012	-623 439	-543 158
.02.	Net export sales revenue	0	0	-138	143 710	96 808	985 489	1 225 869
<i>I.</i>	<i>Net sales revenue (01+02)</i>	<i>0</i>	<i>0</i>	<i>-4 628</i>	<i>143 469</i>	<i>181 820</i>	<i>362 050</i>	<i>682 711</i>
.03.	Changes in self-manufactured stocks	0	0	0	0	0	0	0
.04.	Capitalised value of self-manufactured assets	0	0	0	290 682	302 614	320 119	913 415
<i>II.</i>	<i>Own performance capitalised (+03+04)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>290 682</i>	<i>302 614</i>	<i>320 119</i>	<i>913 415</i>
<i>III.</i>	<i>Other income</i>	<i>0</i>	<i>-1 055</i>	<i>0</i>	<i>-129 446</i>	<i>16 976</i>	<i>21 930</i>	<i>-91 595</i>
	of which: reversed impairment (962)	0	0	0	0	0	0	0
.05.	Material costs	0	2 912	475	1 812	5 604	91 612	102 415
.06.	Services used	-181 242	3 485	58 284	115 812	542 140	1 420 617	1 959 096
.07.	Other services	0	0	0	0	742	27 948	28 690
.08.	Cost of goods sold	0	23	84	24	306	66 465	66 902
.09.	Services sold (mediated)	0	20	0	0	-301	-1 064	-1 345
<i>IV.</i>	<i>Material-type costs (05+06+07+08+09)</i>	<i>-181 242</i>	<i>6 440</i>	<i>58 843</i>	<i>117 648</i>	<i>548 491</i>	<i>1 605 578</i>	<i>2 155 758</i>
.10.	Wage cost	0	0	0	0	0	323	323
.11.	Other staff benefits	0	7 097	44	9 239	198 616	15 107	230 103
.12.	Wage contributions	0	4 532	22 342	7 212	84 865	14 119	133 070
<i>V.</i>	<i>Staff costs (10+11+12)</i>	<i>0</i>	<i>11 629</i>	<i>22 386</i>	<i>16 451</i>	<i>283 481</i>	<i>29 549</i>	<i>363 496</i>
<i>VI.</i>	<i>Depreciation</i>	<i>0</i>	<i>594</i>	<i>681</i>	<i>23 428</i>	<i>48 960</i>	<i>131 439</i>	<i>205 102</i>
<i>VII.</i>	<i>Other expenses</i>	<i>0</i>	<i>17 441</i>	<i>33 329</i>	<i>79 923</i>	<i>41 788</i>	<i>842 379</i>	<i>1 014 860</i>
	of which: impairment (862)	0	0	0	0	0	0	0
<i>A.</i>	<i>TRADING PROFIT/LOSS (I+-II+III-IV-V-VI-VII)</i>	<i>181 242</i>	<i>-37 159</i>	<i>-119 867</i>	<i>67 255</i>	<i>-421 310</i>	<i>-1 904 846</i>	<i>-2 234 685</i>
.13.	Dividends and profit-sharings received	0	0	0	0	0	0	0
	of which: from related companies	0	0	0	0	0	0	0
.14.	Exchange gains from the sale of holdings	0	0	0	0	0	0	0
	of which: from related companies	0	0	0	0	0	0	0
.15.	Interest and exchange gains on investments	0	0	0	0	0	0	0
	of which: from related companies	0	0	0	0	0	0	0
.16.	Other interest received (due) and similar income	0	0	0	0	0	9 683	9 683
	of which: from related companies	0	0	0	0	0	0	0
.17.	Other income from financial transactions	0	0	0	0	0	1 422	1 422
<i>VIII.</i>	<i>Income from financial transactions (13+14+15+16+17)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>11 105</i>	<i>11 105</i>
.18.	Exchange losses on investments	0	0	0	0	0	0	0
	of which: to related companies	0	0	0	0	0	0	0
.19.	Interest paid and similar expenses	0	0	0	0	0	790	790
	of which: to related companies	0	0	0	0	0	0	0
.20.	Impairment of holdings, securities and bank deposits	0	0	0	0	0	0	0
	of which: to related companies	0	0	0	0	0	0	0
.21.	Other expenses on financial transactions	0	0	0	13	0	6 978	6 991
<i>IX.</i>	<i>Expenses on financial transactions (18+19+20+21)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>13</i>	<i>0</i>	<i>7 768</i>	<i>7 781</i>
<i>B.</i>	<i>PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-13</i>	<i>0</i>	<i>3 337</i>	<i>3 324</i>
<i>C.</i>	<i>PROFIT/LOSS ON ORDINARY ACTIVITIES (+A+B)</i>	<i>181 242</i>	<i>-37 159</i>	<i>-119 867</i>	<i>67 242</i>	<i>-421 310</i>	<i>-1 901 509</i>	<i>-2 231 361</i>
<i>X.</i>	<i>Extraordinary income</i>	<i>0</i>	<i>58 353</i>	<i>223 218</i>	<i>18 990</i>	<i>27 737</i>	<i>29 903</i>	<i>358 201</i>
<i>XI.</i>	<i>Extraordinary expenses</i>	<i>0</i>	<i>710</i>	<i>710</i>	<i>363 353</i>	<i>378 267</i>	<i>400 148</i>	<i>1 143 188</i>
<i>D.</i>	<i>EXTRAORDINARY PROFIT/LOSS (X-XI)</i>	<i>0</i>	<i>57 643</i>	<i>222 508</i>	<i>-344 363</i>	<i>-350 530</i>	<i>-370 245</i>	<i>-784 987</i>
<i>E.</i>	<i>PROFIT/LOSS BEFORE TAX (+C+D)</i>	<i>181 242</i>	<i>20 484</i>	<i>102 641</i>	<i>-277 121</i>	<i>-771 840</i>	<i>-2 271 754</i>	<i>-3 016 348</i>
<i>XII.</i>	<i>TAX LIABILITY</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>F.</i>	<i>PROFIT/LOSS AFTER TAX (+E-XIII)</i>	<i>181 242</i>	<i>20 484</i>	<i>102 641</i>	<i>-277 121</i>	<i>-771 840</i>	<i>-2 271 754</i>	<i>-3 016 348</i>
.22.	Use of profit reserve for dividends, profit sharings	0	0	0	0	0	0	0
.23.	Dividends and profit-sharings paid	0	0	0	0	0	0	0
<i>G.</i>	<i>RETAINED PROFIT/LOSS FOR THE YEAR (+F+22-23)</i>	<i>181 242</i>	<i>20 484</i>	<i>102 641</i>	<i>-277 121</i>	<i>-771 840</i>	<i>-2 271 754</i>	<i>-3 016 348</i>

Table 60: Profit and loss statement of MÁV ZRt. affecting previous years

II.5.5 Research and development

Changes to R&D costs and costs of other technical developments are shown in the following table:

Data in HUF million			
Description	2005	2006	Difference
Costs of research and development	428	359	-69
Of which: R&D for MÁV Zrt. to be capitalised	1	2	1
R&D for MÁV Zrt. accounted as cost in the reporting year	376	276	-100
R&D for other entities	51	81	30
Other indirect costs of technical development	156	155	-1
Of which: Organisational and review fee for technical development	55	67	12
Technical inform., techn.campaign, production organisation	69	59	-10
Standardisation, industrial design	31	28	-3
Technical development tender	0	0	0
Invention not capitalised or used	1	0	-1
Innovation not capitalised or used	0	1	1
Other intellectual property not capitalised or used	0	0	0

Table 61: R&D costs

In accordance with the plan, MÁV ZRt. spent HUF 69 million less on research and development in 2006 than in 2005.

The majority of the R+D costs in 2006 was accounted for by the HUF 276 million spent on research performed for MÁV ZRt. The research costs support the following objectives:

- environmental protection HUF 14 million
- transport security HUF 15 million
- enhancing standard of conveyance service HUF 82 million
- other (development of technological, quality assurance and restructuring tasks and management required to maintain the Company's capacity to operate) HUF 165 million.

HUF 89 million was accounted on research and development topics completed in 2006 after being launched in the same year or in 2005. The cost planned for 2007 in relation to topics that are still ongoing is HUF 134 million.

R+D activity capitalised or still in progress in 2006 is as follows:

Data in HUF million

Description	Opening	Increase	Decrease	Closing
Gross value	91	0	0	91
Depreciation	80	10	0	90
Net value	11	0	10	1
R&D in progress*	86	10	0	96

*Note: HUF 2 million of the increase in R+D in progress in the reporting year was accounted as a self-manufactured cost, while HUF 8 million was recorded as external performance

Table 62: Capitalised value of R+D

The net value of research and development fell by HUF 10 million in 2006 in connection with the depreciation accounted on research and development capitalised in previous years. R+D in progress in 2006 increased by HUF 10 million.

II.6 Balance sheets and profit and loss statements of the divisions

This section presents the balance sheets, profit and loss statements and cash-flow statements of the Company's divisions as well as a breakdown of the divisions' profit and loss statement by activity.

Data in HUF million						
No.	Description	railway track	passenger transportation	machinery	central unit	MÁV
01	A. FIXED ASSETS (02+10+18)	448 173	120 392	88 714	106 463	763 742
02	I. INTANGIBLE ASSETS (03+...09)	193	529	6	3 604	4 332
03	Capitalised value of formation, transformation	0	0	0	0	0
04	Capitalised value of research and development	13	0	0	84	97
05	Rights and concessions	115	167	0	2 475	2 757
06	Intellectual property	65	362	6	1 045	1 478
07	Goodwill	0	0	0	0	0
08	Advances on intangible assets	0	0	0	0	0
09	Upwards revaluation of intangible assets	0	0	0	0	0
10	II. TANGIBLE ASSETS (11+...17)	447 980	119 548	88 708	63 149	719 385
11	Land and buildings and related rights and concessions	354 013	42	9 896	56 293	420 244
12	Plant, equipment, machinery, vehicles	48 415	98 204	76 569	4 636	227 824
13	Other equipment, fittings, vehicles	148	56	4	401	609
14	Breeding animals	0	0	0	0	0
15	Assets under construction, renovations	37 856	4 929	317	1 628	44 730
16	Payments on account	7 548	16 317	1 922	191	25 978
17	Upwards revaluation of tangible assets	0	0	0	0	0
18	III. INVESTMENTS(19+ ...25)	0	315	0	39 710	40 025
19	Long-term holdings in related companies	0	0	0	36 612	36 612
20	Long-term loans to related companies	0	0	0	8	8
21	Other long-term holdings	0	0	0	1 013	1 013
22	Long-term loans to companies in other holding relationships	0	0	0	0	0
23	Other long-term loans	0	315	0	2 077	2 392
24	Long-term debt securities	0	0	0	0	0
25	Upwards revaluation of investments	0	0	0	0	0
26	B. Current assets (27+34+40+45)	34 937	3 065	4 727	79 042	55 326
27	I. STOCKS (28+...33)	195	63	506	5 304	6 068
28	Raw materials and consumable goods	195	61	505	5 175	5 936
29	Work in progress and semi-finished goods	0	0	1	1	2
30	Young, fattened and other livestock	0	0	0	0	0
31	Finished goods	0	0	0	103	103
32	Goods	0	2	0	17	19
33	Advances on stocks	0	0	0	8	8
34	II. RECEIVABLES (35+....39)	34 385	2 628	4 210	54 905	29 683
35	Trade receivables	918	796	213	2 998	4 925
36	Receivables from related companies	2 618	11	3 445	5 287	11 361
37	Receivables from companies in other holding relationships	0	0	0	38	38
38	Bills receivable	0	0	0	0	0
39	Other receivables	614	1 821	88	10 836	13 359
39/A.	Receivables from settlements with divisions	30 235	0	464	35 746	0
40	III. SECURITIES (41+...44)	0	0	0	0	0
41	Holdings in related companies	0	0	0	0	0
42	Other holdings	0	0	0	0	0
43	Treasury shares, business shares	0	0	0	0	0
44	Debt securities held for trading	0	0	0	0	0
45	IV. LIQUID ASSETS (46+...47)	357	374	11	18 833	19 575
46	Cash, cash equivalents	1	53	0	13	67
47	Bank deposits	356	321	11	18 820	19 508
48	C. PREPAID EXPENSES AND ACCRUED INCOME (49+...51)	15 957	13 963	1 316	606	31 842
49	Accrued income	2 725	12 881	1	342	15 949
50	Prepaid expenses	13 164	10	34	264	13 472
51	Accrued payables	68	1 072	1 281	0	2 421
52	TOTAL ASSETS (01+26+48)	499 067	137 420	94 757	186 111	850 910

Table 63: Balance sheet of divisions – Assets

Data in HUF million

No.	Description	railway track	passenger transportation	machinery	central unit	MÁV
53.	<i>D. Shareholders' equity (54+...60)</i>	-17 531	-109 777	25 678	70 049	-31 581
54.	I. SUBSCRIBED CAPITAL	18 965	16 617	11 281	33 137	80 000
	of which: repurchased ownership shares	0	0	0	0	0
55	II. SUBSCRIBED, BUT UNPAID CAPITAL	0	0	0	0	0
56	III. CAPITAL RESERVE	0	0	0	16	16
57	IV. PROFIT RESERVE	-3 262	-87 209	23 969	24 597	-41 905
58	V. NON-DISTRIBUTABLE RESERVE	59	600	832	12 659	14 150
59	VI. VALUATION RESERVE	0	0	0	0	0
60	VII. RETAINED PROFIT/LOSS FOR THE YEAR	-33 293	-39 785	-10 404	-360	-83 842
61	<i>E. Provisions (62+...64)</i>	3 050	1 349	1 521	18 537	24 457
62	1. Provisions for expected liabilities	2 106	878	986	18 298	22 268
63	2. Provision for future costs	932	0	85	239	1 256
64	3. Other provisions	12	471	450	0	933
65	<i>F. LIABILITIES (66+70+79)</i>	486 513	213 883	41 259	92 626	767 836
66	<i>I. SUBORDINATED LIABILITIES (67+...69)</i>	0	0	0	0	0
67	Subordinated liabilities to related companies	0	0	0	0	0
68	Subordinated liabilities to companies in other holding relat	0	0	0	0	0
69	Subordinated liabilities to other entities	0	0	0	0	0
70	<i>II. LONG-TERM LIABILITIES (71+...78)</i>	450 943	178 635	35 709	2 094	667 381
71	Long-term borrowings	0	0	0	0	0
72	Convertible bonds	0	0	0	0	0
73	Debts from the issuance of bonds	0	0	0	0	0
74	Investment and development loans	20 470	49 118	35 677	2 016	107 281
75	Other long-term loans	33 650	127 850	0	0	161 500
76	Long-term liabilities to related companies	0	0	0	0	0
77	Long-term liabilities to other entities	0	0	0	0	0
78	Other long-term liabilities	396 823	1 667	32	78	398 600
79	<i>III. CURRENT LIABILITIES (80+...88/A)</i>	35 570	35 248	5 550	90 532	100 455
80	Short-term borrowings	0	0	0	324	324
81	of which: convertible bonds	0	0	0	0	0
82	Short-term loans	16 464	24 016	171	4 636	45 287
83	Advances from customers	0	8	0	209	217
84	Trade liabilities	9 020	2 029	2 107	12 119	25 275
85	Bills payable	0	0	0	0	0
86	Current liabilities to related companies	7 711	3 203	2 005	5 313	18 232
87	Current liabilities to other entities	1	0	0	126	127
88	Other current liabilities	2 374	2 041	1 267	5 311	10 993
88/A.	Liabilities from settlement with divisions	0	3 951	0	62 494	0
89	<i>G. ACCRUED EXPENSES AND DEFERRED INCOME (90+...92)</i>	27 035	31 965	26 299	4 899	90 198
90	Deferred income	12 246	7	0	796	13 049
91	Accrued expenses	848	5 895	1 915	1 054	9 712
92	Accrued assets	13 941	26 063	24 384	3 049	67 437
93	<i>TOTAL EQUITY AND LIABILITIES(53+61+65+89)</i>	499 067	137 420	94 757	186 111	850 910

Table 64: Balance sheet of divisions – Equity and liabilities

Data in HUF million

No.	Description	railway track	pass. transp.	machinery	central unit	MÁV
.01.	Net domestic sales revenue	36 674	131 315	16 987	11 753	196 729
.02.	Net export sales revenue	0	8 844	11	22	8 877
<i>I.</i>	<i>Net sales revenue (01+02)</i>	<i>36 674</i>	<i>140 159</i>	<i>16 998</i>	<i>11 775</i>	<i>205 606</i>
I/A 1.	Income from passenger transportation internal services (595,1;597,1)	0	126	0	0	126
I/A 2.	Income from machinery internal services (595,2;597,2)	0	0	68 947	0	68 947
I/A 3.	Income from central unit internal services (595,3;595,5;597,3;597,5)	0	0	0	31 885	31 885
I/A 4.	Income from railway track internal services (595,4;597,4)	69 578	0	0	0	69 578
I/A 5.	Income from direct internal services (593,2)	399	16	274	722	1 411
I/A 6.	Income from central mgmt and prop. mgmt. cost allocation (597,9)	0	0	0	33 678	33 678
<i>I/A.</i>	<i>Total accounted internal income:</i>	<i>69 977</i>	<i>142</i>	<i>69 221</i>	<i>66 285</i>	<i>205 625</i>
.03.	Changes in self-manufactured stocks	-4	0	-62	123	57
.04.	Capitalised value of self-manufactured assets	2 450	198	576	348	3 572
<i>II.</i>	<i>Own performance capitalised (03+04)</i>	<i>2 446</i>	<i>198</i>	<i>514</i>	<i>471</i>	<i>3 629</i>
<i>III.</i>	<i>Other income</i>	<i>2 635</i>	<i>2 581</i>	<i>984</i>	<i>8 874</i>	<i>15 074</i>
	of which: reversed impairment (962,1-962,2)	0	0	0	0	0
	<i>Total trading returns:</i>	<i>111 732</i>	<i>143 080</i>	<i>87 717</i>	<i>87 405</i>	<i>429 934</i>
.05.	Material costs	5 538	962	29 073	6 233	41 806
.06.	Services used	21 390	16 884	2 381	15 635	56 290
.07.	Other services	112	264	155	119	650
.08.	Cost of goods sold	1	47	1	3 917	3 966
.09.	Services sold (mediated)	28	291	52	1 236	1 607
<i>IV.</i>	<i>Material-type expenses (05+06+07+08+09)</i>	<i>27 069</i>	<i>18 448</i>	<i>31 662</i>	<i>27 140</i>	<i>104 319</i>
IV/A 1.	Costs of passenger transportation internal services (594,1;596,1)	30	0	94	2	126
IV/A 2.	Costs of machinery internal services (594,2;596,2;598)	6 692	53 679	8 576	0	68 947
IV/A 3.	Costs of central unit internal services (594,3;594,5;596,3;596,5)	10 785	2 597	8 676	9 827	31 885
IV/A 4.	Costs of railway track internal services (594,4;596,4)	0	67 261	2 317	0	69 578
IV/A 5.	Costs of direct internal services (593,1)	634	229	112	436	1 411
IV/A 6.	Central management costs allocated to the division (596,9)	17 085	8 796	7 797	0	33 678
<i>IV/A.</i>	<i>Total accounted internal expenses:</i>	<i>35 226</i>	<i>132 562</i>	<i>27 572</i>	<i>10 265</i>	<i>205 625</i>
.10.	Wage cost	35 409	10 840	22 742	12 948	81 939
.11.	Other staff benefits	5 531	1 999	3 099	3 208	13 837
.12.	Wage contributions	12 260	3 847	7 793	4 940	28 840
<i>V.</i>	<i>Staff costs (10+11+12)</i>	<i>53 200</i>	<i>16 686</i>	<i>33 634</i>	<i>21 096</i>	<i>124 616</i>
<i>VI.</i>	<i>Depreciation</i>	<i>21 019</i>	<i>6 947</i>	<i>4 459</i>	<i>1 980</i>	<i>34 405</i>
<i>VII.</i>	<i>Other expenses</i>	<i>5 814</i>	<i>1 576</i>	<i>1 993</i>	<i>27 133</i>	<i>36 516</i>
	of which: impairment (862)	182	63	56	4 826	5 127
	<i>Total trading expenses:</i>	<i>142 328</i>	<i>176 219</i>	<i>99 320</i>	<i>87 614</i>	<i>505 481</i>
<i>A.</i>	<i>TRADING PROFIT/LOSS (I+II+III-IV-V-VI-VII-VIII)</i>	<i>-30 596</i>	<i>-33 139</i>	<i>-11 603</i>	<i>-209</i>	<i>-75 547</i>
.13.	Dividends and profit-sharings received	0	0	0	1 211	1 211
	Of which: from related companies	0	0	0	1 141	1 141
.14.	Exchange gains from the sale of holdings	0	0	0	1	1
	Of which: from related companies	0	0	0	0	0
.15.	Interest and exchange gains on investments	0	0	0	7	7
	Of which: from related companies	0	0	0	0	0
.16.	Other interest received (due) and similar income	0	444	61	882	1 387
	Of which: from related companies	0	0	0	62	62
.17.	Other income from financial transactions	1 217	1 927	591	593	4 328
<i>VIII.</i>	<i>Income from financial transactions (13+14+15+16+17)</i>	<i>1 217</i>	<i>2 371</i>	<i>652</i>	<i>2 694</i>	<i>6 934</i>
.18.	Exchange losses on investments	0	0	0	0	0
	Of which: to related companies	0	0	0	0	0
.19.	Interest paid and similar expenses	3 772	10 053	1 027	1 700	16 552
	Of which: to related companies	0	0	0	49	49
.20.	Impairment of holdings, securities and bank deposits	0	0	0	832	832
.21.	Other expenses on financial transactions	711	1 507	61	1 352	3 631
<i>IX.</i>	<i>Expenses on financial transactions (18+19+20+21)</i>	<i>4 483</i>	<i>11 560</i>	<i>1 088</i>	<i>3 884</i>	<i>21 015</i>
<i>B.</i>	<i>PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)</i>	<i>-3 266</i>	<i>-9 189</i>	<i>-436</i>	<i>-1 190</i>	<i>-14 081</i>
<i>C.</i>	<i>PROFIT/LOSS ON ORDINARY ACTIVITIES (A+B)</i>	<i>-33 862</i>	<i>-42 328</i>	<i>-12 039</i>	<i>-1 399</i>	<i>-89 628</i>
X.	Extraordinary income	668	2 543	1 636	31 296	36 143
XI.	Extraordinary expenses	99	0	1	30 257	30 357
<i>D.</i>	<i>EXTRAORDINARY PROFIT/LOSS (X-XI)</i>	<i>569</i>	<i>2 543</i>	<i>1 635</i>	<i>1 039</i>	<i>5 786</i>
<i>E.</i>	<i>PROFIT/LOSS BEFORE TAXATION (C+D)</i>	<i>-33 293</i>	<i>-39 785</i>	<i>-10 404</i>	<i>-360</i>	<i>-83 842</i>
XIII.	TAX LIABILITY	0	0	0	0	0
<i>F.</i>	<i>PROFIT/LOSS AFTER-TAX (E-XII)</i>	<i>-33 293</i>	<i>-39 785</i>	<i>-10 404</i>	<i>-360</i>	<i>-83 842</i>
.22.	Use of profit reserve for dividends, profit sharings	0	0	0	0	0
.23.	Dividends and profit-sharings paid	0	0	0	0	0
<i>G.</i>	<i>RETAINED PROFIT/LOSS FOR THE YEAR (F+22-23)</i>	<i>-33 293</i>	<i>-39 785</i>	<i>-10 404</i>	<i>-360</i>	<i>-83 842</i>

Table 65: Profit and loss statement of divisions




Data in HUF million

No.	Description	Railway track	Passenger transportation	Machinery	Central unit	MÁV
I.	Cash flows from ordinary activities (Operating cash flow, rows 1-14)	-10 800	-54 521	4 986	17 835	-42 500
1.	Profit/Loss before tax ±	-33 309	-39 896	-10 404	-1 574	-85 183
	of which: definitive liquid asset receipts accounted as income	17	111	0	19	147
	definitive liquid asset transfers accounted as expense	-1	0	0	-16	-17
	dividends received	0	0	0	1 211	1 211
2.	Ordinary amortisation +	21 019	6 947	4 459	1 980	34 405
3.	Booked impairment +	1 611	379	346	6 021	8 357
4.	Reversal of booked impairment -	0	0	0	0	0
5.	Changes in provisions ±	1 230	-736	632	10 686	11 812
6.	Result from sale of fixed assets ±	-55	-5	-13	-773	-846
7.	Changes in trade creditors ±	-1 675	-773	-1 812	-5 195	-9 455
8.	Changes in other current liabilities ±	3 889	2 817	298	-4 772	2 232
9.	Changes in accrued expenses and deferred income ±	2 317	584	32	-3 198	-265
10.	Changes in trade receivables ±	-518	114	-136	5 555	5 015
11.	Changes in current assets (without trade receivables and liquid assets) ±	-2 839	6 511	-3 421	-494	-243
	of which: increase in stocks	32	-5	1	-213	-185
	receivables from budget	0	7 358	0	578	7 936
	securities bought for resale	0	0	0	0	0
	other receivables (without budgetary ones)	-2 871	-842	-3 422	-859	-7 994
12.	Changes in the balance of settlements with divisions	1 558	-23 715	14 677	7 480	0
13.	Changes in prepaid expenses and accrued income ±	-4 028	-6 748	328	2 119	-8 329
14.	Corporation tax payable -	0	0	0	0	0
15.	Dividends and profit-sharings payable-	0	0	0	0	0
II.	Cash flows from investing activities (rows 15-18)	-54 310	-25 253	-11 620	6 209	-84 975
16.	Purchase of fixed assets -	-52 607	-10 322	-10 137	-26 242	-99 309
17.	Disposal of fixed assets +	85	120	15	31 025	31 245
18.	Changes in payments on account ±	-1 788	-15 051	-1 498	215	-18 122
19.	Dividends received +	0	0	0	1 211	1 211
III.	Cash flows from financing activities (rows 19-28)	65 439	79 834	6 644	-17 518	134 400
20.	Proceeds from issuance of shares (capital increase) +	0	0	0	0	0
21.	Proceeds from bond issues +	0	0	0	0	0
22.	Borrowings +	39 957	112 856	8 182	2 000	162 995
23.	Changes to long-term loans	0	202	0	495	697
24.	Definitive liquid asset receipts +	17	111	0	19	147
25.	Changes to equity	3 172	-10 323	-752	4 602	-3 301
	of which: profit/loss from previous years	266	-760	-434	-2 088	-3 016
26.	Withdrawal of shares (capital decrease) -	0	0	0	0	0
27.	Repayment of bonds -	0	0	0	0	0
28.	Repayment of loans -	-11 707	-24 667	-791	-24 497	-61 662
29.	Definitive liquid asset transfers -	-1	0	0	-16	-17
30.	Changes in liabilities to founders and other long-term liabilities	34 002	1 656	4	-121	35 541
	of which: treasury property source account	33 984	-12	0	2	33 974
	Capital increase related to Russian railcars, not yet registered	0	0	0	0	0
	Other changes	18	1 668	4	-123	1 567
IV.	Changes in liquid assets (rows ±I-±III) ±	329	60	10	6 526	6 925

Table 66: Cash flow statement of divisions

II.6.1 Result of MÁV ZRt. operations by division

Based on the provisions of Act CLXXXIII of 2005 on the Railways, the activities performed by MÁV ZRt. in 2006 and separated from an accounting perspective are:

-  Track network operation performed by the Railway Track Division
-  Passenger transport and public passenger transport performed by the Passenger Transport Division,
-  Traction performed by the Machinery Division.

The results of these along with the other activities performed by the divisions and the central division are presented on the following pages.

The profit and loss statement comprises the internal services performed by the business divisions and the central division for each other at the lower of the internal fee and the market price for railway activities, and at actual prime cost for central services.

The costs of central management were accounted as prescribed in the divisional prime cost calculation procedure for 2006 and allocated between the business divisions and the central division. The prime cost calculation procedure defines the content of the separable railway activities.

II.6.1.1 Railway track operation (and other activities)

The profit and loss statement for the railway track operation and other activities performed by the Railway Track Division is presented in detail and in condensed form in the following tables:

Data in HUF million

No.	Description	Railway track operation	Other activities	Total Railway Track Division
01.	Net domestic sales revenue	33 863	2 811	36 674
02.	Net export sales revenue	0	0	0
I.	Total net sales revenue	33 863	2 811	36 674
I/A 1.	Income from passenger transportation internal services	0	0	0
I/A 2.	Income from machinery internal services	0	0	0
I/A 3.	Income from central unit internal services	0	0	0
I/A 4.	Income from railway track internal services	69 323	255	69 578
I/A 5.	Income from direct internal services	0	399	399
I/A 6.	Central management costs allocated to the division	0	0	0
I/A	Total accounted internal income:	69 323	654	69 977
03.	Changes in self-manufactured stocks	-1	-3	-4
04.	Capitalised value of self-manufactured assets	0	2 450	2 450
II.	Own performance capitalised (03+04)	-1	2 447	2 446
III.	Other income	2 569	66	2 635
	Total trading returns (I+I/A+II+III)	105 754	5 978	111 732
05.	Material costs	4 471	1 067	5 538
06.	Services used	20 082	1 308	21 390
07.	Other services	109	3	112
08.	Cost of goods sold	0	1	1
09.	Services sold (mediated)	0	28	28
IV.	Material-type expenses (05+06+07+08+09)	24 662	2 407	27 069
IV/A 1.	Costs of passenger transportation internal services	29	1	30
IV/A 2.	Costs of machinery internal services	6 692	0	6 692
IV/A 3.	Costs of central unit internal services	10 255	530	10 785
IV/A 4.	Costs of railway track internal services	0	0	0
IV/A 5.	Costs of direct internal services	293	341	634
IV/A 6.	Central management costs allocated to the division	16 631	454	17 085
IV/A	Total accounted internal expenses:	33 900	1 326	35 226
10.	Wage cost	34 019	1 390	35 409
11.	Other staff benefits	5 384	147	5 531
12.	Wage contributions	11 732	528	12 260
V.	Staff costs (10+11+12)	51 135	2 065	53 200
VI.	Depreciation	20 738	281	21 019
VII.	Other expenses	5 711	103	5 814
	Total trading expenses:(IV+IV/A+V+VI+VII)	136 146	6 182	142 328
A.	OPERATING PROFIT/LOSS	-30 392	-204	-30 596
VIII.	Income from financial transactions	1 184	33	1 217
IX.	Expenses on financial transactions	4 464	19	4 483
B.	PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)	-3 280	14	-3 266
C.	PROFIT/LOSS ON ORDINARY ACTIVITIES (A+B)	-33 672	-190	-33 862
X.	Extraordinary income	666	2	668
XI.	Extraordinary expenses	96	3	99
D.	EXTRAORDINARY PROFIT/LOSS (X-XI)	570	-1	569
E.	PROFIT/LOSS BEFORE TAXATION (C+D)	-33 102	-191	-33 293
XIII.	TAX LIABILITY	0	0	0
F.	PROFIT/LOSS AFTER TAXATION (E-XII)	-33 102	-191	-33 293
22.	Use of profit reserve for dividends, profit sharings	0	0	0
23.	Dividends and profit-sharings paid	0	0	0
G.	RETAINED PROFIT/LOSS FOR THE YEAR (F+22-23)	-33 102	-191	-33 293

Table 67: Detailed profit and loss statement of the Railway Track division by activities

Data in HUF million

Description	Railway track operation		Other activities		Total Railway Track Division	
	HUF million	Ratio %	HUF million	Ratio %	HUF million	Ratio %
Income	107 605	100,00	3 566	100,00	111 171	100,00
Of which: Sales revenue*	33 793	31,40	2 810	78,80	36 603	32,92
Internal income	69 323	64,43	654	18,34	69 977	62,95
Other income**	4 489	4,17	102	2,86	4 591	4,13
Costs and expenses	140 707	100,00	3 757	100,00	144 464	100,00
Of which: Direct costs	82 190	58,43	2 247	59,84	84 437	58,47
Costs of machinery internal services	6 692	4,76	0	0,00	6 692	4,63
Costs of passenger transp. internal services	29	0,02	1	0,03	30	0,02
General costst and expenses	51 796	36,81	1 509	40,16	53 305	36,90
Of which: General costs and other expenses***	24 910	17,70	525	13,97	25 435	17,61
Internal costs of central services	10 255	7,29	530	14,11	10 785	7,47
Central management costs	16 631	11,82	454	12,08	17 085	11,83
Profit/Loss	-33 102	-	-191	-	-33 293	-

* Excluding sales revenue from social and welfare activities (canteen, training, workers hostel)

** Contains other, financial and extraordinary income as well as sales revenue from social and welfare activities

*** Contains other, financial and extraordinary expenses as well as general and social and welfare costs

Table 68: Condensed profit and loss statement of the Railway Track Division

The majority of the HUF 33,293 million loss sustained by the Railway Track Division was due to the loss on railway track operation (HUF 33,102 million), since the income from this activity does not cover the general costs and expenses accounted for and allocated to the activity. Under track network access services, the fee stated in the Network Terms and Conditions for core services (ensuring routes and traffic) covers the direct costs of these activities based on legal regulations.

HUF 30,392 million of the loss sustained from track operating activities is the operating loss, while HUF 3,280 million is the financial loss. The financial loss was principally caused by the interest expense of HUF 3,772 million recorded in 2006 on investment and operating loans drawn to finance operations.

64.43% of the income from railway track operation activities is sales revenue from access services for the internal track network.

Major elements in the HUF 140,707 million costs of track operation: HUF 51,135 million in staff costs, HUF 20,191 million in external services used, HUF 16,976 million in internal services, and HUF 20,738 in depreciation expense.

HUF 16,631 million was spent from central management costs on track operation activities. The Railway Track Division generated sales revenue of HUF 2,810 million from other activities, comprising HUF 676 million from the rental of land and buildings and other assets, HUF 476 million from industrial track services, HUF 389 million from construction activities and HUF 245 million from telecommunications services.

II.6.1.2 Passenger transport, public passenger transport (and other activities),

The profit and loss statement for the passenger transport, public passenger transport and other activities performed by the Passenger Transport Division is presented in detail and in condensed form in the following tables:

Data in HUF million

No.	Description	Passenger transp.	Of which public passenger transport	Other activities	Total Pass. Transp. Division
01.	Net domestic sales revenue	130 917	129 401	398	131 315
02.	Net export sales revenue	8 844	0	0	8 844
<i>I.</i>	<i>Total net sales revenue</i>	<i>139 761</i>	<i>129 401</i>	<i>398</i>	<i>140 159</i>
I/A 1.	Income from passenger transportation internal services	125	0	1	126
I/A 2.	Income from machinery internal services	0	0	0	0
I/A 3.	Income from central unit internal services	0	0	0	0
I/A 4.	Income from railway track internal services	0	0	0	0
I/A 5.	Income from direct internal services	0	0	16	16
I/A 6.	Central management costs allocated to the division	0	0	0	0
<i>I/A</i>	<i>Total accounted internal income:</i>	<i>125</i>	<i>0</i>	<i>17</i>	<i>142</i>
03.	Changes in self-manufactured stocks	0	0	0	0
04.	Capitalised value of self-manufactured assets	0	0	198	198
<i>II.</i>	<i>Own performance capitalised (03+04)</i>	<i>0</i>	<i>0</i>	<i>198</i>	<i>198</i>
III.	Other income	2 566	2 103	15	2 581
	Total trading returns (I+I/A+II+III)	142 452	131 504	628	143 080
05.	Material costs	948	790	14	962
06.	Services used	16 734	10 730	150	16 884
07.	Other services	262	206	2	264
08.	Cost of goods sold	0	0	47	47
09.	Services sold (mediated)	279	247	12	291
<i>IV.</i>	<i>Material-type expenses (05+06+07+08+09)</i>	<i>18 223</i>	<i>11 973</i>	<i>225</i>	<i>18 448</i>
IV/A 1.	Costs of passenger transportation internal services	0	0	0	0
IV/A 2.	Costs of machinery internal services	53 679	50 209	0	53 679
IV/A 3.	Costs of central unit internal services	2 581	2 119	16	2 597
IV/A 4.	Costs of railway track internal services	67 261	65 955	0	67 261
IV/A 5.	Costs of direct internal services	32	25	197	229
IV/A 6.	Central management costs allocated to the division	8 738	6 873	58	8 796
<i>IV/A</i>	<i>Total accounted internal expenses:</i>	<i>132 291</i>	<i>125 181</i>	<i>271</i>	<i>132 562</i>
10.	Wage cost	10 809	9 201	31	10 840
11.	Other staff benefits	1 986	1 562	13	1 999
12.	Wage contributions	3 838	3 285	9	3 847
<i>V.</i>	<i>Staff costs (10+11+12)</i>	<i>16 633</i>	<i>14 048</i>	<i>53</i>	<i>16 686</i>
VI.	Depreciation	6 944	6 859	3	6 947
VII.	Other expenses	1 571	1 437	5	1 576
	Total trading expenses:(IV+IV/A+V+VI+VII)	175 662	159 498	557	176 219
A.	OPERATING PROFIT/LOSS	-33 210	-27 994	71	-33 139
VIII.	Income from financial transactions	2 355	1 853	16	2 371
IX.	Expenses on financial transactions	11 550	11 231	10	11 560
B.	PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)	-9 195	-9 378	6	-9 189
C.	PROFIT/LOSS ON ORDINARY ACTIVITIES (A+B)	-42 405	-37 372	77	-42 328
X.	Extraordinary income	2 542	2 517	1	2 543
XI.	Extraordinary expenses	0	0	0	0
D.	EXTRAORDINARY PROFIT/LOSS (X-XI)	2 542	2 517	1	2 543
E.	PROFIT/LOSS BEFORE TAXATION (C+D)	-39 863	-34 855	78	-39 785
XIII.	TAX LIABILITY	0	0	0	0
F.	PROFIT/LOSS AFTER TAXATION (E-XII)	-39 863	-34 855	78	-39 785
22.	Use of profit reserve for dividends, profit sharings	0	0	0	0
23.	Dividends and profit-sharings paid	0	0	0	0
G.	RETAINED PROFIT/LOSS FOR THE YEAR (F+22-23)	-39 863	-34 855	78	-39 785

Table 69: Detailed profit and loss statement of the Passenger Transportation division by activities

Data in HUF million

Description	Passenger transportation		Of which: public passenger transport		Other activities		Total Passenger Transportation Division	
	HUF million	Ratio %	HUF million	Arány %	HUF million	Ratio %	HUF million	Ratio %
Income	147 351	100,00	135 874	100,00	446	100,00	147 797	33,21
Of which: Own sales revenue*	41 045	27,86	30 685	22,58	397	89,02	41 442	28,04
Price subsidy	24 306	16,50	24 306	17,89	0	0,00	24 306	16,45
Production price subsidy	74 407	50,49	74 407	54,76	0	0,00	74 407	50,34
Internal income	125	0,08	0	0,00	17	3,81	142	0,10
Other income**	7 468	5,07	6 476	4,77	32	7,17	7 500	5,07
Costs and expenses	187 214	100,00	170 729	100,00	368	100,00	187 582	100,00
Of which: Direct costs	35 127	18,76	27 631	16,18	235	63,86	35 362	18,85
Costs of railway track internal services	67 262	35,93	65 955	38,63	0	0,00	67 262	35,86
Costs of machinery internal services	53 679	28,67	50 209	29,41	0	0,00	53 679	28,62
General costs and expenses	31 146	16,64	26 934	15,78	133	36,14	31 279	16,67
Of which: General costs and other expenses***	19 827	10,59	17 942	10,51	59	16,03	19 886	10,60
Internal costs of central services	2 581	1,38	2 119	1,24	16	4,35	2 597	1,38
Central management costs	8 738	4,67	6 873	4,03	58	15,76	8 796	4,69
Profit/Loss	-39 863	-	-34 855	-	78	-	-39 785	-

* Excluding sales revenue from social and welfare activities (canteen, training, workers hostel)

** Contains other, financial and extraordinary income as well as sales revenue from social and welfare activities

*** Contains other, financial and extraordinary expenses as well as general and social and welfare costs

Table 70: Condensed profit and loss statement of the Passenger Transportation division by activities

The HUF 39,785 million loss sustained by the Passenger Transport Division comprises a passenger transport loss of HUF 39,863 million and a profit from other activities of HUF 78 million. The loss on passenger transport contains a loss of HUF 34,855 million on public passenger transportation and a HUF 5,008 million loss on other passenger transportation.

The HUF 27,994 million loss sustained in public passenger transportation was increased by the financial loss of HUF 9,378 million and reduced by the extraordinary profit of HUF 2,517 million.

The loss on financial transactions was principally caused by the interest of HUF 10,053 million accounted in 2006 on investment and operating loans drawn to finance activities, as well as the year-end re-measurement of the advance payments made to purchase the Flirt and Talent trains which constituted an expense of HUF 1,163 million. The extraordinary income derived from debts forgiven by the Government reduced the loss sustained in public passenger transportation in 2006 by HUF 2,419 million.

54.76% of income from public passenger transportation is constituted by production price subsidies, 22.58% is own sales revenue and 17.89% is price subsidies.

Major components of public service costs totalling HUF 170,729 million: cost of internal railway track services HUF 65,955 million, cost of internal machinery services HUF 50,209 million, staff costs HUF 14,048 million and external services used HUF 10,936 million.

Sales revenue in the Passenger Transport Division from other activities totalled HUF 397 million, of which HUF 289 million is revenue from passenger services.

II.6.1.3 Traction (and other activities)

The profit and loss statement for the traction and other activities performed by the Machinery Division is presented in detail and in condensed form in the following tables:

Data in HUF million

No.	Description	Traction	Other activities	Total Machinery Division
01.	Net domestic sales revenue	15 017	1 970	16 987
02.	Net export sales revenue	0	11	11
I.	Total net sales revenue	15 017	1 981	16 998
I/A 1.	Income from passenger transportation internal services	0	0	0
I/A 2.	Income from machinery internal services	50 102	18 845	68 947
I/A 3.	Income from central unit internal services	0	0	0
I/A 4.	Income from railway track internal services	0	0	0
I/A 5.	Direct income from direct internal services	0	274	274
I/A 6.	Central management costs allocated to the division	0	0	0
I/A	Total accounted internal income:	50 102	19 119	69 221
03.	Changes in self-manufactured stocks	-4	-58	-62
04.	Capitalised value of self-manufactured assets	0	576	576
II.	Own performance capitalised (03+04)	-4	518	514
III.	Other income	633	351	984
	Total trading returns (I+I/A+II+III)	65 748	21 969	87 717
05.	Material costs	23 494	5 579	29 073
06.	Services used	1 554	827	2 381
07.	Other services	106	49	155
08.	Cost of goods sold	0	1	1
09.	Services sold (mediated)	0	52	52
IV.	Material-type expenses (05+06+07+08+09)	25 154	6 508	31 662
IV/A 1.	Costs of passenger transportation internal services	0	94	94
IV/A 2.	Costs of machinery internal services	7 963	613	8 576
IV/A 3.	Costs of central unit internal services	5 744	2 932	8 676
IV/A 4.	Costs of railway track internal services	2 309	8	2 317
IV/A 5.	Direct costs of direct internal services	20	92	112
IV/A 6.	Central management costs allocated to the division	5 450	2 347	7 797
IV/A	Total accounted internal expenses:	21 486	6 086	27 572
10.	Wage cost	15 568	7 174	22 742
11.	Other staff benefits	1 839	1 260	3 099
12.	Wage contributions	5 323	2 470	7 793
V.	Staff costs (10+11+12)	22 730	10 904	33 634
VI.	Depreciation	4 276	183	4 459
VII.	Other expenses	1 015	978	1 993
	Total trading expenses:(IV+IV/A+V+VI+VII)	74 661	24 659	99 320
A.	OPERATING PROFIT/LOSS	-8 913	-2 690	-11 603
VIII.	Income from financial transactions	451	201	652
IX.	Expenses on financial transactions	1 070	18	1 088
B.	PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)	-619	183	-436
C.	PROFIT/LOSS ON ORDINARY ACTIVITIES (A+B)	-9 532	-2 507	-12 039
X.	Extraordinary income	1 627	9	1 636
XI.	Extraordinary expenses	1	0	1
D.	EXTRAORDINARY PROFIT/LOSS (X-XI)	1 626	9	1 635
E.	PROFIT/LOSS BEFORE TAXATION (C+D)	-7 906	-2 498	-10 404
XIII.	TAX LIABILITY	0	0	0
F.	PROFIT/LOSS AFTER TAXATION (E-XII)	-7 906	-2 498	-10 404
22.	Use of profit reserve for dividends, profit sharings	0	0	0
23.	Dividends and profit-sharings paid	0	0	0
G.	RETAINED PROFIT/LOSS FOR THE YEAR (F+22-23)	-7 906	-2 498	-10 404

Table 71: Detailed profit and loss statement of the Machinery division by activities

Data in HUF million

Description	Traction		Other activities		Total Machinery division	
	HUF million	Ratio %	HUF million	Ratio %	HUF million	Ratio %
Income	67 831	100,00	21 661	100,00	89 492	100,00
Of which: Sales revenue*	15 014	22,13	1 976	9,12	16 990	18,98
Internal income	50 102	73,87	19 119	88,27	69 221	77,35
Other income**	2 715	4,00	566	2,61	3 281	3,67
Costs and expenses	75 737	100,00	24 159	100,00	99 896	100,00
Of which: Direct costs	47 036	62,11	14 751	61,06	61 787	61,85
Costs of railway track internal services	2 309	3,05	8	0,03	2 317	2,32
Costs of machinery internal services	7 963	10,51	613	2,54	8 576	8,58
Costs of passenger transportation internal services	0	0,00	94	0,39	94	0,09
General costs and expenses	18 429	24,33	8 693	35,98	27 122	27,16
Of which: General costs and other expenses***	7 235	9,55	3 414	14,13	10 649	10,66
Internal costs of central services	5 744	7,58	2 932	12,14	8 676	8,69
Central management costs	5 450	7,20	2 347	9,71	7 797	7,81
Profit/Loss	-7 906	-	-2 498	-	-10 404	-

* Excluding sales revenue from social and welfare activities (canteen, training, workers hostel)

** Contains other, financial and extraordinary income as well as sales revenue from social and welfare activities

*** Contains other, financial and extraordinary expenses as well as general and social and welfare costs

Table 72: Condensed profit and loss statement of the Machinery division by activities

The HUF 10,404 million loss sustained by the Machinery Division was due to the HUF 7,906 million loss in traction and HUF 2,498 million loss in other activities.

The traction operating loss of HUF 8,913 million was increased by the HUF 619 million financial loss but reduced by the HUF 1,626 million extraordinary profit. The financial loss was caused primarily by the interest expense of HUF 1,027 million accounted in 2006 on investment loans drawn to finance traction activities. The extraordinary income from debts forgiven by the Government reduced the traction loss in 2006 by HUF 1,622 million.

Despite the outsourcing of cargo activity, 73.87% of traction revenue is derived from internal services.

Major components of traction costs totalling HUF 75,737 million: material costs HUF 23,494 million, staff costs HUF 22,730 million, and internal services used HUF 16,016 million. The costs and income of internal services comprise the maintenance of engines used for traction within the Machinery Division as well as shunting used for other activities (vehicle maintenance).

Internal income of the Machinery Division from other activities totals HUF 19,119 million, alongside sales revenue of HUF 1,976 million. HUF 14,831 million of internal income is derived from the maintenance of railway vehicles, and HUF 4,015 million is income from train and carriage inspections. Looking at invoiced activities, sales revenue from the maintenance of railway vehicles totals HUF 1,455 million, from train and carriage inspections HUF 169 million, and from renting vehicles HUF 102 million.

II.6.1.4 Other activities performed by the Central Division

Table 65 shows the profit and loss statement for other activities performed by the Central Division in detail, while the following table shows the same in condensed form, separating central management, central services and other activities:

Description	Central management		Central services		Other activities		Total Central Division	
	M Ft	Arány %	M Ft	Arány %	M Ft	Arány %	M Ft	Arány %
Income	70 314	100,00	34 694	100,00	15 195	100,00	120 203	100,00
Of which: Sales revenue*	0	0,00	714	2,06	10 655	70,12	11 369	9,46
Internal income	33 678	47,90	31 885	91,90	0	0,00	65 563	54,54
Other income**	36 636	52,10	2 095	6,04	4 540	29,88	43 271	36,00
Costs and expenses	70 314	100,00	34 694	100,00	15 555	100,00	120 563	100,00
Of which: Direct costs	10	0,01	16 116	46,45	5 056	32,50	21 182	17,57
Costs of passenger transp. internal services	2	0,00	0	0,00	0	0,00	2	0,00
General costs and expenses	70 302	99,99	18 578	53,55	10 499	67,50	99 379	82,43
Of which: General costs and other expenses***	69 480	98,82	16 720	48,19	3 352	21,55	89 552	74,28
Internal costs of central services	822	1,17	1 858	5,36	7 147	45,95	9 827	8,15
Profit/Loss	0	-	0	-	-360	-	-360	-

* Excluding sales revenue from social and welfare activities (canteen, training, workers hostel)

** Contains other, financial and extraordinary income as well as sales revenue from social and welfare activities

*** Contains other, financial and extraordinary expenses as well as general and social and welfare costs

Table 73: Condensed profit and loss statement of Central Division by activities

The loss of the Central Division on other activities totalled HUF 360 million. The costs of central management totalling HUF 33,678 million and of central services totalling HUF 31,885 million were recorded under the internal costs of the activities using them and the internal income of the Central Division.

Major components of central management costs:

- ✚ costs of management organisations and centrally used services HUF 12,643 million
- ✚ provisions allocated for management totalling HUF 16,718 million (of which HUF 7,805 million for environmental liabilities, HUF 6,052 million for litigation, HUF 2,827 million for early retirement and severance payments, and HUF 34 million for supervisory fees)

Major components of central service costs:

- ✚ real estate management and building monitoring HUF 15,043 million
- ✚ purchasing and stockpiling diesel HUF 991 million
- ✚ costs of central service organisations HUF 14,496 million

Sales revenue from other activities totalled HUF 10,655 million, of which HUF 5,025 million was derived from property renting and utility services for rented properties, while HUF 4,301 million was revenue from material sales.

II.6.1.5 Profit and loss statement of the Regional Railways

In 2006 MÁV ZRt. treated the profit and loss statements of the Nógrád and Kőrös regional railways separately. The costs, expenses and income of the activities performed by the passenger transportation, railway track, machinery and central organisations of the regional railways (including the activities performed for each other) were included in the settlements for the divisions but segregated for the regional railway organisations. The profit and loss statement for the regional railways includes the general costs of the divisions and central management as well as (other, financial and extraordinary) expenses and income allocated to the various activities.

The following table presents the profit and loss statement of the regional railways.

Data in HUF million

No.	Description	Nógrád	Kőrös	Total:
01.	Net domestic sales revenue	1 341	1 191	2 532
	Of which: Own sales revenue	122	221	343
	Consumer price subsidy	100	217	317
	Cost reimbursement of public service	1 119	753	1 872
02.	Net export sales revenue	0	0	0
I.	Total net sales revenue	1 341	1 191	2 532
I/A 1.	Income from passenger transportation internal services	0	0	0
I/A 2.	Income from machinery internal services	677	615	1 292
I/A 3.	Income from central unit internal services	0	0	0
I/A 4.	Income from railway track internal services	624	490	1 114
I/A 5.	Direct income from direct internal services	7	4	11
I/A 6.	Central management costs allocated to the division	26	23	49
I/A	Total accounted internal income:	1 334	1 132	2 466
03.	Changes in self-manufactured stocks	0	0	0
04.	Capitalised value of self-manufactured assets	41	17	58
II.	Own performance capitalised (03+04)	41	17	58
III.	Other income	45	41	86
	Total trading returns (I+I/A+II+III)	2 761	2 381	5 142
05.	Material costs	240	155	395
06.	Services used	220	223	443
07.	Other services	4	3	7
08.	Cost of goods sold	0	0	0
09.	Services sold (mediated)	0	0	0
IV.	Material-type expenses (05+06+07+08+09)	464	381	845
IV/A 1.	Costs of passenger transportation internal services	0	0	0
IV/A 2.	Costs of machinery internal services	613	566	1 179
IV/A 3.	Costs of central unit internal services	199	166	365
IV/A 4.	Costs of railway track internal services	764	580	1 344
IV/A 5.	Direct costs of direct internal services	2	3	5
IV/A 6.	Central management costs allocated to the division	242	224	466
IV/A	Total accounted internal expenses:	1 820	1 539	3 359
10.	Wage cost	661	584	1 245
11.	Other staff benefits	77	71	148
12.	Wage contributions	233	208	441
V.	Staff costs (10+11+12)	971	863	1 834
VI.	Depreciation	145	180	325
VII.	Other expenses	53	55	108
	Total trading expenses:(IV+IV/A+V+VI+VII)	3 453	3 018	6 471
A.	OPERATING PROFIT/LOSS	-692	-637	-1 329
VIII.	Income from financial transactions	32	28	60
IX.	Expenses on financial transactions	143	127	270
B.	PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX)	-111	-99	-210
C.	PROFIT/LOSS ON ORDINARY ACTIVITIES (A+B)	-803	-736	-1 539
X.	Extraordinary income	30	26	56
XI.	Extraordinary expenses	1	1	2
D.	EXTRAORDINARY PROFIT/LOSS (X-XI)	29	25	54
E.	PROFIT/LOSS BEFORE TAXATION (C+D)	-774	-711	-1 485
XIII.	TAX LIABILITY	0	0	0
F.	PROFIT/LOSS AFTER TAXATION (E-XII)	-774	-711	-1 485
22.	Use of profit reserve for dividends, profit sharings	0	0	0
23.	Dividends and profit-sharings paid	0	0	0
G.	RETAINED PROFIT/LOSS FOR THE YEAR (F+22-23)	-774	-711	-1 485

Table 74: Profit and loss statement of regional railways

The loss of the regional railways totalled HUF 1,485 million, which breaks down almost equally between the two regional railways (Nógrád regional railway HUF 774 million, Kőrös regional railway HUF 711 million) thanks to the passenger transport cost reimbursements balancing the differing technical costs. The Nógrád regional railway runs 37 pairs of passenger trains on

average each day on 170 km of track, while the Kőrös regional railway runs 36 pairs of passenger trains on 193.5 km of track each day.

The loss was essentially due to operating activities totalling HUF 1,329 million, which was raised slightly by the financial loss amounting to HUF 210 million.

In light of the components of the operating loss, it is clear that the operating income of the regional railways excluding internal income ($5,142 - 2,466 =$ HUF 2,676 million) does not cover costs excluding internal services ($6,471 - 3,359 =$ HUF 3,112 million). The loss is further increased by the fact that the income from the internal services provided by the regional railways (HUF 2,466 million) is lower than the costs of internal services used (HUF 3,359 million), which is essentially due to the use of central services totalling HUF 365 million and the HUF 466 million in central management costs allocated to the regional railways.

The net sales revenue of the regional railways (HUF 2,532 million) is primarily derived from budget subsidies (reimbursed costs for public passenger transportation HUF 1,872 million and passenger transportation price subsidies HUF 317 million).

Based on the number of passengers and passenger kilometres of the regional railways (Nógrád: 586,000 passengers and 19,992,000 passenger kilometres, Kőrös: 686,000 passengers and 43,356,000 passenger kilometres), two thirds of own sales revenue and the price subsidy was accounted at the Kőrös regional railway. However, the Nógrád regional railway benefited more from the reimbursed costs of public passenger transportation with HUF 1,119 million compared to the HUF 753 million for the Kőrös regional railway, since its costs are higher compared to those of the Kőrös regional railway in light of their differing nature.

More than half of the own costs of the regional railways (HUF 3,112 million) are staff costs (HUF 1,834 million) and one quarter is material-type expenditure (HUF 845 million).

Staff costs for the Nógrád regional railway totalled HUF 971 million for 349 staff, compared with HUF 863 million for the Kőrös regional railway with 306 staff.

The provision and use of railway track and machinery services ensued essentially within the regional railways. The minor difference in the internal income and internal costs of railway services within the regional railways indicates the low value of internal activities performed for organisations outside the regional railways and used from these organisations.

The cost of internal railway track and machinery services used was higher for the Nógrád regional railway in light of the different passenger train performance. The number of passenger trains on the Nógrád regional railway totals 27,739, compared to 22,598 on the Kőrös regional railway; passenger train kilometres totalled 1,368,000 and 1,168,000 million respectively.

III Supplementary information

III.1 Subsidies received

The following tables present the subsidies provided to the Company for investment purposes and to cover costs as well as consumer price subsidies, broken down in accordance with the purpose of the support.

Data in HUF million			
Description	2005	2006	Change
Consumer price subsidies	24 226	24 306	80
Refund of excise tax	5 707	5 748	41
Investment subsidy*	18 407	36 518	18 111
Production subsidy (reimbursed costs of public service)	50 384	74 407	24 023
Subsidy to compensate for lost passenger transportation income (BKSZ)	206	1 022	816
Extraordinary damage (flooding)	0	531	531
NFI support for language training	122	48	-74
Subsidies from public employment centres	3	26	23
Support for staff cuts	2 704	740	-1 964
Other support	0	17	17
Total:	101 759	143 363	41 604

*Note: Details of investment subsidies are included in Table 13.

Table 75: Subsidies recorded in the reporting year

Data in HUF million			
Passenger transport price subsidies by type of discount	2005	2006	Change
50%	3 133	3 054	-79
67.5%	11 851	12 156	305
90%	4 209	4 319	110
Student discount	4 704	4 875	171
Above 70 (65) years	3 963	3 942	-21
Total:	27 860	28 346	486

Table 76: Use of consumer price subsidies

III.2 Average staff number, wage costs, other staff benefits

Description	2005	Ratio %	2006	Ratio %	Index 2006/2005 %
Full-time	44 553	99,04	38 084	97,15	85,48
- blue-collar	25 239	56,11	22 197	56,62	87,95
- white-collar	19 314	42,93	15 887	40,53	82,26
Part-time employees	340	0,75	1 117	2,85	328,53
- blue-collar	230	0,51	948	2,42	412,17
- white-collar	110	0,24	169	0,43	153,64
Pensioned	95	0,21	0	0,00	0,00
- blue-collar	94	0,21	0	0,00	0,00
- white-collar	1	0,00	0	0,00	0,00
Total staff number	44 988	100,00	39 201	100,00	87,14
<i>Qualified apprentice workers</i>	0	0,00	0	0,00	-
Total staff	44 988	100,00	39 201	100,00	87,14

Note: In line with the guidance of the Hungarian Central Statistical Office, pensioned staff has been included in full-time and part-time staff since 2006.

Table 77: Average staff number

Description	Average wage (HUF/person/month)		Basic wage from average wage** (HUF/person/month)		Basic wage + overtime base from average wage** (HUF/person/month)	
	2005	2006	2005	2006	2005	2006
- blue-collar	132 611	147 508	93 377		91 087	
- white-collar	180 911	205 458	142 407		136 013	
Full-time	153 550	171 683	114 632		109 828	

** Assessment changed in 2006 following the introduction of SAP. In 2005 the basic wage also contained the basic wage quotient of the "supplementary payments".

Table 78: Changes to average and basic wage

Description	2005	Ratio %	2006	Ratio %	Index 2006/2005 %
Full-time	41 524	97,40	37 726	97,44	90,85
- blue-collar	23 257	54,55	22 080	57,03	94,94
- white-collar	18 267	42,85	15 646	40,41	85,65
Part-time employees	1 023	2,40	988	2,56	96,58
- blue-collar	807	1,89	835	2,16	103,47
- white-collar	216	0,51	153	0,40	70,83
Pensioned	85	0,20	0	0,00	0,00
- blue-collar	82	0,19		0,00	0,00
- white-collar	3	0,01		0,00	0,00
Total staff number	42 632	100,00	38 714	100,00	90,81
Qualified apprentice workers	0	0,00	0	0,00	-
Total staff	42 632	100,00	38 714	100,00	90,81

Note: In line with the guidance of the Hungarian Central Statistical Office, pensioned staff has been included in full-time and part-time staff since 2006.

Table 79: MÁV ZRt. staff in 2006 (persons)

The changes to staff costs per category of staff are shown in the tables on the following pages.

Data in THUF

Description	Commuting, paid monthly		Blue-collar		Full time staff		White collar		Total:
	Semi-skilled worker	Skilled worker	Unskilled worker	Semi-skilled worker	Skilled worker	Master	Production manager	Administrative staff	
Average staff number (person)	2884,1	4196,9	286,6	6951,1	6883,5	1002,1	6862	9018,1	38 084,4
Staff costs:									
Wages	6 030 696	8 767 452	598 153	14 503 172	14 421 230	2 097 633	14 339 291	18 845 926	79 603 553
Severance pay according to the collective agreement	71 949	104 600	7 136	173 029	172 052	25 026	171 074	224 841	949 707
Severance pay according to Section 95 of the Labour Code	85 972	124 986	8 527	206 753	205 584	29 903	204 416	268 662	1 134 803
Social security contributions	100 326	145 854	9 951	241 273	239 910	34 896	238 547	313 518	1 324 275
Staff costs related to secondments	24 465	35 567	2 427	58 834	58 502	8 509	58 170	76 452	322 926
Fringe benefits	523 093	760 475	51 883	1 257 982	1 250 874	181 945	1 243 767	1 634 665	6 904 684
Fees paid to private individuals	2 383	3 465	236	5 732	5 699	829	5 667	7 448	31 459
Scholarships	11 109	16 150	1 102	26 716	26 565	3 864	26 414	34 716	146 636
Other staff benefits	188 930	274 668	18 739	454 357	451 790	65 715	449 223	590 407	2 493 829
Other costs accounted	10 202	14 832	1 012	24 535	24 357	3 548	24 257	31 881	134 624
Pension insurance contribution	1 146 868	1 667 322	113 752	2 758 093	2 742 511	398 911	2 726 928	3 583 963	15 138 348
Health insurance contribution	699 227	1 016 539	69 353	1 681 565	1 672 065	243 209	1 662 565	2 185 085	9 229 608
START card commission	184	267	18	441	439	64	436	574	2 423
Employer's contribution	188 756	274 415	18 722	453 938	451 373	65 654	448 808	589 863	2 491 529
Vocational training contribution	28	39	3	67	67	10	67	88	369
Health-care contribution	67 601	98 281	6 705	162 576	161 658	23 514	160 739	211 257	892 331
Health-care contribution, pro rated	1 332	1 936	132	3 203	3 185	463	3 166	4 162	17 579
Health-care contribution on company car tax	536	780	53	1 290	1 283	187	1 276	1 676	7 081
Rehabilitation contribution	18 096	26 309	1 795	43 520	43 274	6 294	43 028	56 551	238 867
Total:	9 171 753	13 333 937	909 699	22 057 076	21 932 418	3 190 174	21 807 839	28 661 735	121 064 631

Table 80: 2006 wage costs of MÁV ZRt. per staff category I.

Data in THUF

Description	Blue-collar		Part time staff			White collar		Total:	MÁV ZRt. total:	
	Commuting, paid Semi- skilled worker	Skilled worker	Unskilled worker	Semi- skilled worker	Skilled worker	Master	Production manager			Administrative staff
Average staff number (person)	84,3	63,7	27,2	677,7	54,2	15,9	32,3	161,4	1 116,7	39 201,1
Staff costs:										
Wages	180 265	131 102	57 357	1 417 541	114 714	32 776	65 551	335 949	2 335 255	81 938 808
Severance pay according to the collective agreement	2 151	1 564	684	16 912	1 369	391	782	4 008	27 861	977 568
Severance pay according to Section 95 of the Labour Code	2 570	1 869	818	20 208	1 636	467	934	4 789	33 291	1 168 094
Social security contributions	2 999	2 181	954	23 582	1 909	545	1 090	5 589	38 849	1 363 124
Staff costs related to secondments	731	532	233	5 750	464	133	266	1 363	9 472	332 398
Fringe benefits	15 636	11 372	4 975	122 955	9 950	2 843	5 686	29 140	202 557	7 107 241
Fees paid to private individuals	71	52	23	560	46	13	26	133	924	32 383
Scholarships	332	242	106	2 611	212	60	121	619	4 303	150 939
Other staff benefits	5 647	4 107	1 797	44 409	3 594	1 027	2 054	10 525	73 160	2 566 989
Other costs accounted	305	222	97	2 398	194	55	111	568	3 950	138 574
Pension insurance contribution	34 281	24 932	10 908	269 576	21 816	6 233	12 466	63 888	444 100	15 582 448
Health insurance contribution	20 901	15 201	6 650	164 356	13 301	3 800	7 600	38 952	270 761	9 500 369
START card commission	5	4	2	44	3	1	2	10	71	2 494
Employer's contribution	5 642	4 103	1 795	44 368	3 590	1 026	2 052	10 515	73 091	2 564 620
Vocational training contribution	1	1	0	7	1	0	0	2	12	381
Health-care contribution	2021	1470	643	15890	1286	367	735	3766	26 178	918 509
Health-care contribution, pro rated	40	29	13	313	25	7	14	74	515	18 094
Health-care contribution on company car tax	16	12	5	126	10	3	6	30	208	7 289
Rehabilitation contribution	541	393	172	4254	344	98	197	1008	7 007	245 874
Total:	274 155	199 388	87 232	2 155 860	174 464	49 845	99 693	510 928	3 551 565	124 616 196

Table 81: 2006 wage costs of MÁV ZRt. per staff category II.

III.3 Presentation of MÁV ZRt. investments

Data in HUF

Scope of cons.	Int. Code	Name	MÁV %	Date of found.	Post code	Town	Address	Subscribed capital as at 31.12.2006	Reserves as at 31.12.2006	Retained P/L for the year as at 31.12.2006	Equity as at 31.12.2006	Booked capital as at 01.01.2006	Accum. impairment as at 01.01.2006	Booked value as at 01.01.2006
S01	1	MÁVTRANSPED Kft	100.00	22.12.1989	1065	Budapest	Bajcsy-Zs. út 25.	300 000 000	270 377 000	95 939 000	666 316 000	111 200 000	0	111 200 000
S01	6	MÁV Hidepítő Kft	100.00	01.08.1992	1142	Budapest	Mexikói út 71.	500 000 000	-304 000 000	79 500 000	275 500 000	500 000 000	500 000 000	0
S01	23	MÁV TISZAVAS Kft	100.00	30.12.1992	3527	Miskolc	Kandó Kálmán tér 1.					662 050 000	202 622 000	459 428 000
S01	28	MÁV Szolnok JJ Kft	100.00	30.12.1992	5000	Szolnok	Kőrösi út 1-3.	1 200 000 000	441 510 000	91 661 000	1 733 171 000	1 200 000 000	0	1 200 000 000
S01	33	MÁV Északi JJ Kft	100.00	30.12.1992	1101	Budapest	Kőbányai út 30.	965 570 000	474 240 000	30 077 000	1 469 887 000	965 570 000	0	965 570 000
S01	34	MÁV Debreceni JJ Kft	100.00	30.12.1992	4034	Debrecen	Faraktár út 67	406 520 000	411 050 000	-1 048 442 000	-230 872 000	406 520 000	406 520 000	0
S01	101	MÁV FKG Kft	100.00	01.01.1994	5137	Jászkisér	Jászladyi út 10.	1 504 760 000	72 041 000	-759 909 000	816 892 000	1 504 760 000	0	1 504 760 000
S01	102	MÁV GEP Kft	100.00	01.01.1994	1103	Budapest	Kőér u.2/d	10 000 000	216 304 000	-1 426 547 000	-1 200 243 000	954 510 000	954 510 000	0
S01	136	MÁV IK	100.00	30.12.1996	1086	Budapest	Fiurmet u. 22.	398 960 000	244 820 000	40 608 000	684 386 000	398 960 000	0	398 960 000
S01	138	MÁV INFORMATIKA Kft	100.00	01.11.1996	1012	Budapest	Krisztina körút 37/a	800 000 000	220 969 000	66 302 000	1 087 271 000	800 000 000	0	800 000 000
S01	139	MÁV Vasúti Kft	100.00	30.12.1996	1087	Budapest	Kerepesi út 14.	214 760 000	66 846 000	7 619 000	289 225 000	214 760 000	0	214 760 000
S01	167	BILK Kombiterminal Rt.	3.80	11.04.2002	1087	Budapest	Kerepesi út 3.	2 654 073 000	-142 231 000	218 995 000	2 730 837 000	1 620 861 765	112 065 449	1 508 796 316
S01	176	MÁV Cargo ZRt.	90.00	24.02.2006	1133	Budapest	Váci út 92.	29 749 700 000		1 008 729 000	30 758 429 000	18 000 000	0	18 000 000
S01	149	MÁV Vagyonkezelő Rt	100.00	18.07.1997	1066	Budapest	Teréz krt. 62.					549 328 000	49 782 000	499 546 000
S01 TOTAL FULLY CONSOLIDATED SUBSIDIARIES:												9 906 519 765	2 225 499 449	7 681 020 316
S02	4	MÁV FAVED Kft f.a.	100.00	01.07.1992	1132	Budapest	Visegrádi u. 9.					296 220 000	296 220 000	0
S02	5	MÁV TI Kft	100.00	01.07.1992	1016	Budapest	Mészáros u. 19.	42 192 000	0	124 000 000	166 192 000	80 000 000	0	80 000 000
S02	8	MÁVÉPSZER Kft f.a.	100.00	01.10.1992	1045	Budapest	Madridi út 9.					234 330 000	234 330 000	0
S02	13	MÁV Egressy Garázs Kft f.a.	100.00	30.12.1992	1149	Budapest	Teleki Blanka u. 15					58 590 000	58 590 000	0
S02	15	MÁV Nostalgia Kft	57.00	30.12.1992	1066	Budapest	Jókai u.38.	10 000 000	8 120 000	3 520 000	21 640 000	5 700 000	0	5 700 000
S02	16	MÁV Jegynyomda Kft	100.00	31.12.1992	1062	Budapest	Podmaniczky u.32.	61 000 000	123 924 000	850 000	185 774 000	61 000 000	0	61 000 000
S02	20	MÁV VAGÓN Kft	90.00	30.12.1992	8000	Székesfehérvár	Takarodó u.1.	243 980 000	80 770 000	-80 001 000	244 749 000	219 582 000	0	219 582 000
S02	29	MÁVVAUT Kft	100.00	30.12.1992	9500	Celldömök	Nagy Sándor tér 16					41 760 000	13 330 000	28 430 000
S02	31	ESZAK-TRANS Kft f.a.	100.00	30.12.1992	3527	Miskolc	Tiszai pu.					25 900 000	25 900 000	0
S02	86	MÁV ÉHK Kft f.a.	100.00	01.04.1993	7400	Kaposvár	Rákóczi tér 20					44 520 000	44 520 000	0
S02	88	MÁV BOGLARKA Kft f.a.	90.00	01.04.1993	8630	Balatonboglár	Dózsa Gy. u. 34.					6 320 000	6 320 000	0
S02	90	MÁV LIÁN Kft f.a.	90.00	01.04.1993	8263	Badacsonytörd.	MÁV állomás					4 257 000	4 257 000	0
S02	94	MÁV EP Kft Győr f.a.	100.00	01.04.1993	9021	Győr	Révai u.18.					24 600 000	24 600 000	0
S02	96	MÁV KERT Kft	100.00	01.04.1993	1102	Budapest	Kolozsvári u.					46 270 000	0	46 270 000
S02	97	MÁV EK Kft Szeged f.a.	90.00	01.04.1993	6725	Szeged	Indóház tér 11.					42 788 000	42 788 000	0
S02	129	Zöld Lánç Rt.f.a.	50.20	16.04.1996	1062	Budapest	Nyugati tér 1-2.					25 100 000	25 100 000	0
S02	130	MÁV Rak-Szer Kft	100.00	01.11.1996	9700	Szombathely	Pálya u.1.	21 810 000	-7 468 000	750 000	15 096 000	21 810 000	6 683 000	15 127 000
S02	131	MÁV KÉV Kft	100.00	31.08.1996	1098	Budapest	Pacell ut.2.	180 400 000	301 457 000	193 886 000	675 743 000	180 400 000	0	180 400 000
S02	132	MÁVSIN Kft. f.a.	100.00	01.09.1996	3200	Gyöngyös	Gyár u.1.					199 900 000	199 900 000	0
S02	133	MÁV Kombiterminal Kft	100.00	16.10.1996	1087	Budapest	Kerepesi út.3.					307 000 000	0	307 000 000
S02	134	MÁV Utasellátó Rt. f.a.	100.00	01.12.1996	1053	Budapest	Veres Pálné u.9.					137 000 000	137 000 000	0
S02	144	Záhonyi HÖTÁV Kft.	90.00	18.04.1997	4625	Záhony	Baross G.u.11	86 660 000	2 548 000	0	89 208 000	78 313 000	0	78 313 000
S02	145	MM CARGO Kft.f.a.	100.00	03.03.1997	1142	Budapest	Teleki B. u. 15-17.					43 275 000	43 275 000	0
S02	152	MÁV Raktár Kft.	71.51	28.10.1997	4625	Záhony	Európa tér 12.					49 200 000	0	49 200 000
S02	170	Ferencvárosi Kft.	50.00	31.07.2001	1092	Budapest	Haller u.2					40 500 000	16 872 000	23 628 000
S02	174	MÁV Hotels ZRt.	90.00		1142	Budapest	Teleki Blanka u. 15	21 000 000	24 000	-263 152 000	-242 176 000	18 000 000	0	18 000 000
S02	175	VÍF Kft.v.a.	90.00	22.09.2005	1088	Budapest	Múzeum u.11					2 700 000	0	2 700 000
S02	179	Záhony ZRt.	100.00	11.09.2006	4625	Záhony	Európa tér 12.					0	0	0
S02 TOTAL SUBSIDIARIES TREATED AS AFFILIATED FIRMS:												2 295 035 000	1 179 685 000	1 115 350 000
S05	22	MÁV Vasjármű Kft	25.00	30.12.1992	9700	Szombathely	Szövő u.85					158 000 000	0	158 000 000
S05	27	Bombardier MÁV Kft	25.10	30.12.1992	2120	Dunakeszi	Állomás sétány 19.					193 770 000	0	193 770 000
S05	37	VAMAV Kft	50.00	26.11.1991	3201	Gyöngyös	Gyár u. 1.					480 000 000	0	480 000 000
S05	38	EURO-METALL Kft	35.00	01.05.1991	1045	Budapest	Elem utca 5-7					17 700 000	0	17 700 000
S05	40	TRANSFER-R Kft	28.50	19.12.1989	4625	Záhony	Rákóczi u.16					19 000 000	4 768 000	14 232 000
S05	111	Agrochimtranspack Kft	30.00	07.02.1992	1114	Budapest	Bocskai út.21. 3.e.5					82 000 000	1 000 000	81 000 000
S05	113	MÁV Intel - Team Kft	48.48	01.04.1995	3502	Miskolc	Tiszai pu.					1 600 000	0	1 600 000
S05	118	MÁV THERMIT Kft	35.00	28.02.1995	2030	Érd	Tolmács u.18.					48 300 000	0	48 300 000
S05	135	LOGISZTAR Kft	35.49	24.09.1996	8000	Székesfehérvár	Dr. Koch L. u.4/b					430 100 000	22 994 000	407 106 000
S05	141	VIACOM Rt.	30.00	01.01.1997	2093	Budapest	Füzes u.1.					30 000 000	0	30 000 000
S05	142	MÁV MULTISZOLG Kft	25.00	15.04.1997	1088	Budapest	Múzeum u.11					15 332 000	0	15 332 000
S05	150	EAST - RAIL Kft.	31.90	17.09.1997	3413	Trieszt	via Carlo Ghega n.1					10 442 045	0	10 442 045
S05	153	BVSC-Zugló FC Kft f.a.	34.48	15.06.1998	1142	Budapest	Sznyi út 2/a.					10 000 000	10 000 000	0
S05	156	Szombathelyi Vasutas F.C.f.a.	33.20	01.10.1998	9700	Szombathely	Rohonci u.3.					10 000 000	10 000 000	0
S05	158	VBSZ Kft	25.00	03.08.1999	1062	Budapest	Szív u. 23/B					1 250 000	0	1 250 000
S05	161	UniverTrans Kft	24.50	18.05.2001	1211	Budapest	Gyepor utca1.					49 044 037	25 804 037	23 240 000
S05	165	MÁV - REC Kft	49.00	11.10.2001	1087	Budapest	Kerepesi út 1-3					24 500 000	0	24 500 000
S05	177	Carpathian Cargo s.r.o.	49.00									33 613 476	0	33 613 476
S05 TOTAL AFFILIATED COMPANIES:												1 614 651 558	74 566 037	1 540 085 521
S06	7	AUTÓRAIL Kft	1.00	01.08.1992	6728	Szeged	Napos út 3.					187 000	187 000	0
S06	58	TEKUSZ Rt.	0.69	17.10.1988	4623	Tuzsér	Meszes dűlő 11.					5 200 000	0	5 200 000
S06	60	Hungarokombi Kft	14.45	14.11.1990	1011	Budapest	Szilágyi D. tér 1.					800 000	0	800 000
S06	62	JOULEIMPEX Kft. f.a.	16.00	25.07.1991	3070	Bátányterenyé	Ózdi út 19.					10 400 000	10 400 000	0
S06	84	RESTI Rt	14.48	01.01.1994	2040	Budaörs	Szabadság u.52-54.					15 077 000	0	15 077 000
S06	93	ORNAMENT 2000 Kft	15.00	01.04.1993	3527	Miskolc	Kandó K. tér 3/B.					21 279 000	11 528 331	9 750 669
S06	120	Vasutegészségügyi Kft	14.41	31.07.1997	1068	Budapest	Rippl-Rónai u.37.					100 000 000	0	100 000 000
S06	122	Diosgyőri Sz. g. gyár Kft. f.a.	0.01	01.06.1995	3544	Miskolc	Kerpely A. u.					40 333	40 333	0
S06	123	Diosgyőri Áll.Szolg. Kft. f.a.	0.01	01.06.1995	3544	Miskolc	Kerpely A. u.					23 527	23 527	0
S06	124	Diosgyőri Vagyong. Kft. f.a.	0.01	01.06.1995	3544	Miskolc	Kerpely A. u.					52 657	52 657	0
S06	125	Diosgyőri Met.alk.Kft. f.a.	0.01	01.06.1995	3544	Miskolc	Kerpely A. u					30 250	30 250	0
S06	128	EUROFIMA Rt	0.50	01.06.1992		Basel						848 966 420	0	848 966 420
S06	137	LOGISZOL Kft	2.32	08.10.1996	5000	Szolnok	Jubileum tér 1-3.					300 000	300 000	0
S06	143	PRAELOG Kft	10.00	01.03.1997	6725	Szeged	Kálvária sgt.87/A					3 000 000	3 000 000	0
S06	146	Hódiköt Rt	0.20	14.02.1997	6800	Hódmezővás.	Makói országút					605 000	605 000	0
S06	147	BCC	3.50	28.01.1997	1060	Bruxelles	Avenue Fonsny					944 452	0	944 452
S06	151	ZTF Kft	3.15	01.01.1998	4625	Záhony	Európa tér 20.					13 750 000	0	1

Data in HUF

Scop e of cons.	Int. Cod e	Name	Capital increase	Founding	Sale	Contrib., derecog. due to liquidation	Exchange difference at 2006 year-end	Booked capital as at 31.12.2006	Current year impairment	Sale, contrib., derecog. due to liquidation	Accum. impairment as at 31.12.2006	Booked value as at 31.12.2006	2006 dividend
S01	1	MAVTRANSSPED Kft				111 200 000		0			0	0	
S01	6	MÁV Hídepítő Kft						500 000 000			500 000 000	0	
S01	23	MÁV TISZAVAS Kft						662 050 000			202 622 000	459 428 000	
S01	28	MÁV Szolnoki JJ Kft						1 200 000 000			0	1 200 000 000	
S01	33	MÁV Északi J.J. Kft						965 570 000			0	965 570 000	
S01	34	MÁV Debreceni JJ Kft						406 520 000			406 520 000	0	
S01	101	MÁV FKG Kft						1 504 760 000	687 868 000		687 868 000	816 892 000	
S01	102	MÁV GEP Kft						954 510 000			954 510 000	0	
S01	136	MÁV IK						398 960 000			0	398 960 000	
S01	138	MÁV INFORMATIKA Kft						800 000 000			0	800 000 000	
S01	139	MÁV Vasútor Kft						214 760 000			0	214 760 000	
S01	167	BILK Kombiterminal Rt.				1 504 073 200		116 788 565	-9 900 000	79 437 200	22 728 249	94 060 316	
S01	176	MÁV Cargo ZRt.	29 513 146 000					29 531 146 000			0	29 531 146 000	
S01	149	MÁV Vagyonkezelő Rt						549 328 000	61 349 000		111 131 000	438 197 000	
S01	TOTAL:		29 513 146 000	0	0	1 615 273 200		37 804 392 565	739 317 000	79 437 200	2 885 379 249	34 919 013 316	0
S02	4	MÁV FAVÉD Kft f.a.						296 220 000			296 220 000	0	
S02	5	MÁVTI Kft						80 000 000	80 000 000		80 000 000	0	
S02	8	MÁVÉPSZER Kft f.a.						234 330 000			234 330 000	0	
S02	13	MÁV Egressy Garázs Kft f.a.						58 590 000			58 590 000	0	
S02	15	MÁV Nosztalgia Kft						5 700 000			0	5 700 000	
S02	16	MÁV Jeqvomda Kft						61 000 000			0	61 000 000	
S02	20	MÁV VAGON Kft						219 582 000			0	219 582 000	
S02	29	MAVAUT Kft						41 760 000			13 330 000	28 430 000	
S02	31	ESZAK-TRANS Kft f.a.						25 900 000			25 900 000	0	
S02	86	MÁV EHK Kft f.a.				44 520 000		0		44 520 000	0	0	
S02	88	MÁV BOGLÁRKA Kft f.a.						6 320 000			6 320 000	0	
S02	90	MÁV LIÁN Kft f.a.						4 257 000			4 257 000	0	
S02	94	MÁV EP Kft Győr f.a.				24 600 000		0		24 600 000	0	0	
S02	96	MÁV KERT Kft						46 270 000			0	46 270 000	
S02	97	MÁV EK Kft Szeged f.a.						42 788 000			42 788 000	0	
S02	129	Zöld LánC Rt.f.a.				25 100 000		0		25 100 000	0	0	
S02	130	MÁV RakSzer Kft						21 810 000			6 683 000	15 127 000	
S02	131	MÁV KFV Kft						180 400 000			0	180 400 000	
S02	132	MÁVSIN Kft. f.a.						199 900 000			199 900 000	0	
S02	133	MÁV Kombiterminal Kft				307 000 000		0			0	0	
S02	134	MÁV Utasellátó Rt. f.a.						137 000 000			137 000 000	0	
S02	144	Záhonyi HÖTAV Kft.						78 313 000			0	78 313 000	
S02	145	MM CARGO Kft.f.a.						43 275 000			43 275 000	0	
S02	152	MÁV Raktár Kft.				49 200 000		0			0	0	
S02	170	Ferihegy Express Kft.						40 500 000			16 872 000	23 628 000	
S02	174	MÁV Hotels ZRt.						18 000 000			0	18 000 000	
S02	175	VIFT Kft.v.a.						2 700 000	2 700 000		2 700 000	0	
S02	179	Zálorasz ZRt.	20 000 000					20 000 000			0	20 000 000	
S02	TOTAL:		0	20 000 000	0	450 420 000		1 864 615 000	82 700 000	94 220 000	1 168 165 000	696 450 000	0
S05	22	MÁV Vasjármű Kft						158 000 000			0	158 000 000	
S05	27	Bombardier MÁV Kft						193 770 000			0	193 770 000	
S05	37	VAMAV Kft						480 000 000			0	480 000 000	
S05	38	EURO-METALL Kft						17 700 000			0	17 700 000	
S05	40	TRANSFER-R Kft						19 000 000			4 768 000	14 232 000	
S05	111	Agrochimtranspack Kft				82 000 000		0		1 000 000	0	0	
S05	113	MÁV Intel - Team Kft						1 600 000			0	1 600 000	
S05	116	MÁV THERMIT Kft						48 300 000			0	48 300 000	
S05	135	LOGISZTÁR Kft				430 100 000		0		22 994 000	0	0	
S05	141	VIACOM Rt						30 000 000			0	30 000 000	
S05	142	MÁV MULTISZOLG Kft						15 332 000			0	15 332 000	
S05	150	EAST - RAIL Kft.				10 442 045		0			0	0	
S05	153	BVSC-Zugló FC Kft f.a.						10 000 000			10 000 000	0	
S05	156	Szombath. Vasutas F.C.f.a.						10 000 000			10 000 000	0	
S05	158	VBSZ Kft						1 250 000			0	1 250 000	
S05	161	UniverTrans Kft				49 044 037		0		25 804 037	0	0	
S05	165	MÁV - REC Kft				24 500 000		0			0	0	
S05	177	Carpathian Cargo s.r.o.					2 205 524	35 819 000			0	35 819 000	
S05	TOTAL:		0	0	0	596 086 082	2 205 524	1 020 771 000	0	49 798 037	24 768 000	996 003 000	0
S06	7	AUTORAIL Kft						187 000			187 000	0	
S06	58	TÉKISZ Rt						5 200 000			0	5 200 000	
S06	60	Hungarokombi Kft				800 000		0			0	0	
S06	62	JOULEIMPEX Kft. f.a.				10 400 000		0		10 400 000	0	0	
S06	84	RESTI Rt						15 077 000			0	15 077 000	
S06	93	ORNAMENT 2000 Kft			21 279 000			0		11 528 331	0	0	
S06	120	Vasutegészségügyi Kht						100 000 000			0	100 000 000	
S06	122	Diósgyőri Sz.q.gyár Kft. f.a.						40 333			40 333	0	
S06	123	Diósgyőri Ált.Szolg. Kft. f.a.				23 527		0		23 527	0	0	
S06	124	Diósgyőri Vagyon.Kft. f.a.				52 657		0		52 657	0	0	
S06	125	Diósgyőri Mel.alk. Kft. f.a.				30 250		0		30 250	0	0	
S06	128	EUROFIMA Rt					-27 927 559	821 038 861			0	821 038 861	
S06	137	LOGISZOL Kft	300 000					0		300 000	0	0	
S06	143	PRAELOG Kft	3 000 000					0		3 000 000	0	0	
S06	146	Hódiköt Rt						605 000			605 000	0	
S06	147	BCC					-1 607	942 845			0	942 845	
S06	151	ZTF Kft						13 750 000			0	13 750 000	
S06	154	KOMBIWEST Kft			270 000			0			0	0	
S06	159	Mozaik Rt				300 000		0		300 000	0	0	
S06	160	EUROMETRO Kft						500 000			0	500 000	
S06	162	Bugaci Kisvasút Kht.						500 000			0	500 000	
S06	164	ICA Ausztia Kft				10 652 569		0			0	0	
S06	166	NGF Kht.						200 000			0	200 000	
S06	169	HIT Rail B.V.					-92 651	54 955 734			0	54 955 734	
S06	171	Balaton-Boronka Kisv. Kht.						500 000			0	500 000	
S06	172	NORMON-TOOL Kft.						132 200			0	132 200	
S06	TOTAL:		0	0	24 849 000	22 259 003	-28 021 817	1 013 628 973	0	25 634 765	832 333	1 012 796 640	0
GRAND TOTAL:			29 513 146 000	20 000 000	24 849 000	2 684 038 285	-25 816 293	41 703 407 538	822 017 000	249 090 002	4 079 144 582	37 624 262 956	0

Table 83: Changes to MÁV ZRt. holdings in the current year

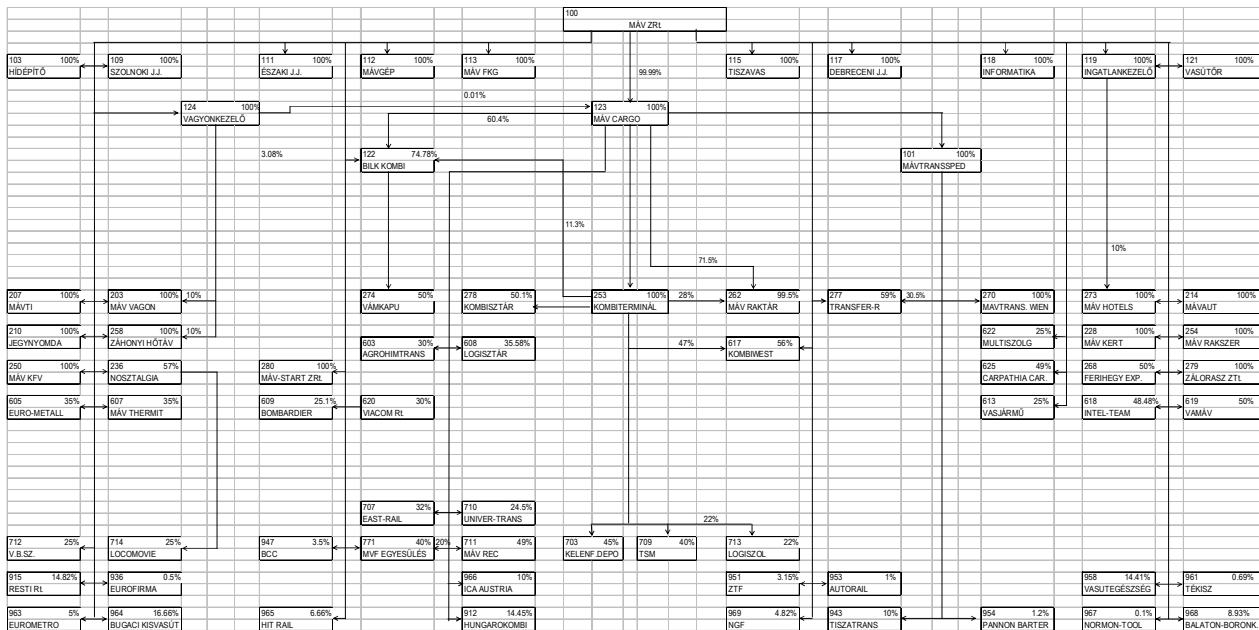


Table 84: Structure of MÁV Group

III.4 Payments made to the members of the Board of Directors and the Supervisory Board

		Data in HUF million	
Description	2005	2006	Change
Board of Directors	35	35	0
Supervisory Board	24	33	9
Total:	59	68	9

Table 85: Remunerations in 2006

During 2006 no loans were disbursed to the members of the Board of Directors and the Supervisory Board.

III.5 Presentation of MÁV ZRt. shares

The Company's capital comprises 1 registered ordinary share with a nominal value of HUF 80,000,000,000. The share may not be converted into different types of shares and cannot be transferred.

The shares of the Company are printed and issued as consolidated denomination shares in compliance with regulations on securities.

All of the shareholder rights are held by the founder in accordance with the Act on Business Organisations.

III.6 Items reconciling the corporation tax base

Data in HUF million

Description	Disallowed items	Deductible items	Change to the tax base
Adjustment due to provisions	20 916	17 058	3 858
Adjustment due to depreciation	63 592	64 757	-1 165
Dividends received	0	1 211	-1 211
Tax shortfall, fine and penalty	104	0	104
Impairment on receivables	3 708	1 226	2 482
Forgiven receivables	332	0	332
Interest differential with related companies	0	6	-6
Free transfers/receipts	777	288	489
Expense/income determined during tax review, self-revision	3	0	3
Employment of vocational student	0	176	-176
Further employment of vocational student and the unemployed	0	1	-1
Research and development	0	74	-74
Application of prices between related companies that differ from market price	142	0	142
Total:	89 574	84 797	4 777

Table 86: Items reconciling the corporation tax base

Deductible items included dividends received totalling HUF 1,211 million, deductions applicable for the employment of vocational students for the period of the employment totalling HUF 176 million, and the direct cost of research and development amounting to HUF 74 million. 50% of the difference between the interest received from and paid to related companies was another deductible item totalling HUF 6 million. The tax base is increased by HUF 3,708 million and decreased by HUF 1,226 million on account of impairment recorded on receivables and income recorded when receivables are settled that exceeds the book value of the receivables. MÁV ZRt. accounted HUF 332 million in forgiven receivables in the tax year, while disallowed items included fines and penalties determined by authorities totalling HUF 104 million. Free transfers and receipts raise and lower the tax base by HUF 777 million and HUF 288 million.

III.6.1 Items increasing/decreasing the corporation tax base owing to provisions

Data in HUF million	
disallowed items	20 916
deductible items	17 058
<i>difference</i>	<i>3 858</i>

Table 87: Items reconciling the corporation tax base owing to provisions

The provision accounted for expected liabilities and future costs – early retirement, severance payments, litigation, environmental damage, monitoring fees, dismantling and maintenance as well as flooding damage – raises the tax base by HUF 20,916 million, while the use of provisions amounting to HUF 9,253 million and the allocation of a provision totalling HUF 7,805 million for environmental liabilities reduces the tax base.

III.6.2 Items increasing/decreasing the corporation tax base owing to amortisation

The tax base is raised by actual ordinary amortisation totalling HUF 34,405 million and by the value of destroyed, missing, sold and scrapped assets contributed to the company accounted as expense totalling HUF 29,187 million.

Data in HUF million	
disallowed items	63 592
deductible items	64 757
<i>difference</i>	<i>-1 165</i>

Table 88: Items reconciling the corporation tax base owing to amortisation

Depreciation was accounted as a deductible item up to the limit specified in Section 7 (1) d of the Act on Corporate Tax and in Schedules 1 and 2. In comparison with the amortisation rates specified by the Act on Corporate tax, the rate applied by the Company for medium and low-voltage and telecommunication cables is 4% lower, the rate used for MoD cables 6% lower, for gas and water pipes 3% lower, for machinery and equipment an average of 10% lower, for railway vehicles an average of 10% lower and for road vehicles 5% lower.

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