

## **This is a translation of the Hungarian Report Independent Auditor's Report**

To the shareholders of A MÁV Magyar Államvasutak Zrt.

1.) We have audited the accompanying 2007 annual financial statements of MÁV Magyar Államvasutak Zrt. ("the Company"), which comprises the balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 1,320 million and a profit for the year of HUF 898,114 million -, the related profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) The annual financial statements as at 31 December 2006 were audited by another auditor which issued a qualified report thereon on 8 May 2007 on the grounds that the auditor deemed the recovery of the book value of the assets of Passenger Transportation Division and the Railway Track Division not ensured due to the loss making operations of these divisions in the past and according to plans for the future. Loss making operations were due primarily to service prices below prime cost; determination of those prices is beyond the Company's power. A valuation of the assets belonging to these divisions was not carried out in 2006 and the auditors were unable to satisfy themselves as to the appropriateness of the valuation of assets belonging to the Passenger Transportation Division and the Railway Track Division by other audit procedures for 2006.

### **Management's Responsibility for the Financial Statements**

3.) Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Hungarian Accounting Law and with generally accepted accounting principles 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**

4.) Our responsibility is to express an opinion on these financial statements based on the audit and to assess whether the various railway activities have been presented in the notes to the financial statements in separate balance sheets and profit and loss accounts per activity as required by the joint decree of the Ministry for the Economy and Transport and the Ministry of Finance (decree 50/2007. (IV.26.) GKM-PM) and whether the business report is consistent with the financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work regarding the business report is restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

6.) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

7.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of MÁV Magyar Államvasutak Zrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of MÁV Magyar Államvasutak Zrt. as at 31 December 2007 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

8.) Without qualifying our opinion, we draw the attention to the fact that the Company's ability to continue its operations in the future is subject to continued funding by the shareholders. The Company's annual financial statements as at 31 December 2007 were drawn up on a going concern basis, and the validity of this basis depends on the availability of future funds.

9.) Without qualifying our opinion, we draw the attention to note II. 1.1.6 to the financial statements which refers to unsettled ownership status over the Company's properties.

10.) Without qualifying our opinion, we draw the attention to the fact that, according to the Company's current practice, extraordinary depreciation on state owned properties is recognised only when approval from the responsible government minister or KVI has been obtained. This practice is not consistent with the provisions of the accounting law.

11.) Without qualifying our opinion, we draw the attention to the fact that long-term financial assets also include an investment in MÁV Cargo Zrt. of HUF 29,531 million at book value and that this investment is currently under sale.

Budapest, 22 April 2008

Ernst & Young Kft.  
Registration No. 001165

Tremmel Zoltán  
Registered Auditor  
Chamber membership No.: 005210

Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**MÁV HUNGARIAN STATE RAILWAYS**  
**Private Company by Shares**

**1062 Budapest, Andrássy u. 73-75.**

**Balance sheet and profit & loss account**  
**for 2007**

Date: Budapest, 22 April 2008

head (representative) of the company

P.H.

Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**BALANCE SHEET VERSION 'A' - Assets**

31 December 2007

Figures in MHUF

Serial No.	Item	Prior year	Prior year adjustments	Reporting year
a	b	c	d	e
1	<b>A. Fixed assets</b>	763 742	-663	801 235
2	<b>I. INTANGIBLE ASSETS</b>	4 332	-376	4 389
3	Capitalised foundation/restructuring	0	0	0
4	Capitalised research and development	97	0	65
5	Concessions, licenses and similar rights	2 757	-5	746
6	Trade-marks, patents and similar assets	1 478	-371	3 578
7	Goodwill	0	0	0
8	Advance payments for intangible assets	0	0	0
9	Adjusted value of intangible assets	0	0	0
10	<b>II. TANGIBLE ASSETS</b>	719 385	-297	693 093
11	Land and buildings and related property rights	420 244	-69	426 040
12	Plant, machinery, equipment and vehicles	227 824	-228	200 448
13	Other equipment, fixtures and fittings, vehicles	609	0	302
14	Breeding stock	0	0	0
15	Assets in the course of construction	44 730	0	49 047
16	Advance payments for AICC	25 978	0	17 256
17	Adjusted value of tangible assets	0	0	0
18	<b>III. LONG-TERM FINANCIAL ASSETS</b>	40 025	10	103 753
19	Long-term participations in related parties	36 612	0	100 382
20	Long-term loans granted to related parties	8	0	8
21	Other long-term investments	1 013	0	1 397
22	Long-term loans granted to other investments	0	0	0
23	Other long-term loans granted	2 392	10	1 966
24	Long-term debt securities	0	0	0
25	Adjusted value of financial investments	0	0	0
26	Gain/loss on the valuation of financial investments	0	0	0

Date: Budapest, 22 April 2008

(stamp)

Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**BALANCE SHEET VERSION 'A' - Assets**

31 December 2007

Figures in MHUF

Serial No.	Item	Prior year	Prior year adjustments	Reporting year
a	b	c		e
27	<b>B. Current assets</b>	55 326	906	73 361
28	<b>I. INVENTORIES</b>	6 068	0	7 575
29	Raw materials and consumables	5 936	0	7 318
30	Work in progress and semi-finished products	2	0	25
31	Animals for breeding, fattening and other livestock	0	0	0
32	Finished products	103	0	72
33	Goods	19	0	160
34	Advance payments for inventories	8	0	0
35	<b>II. RECEIVABLES</b>	29 683	859	54 707
36	Trade debtors	4 925	799	3 872
37	Receivables from related parties	11 361	278	47 326
38	Receivables from other investments	38	-3	26
39	Bills of exchange receivables	0	0	0
40	Other receivables	13 359	-215	3 483
41	Gain/loss on the valuation of receivables	0	0	0
42	Gain on the valuation of derivatives	0	0	0
43	<b>III. SECURITIES</b>	0	0	0
44	Participations in related parties	0	0	0
45	Other participations	0	0	0
46	Treasury shares and own participation	0	0	0
47	Marketable debt securities	0	0	0
48	Értékpapírok értékelési különbözete	0	0	0
49	<b>IV. LIQUID ASSETS</b>	19 575	47	11 079
50	Cash, cheques	67	-1	12
51	Bank deposits	19 508	48	11 067
52	<b>C. PREPAID EXPENSES &amp; ACCRUED INCOME</b>	31 842	92	23 518
53	Accrued income	15 949	92	4 790
54	Prepaid expenses	13 472	0	16 678
55	Deferred expenses	2 421	0	2 050
56	<b>Total assets</b>	850 910	335	898 114

Date: Budapest, 22 April 2008

(stamp)

Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**BALANCE SHEET VERSION 'A' - Equity & liabilities**

31 December 2007

Figures in MHUF

Serial No.	Item	Prior year	Prior year adjustments	Reporting year
a	b	c		e
57	<b>D. Equity</b>	-31 581	4 051	20 617
58	I. ISSUED CAPITAL	80 000	0	20 250
59	of which: treasury shares redeemed at face value	0	0	0
60	II. Issued capital not paid	0	0	0
61	III. Capital reserve	16	0	46 785
62	IV. Retained losses	-41 905	0	-61 630
63	V. Allocated reserves	14 150	0	13 892
64	VI. Revaluation reserve	0	0	0
65	Valuation reserve for adjustments	0	0	0
66	Valuation reserve for mark to fair value	0	0	0
67	VII. LOSS/PROFIT FOR THE YEAR	-83 842	4 051	1 320
68	<b>E. Provisions</b>	24 457	0	29 160
69	Provisions for contingent liabilities	22 268	0	20 926
70	Provisions for future commitments	1 256	0	7 434
71	Other provisions	933	0	800
72	<b>F. Liabilities</b>	767 836	519	782 946
73	I. SUBORDINATED DEBT	0	0	0
74	Subordinated debts to related parties	0	0	0
75	Subordinated debts to other investments	0	0	0
76	Subordinated debts to third parties	0	0	0
77	II. LONG-TERM LIABILITIES	667 381	-2	715 018
78	Long-term borrowings	0	0	0
79	Convertible bonds	0	0	0
80	Debts from the issue of bonds	0	0	0
81	Investment and development loans	107 281	0	120 836
82	Other long-term loans	161 500	0	121 500
83	Long-term debts to related parties	0	0	64 600
84	Long-term debts to other investments	0	0	0
85	Other long-term liabilities	398 600	-2	408 082

Date: Budapest, 22 April 2008

(stamp)

Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**BALANCE SHEET VERSION 'A' - Equity & liabilities**

31 December 2007

Figures in MHUF

Serial No.	Item		Prior year	Prior year adjustments	Reporting year
a	b		c		e
86	III.	CURRENT LIABILITIES	100 455	521	67 928
87		Short-term borrowings	324	0	174
88		- of which: convertible bonds	0	0	0
89		Other short-term loans	45 287	0	4 513
90		Prepayments received from debtors	217	0	234
91		Creditors	25 275	570	26 635
92		Bills of exchange payable	0	0	0
93		Short-term debts to related parties	18 232	2	21 820
94		Short-term debts to other investments	127	2	169
95		Other current liabilities	10 993	-53	14 383
96		Gain/loss on the valuation of liabilities	0	0	0
97		Losses on the valuation of derivatives	0	0	0
98	G.	Accrued expenses & deferred income	90 198	-4 235	65 391
99		Deferred income	13 049	-231	12 909
100		Accrued expenses	9 712	-373	7 333
101		Deferred extraordinary revenues and negative goodwill	67 437	-3 631	45 149
102		<b>Total equity &amp; liabilities</b>	<b>850 910</b>	<b>335</b>	<b>898 114</b>

Date: Budapest, 22 April 2008

(stamp)

Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**PROFIT & LOSS ACCOUNT VERSION 'A' (total cost method)**

31 December 2007

Figures in MHUF

Serial no.	Item	Prior year	Prior year adjustments	Reporting year
a	b	c		e
01.	Domestic sales, net	196 729	112	174 942
02.	Export sales, net	8 877	846	4 146
<b>I.</b>	<b>Net sales (01+02)</b>	205 606	958	179 088
03.	Capitalised value of self produced assets	57	0	-7
04.	Movement in self produced inventories	3 572	0	3 351
<b>II.</b>	<b>Capitalised own performance (03+04)</b>	3 629	0	3 344
<b>III.</b>	<b>Other revenues</b>	15 074	135	118 199
	Of which: impairment loss reversed	0	0	0
05.	Material cost	41 806	-295	46 265
06.	Material type services utilised	56 290	574	51 912
07.	Other services	650	79	1 357
08.	Cost of goods sold	3 966	0	5 846
09.	Cost of (consignment) services	1 607	1	2 700
<b>IV.</b>	<b>Material type expenditures (05+06+07+08+09)</b>	104 319	359	108 080
10.	Payroll cost	81 939	0	82 643
11.	Other payments to personnel	13 837	160	13 220
12.	Social security and other contributions	28 840	23	28 615
<b>V.</b>	<b>Payments to personnel (10+11+12)</b>	124 616	183	124 478
<b>VI.</b>	<b>Depreciation charge</b>	34 405	793	35 477
<b>VII.</b>	<b>Other expenditures</b>	36 516	-192	33 038
	Of which: impairment loss	5 127	-96	1 834
<b>A.</b>	<b>OPERATING PROFIT</b>	-75 547	-50	-442

Date: Budapest, 22 April 2008

(stamp)



Statistical code: 10856417-6321-114-01

Company registration No.: 01-10-042272

**PROFIT & LOSS ACCOUNT VERSION 'A' (total cost method)**

31 December 2007

Figures in MHUF

Serial no.	Item	Prior year	Prior year adjustments	Reporting year
a	b	c		e
13.	Dividends (due) received	1 211	86	1 949
	Of 13: from related parties	1 141	86	1 916
14.	Foreign exchange gain on disposal of investments	1	37	66
	Of 14: from related parties	0	0	47
15.	Interest and gains on long-term financial investments	7	0	0
	Of 15: from related parties	0	0	0
16.	Other interest received (due) and similar income	1 387	115	1 156
	Of 16: from related parties	62	63	76
17.	Other financial income	4 328	12	1 034
	Of 17: from related parties	0	0	0
<b>VIII.</b>	<b>Financial revenues (13+14+15+16+17)</b>	6 934	250	4 205
18.	Foreign exchange loss of financial investments	0	0	0
	Of 18: towards related parties	0	0	0
19.	Interest payable and similar charges	16 552	16	18 745
	Of 19: towards related parties	49	0	28
20.	Impairment of shares, securities, bank deposits	832	0	1 614
21.	Other financial expenditures	3 631	14	2 059
	Of 21: valuation difference	0	0	0
<b>IX.</b>	<b>Financial expenditures (18+19+20+21)</b>	21 015	30	22 418
<b>B.</b>	<b>FINANCIAL PROFIT (VIII-IX)</b>	-14 081	220	-18 213
<b>C.</b>	<b>PROFIT FROM ORDINARY ACTIVITIES (+A+B)</b>	-89 628	170	-18 655
<b>X.</b>	<b>Extraordinary revenues</b>	36 143	3 882	83 044
<b>XI.</b>	<b>Extraordinary expenditures</b>	30 357	1	63 069
<b>D.</b>	<b>EXTRAORDINARY PROFIT (X-XI)</b>	5 786	3 881	19 975
<b>E.</b>	<b>LOSS/PROFIT BEFORE TAX (+C+D)</b>	-83 842	4 051	1 320
<b>XII.</b>	<b>Tax liability</b>	0	0	0
<b>F.</b>	<b>LOSS/PROFIT AFTER TAX (+E-XI)</b>	-83 842	4 051	1 320
22.	Dividends, profit sharing paid from retained earnings	0	0	0
23.	Dividends, profit sharing paid (approved)	0	0	0
<b>G.</b>	<b>LOSS/PROFIT FOR THE YEAR (±F+22-23)</b>	-83 842	4 051	1 320

Date: Budapest, 22 April 2008

(stamp)



**MÁV HUNGARIAN STATE RAILWAYS  
PRIVATE COMPANY BY SHARES**

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# **NOTES TO THE 2007 ANNUAL FINANCIAL STATEMENTS**

**22 APRIL 2008**



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## I General part

### I.1 The company

Further to act LIII of 1992 on the management of permanent government businesses and their assets and to act XVI of 1991 on concessions, on 30 June 1993, the Ministry for Transport, Telecommunications and Water of the Republic of Hungary, representing the government as owner (the Founder), founded Magyar Államvasutak Részvénytársaságot (hereafter: MÁV Zrt., or the Company), as a one-man private company limited by shares. MÁV Zrt. was created following a transformation and was in charge of passenger and goods transport. As the goods transport (cargo) activity was outsourced as of 1 January 2006 and passenger transport was outsourced as of 1 July 2007 to separate entities, these activities no longer form part of the Company's operations. Since 2007, the Company's main activity has been the operations of the railway network.

The Company's deed of foundation contains the basic rules of MÁV Zrt's operations, organisation and management system. The Company's executive body is the Board of Directors; the work organisation is lead by the CEO.

The person authorised to sign off the Company's annual financial statements is: Heinczinger István, CEO, address: 1036 Budapest, Lajos u. 53-63.

Head of Accounting: Kunné Porkoláb Andrea (domicile: 2040 Budaörs, Fém utca 5.), chamber membership registration number: MKVK 000819.

Further to subsection 155(2) of the accounting law, MÁV Zrt. has to have its annual financial statements audited. The company's auditors are Ernst & Young Kft.

**Company name:**

MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság.

**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 name:**

MÁV Zrt.

**Foreign abbreviations:**

English: MÁV Co,

French: MÁV S.A.,

German: MÁV AG.

**Seat:**

1062 Budapest, Andrássy út 73-75. tel: 322-0660

**Website:**

[www.mav.hu](http://www.mav.hu)

**Founder:**

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

Date of foundation: 30 June 1993

**Sole owner:**

National Asset Management Council (the owner's rights are exercised by the Ministry for Transport and Economy).

**Issued capital:**

At 31 December 2007: HUF 20,250m, consisting of one share of HUF 20,000m face value and one share of HUF 250m face value in joint nomination.

<b>Company reg. No.:</b>	<b>Cg 01-10-042272</b>
<b>Tax ID:</b>	<b>10856417-2-44</b>
<b>Statistical code:</b>	<b>10856417-6321-114-01</b>

**Main activity:**

63.21 Railway transport supporting services

The Company's activities include railway network operations, railway passenger transport (including public transport services), traction and other services supporting rail transport. The substance of each activity is set out in the accounting separation policies.

Based on the company's contract with the government on the management of treasury assets, treasury assets, as well as the related long-term liabilities, are presented in the company's books. In relation to the management of treasury assets, MÁV Zrt's asset management practice is oriented towards efficient services supplied on behalf of the government, protection of the condition and value of the managed assets and to increasing the value of the managed assets.

## I.2 Changes in the accounting policies in 2007

Reasons for changing the accounting policies in 2007:

- effective amendments to the accounting law,
- significant changes in the Company's core operations, business and organisation as a whole.

The amendment of the accounting law, which took effect on 1 January 2007, does not contain provisions that would provide entities with alternatives. Therefore, all new and compulsory provisions of law have been reflected in the Company's accounting policies, including:

- reducing the number of assets for which depreciation is recognised,
- changes to the records of assets received free of charge,
- detailed reserve specifications as per the amended act (retained earnings, allocated reserves, valuation reserve of adjustments etc.)

In order to make the accounting policies more specific, we have made a number of changes that are not required by law:

- Made our provisioning policy more specific.

- For IT equipment and mobile phones, we introduced general depreciation rules: i.e. such assets that cost below HUF 100,000 are fully expensed,

- As our goods transport activity was discontinued, all related policies were cancelled,

- Prepared the MÁV group accounting and group reporting policies and the basic principles are now also reflected in MÁV Zrt's accounting policies,

- The interim closing policies were made more specific.

In 2007, the Hungarian Railway Authority reclassified MÁV Zrt's light railways as regional railways and licensed operations on these regional railway networks including passenger transport. As a result, a new, separate GL was opened for Regional Passenger Transport Entity on 1 July 2007.

## I.3 Accounting policies

In addition to the accounting law, MÁV Zrt's accounting policies also comply with the railways act, the related agreement between the government of Hungary and MÁV Zrt. and with the joint decree of the Transport Ministry and the Ministry of Finance on the separation of the accounting for various railway activities within railway companies.



Standard use of the accounting policies is essential to ensure that MÁV Zrt's annual financial statements give a true and fair view not only of MÁV Zrt. as a whole but also of each separated activity.

According to effective regulations, MÁV Zrt. has to prepare a set of financial statements and consolidated financial statements of each calendar year ending 31 December, including the preparation of a version 'A' balance sheet and a version 'A' profit and loss account in order to ensure comparability with prior periods. The profit and loss account is prepared based on the total cost method, yet one based on the turnover cost method is also presented in the notes to the financial statements.

The figures in the financial statements are expressed in HUF millions (HUFm). Neither the balance sheet nor the profit and loss account is broken down to more lines nor abbreviated. Bookkeeping is based on the double-entry bookkeeping method.

The balance sheet preparation date of MÁV Zrt. is 20 April the year following the reporting year. The underlying trail balance is closed on 15 February (when documents relating the reporting year are last accepted for booking).

For accounting purposes:

Any difference between the estimated carrying amount and the actual amount of an item, when the underlying invoices or similar document is received, is considered material.

Any difference between the estimated and actual amount used in settlements with international railway companies is considered material.

For impairment purposes, the difference between the cost and the fair value of the asset is assessed on an individual basis.

Impairment loss is recognised on investments when there is a material and permanent difference between the book value and the fair value of the investment.

With respect to the extra amortisation/depreciation of intangible and tangible assets, any permanent (over one year) difference between the book value and the fair value of an asset is considered material if it exceeds the annual depreciation charge.

For the purposes of the Company's international settlements, any FX gain or loss resulting from the year-end revaluation of FX liabilities and receivables, FX denominated securities and liquid assets denominated in foreign exchange is always considered material, irrespective of the actual amount involved.

Any errors and their effects identified by tax audits or self-audits are always considered material. Therefore we do not use the concept of immaterial error at all.

An error has a material effect on the true and fair view (the aggregate of material errors have a significant effect on equity and therefore distorts already disclosed information on the entity's asset, financial and income positions) if the equity presented for the previous year changes with at least 20% as a result of the adjustments.

## I.4 Measurement procedures

Fixed assets are classified, recognised and measured in accordance with the accounting law. Tangible and intangible assets are recorded at purchase or production cost in accordance with sections 47 to 51 of the accounting law.

All costs associated with the acquisition of an asset are recognised when they incur (the latest upon commissioning). The cost of tangible and intangible assets is apportioned over the years when the asset is expected to be used. Depreciation/amortisation is charged in accordance with instruction No. 27/2005. (VIII.19. MÁV Ért. 33.) PVH „Az értékcsökkenés elszámolásának módja és mértéke” (Depreciation method and rates). Ordinary depreciation is charged monthly on a straight line basis, with daily calculations.

As allowed by the accounting law, tangibles and intangibles that costs below HUF 100,000 are immediately expensed upon commissioning.

Further to subsection 58(5) of the accounting law, if the market value of an asset significantly exceeds its fair value, it can be revalued to fair value and the difference is recognised as adjustment within assets and as valuation reserve within equity. MÁV Zrt. did to use adjustments in 2007.

If the book value of a fixed asset permanently exceeds its fair value, extraordinary depreciation is recognised in line with section 53 of the accounting law.

In accordance with subsection 57(2) of the accounting law, if the book value is below the initial cost of the asset due to the extraordinary depreciation and the reasons for the extraordinary depreciation no longer exist, the previously recognised extraordinary depreciation should be reversed. Any such reversal should be recognised up to the fair value of the asset net of ordinary depreciation. Extraordinary depreciation can be reversed only for assets owned at the balance sheet date. No reversal is recognised for assets written off during the year.

Tangible and intangible assets are presented in the balance sheet at cost less ordinary and extraordinary depreciation plus any reversed impairment loss.

In addition to other relevant regulations, the accounting rules pertaining to treasury assets are also set out in the asset management agreement signed with the National Treasury Board and the related Asset Management Policies.

MÁV Zrt. does not apply the fair value method set out in sections 59/A-F of the accounting law.

Current assets are classified and valued in accordance with the following:

- Materials are measured at monthly standard cost calculated based on their weighed average. At the year-end, impairment loss is recognised based on the fair values of materials where the fair value remains over the book value for more than one year or any previously recognised impairment loss is reversed.

- Self-produced inventories are presented at direct prime cost that are directly attributable to the products and based on relevant indicators.

- Debtors, receivables from related parties and other receivables are presented at cost less any impairment loss plus any reversed impairment loss.

At the year-end, foreign exchange balances (debtors, securities, liquid assets, receivables and payables) are revalued at the central bank's official FX rates and the resulting FX gain or loss is recognised as financial income or financial expense, respectively in accordance with the accounting law.

Any unrealised FX loss on FX development loans that are not covered with FX deposits are accrued while unrealised FX gains are recognised at financial income upon expensing any previously accrued related FX loss.

## 1.5 Accounting separation of the various railway activities pursued by the company

Further to section 7 of decree 50/2007.(IV.26.) GKM-PM of the Ministry of Transport and the Ministry of Finance on the separation of railway activities, MÁV ZRt. has a set of **separate accounting policies** for 2007 as part of its accounting policies.

The principles of **separate accounting** are as follows:

1. The following activities are separated:

- Rail network operations,
- Passenger transport, including passenger transport done as a public service,
- Traction (when licensed)
- Other activities

Separation is done in a way that management/control (over activities, divisions and corporate) is equally allocated among the activities.

2. All assets and funds that relate to resources (assets, staff) are separated based on their classification in the GL of the relevant division and the central GL. In the case of base transactions (contracts, decisions, resolutions etc.), the GL unit where the transaction was launched is the basis of allocation. In all other cases, where the transaction relates to future transactions (e.g. provisions, operational loan), it should be allocated to the GL unit which will be affected by such future transaction.
3. Sales revenues, internal revenues, direct costs under the accounting law and clearly attributable expenses and revenues are allocated to the relevant separable activity. Such allocation is done based on the combination of the applicable GL account and the division relevant to the activity. In the cases of the separable activities of the Engineering Division and corporate control, the units also form basis of the allocation of separable costs, expenses and revenues.
4. Internal settlements among MÁV ZRt's separable activities are accounted for in accordance with the internal settlement policies (BTSZ): cost is recognised on the part of the separable activity which requested the other's service, and revenue is recognised on the part of the delivering activity. During the year, the charges applied are those set out in BTSZ (in the case of open track access services, HÜSZ tariffs). At year-end, transactions based on HÜSZ tariffs are recognised at HÜSZ tariffs while business activities (profit oriented activities) are recognised at the lower of the BTSZ charge and the fair value. Internal services are not considered profit oriented where their budgeted external sales revenues remain below 10% of the Company's total budgeted annual sales revenues. In the case of these services, the difference between the actual calculated direct cost and the BTSZ tariff is recognised.
5. The cost of central management (over activities, divisions and corporate), including the internal costs of central services used) is allocated based on the extrapolation bases for the various activities. An extrapolation basis is determined based on the characteristics of the relevant activity i.e., for example, the expenses attributable to assets are allocated in view of the accounting law-based depreciation costs of the separable activities.
6. The transparent, monitorable and traceable records of the separable activities are carried in a GIR, based on special codes used in MÁV ZRt's accounts classification. Figures to be presented in the financial statements (except staff numbers) are prepared in the GL module of GIR based on SKK statements/schedules.
7. Number of staff attributable to each separable activity is calculated based on the annual average statistical number of staff allocated to units and teams in IHIR and on the number of

hours charged to each separable activity plus based on an allocation of central staff numbers and time to each separable activity.

As part of the notes to the annual financial statements, an annual supervisory report also has to be prepared per separated activity. This report includes the following: the balance sheets, profit and loss accounts, cash flow statements and activity statements of each separated activity along with explanations, annual staff figures, subsidies per title, related party balances and any accumulation due to internal settlements.

## **I.6 Changes in the company's operations in 2007**

MÁV Zrt's passenger transport activity was outsourced as of 1 July 2007. At the same date, assets totalling HUF 62,100m were contributed to MÁV-START Zrt. and further tangible assets worth HUF 1,443m were sold to the new entity later in 2007. Most of the contributed assets were wagons, motor trains and motor coaches. All encumbered assets remained property of MÁV Zrt. and are leased by MÁV-START Zrt. Prior to the outsourcing of the activity, all vehicles were valued, as a result of which extraordinary depreciation of HUF 2,956m was recognised for the assets that remained with MÁV Zrt. (as the book value exceeded the fair values) and deferred extraordinary revenues of HUF 713m were also released.

During preparations for the outsourcing of the engineering division into a separate entity in 2008, all attributable assets were valued. The consequential extraordinary depreciation of HUF 164m of assets that remained with MÁV and the HUF 104m released deferred extraordinary revenue were recognised in 2007 and have been presented in the annual financial statements. As no losses will incur on the assets to be contributed to MÁV-Trakció Zrt. and MÁV-Gépészeti Zrt. in 2008, no extraordinary depreciation has been recognised for these assets.

MÁV Zrt's equity was negative at the end of 2006. As a result, the sole owner reduced the share capital by HUF 60,000m and decided to go on with a phased capital increase of HUF 111,600m by the way of share premium. The details of equity movements are set out in II.3.3..

During 2007, project funded by the government and by the EU were transferred to Nemzeti Infrastruktúra Fejlesztő Zrt., hence the significant decrease in development subsidies.

## II Specific part

### II.1 Notes to the balance sheet

The assets, equity and liabilities have been presented in the balance sheet based on year-end asset an inventory counts and on individual valuation. The balance sheet preparation date (the last day when accounting documents were accepted for reporting purposes) was 15 February 2008 as set out in the accounting policies. The last day when debtors and creditors related to 2007 are entered into the books was 30 January 2008.

#### II.1.1 Fixed assets

Fixed assets increased by 5% (HUF 37,493m) on the previous year as a result of a HUF 26,292 (3.7 %) decrease in the net value of tangible assets and a HUF 57m (1.3%) increase in the book value of intangibles and a HUF 63,728 (159.2 %) increase in long-term financial assets.

With respect to tangible assets, the decrease is due to four factors. ON the one hand, the net value of technical equipment, machinery and vehicles dropped by HUF 27,376m and advances for capital projects also reduced tangible assets by HUF 8,722m. On the other hand, improvements, properties and property rights increased the net value of tangible assets by HUF 4,317m and by HUF 5,796m, respectively. Besides, other equipment, fittings and vehicles dropped by HUF 307m.

The main change in long-term financial assets was a HUF 63,770m increase in long-term investments. The details are explained in section 'MÁV Zrt's investments'.

### II.1.1.1 Movements in intangible assets

Movements in the cost and the net value of tangible and intangible assets are set out below:

ITEM	Property rights -111	Intellectual products -112	figures in MHUF	
			R&D -113	TOTAL -11
<b>1. Cost, opening</b>	<b>3 844</b>	<b>11 091</b>	<b>187</b>	<b>15 122</b>
2. Acquisitions, improvements (capitalised)	135	3 246	0	3 381
3. Other increase	9	6 391	0	6 400
4. Disposals	-2 416	-6 447	-32	-8 895
5. Reclassified	300	-300		0
<b>6. Cost, closing</b>	<b>1 872</b>	<b>13 981</b>	<b>155</b>	<b>16 008</b>
<b>7. Amortisation, opening</b>	<b>1 087</b>	<b>9 613</b>	<b>90</b>	<b>10 790</b>
8. Ordinary amortisation	288	870	1	1 159
9. Extraordinary amortisation		1	0	1
10. Increase	13	6 298		6 311
11. Decrease	-262	-6 379	-1	-6 642
12. Reclassified	0	0		0
<b>13. Amortisation, closing</b>	<b>1 126</b>	<b>10 403</b>	<b>90</b>	<b>11 619</b>
<b>14. Closing, net</b>	<b>746</b>	<b>3 578</b>	<b>65</b>	<b>4 389</b>

Schedule 1: Movements in intangible assets in 2007

The net value of intangible assets increased by HUF 57m on the previous year due to a HUF 2,100m increase in the net value of intellectual products, and a HUF 2,011m decrease in concessions and similar rights and a HUF 32m drop in net R&D.

The material decrease in concessions and similar rights is due, on the one hand, to the fact that most such rights were capitalised as intellectual products upon the GIR version change (HUF 1,802m) and a concession right of HUF 144m net was sold to MÁV-START Zrt. All further decreases were due to scrapping.

The HUF 6,033m decrease in the cost and amortisation of intellectual products and the related increase are due to the separation of assets.

Intangible assets in progress are presented below:

	figures in MHUF			
	Concessions and similar rights	Intellectual products	R&D	Total
<b>Opening</b>	<b>2 139</b>	<b>490</b>	<b>96</b>	<b>2 725</b>
Expense in 2007	198	1 544	7	1 749
Capitalised	-135	-3 246	0	-3 381
Scrapped	0	0	-39	-39
Settled	-1 802	1 802	0	0
<b>Closing</b>	<b>400</b>	<b>590</b>	<b>64</b>	<b>1 054</b>

Schedule 2: Intangible assets in progress in 2007

### II.1.1.2 Movements in tangible assets

The main factors that affected the net value of tangible assets in 2007 are presented below:

figures in MHUF

<b><i>Tangibles, net</i></b>	<b><i>648 677</i></b>
Capitalised	83 171
Surplus	441
Depreciation	-34 318
Extraordinary depreciation	-3 868
Assets contributed to MÁV-START	-62 323
Scrapped	-1 969
Disposals	-2 488
Missing and destroyed	-332
Other movements	-201
<b><i>Tangibles, closing</i></b>	<b><i>626 790</i></b>

Schedule 3: Major movements in tangible assets

The amount in the 'Other changes' line includes reclassifications, separation of assets as well as assets contributed/received free of charge. Details of the latter are set out in schedule 10.

The net value of tangible assets dropped by HUF 21,887m compared to 2006 as a result of a HUF 5,796m increase in net properties and a HUF 27,376m decrease in technical equipment, machinery and vehicles plus a HUF 307m drop in net other equipment, fittings and vehicles.

The assets disclosed in MÁV Zrt's balance sheet (treasury and own assets) are presented below:

figures in MHUF

ITEM	Treasury	MÁV ZRt	TOTAL (12 - 14)
<b><i>1. Cost, opening</i></b>	<b><i>477 920</i></b>	<b><i>433 465</i></b>	<b><i>911 385</i></b>
2. Acquisitions, improvements (capitalised)	31 536	51 635	83 171
3. Other increase	18 476	1 206	19 682
4. Disposals	-22 167	-98 959	-121 126
5. Reclassified			0
<b><i>6. Cost, closing</i></b>	<b><i>505 765</i></b>	<b><i>387 347</i></b>	<b><i>893 112</i></b>
<b><i>7. Depreciation, opening</i></b>	<b><i>144 813</i></b>	<b><i>117 895</i></b>	<b><i>262 708</i></b>
8. Ordinary depreciation	19 747	14 571	34 318
9. Extraordinary depreciation	0	3 868	3 868
10. Increase	4 878	460	5 338
11. Decrease	-7040	-32 870	-39 910
12. Reclassified	0	0	0
<b><i>13. Depreciation, closing</i></b>	<b><i>162 398</i></b>	<b><i>103 924</i></b>	<b><i>266 322</i></b>
<b><i>14. Closing, net</i></b>	<b><i>343 367</i></b>	<b><i>283 423</i></b>	<b><i>626 790</i></b>

Schedule 4.: Movements in tangible assets in 2007



figures in MHUF

MEGNEVEZÉS	Épületek			Építmények			Földterületek			Ing. kapcs. jog -124	Összesen -12
	Állami - 122.1	MÁV ZRt - 122.2	Összesen - 122	Állami - 123.1	MÁV ZRt - 123.2	Összesen - 123	Állami - 121.1	MÁV ZRt - 121.2	Összesen - 121		
1. <b>Cost, opening</b>	6 681	80 945	87 626	384 083	38 432	422 515	14 938	26 078	41 016	74	551 231
2. Acquisitions, improvements (capitalised)	10	1 059	1 069	25 397	559	25 956	219	29	248	0	27 273
3. Other increase	0	13	13	16 886	684	17 570	17	142	159	0	17 742
4. Disposals	0	-1 937	-1 937	-19 492	-1 259	-20 751	-17	-743	-760	-1	-23 449
5. Reclassified	0	-1	-1	0	1	1	0	0	0	0	0
6. <b>Cost, closing</b>	6 691	80 079	86 770	406 874	38 417	445 291	15 157	25 506	40 663	73	572 797
7. <b>Depreciation, opening</b>	779	8 315	9 094	112 979	8 875	121 854	0	0	0	39	130 987
8. Ordinary depreciation	1	887	888	14 960	1 000	15 960	0	0	0	9	16 857
9. Extraordinary depreciation		151	151		599	599	0	0	0		750
10. Increase		9	9	4 684	155	4 839			0		4 848
11. Decrease		-505	-505	-5 779	-401	-6 180	0	0	0		-6 685
12. Reclassified		0	0	0	0	0			0		0
13. <b>Depreciation, closing</b>	780	8 857	9 637	126 844	10 228	137 072	0	0	0	48	146 757
14. <b>Closing, net</b>	5 911	71 222	77 133	280 030	28 189	308 219	15 157	25 506	40 663	25	426 040

Schedule 5.: Movements in properties in 2007

figures in MHUF

ITEM	Other production			Non-production		TOTAL (13 - 14)
	Treasury -131	MÁV ZRt -132+133	Total 13	- MÁV ZRt -142	Total 14	
1. <b>Cost, opening</b>	72 218	282 271	354 489	5 665	5 665	360 154
2. Acquisitions, improvements (capitalised)	5 909	49 985	55 894	4	4	55 898
3. Other increase	1 573	365	1 938	2	2	1 940
4. Disposals	-2657	-94 541	-97 198	-479	-479	-97 677
5. Reclassified	0	0	0	0	0	0
6. <b>Cost, closing</b>	77 043	238 080	315 123	5 192	5 192	320 315
7. <b>Depreciation, opening</b>	31 055	95 610	126 665	5 056	5 056	131 721
8. Ordinary depreciation	4 785	12 412	17 197	264	264	17 461
9. Extraordinary depreciation		3 118	3 118		0	3 118
10. Increase	193	295	488		0	488
11. Decrease	-1 260	-31 533	-32 793	-430	-430	-33 223
12. Reclassified	0	0	0	0	0	0
13. <b>Depreciation, closing</b>	34 773	79 902	114 675	4 890	4 890	119 565
14. <b>Closing, net</b>	42 270	158 178	200 448	302	302	200 750

Schedule 6.: Movements in machinery, equipment and vehicles in 2007

### II.1.1.3 Capital expenditures

MÁV Zrt's capital expenditures are presented as follows:

figures in MHUF			
Item	AICC in 2006	AICC in 2007	Change
<b>Opening</b>	<b>30 128</b>	<b>44 730</b>	<b>14 602</b>
Exp. In 2007	68 933	89 388	20 455
Capitalised	-54 025	-83 171	-29 146
Extra deprec.	0	-1 326	-1 326
Disposal of CARGO	-306		306
Sold to START		-574	-574
<b>Closing</b>	<b>44 730</b>	<b>49 047</b>	<b>4 317</b>

Schedule 7: Capital expenditures

The gross value of assets in the course of construction is HUF 50,373m, of which HUF 35,690m relates to treasury assets. Extraordinary depreciation was recognised on capital projects whose implementation is uncertain or where the utilisation of the resulting assets is in doubt. Unless deferred extraordinary revenue is associated with such projects, 100% extraordinary depreciation was recognised in a total of HUF 1,326m.

The year-end balance of advance payments for capital expenditures was HUF 17,256m at the end of 2007, including advance payments to related parties. An FX loss of HUF 361m was recognised on FX advances upon their revaluation at the year-end.

### II.1.1.4 Depreciation in 2007

The amortisation/depreciation of intangible and tangible assets is presented below:

figures in MHUF					
Megnevezés	Értékcsökkenés				
	Bruttó érték	Terv szerinti	Terven felüli	SZT. szerint összesen	TA. szerinti
Land	40 663	0	0	0	0
Properties (less land)	532 134	16 857	750	17 607	14 953
Machinery, equipment	315 123	17 197	3 118	20 315	29 173
Other machinery, equipment	5 192	264	0	264	48
<b>Tangibles, total:</b>	<b>893 112</b>	<b>34 318</b>	<b>3 868</b>	<b>38 186</b>	<b>44 174</b>
of which: treasury	505 765	19 747	0	19 747	17 927
MÁV ZRt	387 347	14 571	3 868	18 439	26 247
Intangibles assets*	14 954	1 159	1	1 160	1 527
<b>Grand total:</b>	<b>908 066</b>	<b>35 477</b>	<b>3 869</b>	<b>39 346</b>	<b>45 701</b>

\*Note: Intangible assets in progress are not included (HUF 1,054m)

Schedule 8: Amortisation/Depreciation of intangibles and tangibles in 2007

Impairment loss increased by HUF 1,072m on the previous year: HUF 468m was due to an increase in the ordinary depreciation of tangible assets, while the ordinary amortisation of intangibles exceeded last year's by HUF 604m.

The increase in the amortisation of intangibles was due to increased capitalisations in 2007. the amortisation rate remained the same (25%).

The HUF 468m increase in the impairment loss of tangible assets was due to a HUF 1,243m increase in the depreciation of treasury assets and a HUF 775m decrease in the depreciation of the Company's own assets. These changes were due to changes in the gross values of the assets and also to the restated depreciation rates as the result of the asset valuation prior to the outsourcing of the passenger transport activity.

The asset valuation included passenger trains, some of which were contributed to MÁV-START Zrt, while others remained with MÁV Zrt. The effect of the changed depreciation rates on the trains that remained with MÁV Zrt. are presented as follows:

Figures in THUF

Original rate: 3%		Original rate: 4%		Original rate: 5%	
New rate	Effect	New rate	Effect	New rate	Effect
33.0%	8	7.0%	24 770	7.0%	10 573
		1.0%	-6 017	1.0%	-26 949
		10.0%	213 752	11.0%	1 810
		11.0%	15 621	12.0%	8 832
		12.0%	3 402	13.0%	5 891
		13.0%	94 194	14.0%	12 170
		14.0%	10 948	15.0%	7 351
		15.0%	2 766	16.0%	28 699
		16.0%	9 511	17.0%	7 758
		17.0%	424 129	18.0%	5 940
		18.0%	9 247	2.0%	-3 713
		19.0%	1 860	3.0%	-722
		20.0%	5 714	4.0%	-4 594
		25.0%	29 971	6.0%	21 740
		26.0%	1 308	8.0%	12 745
		6.0%	79 282	9.0%	8 279
		8.0%	7 620		
		9.0%	2 511		
<b>Total (3%)</b>	<b>8</b>	<b>Total (4%)</b>	<b>930 589</b>	<b>Total (5%)</b>	<b>95 810</b>
<b>Grand total:</b>					<b>1 026 407</b>

Schedule 9: Effect of the change in depreciation rates

Extraordinary depreciation was recognised nearly exclusively on tangible assets. Out of the HUF 3,868m total, properties set for demolition (but not yet demolished in 2007) were written off by HUF 750m. The HUF 3,118m charged on machinery, equipment and vehicles stems from the valuation of cars and closed the prolonged gap between the fair value and the book value of these assets.

### II.1.1.5 Assets received/contributed free of charge

figures in MHUF

Item	Delivered	Received	P&L impact	E&L impact
MÁV ZRt's tangible assets	0	14	14	0
Treasury assets	8	91	0	83
<b>Total capitalised assets</b>	<b>8</b>	<b>105</b>	<b>14</b>	<b>83</b>
MÁV ZRt's capex	0	0	0	0
Treasury capex	0	26	0	26
<b>Capex, total</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>26</b>
<b>Total</b>	<b>8</b>	<b>131</b>	<b>14</b>	<b>109</b>

Schedule 10: Assets contributed free of charge

Treasury assets recorded in MÁV Zrt's books at HUF 8m net were contributed to GYSEV Zrt. free of charge.

The assets presented in the above schedule total HUF 105m and were received in 2007 and include assets taken over from Elektrolux Lehel Hűtőgépgyár Kft. (HUF 58m), from MÁV Dunántúli Kft (HUF 43m), and from Megatrend 2000 Informatikai Rt. (HUF 4m). The most significant assets are: automated level crossing barrier, CCTV system, security equipment feeder cable, other cables, buffers, closure rails, railtracks.

### II.1.1.6 Treasury assets

In accordance with the railways act, tangibles owned by the national treasury are carried separately in MÁV Zrt's books.

The total net value of treasury assets was HUF 367,507m at 31 December 2006 and increased to HUF 379,058m by 31 December 2007.

figures in MHUF

	2006. év	2007. év	Változás
Land, total	14,938	15,157	219
Buildings, total	5,902	5,911	9
Structures, total	271,104	280,030	8,926
Machinery and equipment, total	41,163	42,270	1,107
AICC	34,400	35,690	1,290
<b>Treasury assets, total:</b>	<b>367,507</b>	<b>379,058</b>	<b>11,551</b>
<b>Long-term liabilities, opening at 30 Sept 2001, upon signing the asset management contract</b>	<b>275,578</b>	<b>275,578</b>	<b>0</b>
Acquisition from treasury funds	119,891	136,388	16,497
Acquisition from own funds	52,190	68,502	16,312
Treasury assets received free of charge	5,714	5,962	248
Surplus	100	412	312
<b>Total increase:</b>	<b>177,895</b>	<b>211,264</b>	<b>33,369</b>
Depreciation	77,730	97,568	19,838
Disposal	37	59	22
Scrapping	4,706	6,487	1,781
Shortage	310	479	169
Treasury assets transferred free of charge	3,183	3,191	8
<b>Total decrease:</b>	<b>85,966</b>	<b>107,784</b>	<b>21,818</b>
<b>Funds of treasury assets, total:</b>	<b>367,507</b>	<b>379,058</b>	<b>11,551</b>

Schedule 11: Treasury assets and their funds in the balance sheet

Movements in treasury assets in 2007:

figures in MHUF

	2,006	2,007	Change
<b>Treasury assets, net</b>	<b>342,502</b>	<b>367,507</b>	<b>25,005</b>
Treasury assets acquired from government grants	34,981	16,497	-18,484
Treasury assets acquired from own funds	10,332	16,312	5,980
Treasury assets received free of charge	365	117	-248
Transferred to Treasury from MÁV Zrt's own assets	8	131	123
Surplus	9	312	303
<b>Total increase in the reporting year</b>	<b>45,695</b>	<b>33,369</b>	<b>-12,326</b>
Treasury assets transferred free of charge	-918	-8	910
Annual depreciation	-18,504	-19,746	-1,242
Depreciation of treasury assets over the years	-31	-92	-61
Disposal	-2	-22	-20
Scrapped, destroyed	-1,161	-1,781	-620
Shortage	0	-169	-169
Transferred by the Treasury to MÁV Zrt.	-74	0	74
Impact of self-correction	0	0	0
<b>Total decrease in the reporting year</b>	<b>-20,690</b>	<b>-21,818</b>	<b>-1,128</b>
<b>Treasury assets, net at 31 December 2007</b>	<b>367,507</b>	<b>379,058</b>	<b>11,551</b>

Schedule 12: Movements in treasury assets in 2007

The net value of treasury assets increased by HUF 11,551m during 2007 owing to capital expenditures well over the depreciation of HUF 19,838m in 2007. Capital expenditures were financed from government grants (HUF 16,497m) and from own funds (HUF 16,313m). The net value of treasury assets reduced by further HUF 1,980m for other reasons, the major reason being scrapping in a total of HUF 1,781m.

In the absence of permission from the owner, treasury assets that did not relate to capital projects could not be scrapped between 2004 and 2006. This affected 2,860 treasury assets of which 1,060 are already carried at zero due to ordinary depreciation. The gross value of assets to be scrapped is HUF 3,458 (currently HUF 1,308m net). The expected value of reusable materials after scrapping is HUF 160m.

Uncertainties over the ownership of the properties used by the Company affect both treasury assets and the Company's own assets.

figures in MHUF

Contributing entity	Value of contributed assets	Future asset
Borsodchem Rt.	11	Platform 8 restructured, lighting (Sajószentpéter)
MÁV Cargó ZRt.	13	SZIR final point to MÁV IP network
Badacsonytomaj Város Önkormányzata	2	Platform refurbishment
Elektrolux Lehel Hűtőgépgyár Kft	6	lay-by junction B/1
Elektrolux Lehel Hűtőgépgyár Kft	23	B.B. local cable
Elektrolux Lehel Hűtőgépgyár Kft	19	fedező jelzős ber.
MÁV Dunántúli Kft	13	lay-by junction B/1
MÁV Dunántúli Kft	30	B.B. local cable
<b>Total:</b>	<b>117</b>	

Schedule 13: Assets received free of charge

Subsidies for development purposes are presented in the following schedule:

figures in MHUF

Item	2006.	2007.	Change
Railway network development	104	720	616
Free flow traffic	74	119	45
Cohesion fund - government subsidy	19 316	5 161	-14 155
TEN-T government subsidy	832	420	-412
KIOP government subsidy	458	279	-179
GSM-R government subsidy	56	5	-51
Subsidy to prepare for projects funded from the Cohesion Fund	0	1375	1 375
Costs not recognised by the Cohesion Fund	1743	649	-1 094
VAT on TEN-T subsidy	280	126	-154
Costs not recognised by TEN-T	4	0	-4
<b>Subsidies total:</b>	<b>22 867</b>	<b>8 855</b>	<b>-14 012</b>
KIOP támogatás kincstári eszközökre ERFA alapból	1373	838	-535
Cohesion fund	11 846	4 083	-7 763
TEN-T fund	432	209	-223
<b>Total: (subsidy+EU funds)</b>	<b>36 518</b>	<b>13 985</b>	<b>-22 533</b>
Of which: - treasury	35 782	13 249	-22 533
- treasury	736	736	0

Schedule 14: Subsidies used for capital projects

The HUF 16,497m presented in Schedule 11 shows an increase in treasury assets funded from subsidies, while the HUF 13,985m in Schedule 14 shows the amounts received from the National Treasury in 2007. The subsidy of HUF 13,985m does not fully attributable to asset additions in 2006 but also includes payments in relation to 2006 and advance payments made in 2007 for future treasury projects.

The gross and net values of treasury assets and the assets necessary for their operations at 31 December 2007 are presented below:

		figures in MHUF	
Treasury assets		Gross	Net
<b>Land</b>		<b>15,157</b>	<b>15,157</b>
12201	Administrative buildings – listed	275	251
12411	Traffic buildings – listed	6341	5597
12415	Scale house	75	63
<b>Buildings</b>		<b>6,691</b>	<b>5,911</b>
21211	National railway network main structure	197,619	140,856
21212	National railway network sub-structure, ancillary structures, track blocks	66,527	45,728
212127	Loading stations in the national railway network	696	527
212129	Other ancillary buildings of the national railway network	21,178	15,885
212131	Middle (1-35 kv) and high voltage wiring of the national railway network	1,576	701
212132	Low voltage (below 1 kv) wiring of the national railway network	7,832	2,891
2121331100	Communication air cables and poles of the national railway network	125	39
212133	Telecom cables of the national railway network	24,677	13,015
2121332	Other data cables of the national railway network	336	210
212134	Electric air wires of the national railway network	31,172	20,858
212135	Traction transformer station	4,214	3,378
212136	High and low voltage and air wires of the Ministry of Defence	6	5
2122	Main and substructure of industrial tracks of the Ministry of	270	168
21412	Bridges	39,580	27,187
2142	Culverts, subways, tunnels	10,988	8,543
242003	Air raid shelter	78	39
<b>Structures</b>		<b>406,874</b>	<b>280,030</b>
42	Loaders	21	5
442	Transformers and electric switchboards	1,786	1,194
443	Accumulators over 100 A/h	188	148
444	Telecommunication equipment	22,356	8,843
447	Meters	137	63
448566	IT equipment	2,345	255
4486	Rail traffic safety equipment	50,210	31,762
<b>Machinery, equipment, vehicles</b>		<b>77,043</b>	<b>42,270</b>
<b>Assets in the course of construction</b>		<b>35,690</b>	<b>35,690</b>
<b>Total</b>		<b>541,455</b>	<b>379,058</b>

Schedule 15: Treasury assets

figures in MHUF

<b>Assets owned by MÁV Zrt. necessary for the operations of treasury assets</b>		<b>Gross</b>	<b>Net</b>
111, 112, 113	Community buildings (worker's hostel, barracks etc.)	1 483	1 333
1211, 1212 (1230)	Commercial and service buildings	72	63
1220	Administrative buildings	2 016	1 801
12411	Station receiving buildings	22 744	20 693
124121	Telecom equipment buildings	2 125	1 918
124122	Controls and track brake buildings at junction stations	307	281
124123	Tramway traction substation buildings	259	235
124124	Track maintenance buildings	1 337	1 196
124125	Telegraph and telephone main buildings	206	186
124126,-27,-29	Traction and traffic operations buildings	2 614	2 347
12413	Motor coach and wagon barns	554	490
1242	Garages	158	140
12511, 12512	Operating buildings and workshops	1549	1337
12513	Engine room, boiler rooms	785	680
12515	Pump stations	234	188
12516	Fuel metering and filling station building	16	9
12517	Electric exchange transformation equipment building	1 193	1093
12521	Commercial warehouse	46	41
125213	Warehouses (at stations, railway terminals)	665	552
125214	Other warehouse	37	32
12526	Material barns	187	153
12527	Containers	62	52
1261-1263	Cultural and education buildings	911	765
1264, -65	Social and hostel-like buildings	226	199
1271	Farming buildings	35	29
1274	Other buildings	2 377	2 127
<b>Buildings</b>		<b>42 198</b>	<b>37 940</b>
2112	Roads, squares	5 373	4 251
21221	Industrial tracks (main network)	9 015	5 801
212221, -25	Industrial tracks (sub-network)	1 534	917
212226	Breast wall, footwall	53	35
212227	Railway loaders	5 413	4 144
212229	Railway crossing approach	437	320
21223	Industrial tracks – wires and cables	115	81
214124	Industrial tracks – bridges	857	588
214203	Industrial tracks – arches and culverts	62	27
21421	Tunnels, shafts and underground chambers	38	33
2221	Oil, gas and other pipelines	793	666
2222	Water supply structures	3 014	2 193
2223	Sewage and rain receivers	4 038	3 063
2304,2412, 2420	Other structures	2 161	1 726
2920	Property rights	56	24
<b>Structures</b>		<b>32 959</b>	<b>23 869</b>
4 ...	Other machinery, equipment	9 410	3 280
4485,8...	IT equipment	3 355	185
<b>Machinery and equipment</b>		<b>12 765</b>	<b>3 465</b>
6411,-12	Railway vehicles	4 930	3 340
6413,-15	Road vehicles	170	8
<b>Vehicles</b>		<b>5 100</b>	<b>3 348</b>
78-,79,797,8KF	Intangible assets	929	71
<b>AICC</b>		<b>4 742</b>	<b>4 742</b>



<b>Total</b>	<b>98 693</b>	<b>73 435</b>
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Schedule 16: Own assets necessary for the operations of treasury assets

### II.1.1.7 MÁV Zrt's investments

MÁV Zrt's long-term investments and movements in the reporting year are set out as follows:

figures in MHUF

<b>Investment</b>	<b>year 2006</b>	<b>Increase</b>	<b>Decrease</b>	<b>y 2007</b>	<b>Index (%)</b>
Fully consolidated subsidiaries	34 919	65 000	2 023	97 896	280,35
Consolidated associates	696	951	144	1 503	215,95
Associates	996	1	14	983	98,69
Other investments	1 013	454	71	1 396	137,81
<b>Total:</b>	<b>37 624</b>	<b>66 406</b>	<b>2 252</b>	<b>101 778</b>	<b>270,51</b>

Schedule 17: MÁV Zrt's investments per category

Further to the accounting law, MÁV Zrt. included 14 of its subsidiaries (incl. 11 fully controlled entities) in its consolidated financial statements for 2007. In comparison to the consolidated financial statements for 2006, fully consolidated entities in 2007 include MÁV-START Zrt. (due to a HUF 62.3 billion capital increase by MÁV Zrt., registered on 16 August 2007) while MÁV Hidépitő Kft. is no longer a fully consolidated entity (as the liquidation proceedings have started).

Other changes affecting fully consolidated entities: in 2007, MÁV Zrt. contributed its 100% quota held in MÁV Tiszavas Kft. (HUF 459m at book value) to MÁV Cargo Zrt. at a contribution value of HUF 1,210m; and sold its 3.8% share (of HUF 94m BV) in BILK Kombiterminál Zrt. for HUF 117m to MÁV Cargo Zrt. As a result of these transactions, the full amount of impairment loss recognised on these investments was written off (HUF 203m for MÁV Tiszavas Kft. and HUF 23m for BILK Kombiterminál Zrt.).

In both 2006 and 2007, MÁV Zrt. carried out a number of capital injections into MÁV Debreceni Járműjavító Kft. by the way of paying share premium in a total of HUF 2.220m. The capital increase was registered by the Company court in 2007. In relation to this, we recognised an impairment loss of HUF 1,470m and posted HUF 750m impairment loss on other receivables recognised in 2006 to impairment loss on investments (as the capital increase was registered only in 2007, in 2006, the related impairment loss could have been recognised only on receivables). As a result, our net investment in MÁV Debreceni Járműjavító Kft. remained zero in 2007.

There were also numerous changes in associates: MÁV Boglárka Kft. was written off following liquidation and a number of new subsidiaries were established as follows:

- Rákosrendező Pályaudvar Kft. (nominal capital: HUF 20m; ownership ratio: 90 %),
- Józsefváros Pályaudvar Kft. (nominal capital: HUF 20m; ownership ratio: 90 %),
- Kelenföldi Pályaudvar Kft. (nominal capital: HUF 20m; ownership ratio: 100 %),
- Déli Pályaudvar Ingatlanfejlesztési Zrt. (nominal capital: HUF20m;ownership:100%),
- MÁV-TRAKCIÓ Zrt. (nominal capital: HUF 20m; ownership ratio: 90 %),
- MÁV-GÉPÉSZET Zrt. (nominal capital: HUF 20m; ownership ratio: 80 %),

Subsidiaries (treated as associates) also increased due to the acquisition of 50.59% of PRUDENT INVEST Befektetési Alapkezelő Zrt. (investment fund). Another important change is the fact

that MÁV Zrt. increased the capital of ZÁHONY-PORT Zrt. (previously ZáLoRaSz Zrt.) by the way of share premium of HUF 718m. A total impairment loss on investments of HUF 143,5m was recognised in 2007, of which HUF 100m related to our quota in MÁV Hídépítő Kft., HUF 28.5m on Mávaut Kft. and HUF 15m on MÁV RakSzer Kft.

As for associates, there were major changes in only two entities: the liquidation of BVSC-Zugló FC Kft. finished and the company was written off from our books. Our 28.5% quota held in TRANSFER-R Kft. at HUF 14m BV, was sold for HUF 38m.

Changes in other investments included one acquisition and two disposals. In 2006, we acquired 0.2% of Eurofima Rt. For CHF 2,680,000 (HUF 454m), and the transaction was registered in 2007. As a result, our investment in Eurofima grew to 0.7%. In 2007, we sold 2.1% of our 3.5% quota in BCC and also sold our total investment (5%) in Eurometro Kft. The first disposal increased the profits by mere HUF 5,584, but the latter increased it by HUF 19.5m.

Details of MÁV Zrt's long-term investments and their impairment are set out in section III.3.

### **II.1.2 Reclassification of receivables and liabilities**

The following items have been reclassified in the balance sheet:

Capital project in progress related to intellectual products (HUF 300m) was posted to concessions, licences and similar rights.

An overdraft of HUF 1,181m was posted from bank deposits to current liabilities.

Refundable VAT of HUF 283m was posted from other current liabilities to other receivables.

Of long-term loans, HUF 3,332m and leasing fee of HUF 1,025m (both repayable in 2008) were posted to current liabilities.

Of other receivables, HUF 78m was posted to debtors.

HUF 1m of other current liabilities (deducted from employees) were posted to other receivables.

### **II.1.3 Receivables and impairment loss**

Impairment loss was recognised for receivables outstanding at the year end as follows:

100% where the debtor is under liquidation or insolvency proceedings,

100% where the debtor owes over HUF 1m for over 12 months and the debtor is not classified reliable otherwise,

100% for all other receivables due over one year where and the debtor is not classified reliable,

50% for all other receivables due over 180 days and the debtor is not classified reliable.

For impairment purposes, reliable debtors are entities with normally creditor balances and classified as securely solvent.

At the balance sheet preparation, a 100% impairment loss was recognised for receivables from related parties if the debtor was under liquidation (voluntary and imposed) or insolvency proceedings. In other cases, no impairment loss was recognised.

In 2007, no impairment loss had to be recognised for receivables from foreign railway companies.

Impairment loss recognised in the reporting year is summarised below:

Figures in MHUF

Debtor	Receivables					Impairment loss for 2006							
	Not due	due over 1-90 days	due over 91-180 days	due over 181-365 days	due over 365 days	Total	Opening	Impairment w/o	Impairment loss for 2007 (862,2; 862,4)	Bad debts received (962,3; 962,5)	Rewritten (962,2; 962,4)	Closing	BV of receivables
<i>Debtors</i>	7 348	648	167	366	1 909	10 438	5 846	193	993	80	0	6 566	3 872
<i>Related parties</i>	29 246	16 305	1 801	346	387	48 085	1 803	1 402	334	2	0	733	47 352
of which: subsidiaries	29 156	16 290	1 792	346	384	47 968	1 762	1 360	333	2	0	733	47 235
<i>Other receivables</i>						3613	882	771	19	0	0	130	3 483
<i>Total:</i>													54 707

#### Schedule 18.: Receivables and impairment loss

Material items of other receivables (total: HUF 3,483m) include VAT of HUF 1,002m posted from other liabilities, HUF 891m receivable from the central budget and own funds to ISPA projects totalling HUF 752m.

## II.1.4 Liabilities

### II.1.4.1 Liabilities related to Treasury assets and Treasury funded projects

Further to subsection 23(2) of the accounting law, managed government or municipality assets (Treasury assets) are to be disclosed among the assets of the asset manager, while, according to subsection 42(5), liabilities related to treasury assets should be disclosed among long-term liabilities. The accounting treatment of treasury assets is governed by government decree 58/2005 on the management of treasury assets and by the asset management agreement between KVI and MÁV Zrt.

In accordance with the asset management agreement, certain changes cause movements in long-term liabilities, while other changes should not result in movements in long-term liabilities.

As a result of different movements in treasury assets and the related liabilities, long-term liabilities totalling HUF 406,766m (related to projects owned by MÁV Zrt. but financed from subsidies and EU funds) are connected to the HUF 379,058m balance of treasury assets at 31 December 2007.

Long-term liabilities towards the government exceeds the managed treasury asset portfolio by HUF 27,708m (including HUF 28,375m refunding obligation and HUF -667m accumulated balance of settlements with the National Treasury).

Changes in treasury assets are presented as follows:

figures in MHUF

Liabilities related to treasury assets	2006	2007	Change
<b>Liabilities related to treasury assets</b>	<b>362 779</b>	<b>396 752</b>	<b>33 973</b>
Increase in treasury assets	45 696	33 369	-12 327
Decrease in treasury assets	-20 691	-21 818	-1 127
Increase in mandatory refunding liability	8 325	1 405	-6 920
MÁK settlements in 2007	643	-2 942	-3 585
of which: project invoices submitted to te Treasury	-35 875	-17 115	18 760
payments by the Treasury	36 518	13 985	-22 533
bills rel. to 2006 submitted to Treasury paid by MÁV	0	188	188
<b>Liabilities related to treasury assets - 31 Dec 2007</b>	<b>396 752</b>	<b>406 766</b>	<b>10 014</b>

Schedule 19: Liabilities related to treasury assets

Details of MÁV Zrt's mandatory refunding liability are as follows:

figures in MHUF

Refunds	2006	2007	Change
<b>Opening liability</b>	<b>18 646</b>	<b>26 971</b>	<b>8 325</b>
Depreciation of treasury assets in 2007 (+)	18 504	19 746	1 242
Depreciation of treasury assets in previous years (+)	31	92	61
Disposal of treasury assets (+)	2	11	9
Re-used materials from scrapped treasury assets (+)	116	180	64
Mandatory refund paid (-)	0	2 205	2 205
Amounts received from third parties for treasury projects (+)	12	23	11
Treasury project funded from own funds in 2007 (-)	10 332	16 312	5 980
Assets contributed to the Treasury in 2007 (-)	8	131	123
<b>Closing liability</b>	<b>26 971</b>	<b>28 375</b>	<b>1 404</b>

Schedule 20: Mandatory refunds

#### II.1.4.2 Long-term liabilities

Long-term liabilities, including those related to treasury assets, totalled HUF 715,018m at the end of 2007, which is a HUF 47,637m (7.14 %) increase on the previous year. Long-term liabilities account for 79.61% of total equity and liabilities and 91.32% of liabilities.

Net of treasury liabilities, the year-end balance of long-term liabilities is HUF 308,252m, which is a HUF 37,623m (13.9%) increase on 2006. This can be explained by the HUF 13,155 (12.64%) increase in development loans, a HUF 64,600m increase in long-term liabilities towards related parties and a HUF 40,000m decrease in other long-term liabilities.

Long-term liabilities towards related parties include the HUF 64,600m capital increase done by the Ministry but not registered by the Company Court until the end of 2007. The capital increase was registered on 4 January 2008.

#### II.1.4.3 MÁV Zrt's long-term loans

MÁV Zrt's long-term loans at the end of 2007 were as follows:

Loan	Loan agreement dated at	Matures on	Government guarantee	Currency	Maount per loan agreement	Available facility (31 Dec 2007)	
					(millions, original currency)	FX m	HUF m
Capital project loans							
EIB-ISPA	2001.09.03	2015.09.15	1082/2001	EUR	18	18	4 560
EUROFIMA 10	2003.08.20	2010, 2013	1211/2002	EUR	35	35	8 867
EUROFIMA 11	2003.12.31	2018.12.17	1036/2003	EUR	35	35	8 867
EUROFIMA 12	2004.12.31	2014.05.12	1037/2004	EUR	25	25	6 334
EUROFIMA 13	2005.12.31	2015.03.06	1113/2005	EUR	28	28	7 094
EUROFIMA 13 b	2006.10.03	2016.04.07	1113/2005	EUR	35	35	8 867
EUROFIMA 13 c	2007.10.18	2014.01.28	1113/2005	EUR	8	8	1 925
EUROFIMA 13 d	2007.11.30	2016.04.07	1113/2005	EUR	17	17	4 408
Konzorcium 10,957 Mrd Ft	2006.04.21	2013.04.21	1113/2005	HUF	10 957		10 957
Raiffeisen 9,609 Mrd Ft	2006.04.26	2016.04.21	1113/2005	HUF	9 609		9 609
MFB (13 db Desiro)	2002.01.28	2014.06.30	-	EUR	31	20	5 015
OTP (10 db Talent)	2006.03.23	2016.12.31	-	EUR	45	37	9 344
Calyon-CIB (30 db Firt)	2006.03.22	2020.06.16	-	EUR	145	105	26 541
Raiffeisen (+30 db Flirt)	2007.09.25	2021.11.28	-	EUR	142	42	10 762
MKB 2,8 Mrd Ft	2003.04.24	2008.03.22	-	HUF	2 800		175
MKB 2,9 Mrd Ft	2003.05.05	2008.03.22	-	HUF	2 900		181
K&H 2,5 Mrd Ft	2003.04.22	2008.04.22	-	HUF	2 500		294
HVB 2,9 Mrd Ft	2003.01.17	2008.01.30	-	HUF	2 900		156
HVB 1,777 Mrd Ft	2003.06.01	2008.05.31	-	HUF	1 777		210
Total:							124 168
Operational loans							
ERSTE 8 Mrd Ft	2003.03.28	2009.06.30	1211/2002	HUF	8 000		8 000
KDB 4 Mrd Ft	2005.12.27	2010.11.27	1089/2005	HUF	4 000		4 000
IEB 6 Mrd Ft	2005.12.27	2010.11.27	1089/2005	HUF	6 000		6 000
M.Takarékszöv. 10 Mrd Ft	2005.12.27	2011.11.27	1089/2005	HUF	10 000		10 000
Konzorcium 10 Mrd Ft	2005.12.27	2012.11.27	1089/2005	HUF	10 000		10 000
Raiffeisen 28,5 Mrd Ft	2005.12.27	2015.11.27	1089/2005	HUF	28 500		28 500
Konzorcium 55 Mrd Ft	2006.10.09	2016.10.09	1075/2006	HUF	55 000		55 000
Total:							121 500
Grand total:							245 668

Note: FX loans were converted at a 253.35 HUF/EUR rate (year-end central bank rate). Development loans include HUF 3,332m presented among short-term loans.

### Schedule 21. : MÁV Zrt's long-term loans

Long-term loans repayment schedule:

	figures in MHUF						
Loan	2008.	2009.	2010.	2011.	2012.	2013 and beyond	Total
Capital project loans							
EIB-ISPA				912	912	2 736	4 560
EUROFIMA 10			2 318			6 549	8 867
EUROFIMA 11						8 867	8 867
EUROFIMA 12						6 334	6 334
EUROFIMA 13 a						7 094	7 094
EUROFIMA 13 b						8 867	8 867
EUROFIMA 13 c						1 925	1 925
EUROFIMA 13 d						4 408	4 408
Konzorcium 10,957 Mrd Ft				5 333	3 749	1 875	10 957
Raiffeisen 9,609 Mrd Ft						9 609	9 609
MFB (13 db motorkocsi)	1 167	778	778	778	778	737	5 015
OTP (10 db Talent besz.)	1 149	1 149	1 149	1 149	1 149	3 599	9 344
Calyon (30 db Flirt motorvonat)*		2 308	2 308	2 308	2 308	17 309	26 541
Raiffeisen (+30 db Flirt motorvonat)*			468	936	936	8 423	10 762
MKB 2,8 Mrd Ft	175						175
MKB 2,9 Mrd Ft	181						181
K&H 2,5 Mrd Ft	294						294
HVB 2,9 Mrd Ft	156						156
HVB 1,777 Mrd Ft	210						210
Operational loans							
ERSTE 8 Mrd Ft		8 000					8 000
KDB 4 Mrd Ft			4 000				4 000
Takarékbank 10 Mrd Ft				10 000			10 000
Inter-Európa Bank 6 Mrd Ft			6 000				6 000
Konzorcium 10 Mrd Ft					10 000		10 000
Raiffeisen 28,5 Mrd Ft				5 700	5 700	17 100	28 500
Konzorcium 55 Mrd Ft			1 000	14 000	14 000	26 000	55 000
Total	3 332	12 235	18 021	41 116	39 532	131 433	245 668

Note: FX loans were converted at a 253.35 HUF/EUR rate (year-end central bank rate)

Schedule 22. : Long-term loans repayment schedule

#### II.1.4.4 Leases

Financial leasing liabilities existed at the year-end with respect to 30 second hand passenger wagons as follows:

	currency	y 2008	y 2009	y 2010	Total
<b>Leasing liabilities</b>	M EUR	4,0	4,4	0,7	9,1
	M HUF	1 024,7	1 107,9	166,0	2 298,6

Note: Leases were converted at a 253.35 HUF/EUR rate (year-end central bank rate)

Schedule 23.: Leases (less interest)

#### II.1.4.5 Current liabilities and other information

The year-end balance of current liabilities is HUF 67,928m, which is a HUF 32,527m (32.4 %) decrease on the previous year. Current liabilities make up for 7.56 % of equity and liabilities and 8.68% of liabilities.

The over HUF 32 billion decrease was due to a HUF 40,774m drop in short-term loans and a HUF 8,338m increase in creditors, related party payables, and other current liabilities.

The significant decrease in short-term loans was due to a decrease in long-term loan reclassified to current liabilities. Compared to 2006, long-term loans reclassified to short-term remained below last year's by HUF 34 billion, and reclassified overdraft was by HUF 3.2 billion lower than last year.

The balance sheet line 'Other current liabilities' contains the following items:

Item	figures in MHUF		
	2006	2007	Change
Taxes payable	3 169	5 973	2 804
Wages and salaries	4 962	4 092	-870
Early retirement paid	79	0	-79
Factoring payables	500	0	-500
Current liabilities towards Treasury	316	353	37
Private pension fund contr. deducted from employee	293	0	-293
Other financial settlements	247	2 134	1 887
Current part of leasing liability	984	1 025	41
Other liabilities	443	806	363
<b>Total other liabilities</b>	<b>10 993</b>	<b>14 383</b>	<b>3 390</b>

Schedule 24.: Other liabilities

#### II.1.4.6 Environmental liabilities

Further to act LIV of 1992, to requirements of the Environmental Ministry, and in view of an environmental audit of the railway network, we had prepared an Environmental Restoration Plan (ERP) which since has been accepted as the railways sub-programme of the National Restoration Programme (NRP). The deadlines were set by the Ministry for Transport and Water to 2010.

Environmental provisions have been made based on the following principles:

We assessed the status of environmental liabilities at the year-end and identified the difference between already made and the necessary provision, which amount is the provision to be made in 2007.

The underlying liabilities were unidentified based on environmental surveys and in view of mandatory work imposed by environmental authorities plus estimated expected environmental obligations.



Only costs that are not funded from other resources have been provided for.

To cover ERP expenses, upon transformation into a private limited company by shares, HUF 5.4 billion was set aside from capital reserve based on initial estimates, which was posted to allocated reserves on 1 January 2001. This reserve has been gradually phased out by the amounts used and the currently available reserve is HUF 3,617m. Based on previous estimates, we made a HUF 6,533m provision in 2002 and further HUF 7,805m in 2006. The available amount until 2010, less used and released amounts, is HUF 11,399m.

Allocated reserves related to environmental obligations and provisions for environmental liabilities are detailed below:

Allocated reserve:	3.617 M Ft
Provision made in 2002:	6.533 M Ft
Provision used in 2003:	-1.092 M Ft
Provision released in 2003:	-700 M Ft
Provision used in 2004:	-1.086 M Ft
Provision used in 2005:	-1.112 M Ft
Provision used in 2006:	-1.517 M Ft
Provision made in 2006:	7.805 M Ft
Provision used in 2007	-1.049 M Ft
<b>Total:</b>	<b>11.399 M Ft</b>

Environmental expenses incurred in 2006 and 2007 are as follows:

figures in MHUF		
<b>Period</b>	<b>2006</b>	<b>2007</b>
Environmental costs	1.517	1.149

#### Schedule 25.: KKRT costs

Further to government decree 219/2004 on the protection of subsoil water, certain land owned by the treasury and the Company can be encumbered under the title „permanent environmental damage” if an activity to which the decree applies creates such a degree of pollution in a geological substance or subsoil waters that it cannot be reduced to restoration target threshold (D) either naturally or due to technical intervention within five years of the acceptance of the damage survey document.

The number of areas with permanent environmental damage is 37 and five procedures are in progress. The encumbrance can be lifted by the environmental authority once restoration has been successful.

#### II.1.4.7 Tangible assets for environmental purposes

Tangible assets for environmental purposes are presented below:

figures in MHUF

Item	Opening	Additions	Closing
Cost	2 082	149	<b>2 232</b>
Depreciation	210	123	<b>333</b>
<b>Net</b>	<b>1 872</b>	<b>26</b>	<b>1 899</b>
<b>AICC</b>			<b>0</b>
<b>Total:</b>	<b>1 872</b>	<b>26</b>	<b>1 899</b>

Schedule 26.: Movements in tangible assets for environmental purposes

The opening figures include projects REKO I. and REKO II. (fuel supply improvement) capitalised between 2004 and 2006 and their accumulated depreciation. No similar items relate to 2007. Although the REKO III. contract was signed on 26 September 2007, any work and capitalisation is expected in 2008.

Of the HUF 149.4m capitalised in 2007, HUF 120m relates to noise protection walls built from ISPA and EIB funds and HUF 29.4m relates to railway waste collection sites built in 2007 at Szentes and Hatvan, oil collectors at Celldömölk and Debrecen and an instrument acquisition necessary for the EBK MSZK accreditation.

#### II.1.4.8 Waste

	Non hazardous (kg)	Hazardous (kg)	restoration work in 2007 (kg)
Budapest	9 658 000	298 550	4 200 000
Debrecen	180 350	119 250	500 000
Záhony	4 210 250	69 325	300 000
Miskolc	7 516 750	153 250	350 000
Pécs	890 326	109 269	590 000
Szeged	224 360	289 250	495 000
Szombathely	63 260	106 230	410 000
<b>Total</b>	<b>22 743 296</b>	<b>1 145 124</b>	<b>6 845 000</b>

Schedule 27.: Waste - quantities (kg)

## II.1.4.9 Contingent liabilities

### II.1.4.9.1 Long-term loans

The planned disbursement schedule of project and development loans based on the already signed loan agreements is as follows:

figures in MHUF

Loans	2008	2009	2010	Total
OTP (10 Talent)	976	0	0	<b>976</b>
Calyon (30 motor coaches)	9 880	0	0	<b>9 880</b>
Raiffeisen (+30 motor coaches)	3 712	20 648	221	<b>24 582</b>
<b>Total</b>	<b>14 568</b>	<b>20 648</b>	<b>221</b>	<b>35 438</b>

Note: FX loans were translated at a 248 HUF/EUR plan rate

Schedule 28.: Development loans drawn by 31 Dec 2007

The Company is also planning to issue bonds, but no decision has been made or date has been fixed yet.

The repayment schedule of not fully disbursed project and development loans based on agreements signed before 31 December 2007 is as follows:

figures in MHUF

Loans	2008	2009	2010	2011	2012	2013 and beyond	Total
OTP (10 Talent)						976	<b>976</b>
Calyon (30 motor coaches)		859	859	859	859	6 444	<b>9 880</b>
Raiffeisen (+30 motor coaches)			1 069	2 138	2 138	19 238	<b>24 582</b>
<b>Total</b>	<b>0</b>	<b>859</b>	<b>1 928</b>	<b>2 997</b>	<b>2 997</b>	<b>26 658</b>	<b>35 438</b>

Note: FX loans were translated at a 248 HUF/EUR rate

Schedule 29. Repayment schedule of development loans

The planned disbursement schedule of project and development loans planned to be signed in 2008 is as follows:

figures in MHUF

Loans	2008	2009	2010	Total
EUROFIMA 14	2 831	4 500	1 275	<b>8 606</b>
HUF 28.57b loan guaranteed by government (2007)	28 570			<b>28 570</b>
HUF 24.546b loan guaranteed by government (2008)	24 546			<b>24 546</b>
+25 locomotive acquisition loan*	4 340	7 812	5 208	<b>17 360</b>
<b>Total</b>	<b>60 287</b>	<b>12 312</b>	<b>6 483</b>	<b>79 082</b>

Note: FX loans were translated at a 248 HUF/EUR plan rate

Schedule 30. : Development loans to be drawn based on agreements to be signed in 2008

Loans	figures in MHUF					
	2009	2010	2011	2012	2013 and beyond	Total
EUROFIMA 14					8 606	8 606
HUF 28.57b loan guaranteed by government (2007)					28 570	28 570
HUF 24.546b loan guaranteed by government (2008)					24 546	24 546
+25 locomotive acquisition loan*			1 389	1 389	14 582	17 360
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1 389</b>	<b>1 389</b>	<b>76 304</b>	<b>79 082</b>

\* Note: FX loans were translated at a 248 HUF/EUR plan rate

Schedule 31.: Repayment schedule of development loans based on agreements to be signed in 2008

## II.1.4.9.2 Hedging transactions

MÁV Zrt's budgeted FX balance for 2007 showed a deficit of EUR 42.6m and EUR 25m project loan (EUROFIMA 13) was drawn. Although not budgeted, two EUR-based loans were early repaid in a total of EUR 44.3m. To hedge for FX transactions, for the conversion of a project loan and for the early repayment of the two loans, MÁV Zrt. entered into a forward contract to buy EUR 17.3 and spot contracts (in compliance with the Company's foreign exchange transactions policy).

Overall, the FX rate hedging transactions have achieved their goal and the necessary FX cash flows are now available at rates that approximate the plan.

No hedging transactions were settled for interest rate risks in 2007.

The profit and loss and cash flow effects of hedging transactions closed in 2007 are as follows:

Transaction		figures in MHUF	
		P&L effect	Cash-flow effect
Settlement transactions	Forward	0	0
	Option	0	0
	<b>Total:</b>	<b>0</b>	<b>0</b>
Leszállítási ügyletek*	Forward	-42	-42
	Option	0	0
	<b>Total:</b>	<b>-42</b>	<b>-42</b>
<b>Grand total:</b>		<b>-42</b>	<b>-42</b>
of which	Hedging	-42	-42
	Non hedging	0	0
	<b>Total:</b>	<b>-42</b>	<b>-42</b>
of which	Stock exchange	0	0
	OTC	-42	-42
	<b>Total:</b>	<b>-42</b>	<b>-42</b>

\*Note: the impact on the P&L and on cash flows is calculated based on the official central bank rate prevailing upon maturity.

Schedule 32.: Closed forward transactions in 2007

At 31 December 2007, MÁV Zrt. had one open FX forward contract for EUR 700,000 and four open interest collar contracts totalling EUR 96m. The interest collar contracts hedge the interest

risk of FX development and project loans and are adjusted to the interest payment periods of the related loans. The last hedged interest period is due in 2009.

### II.1.4.9.3 Guarantees

MÁV Zrt's guarantee liabilities at 31 December 2007:

figures in MHUF

Company	Creditors, agreement No.	Start date	End date	Value	Guarantee at 31 Dec 2007
MÁVGÉP Kft. K-8799/2004	K & H Rt. CRM/TTH-04-676/KK and KK/M terminated. Replacement: NSF/SER/1082/KK Overdraft guarantee	2004.09.27 amended 2005.05.17 2005.09.28 2007.09.26	2008.09.30	625	625
MÁV FKG Kft. K-8798/2004	K & H Rt. CRM/TTH-04-675/KK and KK/M, replacement: HSF/SER/2005-1080/KK Overdraft guarantee	2004.09.22 amended on 2005.05.16 and on 2005.09.28; increased on 2007.07.06- by HUF 300m 2007.09.26	2008.09.30	775	775
MÁV Északi J.J. Kft. K- 11471/2004	K & H Rt. CRM/TTH-031051/KK, prolonged CRM/TTH-04-0911, NSF/SFI/2005-1312/KK Overdraft guarantee	2004.01.08, amended 2004.12.03, 2005.07.01, 2005.12.02, 2006.11.24	2007.11.30 new 2008.09.30	300	300
MÁV Tiszavas Kft K-3820/1998	ABN AMRO long-term leasing agreement for 200 Hsbillnss covered, sliding sided wagons guaranteed by MÁV	1998.07.27	2009.08.31	3 059	702
MÁV Északi J.J. Kft. K- 11396/2006	K & H Rt. NSF/2006-0057/BKK guarantee to development loan (non-revolving), Békéscsaba	2006.02.13	2011.02.14	18	14
MÁV Északi J.J. Kft. K- 1396/2006	KH -NSF/2006-0057/GKK guarantee with re-guarantee by MÁV for a project at ÉJJ's site at Békéscsaba	2006.02.13	2011.02.14	19	19
Guarantees, total:				4 796	2435

Schedule 33.: Guarantees at 31 Dec 2007

figures in MHUF

Company	Type of guarantee	Contractor	Start date	End date	Amount in EUR	Amount in HUFm
<b>Bank guarantees</b>						
VEG Südost GmbH	payment	MKB	2006.04.19	2010.07.31	13,739,569	3,481
VPOP	secured income	Erste Bank	2006.09.23	2008.11.24	0	1
VPOP	secured income	Erste Bank	2006.10.10	2008.12.11	0	60
MÁK	payment	Erste Bank	2003.06.29	2008.05.30	0	7
<b>Total:</b>					<b>13,739,569</b>	<b>3,549</b>
<b>Good performance guarantees</b>						
MÁV Debreceni JJ	Liability assumed by the owner	MÁV Zrt.	2005.09.15	2008.12.31	630,468	160
MÁVGÉP KFT K-10998/2004	Liability assumed by the owner	MÁV Zrt.	2005.02.14	2010.12.31	0	68
MÁV FKG KFT K-10997/2004	Liability assumed by the owner	MÁV Zrt.	2005.02.14	2010.12.31	0	120
MÁVGÉP KFT K-10998/2004	Liability assumed by the owner	MÁV Zrt.	2005.02.14	2010.12.31	0	42
MÁV FKG KFT K-10997/2004	Liability assumed by the owner	MÁV Zrt.	2005.02.14	2010.12.31	0	35
MÁVGÉP KFT K-10998/2004	Liability assumed by the owner	MÁV Zrt.	2005.05.09	2010.12.31	0	40
<b>Total:</b>					<b>630,468</b>	<b>465</b>
<b>Grand total:</b>					<b>14,370,037</b>	<b>4,014</b>

Schedule 34. : Guarantee contracts

In addition to the above, in connection with MÁV Zrt's operating licensing process, MÁV Zrt. issued two statements on 30 August 2007, in which it guaranteed to maintain an unallocated overdraft of HUF 2.5 billion available to the railtrack operations activity and further HUF 2.5 billion to cover for the damages caused to third parties associated with traction.

Upon applying for an operational licence for MÁV START Zrt., MÁV Zrt. assumed a guarantee for the solvency and damage compensation ability of MÁV Start Zrt. (HUF 17 billion for solvency in 2007, HUF 20 billion the same in 2008 and HUF 13 billion for damage compensation). In 2007, subsidies were sufficient to ensure solvency and a public procurement tender is no ongoing to replace the damage compensation guarantee.

For the operating licence application of MÁV TRAKCIÓ Zrt., MÁV Zrt. assumed a HUF 2 billion guarantee for damage compensation, but a public procurement tender is no ongoing to replace this guarantee.

The first two guarantee obligations expire upon successful conclusion of the licensing processes and the receipt of subsidies for 2008 for MÁV Start, or a possible intervention by the owner.

#### II.1.4.9.4 Lien

The loans taken from EUROFIMA are secured by lien on the vehicles renovated from the loan until the loan is repaid. The same applies to loans assumed by the government but not yet repaid.

Lien has been placed on 10 Desiro suburban motor trains for KfW, on 10 Talent motor coaches for OTP, on 30 Flirt coaches for Calyon and on 30 Flirt coaches for Raiffeisen as lenders. The

loan for the 10 Desiro motor trains was repaid in December 2007 but the lien has not been cancelled yet.

A HUF 23m mortgage has been recorded for the building of the Railtrack division at Kmetty u. 3., Budapest in connection with a government subsidy received on 27 July 1987 for the development of the metering system. The beneficiary of the mortgage is the Ministry for Transport, Communications and Water.

Based on the Environmental Fund agreement, HUF 2.5 billion mortgage was placed on the Company's property at Budapest, X. Kőbányai út 24. (hrszt: 38920) for the Ministry of Environment as beneficiary. Although the project was concluded in 2007, the mortgage has not been cancelled yet.

## II.1.4.9.5 Contingent interests and similar charges

MÁV Zrt's contingent interests and similar charges relating to long-term liabilities are as follows:

figures in MHUF							
Loan	2008.	2009.	2010.	2011.	2012.	2013 and beyond	Total
<b>Development loans</b>							
EIB-ISPA	223	221	209	199	162	225	1 239
EUROFIMA 10 a	107	101	50				258
EUROFIMA 10 b	293	286	270	270	279	142	1 539
EUROFIMA 11	417	387	365	365	379	2 258	4 171
EUROFIMA 12	289	278	262	262	271	406	1 768
EUROFIMA 13 a	327	308	290	291	300	750	2 266
EUROFIMA 13 b	407	386	364	364	376	1 317	3 214
EUROFIMA 13 c	78	83	78	78	81	122	520
EUROFIMA 13 d	180	192	181	181	187	654	1 575
EUROFIMA 2-8 commission	77	43	43	43	43	91	341
Konzorcium 10,957 HUFb	805	674	646	404	250	42	2 821
Raiffeisen 9,609 HUFb	700	615	573	567	569	1 187	4 211
MFB (13 motor coaches)	343	179	134	97	63	26	841
OTP (10 Talent)	530	458	379	323	274	518	2 482
Calyon (30 motor coaches)	1 892	1 858	1 611	1 487	1 345	4 797	12 991
Raiffeisen (+30 motor coaches)	676	1 282	1 624	1 692	1 557	6 716	13 547
MKB 2,8 HUFb	4						4
MKB 2,9 HUFb	4						4
K&H 2,5 HUFb	8						8
HVB 2,9 HUFb	3						3
HVB 1,777 HUFb	5						5
<b>Development loans, total:</b>	<b>7 368</b>	<b>7 351</b>	<b>7 080</b>	<b>6 622</b>	<b>6 135</b>	<b>19 252</b>	<b>53 809</b>
<b>Operational loans</b>							
ERSTE 8 HUFb	583	268					851
KDB 4 HUFb	295	247	215				757
Takarékbank 10 HUFb	923	619	593	538			2 673
Inter-Európa Bank 6 HUFb	441	388	393				1 222
Konzorcium 10 HUFb	771	648	604	597	664		3 284
Raiffeisen 28,5 HUFb	2 111	1 853	1 726	1 654	1 241	1 664	10 249
Konzorcium 55 HUFb	4 086	3 520	3 185	3 091	2 273	2 591	18 746
<b>Operational loans, total:</b>	<b>9 210</b>	<b>7 543</b>	<b>6 716</b>	<b>5 880</b>	<b>4 178</b>	<b>4 255</b>	<b>37 782,0</b>
<b>Financial lease:</b>	<b>133</b>	<b>51</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>190</b>
<b>Grand total:</b>	<b>16 711</b>	<b>14 945</b>	<b>13 802</b>	<b>12 502</b>	<b>10 313</b>	<b>23 507</b>	<b>91 781</b>

Note: FX interests were translated at a 248 HUF/EUR plan rate.

\*: assuming that the total facility has been drawn

Schedule 35. : Repayment schedule of contingent interests and similar charges



## II.2 Provisions

### II.2.1 Provisions for expected liabilities

According to subsection 41(1) of the accounting law: „Provisions shall be formed to the debit of pre-tax profit or loss - to the extent necessary - to cover payment liabilities towards third persons which originate from past and current transactions and contracts [including in particular, guarantee commitments defined in legal regulations, contingent liabilities, commitments, payments of early retirement benefits and severance pay, environmental protection obligations] and which are likely or sure to be incurred by the balance sheet date, however, the amounts of such liabilities are not established by the balance sheet preparation date and the company has not provided the required cover for such in any other form.”

Movements in the provisions for expected liabilities are presented below:

figures in MHUF				
Provisions for liabilities	Opening	Released in 2007	Made in 2007	Closing
Redundancies	6 797	6 797	4 752	4 752
Guarantee liabilities (environmental)	8 829	1 049	0	7 780
Guarantees for MÁV Kfts	33	7	0	26
Accident at Szőny	0	0	413	413
Welfare buildings maintenance	0	0	449	449
Litigations	6 609	513	1 410	7 506
<b>Total:</b>	<b>22 268</b>	<b>8 366</b>	<b>7 024</b>	<b>20 926</b>

Schedule 36.: Provisions for expected liabilities

Based on the liabilities expected in 2007, a provision of HUF 4,752m was made for redundancy costs in 2007 and no related subsidy is expected. The HUF 7,506m provision for litigations relates to 101 ongoing lawsuits.

A claim were placed against MÁV Zrt. for damages in relation to properties sold for a total of HUF 40 billion, which is recorded as contingent liability. We dispute the legal basis of the claim and no litigation has been launched as yet. However, on a prudent basis, we made a HUF 3 billion provision for this case.

## II.2.2 Provisions for future liabilities

According to subsection 41(2) of the accounting law, provision can be made from the pre-tax profit for expected and periodically recurring future expenses that will surely incur but their exact amount or the date when they will incur is uncertain at the time when the balance sheet is prepared. Provisions thus made by MÁV Zrt. are presented as follows:

figures in MHUF

Provisions for future liabilities	Opening	Released in 2007	Made in 2007	Closing
Demolition	1 001	987	3 501	3 515
Maintenance	65	60	2 760	2 765
Floods	157	157	0	0
Supervision charge	33	33	0	0
Redundancies at subsidiaries	0	0	1 054	1 054
MVH penalty	0	0	100	100
<b>Total:</b>	<b>1 256</b>	<b>1 237</b>	<b>7 415</b>	<b>7 434</b>

Schedule 37.: Provisions for future liabilities

Provision has been made for demolition costs: typically for the demolition of unused and dangerous buildings and structures belonging to the Railtrack Division.

HUF 2,464m provision has been made major maintenance works beyond the normal course of business which is to be financed from the planned bond issue programme.

To ensure that MÁV Zrt's previous employees are laid off and transferred to the new companies in a humane manner in connection with the outsourced activities, the Company has assumed the related redundancy costs and a total provision of HUF 1,054m has been made for such purposes from the profits for 2007: HUF 171m for MÁV-START Zrt's MÁV-ÉVEK programme, HUF 708m for MÁV GÉPÉSZET Zrt. and HUF 175m for MÁV-TRAKCIÓ Zrt.

The Hungarian Railway Authority imposed a HUF 100m market supervision fine on MÁV Zrt. for pursuing a licensable activity without licence. Accordingly, a provision of HUF 100m has been made from the profit for 2007.

## II.2.3 Provisions for FX losses

According to subsection 41(4) of the accounting law, FX debts not covered with sufficient FX funds should be provided for.

Other provisions include the provision for FX losses on project and development loans as presented below:

Item	Closing EUR'000	Closing HUFm	Accum. Def. HUFm	Start date	End date	Prov. HUFm openin g	released in 2007 HUFm	Made in 2007 HUFm	Closing , HUFm
431,311 MFB 30,7 M	19 795	5 015	280	2002.07.01	2014.06.30	112	5	0	107
431,321 OTP (Talent)	36 882	9 344	12	2006.03.23	2016.12.31	0	0	2	2
431,331 Calyon	104 759	26 541	126	2006.03.22	2020.06.16	0	0	16	16
431,351 Desiro	0	0	0	2005.02.02	2016.06.30	17	17	0	0
431,3623 E.fima 10/a	9 150	2 318	225	2003.02.11	2010.03.25	118	0	36	154
431,3624 E.fima 10/b	25 850	6 549	636	2003.02.11	2013.02.11	237	0	74	311
431,3625 E.fima 11	35 000	8 867	369	2003.11.05	2018.12.17	69	0	32	101
431,3626 E.fima 12	25 000	6 334	192	2004.11.02	2014.05.12	38	0	26	64
431,3627 E.fima 13/a	28 000	7 094	69	2005.12.19	2015.03.06	4	0	11	15
431,3628 E.fima 13/b	35 000	8 867	37	2006.06.19	2016.04.07	0	0	6	6
431,371 EBRD	0	0	0	1999.09.01	2012.12.12	326	326	0	0
431,381 EIB	18 000	4 560	87	2005.03.29	2015.09.15	12	0	11	23
431,3629 E.fima 13/c	6 400	1 621	8	2007.07.30	2014.01.28	0	0	1	1
431,3629 E.fima 13/e	1 200	304	1	2007.11.07	2014.01.28	0	0	0	0
431,363 E.fima 13/d	17 400	4 408	8	2007.11.07	2016.04.07	0	0	0	0
431,391 Caylon II.	42 480	10 762	0	2007.11.28		0	0	0	0
<b>Total:</b>	<b>404 916</b>	<b>102 584</b>	<b>2 050</b>			<b>933</b>	<b>348</b>	<b>215</b>	<b>800</b>

Note: FX loans were translated at a 253.35 HUF/EUR rate (year end central bank rate) and the balances do not reflect the instalment reclassification to the current

#### Schedule 38. : Provisions for FX losses

The accumulated FX loss is HUF 2,050m. The amount of provision for the FX loss dropped by HUF 133m compared to 2006 as a result of released provisions on the grounds of repaid loans and of further FX losses and further provisions having been made since the loans were taken out.

## II.2.4 Provisions in the balance sheet for 2007

Provisions as presented in the balance sheet for 2007:

figures in MHUF

Item	For expected liabilities	For future expenses	For unrealised FX losses	Total:
<b>Opening provisions</b>	<b>22 268</b>	<b>1 256</b>	<b>933</b>	<b>24 457</b>
Released in 2007	8 366	1237	348	<b>9 951</b>
Made in 2007	7 024	7415	215	<b>14 654</b>
<b>Closing provisions</b>	<b>20 926</b>	<b>7 434</b>	<b>800</b>	<b>29 160</b>

#### Schedule 39. : Provisions in B/S

## II.3 Prepayments and accruals

### II.3.1 Prepaid expenses and accrued income

Prepaid expenses and accrued income decreased by 26.14% (HUF 8,324m) on the previous year.

Prepaid expenses and deferred income:

figures in MHUF

GL account No.	GL account	over 1 year	end of 2006 within 1 year	Total	over 1 year	end of 2007 within 1 year	Total
392	Unsettled transactions with debtor balance	99	4 513	4 612	0	2 118	2 118
397	Accrued income	229	11 108	11 337	0	2 672	2 672
<b>Total</b>	<b>Accrued income</b>	<b>328</b>	<b>15 621</b>	<b>15 949</b>	<b>0</b>	<b>4 790</b>	<b>4 790</b>
391,2	Other prepaid costs	0	127	127	0	82	82
391,31	Prepaid debt service (Viacom)	13 016	0	13 016	16 230	0	16 230
391,32	Prepaid mast use cost (Viacom)	39	3	42	38	0	38
391,4	Prepaid redundancy costs	0	287	287	0	328	328
<b>Total</b>	<b>Prepaid expenses</b>	<b>13 055</b>	<b>417</b>	<b>13 472</b>	<b>16 268</b>	<b>410</b>	<b>16 678</b>
394,311	Deferred unrealised FX loss on EUR 30.7m loan	259	40	299	259	21	280
394,321	Deferred unrealised FX loss on an EUR 45352822.58 loan	0	0	0	0	12	12
394,331	144,6 M. EUR hitel nem realizált árfolyamveszteség időbeli elhat.	0	0	0	0	126	126
394,351	Deferred unrealised FX loss on KFW 5+5 Desiro moto coach (K11680 sz.)	89	11	100	0	0	0
394,3623	Deferred unrealised FX loss on Eurofima contract 10/a. (Nr. 2576)	212	4	216	216	9	225
394,3624	Deferred unrealised FX loss on Eurofima contract 10/b. (Nr. 2576)	599	11	610	609	27	636
394,3625	Deferred unrealised FX loss on Eurofima contract 11. (Nr. 2582)	320	12	332	332	37	369
394,3626	Deferred unrealised FX loss on Eurofima contract 12. (Nr. 2604)	155	11	166	166	26	192
394,3627	Deferred unrealised FX loss on Eurofima contract 13/a. (Nr. 2649)	30	10	40	40	29	69
394,3628	Deferred unrealised FX loss on Eurofima contract 13/b. (Nr. 2662)	0	0	0	0	37	37
394,3629	Deferred unrealised FX loss on Eurofima contract 13/c. (Nr. 2673)	0	0	0	0	8	8
394,3629	Deferred unrealised FX loss on Eurofima contract 13/e. (Nr. 2673 )	0	0	0	0	1	1
394,363	Deferred unrealised FX loss on Eurofima contract 13/d. (Nr. 2672)	0	0	0	0	8	8
394,371	Deferred unrealised FX loss on a 40 billion EBRD loan	492	98	590	0	0	0
394,381	Deferred unrealised FX loss on an EUR 60m EIB development loan	68	0	68	87	0	87
<b>Total</b>	<b>Deferred expenses</b>	<b>2 224</b>	<b>197</b>	<b>2 421</b>	<b>1 709</b>	<b>341</b>	<b>2 050</b>
<b>Total</b>		<b>15 607</b>	<b>16 235</b>	<b>31 842</b>	<b>17 977</b>	<b>5 541</b>	<b>23 518</b>

Schedule 40. : Prepaid expenses and accrued income

Accrued income fell by HUF 11,159m on 2006 due to the outsourced activity to MÁV-START Zrt as of 1 July 2007 as the government compensation for public services and accrued income from unsettled transactions were posted to the new company. Unsettled transactions with debtor balance include transactions with international railway companies based on all available invoices. Upon settlement, the accrued amount is released and the actual and confirmed amount is charged on the railway companies. The accrued balance relates to transactions in the first half of 2007 which remained yet unsettled as settlement is due on an annual basis. Accrued income also includes track usage charge of HUF 2,035m.

Prepaid expenses increased by HUF 3,206m due to costs prepaid to VIACOM Hungária Rt., a concession company established to make the existing railway network electric. Under an agreement between the Ministry for Transport and MÁV Zrt., MÁV Zrt. should separately record all equipment use charges relating to parts of the network that will go electric (both in the budget and in the books) and all such charges should be fully transferred to the concession company as set out in the underlying loan agreements. Under this agreement, MÁV Zrt. pays various amounts each year depending on its debt service obligations. The accounting law requires separate records of the debt service obligations and the amounts due to the Concession keeper. In accordance with the underlying agreement between MÁV Zrt. and VIACOM Rt., this separation is done within prepaid expenses and accrued income: the difference between the annual usage fee for the duration of the concession and the debt service obligation is recorded by MÁV Zrt. as prepaid expense and the same is booked as accrued income by VIACOM Rt. The increase in the prepaid amount was due to increase debt service obligations for 2007.

Prepaid expenses and accrued income decreased by HUF 371m due to unrealised FX losses on various loans.

### II.3.2 Accrued expenses and deferred income

Accrued expenses and deferred income dropped by 27.5% (HUF 24,807m) on the previous year.

Accrued expenses and deferred income:

GL account No.	GL account	figures in MHUF					
		end of 2006		Total	end of 2007		Total
		over 1 year	within 1 year		over 1 year	within 1 year	
481.32	Amounts received free of charge to cover expenses	0	360	360	0	0	0
481.8	PanTel Kft. other deferred income	11,605	289	11,894	11,606	0	11,606
481.9	Deferred other income	649	146	795	510	793	1303
<b>Total</b>	<b>Deferred income</b>	<b>12,254</b>	<b>795</b>	<b>13,049</b>	<b>12,116</b>	<b>793</b>	<b>12,909</b>
475.21	Calculated early retirement	0	0	0	0	965	965
475.22	Pre-paid early retirement	0	0	0	0	8	8
475.23	Kft-k korengedményes nyugdíja	0	0	0	0	0	0
482	Accrued expenses	0	1,846	1,846	0	879	879
483	Unsettled freight deliveries in cross-border operations (payable balance)	364	4,074	4,438	0	2,033	2,033
485	Unassessed damage claims	0	221	221	219	0	219
487	Accrued interest	0	2,625	2,625	0	2,600	2,600
488	Accrued bonuses and contributions	0	582	582	0	629	629
<b>Total</b>	<b>Accrued expenses</b>	<b>364</b>	<b>9,348</b>	<b>9,712</b>	<b>219</b>	<b>7,114</b>	<b>7,333</b>
481.1	Fixed assets received free of charge and as gifts	664	25	689	564	19	583
481.2	Fixed asset surplus	596	25	621	350	0	350
481.3112	Other non-refundable government grants	8,624	92	8,716	8,164	99	8,263
481.3113	Phare aid for development	1,111	88	1,199	942	74	1,016
481.3114	EU funds and funds from government schemes	1,825	0	1,825	2,281	0	2,281
481.312	Amounts received from local government and from businesses free of charge	2,442	146	2,588	297	3	300
481.4	Debts arising from asset acquisitions assumed by the government	47,586	4,213	51,799	32,356	0	32,356
<b>Total</b>	<b>Deferred extraordinary revenues and subsidies</b>	<b>62,848</b>	<b>4,589</b>	<b>67,437</b>	<b>44,954</b>	<b>195</b>	<b>45,149</b>
<b>Total</b>		<b>75,466</b>	<b>14,732</b>	<b>90,198</b>	<b>57,289</b>	<b>8,102</b>	<b>65,391</b>

Schedule 41. : Accrued expenses and deferred income

Deferred income decreased by HUF 140m compared to 2006. The use of the subsidy received from the Transport Ministry in 2006 to compensate for flood damages reduced deferred income by HUF 352m. Other deferred income related to Pantel Kft. decreased by HUF 289m. Other deferred income of HUF 594m include travel rights to be based on tickets sold by MÁV Zrt. and by international railway companies in the first half of 2007 for journeys in the second half of 2007 (early purchase, travelcards) which were settled with MÁV-START Zrt. This amount was settled based on the MÁV-START Zrt. demerger agreement.

The nearly HUF 1 billion decrease in accrued expenses (GL account no. 482) is due to the early receipt of traction energy invoices (unlike in previous years).

Unsettled transactions with creditor balance include transactions with international railway companies based on all available invoices. Upon settlement, the accrued amount is released and the actual and confirmed amount is charged on the railway companies. The accrued balance

relates to transactions in the first half of 2007 which remained yet unsettled as settlement is due on an annual basis.

The HUF 22,367m decrease in deferred extraordinary income resulted mainly in released deferred income of HUF 13,941m in relation to the passenger transport services outsourced during the year. In addition, HUF 3,631m was released from retained earnings in line with depreciation (not done in 2006).

### II.3.3 Equity

#### II.3.3.1 Movements in equity

MÁV Zrt's equity was negative at the end of 2006 owing to the massive annual loss. As a result, the Company did not comply with the capitalisation requirements of the companies act (act IV of 2006). The following measures were taken to ensure compliance with statutory capitalisation requirements:

Share capital was reduced to HUF 20 billion based on resolutions 37/2006. (10.27.) of the sole shareholder and its amendment 1/2007. (01.29.). The capital reduction was registered by the court on 7 February 2007.

In resolutions 2/2007. (01. 30.) and 3/2007. (01. 30.), and the related amendment 35/2007. (08.30), the sole shareholder decided about the following capital increases:

figures in MHUF

Resolution No.	Date	Issued capital	Capital reserve	Total
2/2007. (01.30)	2007.01.31	250	46 750	<b>47 000</b>
3/2007. (01.30)	2007.08.31	250	21 750	<b>22 000</b>
35/2007. (08.30)	2007.08.31	250	19 750	<b>20 000</b>
	2007.09.04	250	22 350	<b>22 600</b>
<b>Total</b>		<b>1 000</b>	<b>110 600</b>	<b>111 600</b>

Schedule 42. : Capital increases during 2007

The founder's resolution no. 3/2007. (dated 30 January 2007) was amended to the effect that the amounts which were due under phases 2, 3 and 4 of the capital injection were made available to MÁV Zrt. earlier than set by the initial resolution.

The amount received in phase 1 was registered in 2007. Phases 2 to 4 were registered on 4 January 2008.

Owing to the capital injection to the profit for 2007, MÁV Zrt's equity was positive at the end of 2007. Equity movements are set out in the schedule below:

figures in MHUF

Item	Issued capital	Capital reserve	Retained losses/earnings	Allocated reserve	Loss for the year	Equity
<b>Opening, 2007</b>	<b>80 000</b>	<b>16</b>	<b>-41 905</b>	<b>14 150</b>	<b>-83 842</b>	<b>-31 581</b>
Capital reduction based on resolutions 37/2006. (10.27.) and 1/2007. (01.29.) (amendment) of the sole shareholder	-60 000		60 000			0
Capital increase based on resolution 2/2007. (01.30.) of the sole shareholder	250					250
Capital reserve increase based on resolution 2/2007. (01.30.) of the sole shareholder		46 750				46 750
Additional capital to MÁV Rakszer Kft based on doc. K-5473/2007			-17			-17
Additional capital to Észak Trans Kft. Based on doc.K-5467/2007			-5			-5
Additional capital to Prudent-INVEST Zrt. based on doc. K-7874/2007			-100			-100
Additional capital to MM Cargo based on doc. K-11696/2001			-51			-51
Used from vocational training fund		19		-19		0
Loss for 2006 posted			-83 842		83 842	0
Allocated reserve for unrealised FX losses			-198	198		0
Use of allocated reserve for unrealised FX losses			436	-436		
Use of allocated reserve equal to R&D			1	-1		0
Profits for previous years			4 051			4 051
Profit for 2007					1 320	1 320
<b>Closing, 2007</b>	<b>20 250</b>	<b>46 785</b>	<b>-61 630</b>	<b>13 892</b>	<b>1 320</b>	<b>20 617</b>

Schedule 43. : Equity movements

### II.3.3.2 Equity movements and their basis

The HUF 4,051m profit for previous years is the aggregate of a profit of HUF 7,875m and a loss of HUF 3,824m and was posted to retained earnings.

Equity is increased by the profit for 2007 (HUF 1,320m).

The Company's share capital dropped to HUF 20 billion on 7 February 2007 further to resolution of the sole shareholder no. 37/2006. (10.27.) and its amendment no. 1/2007. (01.29.).

Further to its resolution no. 2/2007. (01.30.), the Company's sole owner and founder raised the Company's capital by HUF 47,000m by the way of share premium payment. In accordance with the resolution, HUF 250m was booked to share capital and HUF 46,750m was posted to retained earnings. The capital increase was registered by the company court on 3 April 2007.

Additional capital payment of HUF 17m to MÁV Rakszer Kft. based on document no. K-5473/2007.



Additional capital payment of HUF 5m to Észak Trans Kft. based on document no. K-5467/2007.

Additional capital payment of HUF 100m to Prudent-INVEST Zrt. based on document no. K-7874/2007.

Additional capital payment of HUF 51m to MM Cargo based on document K-11696/2001.

The opening balance of allocated reserves includes capital injection of HUF 8,994m based on founder's resolutions no. 2/2005. and 5/2005, HUF 3,617m for environmental restoration, HUF 1,490m difference between unrealised FX losses and the related provision, HUF 35m subsidy received from the vocational training fund and HUF 14m other items.

The annual closing balance of allocated reserves includes capital injection of HUF 8,994m based on founder's resolutions no. 2/2005. and 5/2005, HUF 3,617m for environmental restoration, HUF 1,251m difference between unrealised FX losses and the related provision, HUF 16m subsidy received from the vocational training fund and HUF 14m other items.

## II.4 Notes to the profit and loss account

### II.4.1 Comparability

MÁV Zrt's passenger transport service line was partly outsourced to MÁV-START Zrt. as of 1 August 2007 (passenger transport on normal track railways). As of 1 August 2007, MÁV Zrt. transports passengers on regional light railways (previously it was done by MÁV-START Zrt.). Loading in the area of Záhony was outsourced to ZÁHONY-PORT Zrt. as of 1 July 2007. Figures for the second half of 2007 do not include the costs and revenues of the outsourced activities. The resulting differences compared to 2006 are explained at the relevant profit and loss categories.

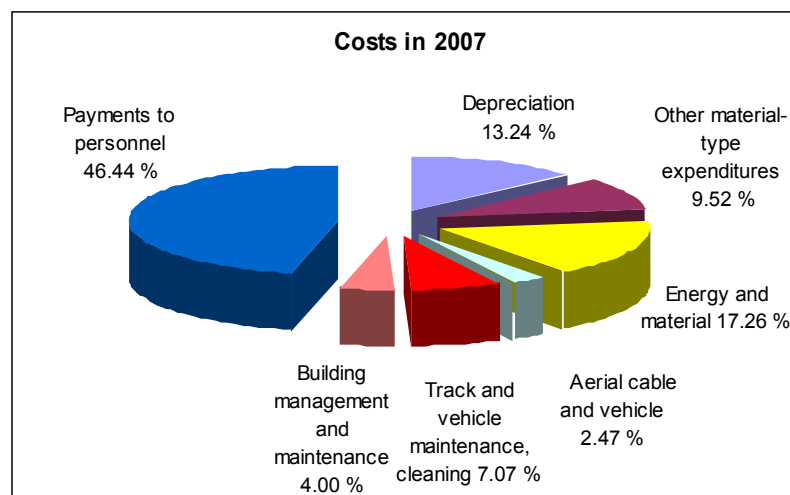
In 2006, the compensation (subsidy) for public services was part of net sales revenues but, in 2007, was recognised as other income further to relevant guidance from the Ministry of Finance.

Other services include the railtrack capacity distribution fee and the market supervision fee as both are official charges under the railways act (in 2006, these were recognised among material-type services).

Changes in the accounting policies did not have a material impact on comparability.

### II.4.2 Costs by type

MÁV Zrt's costs in 2007 were as follows.



As in previous years, most of MÁV Zrt's costs are payments to personnel (46.44 %) followed by energy and material costs (17.26 %) and by depreciation (13.24 %).

Item	2006		2007	
	amount	%	amount	%
Material-type expenditures	104 319	39,62	108 080	40,32
Payments to personnel	124 616	47,32	124 478	46,44
Depreciation charge	34 405	13,06	35 477	13,24
<b>Total</b>	<b>263 340</b>	<b>100,00</b>	<b>268 035</b>	<b>100,00</b>

Schedule 44. : Expenditures

### II.4.2.1 Material-type expenditures

Overall, material-type expenditures increased by 3.61% on the previous year as the energy cost of traction exceeded the drop in services used due to the outsourced passenger transport activity.

The 10.67 % increase in material costs was due to increased traction energy costs and increased railtrack material costs.

The movements in material-type expenditures are set out below.

figures in MHUF

Item	amount 2006	amount 2007	change	Index (%)	Compared to total costs (%)
Towing electricity	14 362	19 036	4 674	132,54	7,10
Towing fuel	14 212	13 839	-373	97,38	5,16
Refunded fuel tax on towing	-5 748	-5 714	34	99,41	-2,13
Other fuel, energy	8 918	8 290	-628	92,96	3,09
Engineering materials	4 037	3 752	-285	92,94	1,40
Railtrack materials	1 300	2 404	1 104	184,92	0,90
Clothes	891	795	-96	89,23	0,30
Other materials	3 834	3 863	29	100,76	1,44
<b>Materials</b>	<b>41 806</b>	<b>46 265</b>	<b>4 459</b>	<b>110,67</b>	<b>17,26</b>
Track maintenance	10 313	11 709	1 396	113,54	4,38
Airal cable usage charge	3 233	3 130	-103	96,81	1,17
Track metering, cleaning	692	755	63	109,10	0,28
Leased wagons and cars	5 503	3 494	-2 009	63,49	1,30
Wagon matenance	7 778	5 336	-2 442	68,60	1,99
Wagon cleaning	1 975	1 125	-850	56,96	0,42
Towing	230	724	494	314,78	0,27
Building operations and maintenance	10 239	10 714	475	104,64	4,00
IT services	3 536	3 603	67	101,89	1,34
Secruity service	2 327	2 138	-189	91,88	0,80
Human activities	562	382	-180	67,97	0,14
Post and phone	983	923	-60	93,90	0,34
Specialist tender charges	382	625	243	163,61	0,23
Property utilisation services	0	532	532	-	0,20
Commissions	690	328	-362	47,54	0,12
Other material-type services	7 847	6 394	-1 453	81,48	2,39
<b>Services used</b>	<b>56 290</b>	<b>51 912</b>	<b>-4 378</b>	<b>92,22</b>	<b>19,37</b>
Duties and charges	71	914	843	1 287,32	0,34
Bank costs	403	252	-151	62,53	0,09
Insurance	176	191	15	108,52	0,07
<b>Other services</b>	<b>650</b>	<b>1 357</b>	<b>707</b>	<b>208,77</b>	<b>0,50</b>
<b>COGS</b>	<b>3 966</b>	<b>5 846</b>	<b>1 880</b>	<b>147,40</b>	<b>2,18</b>
<b>Consignment services</b>	<b>1 607</b>	<b>2 700</b>	<b>1 093</b>	<b>168,01</b>	<b>1,01</b>
<b>Total material-type expenditures</b>	<b>104 319</b>	<b>108 080</b>	<b>3 761</b>	<b>103,61</b>	<b>40,32</b>

#### Schedule 45. : Material-type expenditures

The increase in traction energy costs of HUF 4,674m was due to increased electric traction output (train km increased by 9.9 %, 1,000 electric km increased by 5.6 %) and to increased electricity prices. The unit price of traction electricity cost was 20.53 HUF/kWh. Output allocated to the train schedules resulted in savings of 0.77 HUF/kWh compared to the budget, thus the actual increase in authority fixed traction electricity prices is 20.8%, which is better than other sector players could achieve.

The slump in traction gasoline costs was due to reduced diesel traction operations compared to 2006.

The HUF 628m decrease in other fuel and energy costs is due to nearly all other energy sources: remote heating decreased by HUF 456m, gas by HUF 138m, other fuel by HUF 127m, water and sewer charge by HUF 113m. In contrast, other electricity cost increased by HUF 206m.

The average annual unit price of gas was 78.62 HUF/m<sup>3</sup> in 2006, and 98.98 HUF/m<sup>3</sup> in 2007. The overall decrease in gas costs is the combined effect of higher gas prices and a 25.5% drop in gas consumption.

The increase in other electricity costs was due primarily to increased electricity prices although the effect was largely compensated by a special public utility contract for the Budapest area for 120/10 kV. As a result of this contract, the average annual unit price was only 25.49 HUF/kWh compared to 23.00 HUF/kWh in 2006.

Railway materials increased by HUF 1,104m in relation to track maintenance and development and also to long-rail production.

Services used decreased by HUF 4,378m due primarily to the outsourced passenger transport activity to MÁV-START Zrt. The main changes in services used affected the following:

- Railtrack and train maintenance,
- Wagon and car rents,
- Train cleaning,
- Building operations and maintenance, property management,
- Commissions and other material-type services,
- Duties and similar charges, and
- Cost of goods sold and consignment services.

Railtrack maintenance costs increased by HUF 1,396m due to increased maintenance costs of railway structures, lay-by rails and bridges.

As passenger transport was outsourced to MÁV-START Zrt, wagon use charges and lease costs no longer incurred to MÁV Zrt/ in the second half of 2007. As a result wagon and car rental/leasing costs decreased by HUF 2,009m.

Wagon maintenance costs decreased by HUF 2,442m, cleaning costs dropped by HUF 850m as passenger wagon operation costs no longer incurred in the second half of 2007.

Building operations and maintenance costs increased by HUF 475m due mainly to orders deferred to 2007 for business reasons.

MÁV Zrt's property management activity (selling and rentals) was outsourced to MÁV Vagyonkezelő Zrt. in 2007 and HUF 532m service cost was recognised as a result.

As passenger transport was outsourced to MÁV-START Zrt., commissions paid dropped by HUF 362m as the commissions due to international railway operators and ticket sellers were no longer payable by MÁV Zrt. in the second half of 2007.

Other material-type services fell by HUF 1,453m due mainly to the outsourced activity to MÁV-START Zrt.

The outsourced passenger transport activity also reduced the cost of train substitute bus services (by HUF 176m), advertising costs (by HUF 164m), IT hardware rent (by HUF 70m) as well as other passenger transport related services (e.g. customer information, ticket office, catering etc.).

In 2006, market supervisory fee paid to the Hungarian Railway Office (HUF 231m) and supervisory fee paid to Vasúti Pályakapacitás Elosztó Kft. (track capacity distribution company) (HUF 311m) were recorded among other material-type services. In 2007, the same were recorded among other services.

Duties and other authority charges increased by HUF 843m due to changes in the railways act and to various administrative costs and charges that incurred in relation to the outsourcing of the passenger transport activity.

As more materials were sold to third party subcontractors in relation to track maintenance and renovation, the cost of good sold increased by HUF 1,880m.

Consignment services increased by HUF 1,093m on 2006 in relation to revenues related to the outsourcing of passenger transport and to re-delivered services used.

Tickets sold by MÁV Zrt. and by international railway companies in the first half of 2007 for journeys in the second half of 2007 (early purchase, travelcards) were settled with MÁV-START Zrt. based on a subcontract totalling HUF 594m.

Some of the services used by MÁV Zrt. (passenger wagon maintenance, property and car rentals, security services, railway health services etc.) were recharged to MÁV-START Zrt. in the second half of 2007. This increased consignment services compared to 2006.

## II.4.2.2 Payments to personnel

figures in MHUF

Item	amount 2006	amount 2007	change	Index (%)	Compared to total costs (%)
Payroll	81 939	82 643	704	100,86	30,83
Social security	28 840	28 615	-225	99,22	10,68
Other payments personnel	13 837	13 220	-617	95,54	4,93
<b>Total</b>	<b>124 616</b>	<b>124 478</b>	<b>-138</b>	<b>99,89</b>	<b>46,44</b>

### Schedule 46. : Payments to personnel

Payments to personnel dropped by a total of 0.11% compared to the previous year.

The 0.86 % increase in payroll costs was due to the combined effect of wage and salary increases in 2007 and decreased costs due to the outsourced activity. The increase was due to a wage and salary increase implemented as of 1 March 2007 to compensate for longer working hours as of 1 January 2007 as well as due to redundancy costs. The decrease was due to the outsourced activity and to reduced full-time staff numbers (4,434.2 people; -11.6 %).

As a result of the redundancies, the amount of health care contribution also decreased, which therefore reduced payroll-related contributions.

The changes in payroll costs compared to 2006 are as follows:

Severance pay was by HUF 1,208m and the related social security costs were by HUF 233m less than in 2006,

Early retirement was by HUF 922m higher in 2007,

the overall VBKJ facility increased from 180,000 HUF/person to 210,000 HUF/person, yet the VBKJ cost increased by HUF 143m – as the fall in the average number of staff did not equal the effect of the increased quota.

### II.4.2.3 Depreciation charge

figures in MHUF

Item	amount 2006	amount 2007	change	Index (%)	Compared to total costs (%)
Treasury assets	18 504	19 746	1 242	106,71	7,37
MÁV Zrt's assets	15 901	15 731	-170	98,93	5,87
<b>Depreciation, total</b>	<b>34 405</b>	<b>35 477</b>	<b>1 072</b>	<b>103,12</b>	<b>13,24</b>

#### Schedule 47. : Depreciation

Depreciation charge increased by HUF 1,072m on the previous year: the depreciation of treasury assets increased by HUF 1,242m, while the depreciation of MÁV Zrt's own assets fell by HUF 170m.

The increase in the depreciation of treasury assets was due primarily to the increased gross values of the assets following their improvement/refurbishment.

The new depreciation rates applied to wagons and motor coaches based on two underlying asset valuations (at two different times) increased the depreciation charge of MÁV Zrt's own assets. Yet, the number of wagons and locomotives and other assets fell when MÁV-START Zrt. was established and when loading was outsourced to ZÁHONY-PORT Zrt. As the effect of these changes, i.e. the decrease in the number of assets, exceeded the increasing effect of the new depreciation rates, overall, the depreciation cost of MÁV Zrt's assets decreased.

### II.4.2.4 Other revenues

Other revenues of HUF 118,199m in 2007 represent a HUF 28,716m increase on 2006.

The differences between the two periods are presented below:



figures in MHUF

Item	amount 2006	Adjusted* 2006	amount 2007	Change on adjusted	% of adjusted
<b>Fixed asset disposals</b>	<b>1 355</b>	<b>1 355</b>	<b>11 902</b>	<b>10 547</b>	<b>878,38</b>
Of which: MÁV Zrt's own fixed assets sold	1 269	1 269	11 874	10 605	935,70
<b>Reversed impairment losses (inventories and debtors)</b>	<b>1 226</b>	<b>1 226</b>	<b>112</b>	<b>-1 114</b>	<b>9,14</b>
<b>Profit increasing items</b>	<b>562</b>	<b>562</b>	<b>706</b>	<b>144</b>	<b>125,62</b>
of which: Damages received	190	190	304	114	160,00
Late payment penalty received	123	123	182	59	147,97
Penalties received	133	133	125	-8	93,98
<b>Use of provisions</b>	<b>9 261</b>	<b>9 261</b>	<b>9 951</b>	<b>690</b>	<b>107,45</b>
Of which: for expected liabilities	8 492	8 492	8 366	-126	98,52
for unrealised FX losses	8	8	348	340	-
for future expenses	761	761	1 237	476	162,55
<b>Debtors sold</b>	<b>174</b>	<b>174</b>	<b>5</b>	<b>-169</b>	<b>-</b>
<b>Miscellaneous other income</b>	<b>112</b>	<b>112</b>	<b>199</b>	<b>87</b>	<b>177,68</b>
<b>Non-refundable subsidies</b>	<b>2 384</b>	<b>76 791</b>	<b>95 324</b>	<b>18 533</b>	<b>-</b>
of which: for public services	0	74 407	94 409	20 002	-
for redundancies	740	740	0	-740	-
compensation for lost passenger service earnings	1 022	1 022	549	-473	53,72
damages for floods	531	531	352	-179	66,29
<b>Total:</b>	<b>15 074</b>	<b>89 481</b>	<b>118 199</b>	<b>28 718</b>	<b>132,09</b>

#### Schedule 48 : Other revenues

\* Government refund for public services was recorded in net sales in 2006 but, in 2007, was recorded as other income – hence the adjustment. Comparison to the previous year is based on the adjusted figures.

#### Major differences between the two periods:

Fixed asset disposals: revenues from land disposal (primarily from land sold for the planned governmental buildings) increased by HUF 9,269m; assets sold to MÁV-START Zrt. increased revenues from trains sold by HUF 154m; developments and improvements sold increased by HUF 531m; and revenues from other assets increased by 897m.

Provisions used in 2007:

- redundancy obligations (HUF 6,797m),
- guarantee obligations (HUF 1,049m),
- guarantees for the MÁV Kfts (HUF 7m),
- litigations (HUF 512m),
- unrealised FX losses on development loans (HUF 348m), and
- extra maintenance and demolition costs (HUF 1,237m).

Non-refundable subsidies increased by HUF 18,531m on 2006.

Compensation for public services (HUF 74,407m in 2006, recognised as sales revenue) increased by HUF 20,002m in 2007. In 2007, the compensation was also available for both passenger transport and railway network operations.

The amount of subsidy for redundancy costs fell by HUF 740m.

As a result of the outsourced passenger transport activity, the compensation once received in relation to the Greater Budapest joint travel passes fell by HUF 473m.

## II.4.2.5 Other expenditures

Other expenditures totalled HUF 33,038 M in 2007 – a HUF 3,478 M increase on 2006.

Changes between the two periods are set out below:

figures in MHUF				
Item	amount 2006	amount 2007	change	Index (%)
<b>Disposals, scraping and missing assets</b>	<b>2 384</b>	<b>9 482</b>	<b>7 098</b>	<b>397,73</b>
of which: Costs of disposed of tangibles, projects and intangibles	873	3 306	2 433	378,69
Costs of scrapped tangibles, projects and intangibles	900	886	-14	98,44
Net value of missing fixed assets	264	74	-190	28,03
Impairment loss of own tangibles, projects and intangibles	251	5 195	4 944	2 069,72
<b>Impairment of inventories and receivables, inventory shortage, scrapping</b>	<b>5 127</b>	<b>1 833</b>	<b>-3 294</b>	<b>35,75</b>
Of which: Impairment of inventories	1 388	406	-982	-
Impairment of receivables	3 709	1 349	-2 360	36,37
<b>Profit reducing items</b>	<b>7 299</b>	<b>6 904</b>	<b>-395</b>	<b>94,59</b>
Of which: Bad debts	307	48	-259	15,64
Losses on damages	5 072	4 440	-632	87,54
Late payment penalty	376	477	101	126,86
Damages paid	149	106	-43	71,14
Tax identified by self-correction	15	70	55	466,67
Various other expenses	1 209	1 524	315	126,05
<b>Provisions</b>	<b>21 073</b>	<b>14 654</b>	<b>-6 419</b>	<b>69,54</b>
Of which: for early retirement, severance pay	6 343	4 752	-1 591	74,92
for guarantee obligations	805	0	-805	-
for litigations	13 052	1 410	-11 642	10,80
for the maintenance of welfare building to be sold	0	449	449	-
for the accident at Szöny	0	413	413	-
for unrealised FX losses on development loans	156	215	59	137,82
for demolition costs	527	3 501	2 974	-
for maintenance costs	0	2 760	2 760	-
for floods	157	0	-157	-
for Supervisory fee	33	0	-33	-
for redundancies at subsidiaries	0	1 054	1 054	-
for penalty imposed by the MVH	0	100	100	-
<b>BV of debtors sold</b>	<b>183</b>	<b>2</b>	<b>-181</b>	<b>-</b>
<b>Retrospective goods transport discounts</b>	<b>305</b>	<b>0</b>	<b>-305</b>	<b>0,00</b>
<b>Taxes, duties and VAT</b>	<b>17</b>	<b>11</b>	<b>-6</b>	<b>64,71</b>
of which: vehicle tax	13	7	-6	53,85
<b>Contributions to government funds</b>	<b>125</b>	<b>148</b>	<b>23</b>	<b>118,40</b>
of which: environmental charge (in product prices)	1	43	42	4 300,00
Innovation contribution	119	94	-25	78,99
<b>Expenses on other liabilities</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>133,33</b>
<b>Total:</b>	<b>36 516</b>	<b>33 038</b>	<b>-3 478</b>	<b>90,48</b>

Schedule 49. : Other expenditures

Reasons for the changes:

Increased property sales and train developments and other assets sold to MÁV-START Zrt. in 2007 brought about a HUF 2,433m increase in related selling expenses.

Impairment loss increased by HUF 4,944m on 2006 in relation to the outsourced engineering activities as of 2008, with respect to the prior valuation of affected trains in 2007, buildings to be scrapped and abandoned projects.

The impairment of inventories decreased by HUF 982m as MÁV Zrt's engineering materials (used for diesel and electric locomotives, and passenger wagons) totalled HUF 405m in 2007 (HUF 991m in 2006). Track maintenance materials were not impaired in 2007.

Impairment of debtors decreased significantly (by HUF 2,360m). MÁV Zrt's receivables were written off by HUF 1,349m, of which HUF 270m related to the unregistered capital increase of MÁVGÉP Kft. and HUF 826m to a receivable due over one year.

Damages paid because of accidents increased in 2007, while damages for force majeure (flood, snow, rainfall etc.) and pollution decreased by a total of HUF 632m compared to 2006.

The increase in miscellaneous other expenses was due to the fact that MÁV Zrt. took over costs totalling HUF 165m in relation to MÁV Évek ('MÁV Years') programme participants.

As for provisions, HUF 21,073m was made for expected liabilities in 2006 and HUF 14,654m was made in 2007. Redundancy provisions were high again in 2007: HUF 4,752m for early retirement and severance pay and HUF 1,054m to support lay-offs. HUF 3,501m was made to provide for track disassembly costs and HUF 2,760m was provided for track maintenance in 2007.

## II.4.3 Financial and extraordinary profit or loss

### II.4.3.1 Financial revenues

Financial revenues totalled HUF 4,205m in 2007 – a HUF 2,729m decrease on the previous year. The differences between the two periods are presented below:

figures in MHUF

Item	amount 2006	amount 2007	change	Index (%)
<i>Dividends, profit sharing received</i>	<i>1,211</i>	<i>1,948</i>	<i>737</i>	<i>160.86</i>
<i>Gain on the disposal of investments</i>	<i>1</i>	<i>66</i>	<i>65</i>	<i>-</i>
<i>Gain on investments and long-term financial assets</i>	<i>7</i>	<i>0</i>	<i>-7</i>	<i>-</i>
<i>Interest received and similar income</i>	<i>1,387</i>	<i>1,156</i>	<i>-231</i>	<i>83.35</i>
of which: Cash-pool account interest	1,013	47	-966	4.64
interest from other lending institutions	243	984	741	404.94
<i>Other financial revenues</i>	<i>4,328</i>	<i>1,035</i>	<i>-3,293</i>	<i>23.91</i>
Of which: realised FX gain on FX balances	3,954	928	-3,026	23.47
Gain on forwards contracts	303	0	-303	-
Year-end revaluation gains	0	0	0	-
<b>Total:</b>	<b>6,934</b>	<b>4,205</b>	<b>-2,729</b>	<b>60.64</b>

#### Schedule 50. : Financial revenues

Dividends received: Further to a decision of the owner, dividends received from MÁV companies increased by HUF 737m. MÁV Cargo Zrt. paid dividends of HUF 1,379m. The effect of this was reduced by dividends received from Bombardier MÁV Kft (by HUF 346m less) and from MÁV Raktár Kft. (by HUF 248m less). MÁV Jegynyomda Kft. did not pay dividends in 2007.

Interest received and similar income: As a result of the sale of MÁV Cargo Zrt., the Zero Balancing cash-pooling system was discontinued in 2007. This reduced related interest income by HUF 966m. Part of the capital injection and extra compensation received in 2007 was used to pay up a loan facility and was placed in deposits. These resulted in HUF 984m interest gained.

Realised FX gains: A less volatile EUR/HUF rate in 2007 reduced FX gains on development loans, other liabilities and receivables (HUF 2,072m decrease on loans, HUF 599m decrease on other liabilities and HUF 347m decrease on receivables).

### II.4.3.2 Financial expenditures

Financial expenditures totalled HUF 22,418m in 2007 – a HUF 1,403m increase on 2006.

Changes between the two periods are set out below:

Item	figures in MHUF			
	amount 2006	amount 2007	change	Index (%)
<i>FX losses on interest paid and on long-term financial assets</i>	<i>16,552</i>	<i>18,745</i>	<i>2,193</i>	<i>113.25</i>
Of which: bank interest	16,466	18,705	2,239	113.60
Impairment loss on shares, securities and bank deposits	<i>832</i>	<i>1,614</i>	<i>782</i>	<i>193.99</i>
Other financial expenditures	<i>3,631</i>	<i>2,059</i>	<i>-1,572</i>	<i>56.71</i>
	1,202	1,990	788	165.56
Of which: realised FX loss on FX receivables and payables				
FX losses on forward contracts	1,165	0	-1,165	0.00
FX loss from the year-end revaluation of receivables and payables	1,242	54	-1,188	4.35
<b>Total:</b>	<b>21,015</b>	<b>22,418</b>	<b>1,403</b>	<b>106.68</b>

Schedule 51. : Financial expenditures

In 2007, bank interest paid changed the most: interest on development loans increased by HUF 1,634m due to an increase in development loans taken; the interest on operational loans increased by HUF 605m as the combined effect of long-term loans taken out in the last quarter of 2006 and a drop in short-term loans.

The HUF 1,614m impairment loss on investments was due mainly to a HUF 1,470m impairment loss recognised because of the losses of Debreceni Járnyíjavitó Kft.

The HUF 788m increase in realised FX losses on FX receivables and payables includes HUF 534m related to development loans as a result of changes in the EUR/HUF rate in 2007.

The HUF 1,165m decrease in FX losses was due to the fact that no loss was suffered on forward contracts in 2007.

The year-end revaluation loss dropped by HUF 1,188m due to the fact that prepaid capital expenditures in relation to the acquisition of Flirt and Talent motor coaches were not revalued at the end of 2006.

### II.4.3.3 Extraordinary revenues

Extraordinary revenues totalled HUF 83,044m in 2007, which is a HUF 46,901m increase on the previous year.

Changes between the two periods are set out below:

figures in MHUF

Item	amount 2006	amount 2007	change	Index (%)
<i>Revenues from assets received free of charge and from surplus</i>	<i>369</i>	<i>387</i>	<i>18</i>	<i>104.88</i>
<i>Gains on contributed assets</i>	<i>29,514</i>	<i>63,728</i>	<i>34,214</i>	<i>215.92</i>
of which: Contracted value of contributed fixed assets	27,074	62,518	35,444	230.92
Financial assets contributed (as per articles of association)	2,439	1,210	-1,229	49.61
<i>Other extraordinary revenues</i>	<i>6,260</i>	<i>18,929</i>	<i>12,669</i>	<i>302.38</i>
Of which: subsidy	527	449	-78	85.20
PHARE aid	88	182	94	206.82
Amounts received free of charge	147	2,513	2,366	1,709.52
Forgiven government debt	5,496	15,785	10,289	287.21
<b>Total:</b>	<b>36,143</b>	<b>83,044</b>	<b>46,901</b>	<b>229.77</b>

#### 52. : Extraordinary revenues

In 2006, contributed tangible assets included assets contributed to MÁV Cargo Zrt (HUF 26,985m). In 2007, assets contributed to MÁV-START Zrt (HUF 62,100m) and to ZÁHONY-PORT Zrt. (HUF 418m) were the main items.

In 2006, contributed financial assets included liquid assets contributed to MÁV Cargo Zrt. In 2007, it includes our quota in MÁV-TISZAVAS Kft. contributed to MÁV Cargo Zrt.

The significant increase in extraordinary revenues realised from forgiven government debts (HUF 15,785m) was due to released deferred extraordinary income related to the contributed passenger transport assets.

#### II.4.3.4 Extraordinary expenditures

Extraordinary expenditures totalled HUF 63,069m in 2007, which is a HUF 32,712m increase on the previous year.

Changes between the two periods are set out below:

figures in MHUF

Item	amount 2006	amount 2007	change	Index (%)
<i>Expenditures on asset received free of charge and surplus assets</i>	<i>393</i>	<i>171</i>	<i>-222</i>	<i>43.51</i>
<i>Losses on contributed assets</i>	<i>29,525</i>	<i>62,783</i>	<i>33,258</i>	<i>212.64</i>
of which: Net value of contributed fixed assets	27,029	62,323	35,294	230.58
Carrying value of contributed financial assets	2,440	460	-1,980	18.85
<i>Other extraordinary expenditures</i>	<i>439</i>	<i>115</i>	<i>-324</i>	<i>26.20</i>
Of which: Non-refundable employee housing grant	77	80	3	103.90
Forgiven debts (domestic)	331	9	-322	2.72
Amounts transferred free of charge	17	9	-8	52.94
<b>Total:</b>	<b>30,357</b>	<b>63,069</b>	<b>32,712</b>	<b>207.76</b>

Schedule 53. : Extraordinary expenditures

Significant items of extraordinary expenditures include expenditures related to the contributed assets as detailed under 'Extraordinary revenues'.

## II.4.4 Profit and loss account based on the turnover cost method

Further to the Company's accounting policies, a profit and loss account has been prepared both under the total cost and the turnover cost methods. The latter is presented below:

figures in MHUF

line	Item	2006 (HUFm)	Adjusted* 2006 (HUFm)	2007 (HUFm)	Departure from adjustment	Index (%) a
01.	Domestics sales, net	196 729	122 322	174 942	52 620	143,02
02.	Export sales, net	8 877	8 877	4 146	-4 731	46,70
<b>I.</b>	<b>Sales, net</b>	<b>205 606</b>	<b>131 199</b>	<b>179 088</b>	<b>47 889</b>	<b>136,50</b>
03.	Direct cost of sales	198 212	198 212	196 680	-1 532	99,23
04.	COGS	3 966	3 966	5 846	1 880	147,40
05.	Cost of services sold	1 607	1 607	2 700	1 093	168,01
<b>II.</b>	<b>Direct costs of sales</b>	<b>203 785</b>	<b>203 785</b>	<b>205 226</b>	<b>1 441</b>	<b>100,71</b>
<b>III.</b>	<b>Gross profit on sales (I-II.)</b>	<b>1 821</b>	<b>-72 586</b>	<b>-26 138</b>	<b>46 448</b>	<b>36,01</b>
06.	Selling costs	745	745	502	-243	67,38
07.	Administrative costs	28 030	28 030	32 744	4 714	116,82
08.	Other general costs	27 151	27 151	26 219	-932	96,57
IV.	Indirect costs of sales	55 926	55 926	59 465	3 539	106,33
V.	Other revenues	15 074	89 481	118 199	28 718	132,09
VI.	Other expenditures	36 516	36 516	33 038	-3 478	90,48
<b>A.</b>	<b>Operating loss</b>	<b>-75 547</b>	<b>-75 547</b>	<b>-442</b>	<b>75 105</b>	<b>0,59</b>
VII.	Financial revenues	6 934	6 934	4 205	-2 729	60,64
VIII.	Financial expenditures	21 015	21 015	22 418	1 403	106,68
<b>B.</b>	<b>Financial loss</b>	<b>-14 081</b>	<b>-14 081</b>	<b>-18 213</b>	<b>-4 132</b>	<b>129,34</b>
<b>C.</b>	<b>Loss on ordinary activities</b>	<b>-89 628</b>	<b>-89 628</b>	<b>-18 655</b>	<b>70 973</b>	<b>20,81</b>
IX.	Extraordinary revenues	36 143	36 143	83 044	46 901	229,77
X.	Extraordinary expenditures	30 357	30 357	63 069	32 712	207,76
<b>D.</b>	<b>Extraordinary profit</b>	<b>5 786</b>	<b>5 786</b>	<b>19 975</b>	<b>14 189</b>	<b>345,23</b>
<b>E.</b>	<b>Pre-tax loss/profit</b>	<b>-83 842</b>	<b>-83 842</b>	<b>1 320</b>	<b>85 162</b>	<b>-1,57</b>
XI.	Tax payable	0	0	0	0	0,00
<b>F.</b>	<b>Net loss/profit</b>	<b>-83 842</b>	<b>-83 842</b>	<b>1 320</b>	<b>85 162</b>	<b>-1,57</b>

Schedule 54. : P&L – turnover cost method

\* Government refund for public services was recorded in net sales in 2006 but, in 2007, was recorded as other income – hence the adjustment. Comparison to the previous year is based on the adjusted figures.

Compared to adjusted 2006 figures, MÁV Zrt. had profit for 2007 due first of all to increased revenues (HUF 47,889m) from the outsourced passenger transport activity to MÁV-START Zrt., to a HUF 28,718m increase in other revenues relating to public service compensation and asset disposals and to the debt forgiven by the government (HUF 10,289m) realised as extraordinary income.



The HUF 52,620m increase in domestic net sales and the HUF 4,731m decrease in net export sales were due to the following factors:

Revenues from internal services to the passenger transport line increased the most in the first half of 2007. These included: railtrack network access services (by HUF 36,645m), traction (by HUF 28,333m), train maintenance (by HUF 4,502m) and central services (material purchase and management, HR, accounting and other services) by HUF 1,071m.

Leasing revenues from the lease of not contributed passenger wagons increased sales by HUF 5,257m in the second half of 2007.

Sales of materials used for railtrack maintenance and improvements increased by HUF 1,767m.

Revenues from consigned security and railway health care services increased primarily due to the outsourced activity (by HUF 742m); material sold increased by HUF 769m.

As a result of the outsourced passenger transport activity, net domestic sales fell by HUF 28,687m, while net export sales dropped by HUF 4,829m.

The outsourced loading activity to Záhony-Port Zrt. resulted in lost sales of HUF 1,175m.

Direct costs of sales increased by HUF 1,441m as a result of increased consignment service, traction energy and track maintenance costs and increased depreciation in relation to the outsourced activities.

The increase in direct cost of sales was also due to increased stand-by (waste) time as, further to an amendment of the Labour Code, employees with unused annual vacation related to 2006 had to be let on leave by September 2007.

## II.4.5 Export and import

figures in MHUF

Country	2006					2007				
	Exported services	Total export	Imported goods	Import service	Total import	Exported services	Total export	Imported goods	Import service	Total import
Germany	1,030	1,030	3,560	16,100	19,660	490	490	581	674	1,255
Austria	2,444	2,444	216	2,459	2,675	1,298	1,298	7,749	1,757	9,506
Italy	315	315	0	258	258	160	160	0	142	142
Slovakia	804	804	31	903	934	304	304	81	316	397
Czech Republic	1,118	1,118	485	983	1,468	377	377	858	448	1,306
Slovenia	185	185	0	226	226	118	118	0	92	92
Poland	211	211	0	203	203	90	90	12	77	89
France	163	163	0	73	73	106	106	3	31	34
Great Britain	9	9	13	12	25	11	11	3	5	8
Sweden	17	17	0	6	6	13	13	0	3	3
Belgium	10	10	0	162	162	4	4	0	3	3
Denmark	15	15	11	9	20	6	6	13	3	16
Finland	10	10	0	3	3	5	5	1	2	3
Greece	30	30	0	23	23	10	10	0	1	1
Holland	91	91	0	26	26	31	31	8	13	21
Ireland	18	18	0	3	3	3	3	0	1	1
Latvia	0	0	0	0	0	0	0	0	0	0
Lithuania	0	0	0	1	1	0	0	0	0	0
Luxemburg	1	1	0	0	0	0	0	0	0	0
Portugal	6	6	0	2	2	1	1	0	0	0
Spain	22	22	20	8	28	12	12	0	4	4
Romania	1,550	1,550	0	1,426	1,426	746	746	0	683	683
Bulgaria	58	58	0	65	65	18	18	0	35	35
<b>EU</b>	<b>8,107</b>	<b>8,107</b>	<b>4,336</b>	<b>22,951</b>	<b>27,287</b>	<b>3,803</b>	<b>3,803</b>	<b>9,309</b>	<b>4,290</b>	<b>13,599</b>
Croatia	200	200	0	223	223	80	80	0	422	422
Serbia	135	135	71	222	293	62	62	52	85	137
Ukraine	129	129	0	97	97	49	49	0	43	43
Switzerland	136	136	42	68	110	62	62	1,563	27,275	28,838
Turkey	7	7	0	5	5	3	3	0	2	2
Belorussia	3	3	0	2	2	1	1	0	1	1
Bosnia-Herzegovina	29	29	0	34	34	15	15	0	14	14
Macedonia	1	1	0	1	1	0	0	0	0	0
Russia	55	55	271	46	317	24	24	0	20	20
Norway	9	9	0	3	3	4	4	0	1	1
US	12	12	0	0	0	29	29	0	0	0
Albania	0	0	0	0	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0	0	0	0	0
Uzbekistan	0	0	0	0	0	0	0	0	0	0
Moldavia	0	0	0	0	0	0	0	0	0	0
Kazakhstan	0	0	0	0	0	0	0	0	0	0
Canada	15	15	0	2	2	9	9	0	0	0
Australia	39	39	0	5	5	5	5	0	0	0
<b>Non-EU</b>	<b>770</b>	<b>770</b>	<b>384</b>	<b>708</b>	<b>1,092</b>	<b>343</b>	<b>343</b>	<b>1,615</b>	<b>27,863</b>	<b>29,478</b>
<b>Total:</b>	<b>8,877</b>	<b>8,877</b>	<b>4,720</b>	<b>23,659</b>	<b>28,379</b>	<b>4,146</b>	<b>4,146</b>	<b>10,924</b>	<b>32,153</b>	<b>43,077</b>

Schedule 55. : Exports and imports

## II.5 Actual asset, financial and income positions

### II.5.1 Assets

The balance sheet value of MÁV Zrt's assets at 31 December 2007 was HUF 898,114m, which is a HUF 47,204m (5.55 %) increase on the previous year. This increase is due mainly to an increase in fixed assets and current assets and a drop in prepaid expenses and accrued income.

The HUF 37,493m (5%) increase in the book value of fixed assets was due to a HUF 26,292 (3.66%) decrease in the net value of tangibles and a HUF 63,770 (174.2%) increase in long-term investments.

Current assets increased by HUF 18,035m on 2006 due to a HUF 26,531m increase in inventories and receivables, and to a HUF 8,496m decrease in liquid assets while securities remained unchanged.

The change in prepaid expenses and accrued income was due to a HUF 11,159m (69.97%) decrease in accrued income and a HUF 3,206 (23.8%) increase in prepaid expenses.

MÁV Zrt's actual asset, financial and income positions are illustrated by the indicators presented on the following pages.

#### II.5.1.1 Fixed asset ratio

The year-end balance of fixed assets is HUF 801,235m, representing 89.21% of the assets disclosed in MÁV Zrt's balance sheet.

$$\frac{\text{Fixed assets}}{\text{Total assets}} = \frac{801,235}{898,114} = 89.21 \% \text{ (basis 89.76 \%)}$$

A change in this indicator is not quantifiable from the perspective of MÁV Zrt's operations.

#### II.5.1.2 Tangible asset margin

Equity, including treasury funds, covers 61.66% of long-term tangible assets directly used in production, including treasury assets. MÁV Zrt's equity covers only 6.57% of its own tangible assets. Although both indicators improved on 2006, the current ratio (which should around 100-150% at its best) is still not satisfactory.

$$\frac{\text{Equity}}{\text{Own tangibles}} = \frac{20,617}{314,035} = 6.57 \% \text{ (no comparative information)}$$

$$\frac{\text{Equity} + \text{Treasury funds}}{\text{Tangible assets}} = \frac{427,383}{693,093} = 61.66 \% \quad (\text{basis } 50.76 \%)$$

### II.5.1.3 Fixed asset margin

What applies to tangibles also applies to fixed assets.

$$\frac{\text{Equity}}{\text{Own fixed assets}} = \frac{20,617}{422,177} = 4.88 \% \quad (\text{no comparative information})$$

$$\frac{\text{Equity} + \text{Treasury funds}}{\text{Fixed assets}} = \frac{427,383}{801,235} = 53.34 \% \quad (\text{basis } 47.81 \%)$$

### II.5.1.4 Current assets per fixed assets

$$\frac{\text{Current assets}}{\text{Fixed assets}} = \frac{73,361}{801,235} = 9.16 \% \quad (\text{basis } 7.25 \%)$$

Though the indicator of the most important assets groups increased as receivables also increased, the index is still low. This, however, is absolutely normal for a service provider.

## II.5.2 Equity and liabilities

Equity and liabilities equalled total assets at 31 December 2007 at HUF 898,114m, which is a HUF 47,204m increase on the previous year. This increase is due partly to a HUF 72,011m increase in equity, provisions and liabilities and a HUF 24,807m decrease in accruals.

Capital reserve increased by HUF 46,769m, while the profit for the year increased by HUF 85,162m. However, issued capital decreased by HUF 59,750m, retained earnings dropped by HUF 19,725m, while allocated reserves dropped by HUF 258m. Overall, these changes contributed to a HUF 52,198m increase in equity.

The HUF 15,110m increase in liabilities is due to a HUF 47,637 (7.14%) increase in long-term liabilities and a HUF 32,527 (32.38%) decrease in current liabilities.

The HUF 24,807m (27.5%) drop in accruals is due to reversed deferred extraordinary revenues of HUF 22,288.

### II.5.2.1 Capitalisation

$$\frac{\text{Equity}}{\text{Equity \& liabs.}} = \frac{20,617}{898,114} = 2.30 \% \text{ (no comparative information)}$$

$$\frac{\text{Equity}}{\text{Equity \& liabs. - Treasury funds}} = \frac{20,617}{491,348} = 4.20 \% \text{ (no comparative information)}$$

Although these indicators „improved” owing to the positive equity, they are nevertheless critical and, together with the other indicators, demonstrate an excessively high level of indebtedness.

### II.5.2.2 Gearing

$$\frac{\text{Borrowed capital}}{\text{Equity}} = \frac{782,946}{20,617} = 3,797.57 \% \text{ (no comparative information)}$$

$$\frac{\text{Borrowed capital - Treasury funds}}{\text{Equity}} = \frac{376,180}{20,617} = 1,824.61 \% \text{ (no comparative information)}$$

These indicators remarkably improved after the capital increase was registered at 4 January 2008.

### II.5.2.3 Indebtedness

$$\frac{\text{Borrowed capital}}{\text{Total assets}} = \frac{782,946}{898,114} = 87.18 \% \text{ (basis 90.24 \%)}$$

The indicator shows that liabilities take up 87.81% of assets. Although indebtedness eased compared to 2006, this indicator remains poor.

### II.5.2.4 Long-term liabilities ratio

$$\frac{\text{Long-term liabs.}}{\text{Long-term liabs. + Equity}} = \frac{715,018}{735,635} = 97.20 \% \text{ (basis 104.97 \%)}$$

$$\frac{\text{Long-term liabs. - Treasury liabs.}}{\text{Long-term liabs.- Treasury liabs. + Equity}} = \frac{308,252}{328,869} = 93.73 \% \text{ (basis 113.21 \%)}$$

This indicator shows the long-term indebtedness of a company. The lower the indicator, the better is the company's reputation. With respect to MÁV Zrt., the sheer fact that both indicators improved on the previous year is already favourable, yet long-term indebtedness remains highly significant.

#### II.5.2.5 Equity increase ratio

$$\frac{\text{Equity}}{\text{Issued capital}} = \frac{20,617}{20,250} = 101.81 \% \text{ (no comparative information)}$$

#### II.5.2.6 Fixed asset margin

$$\frac{\text{Equity}}{\text{Fixed assets}} = \frac{20,617}{801,235} = 2.57 \% \text{ (no comparative information)}$$

$$\frac{\text{Equity}}{\text{Own fixed assets}} = \frac{20,617}{422,177} = 4.88 \% \text{ (no comparative information)}$$

Both indicators changed favourably on the previous year, although both are still very far from the 100%, which is considered good.

#### II.5.2.7 Income ratios

$$\text{EBITDA} = \text{Operating profit} + \text{depreciation} = -442 + 35,477 = 35,035 \text{ (basis -41,142)}$$

$$\text{EBITDA rate} = \frac{\text{EBITDA}}{\text{Net sales}} = \frac{35,035}{179,088} = 19.56 \% \text{ (basis -20.01 \%)}$$

$$\text{Operating ratio} = \frac{\text{Operating profit}}{\text{Net sales}} = \frac{-442}{179,088} = -0.25 \% \text{ (basis } -36.74 \% \text{)}$$

Profitability indicators improved significantly on the previous year owing to a HUF 75,105m improvement on operating loss.

## II.5.3 Financial position

### II.5.3.1 Working capital and liquidity

#### Net working capital

Probably the net working capital is the most important indicator of the financial position as it shows the company's short-term solvency position.

$$\begin{aligned} \text{Current assets} - \text{Current liabilities} &= 73,361 \text{ MHUF} - 67,928 \text{ MHUF} \\ &= 5,433 \text{ (basis } -45,129 \text{ MHUF)} \end{aligned}$$

This indicator not only improved significantly on the previous year but the positive value also indicates short-term solvency as not only fixed assets but also some of the current assets are now financed from long-term debts.

The liquidity position as at 31 December 2007 is illustrated by the following indicators:

#### Liquidity ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{73,361}{67,928} = 107.00 \% \text{ (basis } 55.08 \% \text{)}$$

Although this indicator has improved remarkably on the previous year, it is still far from the safe 150%.

#### Quick ratio

$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} = \frac{65,786}{67,928} = 96.85 \% \text{ (basis } 49.03 \% \text{)}$$

The quick ratio shows the ability of liquid and movable assets to cover current liabilities. This indicator shows a major improvement on the previous year and is near the safe 100%.

**Cash liquidity ratio**

$$\frac{\text{Liquid assets}}{\text{Current liabilities}} = \frac{11,079}{67,928} = 16.31 \% \quad (\text{basis } 19.49 \%)$$

Although this indicator dropped compared to 2006, it is not material and is still in the range of 10-50% which is considered the safe zone by professionals.

It is also important to note that the year-end balance of equity does not contain capital injection of HUF 64,600m which was registered on 4 January 2008.



### II.5.3.2 Financial position

The cash flow statement in accordance with subsection 51(8) of the accounting law is presented below.

		figures in MHUF	
No.	Item	2006	2,007
<b>I.</b>	<b>I. Operating cash-flows 1-13</b>	<b>-42,500</b>	<b>3,570</b>
1.	Profit before tax	-85,183	-3,133
	of which: amounts received free of charge	147	2,513
	amounts granted free of charge, expensed	-17	-9
	dividends received	1,211	1,949
1/a.	Profits/loss of previous years	0	4,051
2.	Ordinary depreciation	34,405	35,477
3.	Impairment loss	8,357	8,955
3/a.	Reversed impairment loss	0	-112
4.	Changes in provisions	11,812	4,703
5.	Fixed asset disposals	-846	-10,528
6.	Movements in creditors	-9,455	1,360
7.	Movements in other current liabilities	2,232	7,037
8.	Movements in accruals	-265	-24,807
9.	Movements in debtors	5,015	674
10.	Current asset movements (less debtors and liquid assets) +	-243	-28,431
	of which: inventory movements	-185	-1,991
	taxes reclaimed	7,936	8,987
	securities held for sale	0	0
	other receivables (net of taxes and subsidies)	-7,994	-35,427
11.	Movements in prepayments and accrued income +	-8,329	8,324
12.	Income taxes paid (payable) -	0	0
13.	Dividends and profit-sharing paid or payable -	0	0
<b>II.</b>	<b>Investing cash flows (15-18)</b>	<b>-84,975</b>	<b>-58,522</b>
14.	Fixed asset acquisition -	-99,309	-56,308
15.	Fixed asset disposal +	31,245	10,219
16.	Advancer payments for capital projects	-18,122	-14,382
17.	Dividends and profit-sharing received +	1,211	1,949

Schedule 56. : Cash-flow statement I.

		figures in MHUF	
<b>III.</b>	<b>Financing cash flows (18 - 29)</b>	<b>134,400</b>	<b>46,456</b>
18.	Revenues from the issue of shares (capital withdrawal)	0	111,600
19.	Issue of bonds	0	0
20.	Loans taken	162,995	48,861
	Raiffeisen Rt. loan (431,01)	9,609	0
	OTP Fx loan (431,32)	4,580	6,139
	Calyon-CIB (431,33)	12,770	14,566
	KfW Fx loan (431,35)	1,760	0
	Eurofima loan (431,36)	9,819	6,317
	141,6 M EUR loan (431,39)	0	10,879
	HVB Bank Rt. loan (431,8)	10,957	0
	Liquidity loans (432,2)	113,500	7,700
	Short-term loans and borrowings (45)	0	2,900
	FX loss on year-end revaluation	0	360
21.	Movements on long-term borrowings	697	426
22.	Assets received free of charge+	147	2,513
23.	Equity movements	-3,301	-173
	of which: loss for prev. years	-3,016	0
24.	22) Redemption of shares, capital reduction -	0	0
25.	Repayment of bonds	0	0
26.	Repayment of loans	-61,662	-116,231
	MKB Rt. HUF loan (431,2)	-1,425	-1,425
	MFB Rt. FX loan (431,31)	-345	-775
	OTP FX loan (431,32)	4,338	-1,144
	KfW FX loan (431,35)	-735	-6,609
	EBRD loan (431,37)	-986	-5,904
	OTP és Ker. Bank Rt. loan (431,4)	-628	-159
	Erste Bank Rt. (431,7)	-659	-412
	HVB Bank Rt. loans (431,8)	-1,043	-1,043
	K&H Bank Rt. loan (431,9)	-1,759	-12,288
	Liquidity loans (432,2)	0	-77,200
	Short-term loans and borrowings (45)	-28,170	-5,950
	Overdrafts	-23,672	-3,205
	FX gain on year-end revaluation	-2,240	-117
27.	Assets transferred free of charge -	-17	-9
28.	movements in payable to founders and in other long-term liabilities		
	+	35,541	-531
	of which: treasury funds account	33,974	0
	financial lease	1,871	-453
	not yet registered capital increase	0	0
	other change	1,567	-78
<b>IV.</b>	<b>Change in cash and cash equivalents (±I±II±III) ±</b>	<b>6,925</b>	<b>-8,496</b>

Schedule 57. : Cash-flow statement II.

The HUF 1,320m pre-tax profit was adjusted with amounts received free of charge (presented as part of financing cash flows) and dividends received (presented within investing cash flows). Operating cash flows include HUF 94,409m compensation for public services (production subsidy), which is included within the pre-tax profit.

The impairment of assets (HUF 8,955m - line 3) includes the impairment loss on debtors, other receivables and inventories, including missing and scrapped items (HUF 1,834m), the impairment of shares (HUF 1,614m), asset shortage after tangible asset count, destroyed assets, extra depreciation and scrapped and written off assets in a total of HUF 5,508m.

Other current liabilities (line 7) include advances received from debtors, bills of exchange payable, payables towards associates and other related parties and other liabilities.

Other receivables include amounts receivable from MÁV-START Zrt. unlike in the previous year. In the balance sheet, the same amount is presented among „Receivables from related parties”.

The capital movements line (line 23) contains only changes that involved actual cash movements, unlike in the previous year. The total of adjustments of last years (HUF 4,051m profit) is presented as part of the operating cash flows.

Another change on the previous year is the fact that the change in the funds of treasury assets was presented as part of the investing cash flow, as adjustment to the affected fixed assets. This change ensures that the various lines of the investing cash flow reflect actual cash flows of the investing activity.

Changes in liquid assets (line IV) balance sheet line B. IV. (liquid assets).

In view of the above, the HUF 8,496m decrease in liquid assets was due to following:

The operating cash flow related to core activities was HUF 3,570m, which is a notable improvement on last year's HUF -42,500m outflow.

Overall, investing cash flows reduced liquid assets by HUF 58,522m as HUF 56,308m was spent on fixed asset acquisitions.

The financing cash flow is HUF 46,456m and includes capital withdrawal of HUF 111,600m, loans taken of HUF 48,861m and repaid loans of HUF 116,231m.

## II.5.4 MÁV Zrt's balance sheet and profit and loss account that affects previous years

According to the accounting law, the adjustments of previous years' errors should be presented in the annual financial statements, if their effect on the financial statements is material, but in a separate manner. The accumulated absolute value of items that affect previous years' losses is HUF 11,699m and is presented in a separate manner as follows:

Loss reducing	HUF 7,875m
Loss increasing	HUF 3,824m

The effect of these items on the profit or loss has been recognised against retained earnings/losses and the overall balance resulted in a HUF 4,051m increase.

The most significant items that affect previous years' profit or loss were as follows:

- adjustment of previously unreleased deferred extraordinary income (loss reducing effect: HUF 3,631m),

- owing to settlements with international railway companies after the annual close, export sales for the previous years increased by HUF 636m, and services used also increased by HUF 815m,

- domestic net sales include an increasing item of HUF 243m owing to a tax audit relating to passenger transport between 2003 and 2005 as reduced by the adjustment of previous year's accounts,

- damages related to previous years – HUF 123m,

- material costs for previous years are decreased by the adjustment of deficiencies stemming from past weaknesses (HUF 420m),

- payments to personnel include the adjustment of a duplicate entry of calculated early retirement – HUF 158m,

- owing to the large number of retrospectively capitalised assets, depreciation relating to other than the reporting period totals HUF 793m,

- the adjustment of an earlier innovation contribution entry among other expenses improved the profits by HUF 276m.

The balance sheets and profit and loss accounts for previous years are presented below:

figures in THUF

Line	Item	2000	2001	2002	2003	2004	2005	2006	Total
.01.	A. Fixed assets	0	0	-23,673	-7,095	-73,677	-169,879	-388,366	-662,690
.02.	<b>I. INTANGIBLE ASSETS</b>	0	0	0	0	-32,849	-97,323	-245,598	-375,770
.03.	Capitalised foundation/restructuring	0	0	0	0	0	0	0	0
.04.	Capitalised research and development	0	0	0	0	0	0	0	0
.05.	Concessions, licenses and similar rights	0	0	0	0	0	-852	-4,291	-5,143
.06.	Trade-marks, patents and similar assets	0	0	0	0	-32,849	-96,471	-241,307	-370,627
.07.	Goodwill	0	0	0	0	0	0	0	0
.08.	Advance payments for intangible assets	0	0	0	0	0	0	0	0
.09.	Adjusted value of intangible assets	0	0	0	0	0	0	0	0
.10.	<b>II. TANGIBLE ASSETS</b>	0	0	-23,673	-7,095	-40,828	-72,556	-152,672	-296,824
.11.	Land and buildings and related property rights	0	0	-21,786	-1,369	-4,213	-13,495	-28,249	-69,112
.12.	Plant, machinery, equipment and vehicles	0	0	-1,887	-5,726	-36,598	-59,035	-124,395	-227,641
.13.	Other equipment, fixtures and fittings, vehicles	0	0	0	0	-17	-26	-27	-70
.14.	Breeding stock	0	0	0	0	0	0	0	0
.15.	Assets in the course of construction	0	0	0	0	0	0	-1	-1
.16.	Advance payments for AICC	0	0	0	0	0	0	0	0
.17.	Adjusted value of tangible assets	0	0	0	0	0	0	0	0
.18.	<b>III. LONG-TERM FINANCIAL ASSETS</b>	0	0	0	0	0	0	9,904	9,904
.19.	Long-term participations in related parties	0	0	0	0	0	0	100	100
.20.	Long-term loans granted to related parties	0	0	0	0	0	0	0	0
.21.	Other long-term investments	0	0	0	0	0	0	0	0
.22.	Long-term loans granted to other investments	0	0	0	0	0	0	0	0
.23.	Other long-term loans granted	0	0	0	0	0	0	9,804	9,804
.24.	Long-term debt securities	0	0	0	0	0	0	0	0
.25.	Adjusted value of financial investments	0	0	0	0	0	0	0	0
.26.	<b>B. Current assets</b>	0	-564	-11,350	-154,371	44,634	-20,778	1,048,140	905,711
.27.	<b>I. INVENTORIES</b>	0	0	0	0	0	0	0	0
.28.	Raw materials and consumables	0	0	0	0	0	0	0	0
.29.	Work in progress and semi-finished products	0	0	0	0	0	0	0	0
.30.	Animals for breeding, fattening and other livestock	0	0	0	0	0	0	0	0
.31.	Finished products	0	0	0	0	0	0	0	0
.32.	Goods	0	0	0	0	0	0	0	0
.33.	Advance payments for stocks	0	0	0	0	0	0	0	0
.34.	<b>II. RECEIVABLES</b>	0	-564	-11,350	-154,371	-6,531	-19,858	1,052,054	859,380
.35.	Trade debtors	0	-361	-16,286	-105,798	-263	52,885	868,987	799,164
.36.	Receivables from related parties	0	0	0	6,097	10,708	74,512	186,850	278,167
.37.	Receivables from other investments	0	0	0	0	0	-4,979	2,094	-2,885
.38.	Bills of exchange receivables	0	0	0	0	0	0	0	0
.39.	Other receivables	0	-203	4,936	-54,670	-16,976	-142,276	-5,877	-215,066
.40.	<b>III. SECURITIES</b>	0	0	0	0	0	0	0	0
.41.	Participations in related parties	0	0	0	0	0	0	0	0
.42.	Other participations	0	0	0	0	0	0	0	0
.43.	Treasury shares and own participation	0	0	0	0	0	0	0	0
.44.	Marketable debt securities	0	0	0	0	0	0	0	0
.45.	<b>IV. LIQUID ASSETS</b>	0	0	0	0	51,165	-920	-3,914	46,331
.46.	Cash, cheques	0	0	0	0	0	0	-1,108	-1,108
.47.	Bank deposits	0	0	0	0	51,165	-920	-2,806	47,439
.48.	<b>C. PREPAID EXPENSES &amp; ACCRUED INCOME</b>	-2,860	-2,828	0	-94,695	-6,240	29,056	169,229	91,662
.49.	Accrued income	-2,860	-2,828	0	-94,695	-6,240	29,056	169,229	91,662
.50.	Prepaid expenses	0	0	0	0	0	0	0	0
.51.	Deferred expenses	0	0	0	0	0	0	0	0
.52.	<b>TOTAL ASSETS</b>	-2,860	-3,392	-35,023	-256,161	-35,283	-161,601	829,003	334,683

Schedule 58. : Asset side of MÁV Zrt's B/S items related to previous years

figures in THUF

Line	Item	2000	2001	2002	2003	2004	2005	2006	Total
.53	<i>D. Equity (54.+...61.)</i>	3,120	-3,161	18,623	30	-58,780	67,961	4,022,844	4,050,637
.54	<i>I. ISSUED CAPITAL</i>	0	0	0	0	0	0	0	0
.55	of which: treasury shares redeemed at face value	0	0	0	0	0	0	0	0
.56	II. Issued capital not paid (-)/	0	0	0	0	0	0	0	0
.57	III. Capital reserve	0	0	0	0	0	0	0	0
.58	IV. Retained earnings/(losses)	0	0	0	0	0	0	0	0
.59	V. Allocated reserves	0	0	0	0	0	0	0	0
.60	VI. Revaluation reserve	0	0	0	0	0	0	0	0
.61	VII. Profit or loss for the year	3,120	-3,161	18,623	30	-58,780	67,961	4,022,844	4,050,637
.62	<i>E. Provisions (63.+...65.)</i>	0	0	0	0	0	0	0	0
.63	Provisions for contingent liabilities	0	0	0	0	0	0	0	0
.64	Provisions for future commitments	0	0	0	0	0	0	0	0
.65	Other provisions	0	0	0	0	0	0	0	0
.66	<i>F. LIABILITIES (67.+71.+80.)</i>	8,952	5,671	18,084	-12,940	24,573	-219,860	694,410	518,890
.67	<i>I. SUBORDINATED DEBT</i>	0	0	0	0	0	0	0	0
.68	Subordinated debts to related parties	0	0	0	0	0	0	0	0
.69	Subordinated debts to other investments	0	0	0	0	0	0	0	0
.70	Subordinated debts to third parties	0	0	0	0	0	0	0	0
.71	<i>II. LONG-TERM LIABILITIES</i>	0	0	0	0	0	-973	-883	-1,856
.72	Long-term borrowings	0	0	0	0	0	0	0	0
.73	Convertible bonds	0	0	0	0	0	0	0	0
.74	Debts from the issue of bonds	0	0	0	0	0	0	0	0
.75	Investment and development loans	0	0	0	0	0	0	0	0
.76	Other long-term loans	0	0	0	0	0	0	0	0
.77	Long-term debts to related parties	0	0	0	0	0	0	0	0
.78	Long-term debts to other investments	0	0	0	0	0	0	0	0
.79	Other long-term liabilities	0	0	0	0	0	-973	-883	-1,856
.80	<i>III. CURRENT LIABILITIES</i>	8,952	5,671	18,084	-12,940	24,573	-218,887	695,293	520,746
.81	Short-term borrowings	0	0	0	0	0	0	0	0
.82	- of which: convertible bonds	0	0	0	0	0	0	0	0
.83	Other short-term loans	0	0	0	0	0	0	0	0
.84	Prepayments received from debtors	0	0	0	0	0	0	0	0
.85	Creditors	8,952	5,671	18,066	-13,115	103,656	-177,832	624,584	569,982
.86	Bills of exchange payable	0	0	0	0	0	0	0	0
.87	Short-term debts to related parties	0	0	0	0	0	192	1,190	1,382
.88	Short-term debts to other investments	0	0	0	0	0	0	2,037	2,037
.89	Other current liabilities	0	0	18	175	-79,083	-41,247	67,482	-52,655
.90	<i>G. ACCRUED EXPENSES AND DEFERRED INCOME</i>	-14,932	-5,902	-71,730	-243,251	-1,076	-9,702	-3,888,251	-4,234,844
.91	Deferred income	0	0	-9,222	-2,064	-581	-9,692	-209,417	-230,976
.92	Accrued expenses	-5,402	-5,165	-61,482	-240,396	0	110	-60,748	-373,083
.93	Deferred extraordinary revenues and negative goodwill	-9,530	-737	-1,026	-791	-495	-120	-3,618,086	-3,630,785
.94	<b>EQUITY AND LIABILITIES</b>	-2,860	-3,392	-35,023	-256,161	-35,283	-161,601	829,003	334,683

Schedule 59. : Liabilities side of side of MÁV Zrt's B/S items related to previous years

figures in THUF

No.	Item	2000	2001	2002	2003	2004	2005	2006	Total
.01.	Domestic sales, net	0	21	-411	-27,956	-30,454	-237,279	407,437	111,358
.02.	Export sales, net	-2,860	-2,828	-15,875	-144,404	-25,275	434,164	603,433	846,355
<b>I.</b>	<b>Sales, net (.01.+02.)</b>	<b>-2,860</b>	<b>-2,807</b>	<b>-16,286</b>	<b>-172,360</b>	<b>-55,729</b>	<b>196,885</b>	<b>1,010,870</b>	<b>957,713</b>
.03.	Movements in self-produced stocks	0	0	0	0	0	0	0	0
.04.	Capitalised self-manufactured assets	0	0	0	0	0	0	0	0
<b>II.</b>	<b>Capitalised own performance (-+03.+04.)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>III.</b>	<b>Other revenues</b>	<b>0</b>	<b>-382</b>	<b>22</b>	<b>-61,408</b>	<b>61,324</b>	<b>23,894</b>	<b>111,701</b>	<b>135,151</b>
	of wich: reversed diminution in value (962)	0	0	0	0	0	0	0	0
.05.	Material costs	9,064	5,380	16,411	29,304	4,710	22,713	-382,505	-294,923
.06.	Services used	-5,402	-4,874	-60,835	-299,660	75,548	20,070	849,577	574,424
.07.	Other services	0	3	0	19,733	22,313	4,982	31,528	78,559
.08.	Cost of goods sold	0	0	0	0	0	0	0	0
.09.	Provision of (consignment) services	0	0	0	0	0	248	386	634
<b>IV.</b>	<b>Material type expenditures (.05.+06.+07.+08.+09.)</b>	<b>3,662</b>	<b>509</b>	<b>-44,424</b>	<b>-250,623</b>	<b>102,571</b>	<b>48,013</b>	<b>498,986</b>	<b>358,694</b>
.10.	Payroll	0	0	0	0	0	235	43	278
.11.	Other payments to personnel	0	0	0	0	10,874	-1,232	150,684	160,326
.12.	Social security and similar deductions	0	0	0	0	22,301	-6	604	22,899
<b>V.</b>	<b>Payments to personnel (.10.+11.+12.)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,175</b>	<b>-1,003</b>	<b>151,331</b>	<b>183,503</b>
<b>VI.</b>	<b>Depreciation</b>	<b>0</b>	<b>0</b>	<b>28,719</b>	<b>7,095</b>	<b>73,677</b>	<b>168,835</b>	<b>514,339</b>	<b>792,665</b>
<b>VII.</b>	<b>Other expenses</b>	<b>-112</b>	<b>0</b>	<b>1,026</b>	<b>22,254</b>	<b>-112,259</b>	<b>71,862</b>	<b>-174,990</b>	<b>-192,219</b>
	of wich: impairment loss (862)	0	0	0	0	0	0	-96,321	-96,321
<b>A.</b>	<b>OPERATING PROFIT LOSS (.I+-II+-III-IV-V-VI-VII)</b>	<b>-6,410</b>	<b>-3,698</b>	<b>-1,585</b>	<b>-12,494</b>	<b>-91,569</b>	<b>-66,928</b>	<b>132,905</b>	<b>-49,779</b>
.13.	Dividends and profit sharing (received or due)	0	0	0	4,417	8,928	72,400	0	85,745
	of wich: dividends from related parties	0	0	0	4,417	8,928	72,400	0	85,745
.14.	Exchange gains from disposal of shares	0	0	0	0	0	0	0	0
	of wich: from related parties	0	0	0	0	0	0	0	0
.15.	Interest and capital gains on long-term financial assets	0	0	5,250	5,252	5,250	21,249	0	37,001
	of wich: from related parties	0	0	0	0	0	0	0	0
.16.	Other interest and similar income (received or due)	0	0	0	0	17,535	28,530	69,521	115,586
	of wich: from related parties	0	0	0	0	0	0	62,707	62,707
.17.	Other revenues from financial transactions	0	0	0	0	0	4,636	7,066	11,702
<b>VIII.</b>	<b>Financial revenues (.13.+14.+15.+16.+17.)</b>	<b>0</b>	<b>0</b>	<b>5,250</b>	<b>9,669</b>	<b>31,713</b>	<b>126,815</b>	<b>76,587</b>	<b>250,034</b>
.18.	Exchange losses on long-term financial assets	0	0	336	0	0	0	0	336
	of wich: to related parties	0	0	0	0	0	0	0	0
.19.	Interest payable and similar changes	0	0	0	0	0	0	15,757	15,757
	of wich: to related parties	0	0	0	0	0	0	0	0
.20.	Impairment of shares, securities and bank deposits	0	0	0	0	0	0	0	0
	of wich: to related parties	0	0	0	0	0	0	0	0
.21.	Other expenditures on financial transactions	0	0	0	0	0	1,768	12,778	14,546
<b>IX.</b>	<b>Financial expenditures (.18.+19.+20.+21.)</b>	<b>0</b>	<b>0</b>	<b>336</b>	<b>0</b>	<b>0</b>	<b>1,768</b>	<b>28,535</b>	<b>30,639</b>
<b>B.</b>	<b>FINANCIAL PROFIT LOSS (VIII-IX)</b>	<b>0</b>	<b>0</b>	<b>4,914</b>	<b>9,669</b>	<b>31,713</b>	<b>125,047</b>	<b>48,052</b>	<b>219,395</b>
<b>C.</b>	<b>PROFIT LOSS FROM ORDINARY ACTIVITIES (+-A+-B)</b>	<b>-6,410</b>	<b>-3,698</b>	<b>3,329</b>	<b>-2,825</b>	<b>-59,856</b>	<b>58,119</b>	<b>180,957</b>	<b>169,616</b>
<b>X.</b>	<b>Extraordinary revenues</b>	<b>9,530</b>	<b>737</b>	<b>15,294</b>	<b>2,855</b>	<b>1,076</b>	<b>9,842</b>	<b>3,842,822</b>	<b>3,882,156</b>
<b>XI.</b>	<b>Extraordinary expenditures</b>	<b>0</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>935</b>	<b>1,135</b>
<b>D.</b>	<b>EXTRAORDINARY PROFIT LOSS (X-XI)</b>	<b>9,530</b>	<b>537</b>	<b>15,294</b>	<b>2,855</b>	<b>1,076</b>	<b>9,842</b>	<b>3,841,887</b>	<b>3,881,021</b>
<b>E.</b>	<b>PRE-TAX PROFIT LOSS (+-C+-D)</b>	<b>3,120</b>	<b>-3,161</b>	<b>18,623</b>	<b>30</b>	<b>-58,780</b>	<b>67,961</b>	<b>4,022,844</b>	<b>4,050,637</b>
<b>XII.</b>	<b>TAX PAYABLE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>F.</b>	<b>PROFIT LOSS AFTER TAX (+-E-XIII)</b>	<b>3,120</b>	<b>-3,161</b>	<b>18,623</b>	<b>30</b>	<b>-58,780</b>	<b>67,961</b>	<b>4,022,844</b>	<b>4,050,637</b>
.22.	Dividends and profit sharing paid from retained earnings	0	0	0	0	0	0	0	0
.23.	Dividends and profit sharing paid (payable)	0	0	0	0	0	0	0	0
<b>G.</b>	<b>PROFIT LOSS FOR THE YEAR (+-F+22.-23.)</b>	<b>3,120</b>	<b>-3,161</b>	<b>18,623</b>	<b>30</b>	<b>-58,780</b>	<b>67,961</b>	<b>4,022,844</b>	<b>4,050,637</b>

Schedule 60. : MÁV Zrt's profit and loss account to previous years

## II.5.5 Research and development

R&D costs and other technical development costs are presented below:

figures in MHUF

Item	2006	2007	Diff.
<b>R&amp;D costs</b>	<b>359</b>	<b>282</b>	<b>-77</b>
of which: For own use, to be capitalised	2	0	-2
For own use, expensed in 2007	276	282	6
For third parties	81	0	-81
<b>Other indirect costs of technical development</b>	<b>155</b>	<b>207</b>	<b>52</b>
of which: Organisation and testing chrges of technical development	67	105	38
Technical info, propaganda, production organisation	59	56	-3
Standardisation, industrial design	28	23	-5
Tender for technical development	0	0	0
Inventions not to be capitalised/used	0	22	22
Inventions not to be capitalised but used	1	1	0
Other inteelctual work not to be capitalised but used	0	0	0

Schedule 61. : R&D costs

Compared to the previous years, MÁV Zrt. recognised R&D costs by less than HUF 77m than in 2006 due to discontinued R&D activities for third parties.

The major part of R&D costs in 2007 related to research done for MÁV Zrt. (HUF 282m). Our research projects serve the following goals:

- traffic safety (HUF 118m),
- improve service quality (HUF 56m),
- environment protection (HUF 20m),
- other (technology, quality control, restructuring and business development tasks to maintain operations) (HUF 88m).

In relation to research staff that left the Company, of the total R&D cost of HUF 282m in 2007, HUF 276m was the cost of third party contractors.

The details of R&D (capitalised and in progress) in 2007 are as follows:

figures in MHUF

Item	Opening	Increase	Decrease	Closing
Cost	91	0	0	91
Depreciation	90	0	0	90
Net	1	0	0	1
R&D in progress	96	7	39	64

Schedule 62. : Capitalised R&D

The recorded value of R&D activity did not change. R&D in progress fell by HUF 32m in 2007 primarily due to the scrapped blueprint of the planned transformation of a luggage car into a meter car (HUF 39m).



## **II.6 Report to the supervision**

In this chapter, we present required information on the separated railway activities as required by the joint decree of the Transport Ministry and the Ministry of Finance (50/2007. (IV.26.) GKM-PM) as based on MÁV Zrt's accounting separation policies for 2007 (B/S, P&L, Cash flow statement, activity statement with narrative explanations, revenues from and costs of related parties, average annual statistical number of staff, subsidies by title, accumulated figures due to separated activities).

The activity statements are prepared in accordance with the pertaining decree in HUF thousands. All other statements (except staff numbers) are prepared in accordance with the accounting policies based on the accounting law and in HUF millions (MHUF/HUFm).

Further to MÁV Zrt's accounting separation policies for 2007:

The following documents were used to prepare the balance sheets, cash-flow statements and development subsidies statements for the various divisions:

- railtrack GL for railtrack operations,
- aggregate passenger transport (including public transport services) and regional light railways,
- engineering GL for traction, and
- the central GL for other activities.

The profit and loss account per activity, the average annual statistical number of staff, subsidies recognised as revenues and revenues from and payable to related parties are recorded by related party in accordance with the accounting separation policies.

According to the accounting separation policies, the figures presented in the balance sheet and in the cash flow statement depart from the figures presented in the profit and loss account as the profit and loss accounts in the GLs of the activities (railtrack, passenger transport, and engineering) include activities in addition to the separable activity.

In order to ensure comparability of the different statements, the profit and loss account includes both the separable and the additional activities per GL and their aggregate. The central P&L also includes figures for the separable activities railtrack, passenger transport, including light railways, and engineering). The P&Ls of other activities have been aggregated. The aggregate profit of the activities (for the headquarters, based their own figure) equals the profit for the year in the balance sheets of the activities.

The main lines in the activity statements are the same as in the profit and loss accounts.

## II.6.1 Railtrack operations

The balance sheet for the railtrack operations activity is set out in schedules 63 and 64. The related profit and loss account is presented in schedule 65, the cash flow statement is in schedule 66.

		figures in MHUF		
Line	Item	2006.12.31	2007.12.31	Change
<b>01</b>	<b>A. Fixed assets</b>	<b>448,173</b>	<b>452,978</b>	<b>4,805</b>
<b>02</b>	<b>I. INTANGIBLE ASSETS</b>	<b>193</b>	<b>372</b>	<b>179</b>
03	Capitalised foundation/restructuring	0	0	0
04	Capitalised research and development	13	19	6
05	Concessions, licenses and similar rights	115	104	-11
06	Trade-marks, patents and similar assets	65	249	184
07	Goodwill	0	0	0
08	Advance payments for intangible assets	0	0	0
09	Adjusted value of intangible assets	0	0	0
<b>10</b>	<b>II. TANGIBLE ASSETS</b>	<b>447,980</b>	<b>452,606</b>	<b>4,626</b>
11	Land and buildings and related property rights	354,013	362,906	8,893
12	Plant, machinery, equipment and vehicles	48,415	49,003	588
13	Other equipment, fixtures and fittings, vehicles	148	80	-68
14	Breeding stock	0	0	0
15	Assets in the course of construction	37,856	38,602	746
16	Advance payments for AICC	7,548	2,015	-5,533
17	Adjusted value of tangible assets	0	0	0
<b>18</b>	<b>III. LONG-TERM FINANCIAL ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>
19	Long-term participations in related parties	0	0	0
20	Long-term loans granted to related parties	0	0	0
21	Other long-term investments	0	0	0
22	Long-term loans granted to other investments	0	0	0
23	Other long-term loans granted	0	0	0
24	Long-term debt securities	0	0	0
25	Adjusted value of financial investments	0	0	0
<b>26</b>	<b>B. Current assets</b>	<b>34,937</b>	<b>16,787</b>	<b>-18,150</b>
<b>27</b>	<b>I. INVENTORIES</b>	<b>195</b>	<b>197</b>	<b>2</b>
28	Raw materials and consumables	195	197	2
29	Work in progress and semi-finished products	0	0	0
30	Animals for breeding, fattening and other livestock	0	0	0
31	Finished products	0	0	0
32	Goods	0	0	0
33	Advance payments for stocks	0	0	0
<b>34</b>	<b>II. RECEIVABLES</b>	<b>34,385</b>	<b>16,584</b>	<b>-17,801</b>
35	Trade debtors	918	621	-297
36	Receivables from related parties	2,618	3,763	1,145
37	Receivables from other investments	0	2	2
38	Bills of exchange receivables	0	0	0
39	Other receivables	614	1,629	1,015
39/A.	Receivables from division settlements	30,235	10,569	-19,666
<b>40</b>	<b>III. SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
41	Participations in related parties	0	0	0
42	Other participations	0	0	0
43	Treasury shares and own participation	0	0	0
44	Marketable debt securities	0	0	0
<b>45</b>	<b>IV. LIQUID ASSETS</b>	<b>357</b>	<b>6</b>	<b>-351</b>
46	Cash, cheques	1	1	0
47	Bank deposits	356	5	-351
<b>48</b>	<b>C. PREPAID EXPENSES &amp; ACCRUED INCOME</b>	<b>15,957</b>	<b>18,729</b>	<b>2,772</b>
49	Accrued income	2,725	2,157	-568
50	Prepaid expenses	13,164	16,485	3,321
51	Deferred expenses	68	87	19
<b>52</b>	<b>TOTAL ASSETS</b>	<b>499,067</b>	<b>488,494</b>	<b>-10,573</b>

Schedule 63. : Asset side of the balance sheet based on the Railtrack GL

		figures in MHUF		
53.	<i>D. Equity (54.+...60.)</i>	-17531	-19506	- 1975
Line	Item	2006.12.31	2007.12.31	change
53.	<i>D. EQUITY (54.+...61.)</i>	-17,531	-19,506	-1,975
54.	<i>I. ISSUED CAPITAL</i>	18,965	4,780	-14,185
	of which: treasury shares redeemed at face value	0	0	0
55	II. Issued capital not paid (-)/	0	0	0
56	III. Capital reserve	0	7,288	7,288
57	IV. Retained earnings/(losses)	-3,262	-22,326	-19,064
58	V. Allocated reserves	59	65	6
59	VI. Revaluation reserve	0	0	0
60	VII. Profit or loss for the year	-33,293	-9,313	23,980
61	<i>E. PROVISIONS (62.+...65.)</i>	3,050	8,449	5,399
62	Provisions for contingent liabilities	2,106	2,124	18
63	Provisions for future commitments	932	6,302	5,370
64	Other provisions	12	23	11
65	<i>F. LIABILITIES (67.+71.+80.)</i>	486,513	472,981	-13,532
66	<i>I. SUBORDINATED DEBT</i>	0	0	0
67	Subordinated debts to related parties	0	0	0
68	Subordinated debts to other investments	0	0	0
69	Subordinated debts to third parties	0	0	0
70	<i>II. LONG-TERM LIABILITIES (72.+...79.)</i>	450,943	451,453	510
71	Long-term borrowings	0	0	0
72	Convertible bonds	0	0	0
73	Debts from the issue of bonds	0	0	0
74	Investment and development loans	20,470	14,967	-5,503
75	Other long-term loans	33,650	29,650	-4,000
76	Long-term debts to related parties	0	0	0
77	Long-term debts to other investments	0	0	0
78	Other long-term liabilities	396,823	406,836	10,013
79	<i>III. CURRENT LIABILITIES (81-89)</i>	35,570	21,528	-14,042
80	Short-term borrowings	0	0	0
81	- of which: convertible bonds	0	0	0
82	Other short-term loans	16,464	248	-16,216
83	Prepayments received from debtors	0	24	24
84	Creditors	9,020	7,607	-1,413
85	Bills of exchange payable	0	0	0
86	Short-term debts to related parties	7,711	10,843	3,132
87	Short-term debts to other investments	1	1	0
88	Other current liabilities	2,374	2,805	431
88/A.	Amounts payable to divisions	0	0	0
89	<i>G.ACCRUED EXPENSES AND DEFERRED INCOME (91.+.</i>	27,035	26,570	-465
90	Deferred income	12,246	11,606	-640
91	Accrued expenses	848	1,208	360
92	Deferred extraordinary revenues and negative goodwill	13,941	13,756	-185
93	<i>EQUITY &amp; LIABILITIES. (53.+61.+66.+90.)</i>	499,067	488,494	-10,573

Schedule 64. : Equity and liabilities side of the BS prepared based on the railtrack GL

figures in MHUF

Line	Item	Railtrack		Other		Total	
		Prior year	Rep. year	Prior year	Rep. year	Prior year	Rep. year
.01.	Domestic sales, net	33,863	70,508	2,811	3,784	36,674	74,292
.02.	Export sales, net	0	0	0	17	0	17
<b>I.</b>	<b>Sales, net (01.+02.)</b>	<b>33,863</b>	<b>70,508</b>	<b>2,811</b>	<b>3,801</b>	<b>36,674</b>	<b>74,309</b>
I/A 1.	Internal revenues from passenger transport	0	0	0	0	0	0
I/A 2.	Internal revenues from engineering services	0	0	0	0	0	0
I/A 3.	Internal revenues from central services	0	0	0	0	0	0
I/A 4.	Internal revenues from railtrack services	69,323	42,613	255	380	69,578	42,993
I/A 5.	Revenues from direct internal services	0	0	399	590	399	590
I/A 6.	Revenues from central administration and property management	0	0	0	0	0	0
<b>I/A</b>	<b>Internal revenues: (I/A 1+I/A 2+I/A 3+I/A 4+I/A 5)</b>	<b>69,323</b>	<b>42,613</b>	<b>654</b>	<b>970</b>	<b>69,977</b>	<b>43,583</b>
.03.	Changes in self-produced inventories	-1	-4	-2	-72	-3	-76
.04.	Capitalised self-produced inventories	0	0	2,449	2,454	2,449	2,454
<b>II.</b>	<b>Capitales self-performance (03.+04.)</b>	<b>-1</b>	<b>-4</b>	<b>2,447</b>	<b>2,382</b>	<b>2,446</b>	<b>2,378</b>
<b>III.</b>	<b>Other revenues</b>	<b>2,569</b>	<b>28,084</b>	<b>66</b>	<b>137</b>	<b>2,635</b>	<b>28,221</b>
	of which: reversed impairment loss (962,1-962,2)		0		0		0
	<b>Operating yields (I+I/A +II+III)</b>	<b>105,754</b>	<b>141,201</b>	<b>5,978</b>	<b>7,290</b>	<b>111,732</b>	<b>148,491</b>
.05.	Materials	4,471	4,682	1,067	1,893	5,538	6,575
.06.	Services used	20,082	22,176	1,308	1,242	21,390	23,418
.07.	Other services	109	422	3	3	112	425
.08.	COGS	0	0	1	18	1	18
.09.	Consignment services	0	0	28	167	28	167
<b>IV.</b>	<b>Material-type expenditures (05.+06.+07.+08.+09.)</b>	<b>24,662</b>	<b>27,280</b>	<b>2,407</b>	<b>3,323</b>	<b>27,069</b>	<b>30,603</b>
IV/A 1.	Internal costs of passenger transport	29	4	1	0	30	4
IV/A 2.	Internal costs of engineering services	6,692	8,277	0	565	6,692	8,842
IV/A 3.	Internal costs of central services	10,255	11,960	529	1,102	10,784	13,062
IV/A 4.	Internal costs of railtrack services	0	0	0	0	0	0
IV/A 5.	Costs of direct internal services	293	243	341	190	634	433
IV/A 6.	Costs of central administration and property management	16,631	8,097	455	357	17,086	8,454
<b>IV/A</b>	<b>Internal expenditures: (IV/A 1+IV/A 2+IV/A 3+IV/A 4+IV/A 5+IV/A 6)</b>	<b>33,900</b>	<b>28,581</b>	<b>1,326</b>	<b>2,214</b>	<b>35,226</b>	<b>30,795</b>
.10.	Payroll costs	34,019	36,259	1,390	2,085	35,409	38,344
.11.	Other payments to personnel	5,384	6,091	147	302	5,531	6,393
.12.	Social security	11,732	12,416	528	725	12,260	13,141
<b>V.</b>	<b>Payments to personnel (10.+11.+12.)</b>	<b>51,135</b>	<b>54,766</b>	<b>2,065</b>	<b>3,112</b>	<b>53,200</b>	<b>57,878</b>
<b>VI.</b>	<b>Depreciation</b>	<b>20,738</b>	<b>21,743</b>	<b>281</b>	<b>339</b>	<b>21,019</b>	<b>22,082</b>
<b>VII.</b>	<b>Other expenditures</b>	<b>5,711</b>	<b>12,565</b>	<b>103</b>	<b>410</b>	<b>5,814</b>	<b>12,975</b>
	of which: impairment loss (862)		160		11		171
	<b>Operating expenses: (IV+IV/A+V+VI+VII)</b>	<b>136,146</b>	<b>144,935</b>	<b>6,182</b>	<b>9,398</b>	<b>142,328</b>	<b>154,333</b>
<b>A.</b>	<b>OPERATING LOSS</b>	<b>-30,392</b>	<b>-3,734</b>	<b>-204</b>	<b>-2,108</b>	<b>-30,596</b>	<b>-5,842</b>
.13.	Dividends received		0		0	0	0
	from related parties		0		0	0	0
.14.	Gains on share disposals		0		0	0	0
	from related parties		0		0	0	0
.15.	Interest and FX gains on fixed assets		0		0	0	0
	from related parties		0		0	0	0
.16.	Interest received and similar income		0		0	0	0
	from related parties		0		0	0	0
.17.	Other financial income		533		23	1,217	556
<b>VIII.</b>	<b>Financial revenues (13.+14.+15.+16.+17.)</b>	<b>1,184</b>	<b>533</b>	<b>33</b>	<b>23</b>	<b>1,217</b>	<b>556</b>
.18.	FX losses on fixed assets		0		0	0	0
	to related parties		0		0	0	0
.19.	Interest paid and similar charges		4,401		0	3,772	4,401
	to related parties		0		0	0	0
.20.	Impairment loss on shares and securities		0		0	0	0
.21.	Other financial expenses		479		21	710	500
<b>IX.</b>	<b>Financial expenses (18.+19.+20.+21.)</b>	<b>4,463</b>	<b>4,880</b>	<b>19</b>	<b>21</b>	<b>4,482</b>	<b>4,901</b>
<b>B.</b>	<b>FINANCIAL LOSS (VIII-IX)</b>	<b>-3,279</b>	<b>-4,347</b>	<b>14</b>	<b>2</b>	<b>-3,265</b>	<b>-4,345</b>
<b>C.</b>	<b>LOSS ON ORDINARY ACTIVITIES (A+B)</b>	<b>-33,671</b>	<b>-8,081</b>	<b>-190</b>	<b>-2,106</b>	<b>-33,861</b>	<b>-10,187</b>
X.	Extraordinary revenues	666	875	2	11	668	886
XI.	Extraordinary expenditures	97	12	3	0	100	12
<b>D.</b>	<b>EXTRAORDINARY PROFIT (X-XI)</b>	<b>569</b>	<b>863</b>	<b>-1</b>	<b>11</b>	<b>568</b>	<b>874</b>
<b>E.</b>	<b>PRE-TAX LOSS (C+D)</b>	<b>-33,102</b>	<b>-7,218</b>	<b>-191</b>	<b>-2,095</b>	<b>-33,293</b>	<b>-9,313</b>
XII.	TAX PAYABLE	0	0	0	0	0	0
<b>F.</b>	<b>LOSS AFTER TAX (E-XII)</b>	<b>-33,102</b>	<b>-7,218</b>	<b>-191</b>	<b>-2,095</b>	<b>-33,293</b>	<b>-9,313</b>
.22.	Dividends paid from retained earnings	0	0	0	0	0	0
.23.	Dividends (paid) approved	0	0	0	0	0	0
<b>G.</b>	<b>LOSS FOR THE YEAR (F+22.-23.)</b>	<b>-33,102</b>	<b>-7,218</b>	<b>-191</b>	<b>-2,095</b>	<b>-33,293</b>	<b>-9,313</b>

Schedule 65. : Profit and loss account prepared based on the railtrack GL

figures in MHUF

No.	Item	2006
<b>I.</b>	<b>Operating cash flows (1-14.)</b>	<b>-10,800</b>
1.	Pre-tax profit ±	-33,309
	<i>amounts received free of charge</i>	17
	<i>amounts given free of charge (expensed)</i>	-1
	<i>dividends received</i>	0
1/a	Previous year's profit/loss	0
2.	Depreciation charge +	21,019
3.	Impairment loss +	1,611
3/a	Reversed impairment loss	0
4.	Difference between provisions made and released +	1,230
5.	Gains on fixed asset disposals +	-55
6.	Movements in creditors +	-1,675
7.	Movements in current liabilities +	3,889
8.	Movements in accruals +	2,317
9.	Movements in debtors +	-518
10.	Current asset movements (less debtors and liquid assets) +	-2,839
	<i>inventory increase</i>	32
	<i>taxes reclaimed</i>	0
	<i>securities held for re- sales</i>	0
	<i>other receivables (less taxes and similar)</i>	-2,871
10/a	<i>Change in division settlement balances</i>	1,558
11.	Movements in prepayments and accrued income +	-4,028
12.	Income taxes paid (payable) -	0
13.	Dividends and profit-sharing paid or payable -	0
<b>II.</b>	<b>Investing cash flow (15-18.)</b>	<b>-54,310</b>
14.	Fixed asset acquisition -	-52,607
15.	Fixed asset disposal +	85
16.	Change in advances for capital projects ±	-1,788
17.	Dividends and profit-sharing received +	0
<b>III.</b>	<b>Financing cash flow (19-28.)</b>	<b>65,439</b>
18.	Revenues from the issue or redemption of shares +	0
19.	Revenues from the issue of bonds and debt securities +	0
20.	Borrowings +	39,957
21.	Repayment of loans +	0
22.	Amounts received free of charge +	17
23.	Change in capital	3,172
	<i>Previous year's profit/loss</i>	266
24.	Redemptions of shares, capital reductions -	0
25.	Bond repayment -	0
26.	Loan repayment -	-11,707
27.	Asset transferred free of charge -	-1
28.	Movements in payable to founders and in other long-term liabilities +	34,002
	<i>treasury funds account</i>	33,984
	<i>financial lease</i>	0
	<i>unregistered capital increase</i>	0
	<i>other change</i>	18
<b>IV.</b>	<b>Change in cash and cash equivalents (±I±II±III.) ±</b>	<b>329</b>

Schedule 66. : Cash-flow statements based on the railtrack GL

The profit and loss account of the railtrack operations activity is presented below:

figures in THUF

<i>Line</i>	<i>Item</i>	<i>Basis</i>	<i>Reporting year</i>
1	Net sales	33 862 874	70 508 368
	tickets	33 862 874	70 508 368
	subsidy (compensation)	0	0
	paid by government	0	0
2	Internal revenues	69 323 670	42 613 824
3	Capitalised own performance	-1 067	-4 664
4	Other revenues	2 569 325	28 084 032
	gov. refund	0	24 402 528
	gov. subsidy	1 012 478	352 175
<b>5</b>	<b>TOTAL BUSINESS YIELD</b>	<b>105 754 802</b>	<b>141 201 560</b>
6	Material-type expenditures	24 662 099	27 280 715
	track network access charge	0	0
7	Internal expenses	33 900 410	28 581 402
	track network access charge	0	0
	traction	6 692 070	7 805 925
	other railway services	322 111	718 770
	central services	10 255 289	11 959 926
	central administration	16 630 940	8 096 781
8	Payments to personnel	51 135 215	54 765 365
9	Depreciation	20 738 173	21 743 486
10	Other expenses	5 710 775	12 564 413
<b>11</b>	<b>TOTAL</b>	<b>136 146 672</b>	<b>144 935 381</b>
<b>12</b>	<b>OPERATING LOSS</b>	<b>-30 391 870</b>	<b>-3 733 821</b>
13	Financial income	1 184 280	532 758
14	Financial expenses	4 463 390	4 880 339
<b>15</b>	<b>FINANCIAL LOSS</b>	<b>-3 279 110</b>	<b>-4 347 581</b>
16	Extraordinary revenues	666 474	874 540
	gov. subsidy	382 189	619 996
17	Extraordinary expenditures	96 907	10 736
<b>18</b>	<b>EXTRAORDINARY PROFIT</b>	<b>569 567</b>	<b>863 804</b>
19	Tax	0	0
<b>20</b>	<b>LOSS AFTER TAX</b>	<b>-33 101 413</b>	<b>-7 217 598</b>

Schedule 67. : P&L of the railtrack operations division

The substance of railway network operations was different in 2006 and in 2007. On the one hand, track access services governed by the HÜSZ changed:

Loading was under the HÜSZ in 2006, but was no longer a railway network operations activity in 2007,

Since July 2007, non-public area light railway use is no longer governed by HÜSZ and thus the related internal fee also changed.

On the other hand, track use for own purposes are now considered as part of railway network operations – in 2006, it was classified as other activity.

Railway network operations had a loss of HUF 33.1 billion in 2006, which was reduced to a HUF 7.2 billion loss in 2007 as a result of the public service subsidy of HUF 24.2 billion.

Net sales in 2007 were mostly from access fees paid by MÁV Cargo Zrt. and private railway companies and, since 1 July 2007, by MÁV-START Zrt. (HUF billions):

<b>Debtor</b>	<b>2006</b>	<b>2007</b>
MÁV-START Zrt.	0	38,8
MÁV Cargo Zrt.	32,6	29,5
Magánvasutak	1,2	1,6
<b>Total</b>	<b>33,8</b>	<b>69,9</b>

Schedule 68. : Revenues from track access charges

The increase in sales on 2006 was due to fees charged on MÁV-START Zrt. The change in the classification of loading (HUF 2.1b in 2006), reduced the access fee charged onto MÁV Cargo Zrt. The rest of the decrease is due to three factors: (1) Private rail cargo companies gained a bigger market share, which, in turn, slightly reduced MÁV Cargo Zrt's market share; (2) the volume of farming cargos (mainly sugar beet) was far less than in 2006; and (3) recession of Hungary's economy (e.g. motorway projects were halted) reduced the output of the cargo business.

The increase in access revenues from private railway companies is due to the fact that private railway companies gained larger market shares.

Of internal revenues for 2007, HUF 40.3 billion relates to the passenger transport division and incurred mostly in the first half of 2007. Since the establishment of MÁV-START Zrt., track access charges received with respect to public tracks are recorded in net sales. Revenues from track access charges for both halves of the year (HUF 79.1 billion) shown an increase compared to internal revenues in 2006 (HUF 67.3 billion). The expanded train schedule increased internal revenues from track access charges and also includes the recognised cancellation expense related to train service cancellation charges totalling HUF 2.9 billion in the second half of 2007 in connection with the outsourced passenger transport activity.

In 2007, access charged for engineering trains generated an internal revenue of HUF 2.1 billion, and regional track use generated HUF 0.2 billion.

Other revenues include railtrack operation costs were subsidised by HUF 24.4 billion (the first such year was 2007).

In 2006, subsidies included HUF 0.5 billion for flood damage and HUF 0.5 billion for redundancies. In 2007, HUF 0.4 billion was received for floods.

In addition to subsidies, the main component of other revenues was HUF 2.0 billion released provision for redundancies and HUF 0.7 billion released provision for demolition costs. Damages received for various damage cases totalled HUF 0.3 billion.

Material-type expenditures include expenses attributable to track operations and maintenance: maintenance of track serving structures and high voltage equipment by third parties (HUF 11.6b); use of electric equipment installed and operated by Viacom Zrt. on the concession lines (HUF 3.2b); maintenance and fuel costs (HUF 2b); heating fuel and energy costs HUF 2.7b); various material-type costs including shipment, pesticides, track welding, maintenance and rent of track operating equipment etc. (HUF 4.7b), and non-material type services (IT services, security, track diagnostics etc.) (nearly HUF 3.1b).



Most of the increase was nearly HUF 1.6 billion in third party track maintenance costs. The increase is justified by the fact that of the overall track length of nearly 8,000 kms, nearly 3,000 kms are under constant speed limit and temporary speed limits also affect hundreds of kilometres. Owing to the increase on 2006, we not only managed to reverse the previous poor service quality but managed to achieve some improvement, which fact is also reflected in our increased ability to keep to the schedule.

Internal expenses include the cost of shunting services supplied by the engineering division, which increased by HUF 1.1 billion on 2006. Shunting/yarding-in is used to ensure train availability at the stations announced in the HÜSZ for railway companies that order the trains. The engineering division increased its tariffs since 2006. The significant price increase increased out costs especially at places where no continuous service is available and one-off demands had to be met – which, in turn, increased the related track operation costs.

Central services in 2007 included property management and supervision (HUF 7.9b), human services used per number of staff (HUF 1.6b) materials and inventories (HUF 0.8b), administration (HUF 0.8b) and accounting (HUF 0.9b). The HUF 1.7 billion increase in property management and supervision was the major increasing factor in central service costs. At the same time, the central costs attributable to railtrack operations significantly fell as central management costs had improved overall – thus internal expenses dropped by a total of HUF 5.3 billion.

Payments to personnel increased by nearly HUF 3.6 billion on the previous year. In addition to the payroll increases, the increase was also due to the following: further to the Labour Code, employees with unused annual vacation related to previous years had to be let on leave by September 2007, and this increased the related expenses (by HUF 2.2b); redundancy costs also increased (by HUF 1.2b) and loading was posted to other activities (HUF – 0.8b).

Depreciation charge increased by nearly HUF 1.2 billion due to treasury projects capitalised earlier and in 2007. However, the depreciation of own assets dropped by HUF 0.2 billion due to scrapping and lack of replacement due to insufficient funds.

The main components of other expenses in 2007: provisions for the disassembly of track management assets (HUF 3.4b) and the maintenance of track management assets (HUF 2.6b); provision for early retirement and severance pay (HUF 2b); restoration of treasury assets after damages and force majeure (HUF 1.7b); impairment of assets and AICC (HUF 1b). The increase on 2006 is due to increased provisions related to railway assets: in relation to the track reconstruction project, as approved by the government, the rehabilitation of the adjacent buildings have also become paramount. The provision has been made to cover the expenses of renewing the long derelict buildings and structures along the tracks and at stations.

Financial loss increased from HUF 3.3 billion to HUF 4.3 billion as a result of reduced financial revenues and increased financial expenses. The FX gains on other liabilities dropped from HUF 1.1 billion to HUF 0.4 billion as the EUR/HUF rate was less volatile in 2007. The increase in financial expenses was due to increased loan interests.

**Overall**, the losses that would have otherwise been suffered by the track operations activity were materially reduced by the fact that subsidies became available also for this activity further to government decree 244/2007.(IX.25.) Korm. Sales and internal revenues from this activity do not cover the incurring expenses.

Related party balances of the railtrack operations activity are presented on schedule 68.



figures in MHUF

Related party	Revenues			Expenditures			Grand total
	Net sales	Other rev.	Total	Costs	Other expenses	Total	
005 MÁVTI Kft	0	0	0	0	0	0	0
006 MÁV Hidépitő Kft	0	0	0	0	12	12	-12
015 MÁV Nosztalgia Kft	7	0	7	0	0	0	7
016 MÁV Jegynyomda Kft	0	0	0	0	0	0	0
020 MÁV VAGON Kft	1	0	1	0	0	0	1
022 MÁV Vasjármű Kft	0	0	0	102	0	102	-102
023 MÁV TISZAVAS Kft	0	0	0	162	0	162	-162
027 Bombardier MÁV Kft	11	0	11	0	0	0	11
028 MÁV Szolnoki JJ Kft	4	0	4	0	0	0	4
031 ÉSZAK-TRANS Kft	0	0	0	0	0	0	0
033 MÁV Északi JJ Kft	2	0	2	4	0	4	-2
034 MÁV Debreceni JJ Kft	5	0	5	0	0	0	5
037 VAMAV Kft	3	0	3	0	0	0	3
040 TRANSFER-R Kft	0	0	0	0	0	0	0
096 MÁV KERT Kft	1	0	1	188	61	249	-248
097 MÁV ÉK Kft Szeged	0	0	0	0	0	0	0
101 MÁV FKG Kft	71	6	77	3,191	184	3,375	-3,298
102 MÁV GÉP Kft	104	12	116	2,498	371	2,869	-2,753
111 Agrochimtranspack Kft	1	0	1	0	0	0	1
113 MÁV Intel - Team Kft	0	0	0	12	0	12	-12
116 MÁV THERMIT Kft	0	0	0	531	88	619	-619
130 MÁV RakSzer Kft	0	0	0	9	0	9	-9
131 MÁV KfV Kft	1	0	1	38	0	38	-37
132 MÁVSÍN Kft	0	0	0	0	0	0	0
136 MÁV IK Kft	0	1	1	1,733	343	2,076	-2,075
138 MÁV INFORMATIKA Kft	0	0	0	952	0	952	-952
139 MÁV Vasútor Kft	0	3	3	565	0	565	-562
141 VIACOM Rt	0	0	0	3,130	0	3,130	-3,130
142 MÁV MULTISZOLG Kft	0	0	0	78	0	78	-78
152 MÁV Raktár Kft	0	0	0	149	0	149	-149
165 MÁV REC Kft.	7	0	7	0	0	0	7
174 MÁV Hotels Rt.	0	0	0	3	0	3	-3
176 MÁV Cargo ZRt.	29,594	0	29,594	147	5	152	29,442
179 ZÁHONY-PORT Zrt.	0	5	5	6	0	6	-1
180 MÁV-START Zrt.	38,826	153	38,979	2	0	2	38,977
<b>Grand total</b>	<b>68,638</b>	<b>180</b>	<b>68,818</b>	<b>13,500</b>	<b>1,064</b>	<b>14,564</b>	<b>54,254</b>

Schedule 69. : Related party balances – railtrack operations

## II.6.2 Passenger transport, including public transport

The balance sheet prepared based on the GL of the passenger transport activity (including the GL of the light railway activity) is set out schedules 70 and 71, the related profit and loss account is in schedule 72 and the related cash flow statement is in schedule 73.

		figures in MHUF		
Line	Item	2006.12.31	2007.12.31	Change
<b>01</b>	<b>A. FIXED ASSETS</b>	<b>120,392</b>	<b>653</b>	<b>-119,739</b>
<b>02</b>	<b>I. INTANGIBLE ASSETS</b>	<b>529</b>	<b>370</b>	<b>-159</b>
03	Capitalised foundation/restructuring	0	0	0
04	Capitalised research and development	0	0	0
05	Concessions, licenses and similar rights	167	0	-167
06	Trade-marks, patents and similar assets	362	370	8
07	Goodwill	0	0	0
08	Advance payments for intangible assets	0	0	0
09	Adjusted value of intangible assets	0	0	0
<b>10</b>	<b>II. TANGIBLE ASSETS</b>	<b>119,548</b>	<b>283</b>	<b>-119,265</b>
11	Land and buildings and related property rights	42	0	-42
12	Plant, machinery, equipment and vehicles	98,204	0	-98,204
13	Other equipment, fixtures and fittings, vehicles	56	0	-56
14	Breeding stock	0	0	0
15	Assets in the course of construction	4,929	54	-4,875
16	Advance payments for AICC	16,317	229	-16,088
17	Adjusted value of tangible assets	0	0	0
<b>18</b>	<b>III. LONG-TERM FINANCIAL ASSETS</b>	<b>315</b>	<b>0</b>	<b>-315</b>
19	Long-term participations in related parties	0	0	0
20	Long-term loans granted to related parties	0	0	0
21	Other long-term investments	0	0	0
22	Long-term loans granted to other investments	0	0	0
23	Other long-term loans granted	315	0	-315
24	Long-term debt securities	0	0	0
25	Adjusted value of financial investments	0	0	0
<b>26</b>	<b>B. Current assets</b>	<b>3,065</b>	<b>1,398</b>	<b>-1,667</b>
<b>27</b>	<b>I. INVENTORIES</b>	<b>63</b>	<b>9</b>	<b>-54</b>
28	Raw materials and consumables	61	9	-52
29	Work in progress and semi-finished products	0	0	0
30	Animals for breeding, fattening and other livestock	0	0	0
31	Finished products	0	0	0
32	Goods	2	0	-2
33	Advance payments for stocks	0	0	0
<b>34</b>	<b>II. RECEIVABLES</b>	<b>2,628</b>	<b>1,388</b>	<b>-1,240</b>
35	Trade debtors	796	211	-585
36	Receivables from related parties	11	1,041	1,030
37	Receivables from other investments	0	0	0
38	Bills of exchange receivables	0	0	0
39	Other receivables	1,821	136	-1,685
39/A.	Receivables from division settlements	0	0	0
<b>40</b>	<b>III. SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
41	Participations in related parties	0	0	0
42	Other participations	0	0	0
43	Treasury shares and own participation	0	0	0
44	Marketable debt securities	0	0	0
<b>45</b>	<b>IV. LIQUID ASSETS</b>	<b>374</b>	<b>1</b>	<b>-373</b>
46	Cash, cheques	53	0	-53
47	Bank deposits	321	1	-320
<b>48</b>	<b>C. PREPAID EXPENSES &amp; ACCRUED INCOME</b>	<b>13,963</b>	<b>2,118</b>	<b>-11,845</b>
49	Accrued income	12,881	2,118	-10,763
50	Prepaid expenses	10	0	-10
51	Deferred expenses	1,072	0	-1,072
<b>52</b>	<b>TOTAL ASSETS</b>	<b>137,420</b>	<b>4,169</b>	<b>-133,251</b>

Schedule 70. : Asset side of the BS based on the passenger transport GL

figures in MHUF				
Line	Item	2006.12.31	2007.12.31	Change
<b>53.</b>	<b>D. EQUITY (54.+...61.)</b>	<b>-109,777</b>	<b>-73,083</b>	<b>36,694</b>
54.	I. ISSUED CAPITAL	16,617	4,365	-12,252
	of which: treasury shares redeemed at face value	0	0	0
55	II. Issued capital not paid (-)/	0	0	0
56	III. Capital reserve	0	39,462	39,462
57	IV. Retained earnings/(losses)	-87,209	-114,683	-27,474
58	V. Allocated reserves	600	0	-600
59	VI. Revaluation reserve	0	0	0
60	VII. Profit or loss for the year	-39,785	-2,227	37,558
<b>61</b>	<b>E. PROVISIONS (62.+...65.)</b>	<b>1,349</b>	<b>0</b>	<b>-1,349</b>
62	Provisions for contingent liabilities	878	0	-878
63	Provisions for future commitments	0	0	0
64	Other provisions	471	0	-471
<b>65</b>	<b>F. LIABILITIES (67.+71.+80.)</b>	<b>213,883</b>	<b>74,601</b>	<b>-139,282</b>
<b>66</b>	<b>I. SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>	<b>0</b>
67	Subordinated debts to related parties	0	0	0
68	Subordinated debts to other investments	0	0	0
69	Subordinated debts to third parties	0	0	0
<b>70</b>	<b>II. LONG-TERM LIABILITIES (72.+...79.)</b>	<b>178,635</b>	<b>1</b>	<b>-178,634</b>
71	Long-term borrowings	0	0	0
72	Convertible bonds	0	0	0
73	Debts from the issue of bonds	0	0	0
74	Investment and development loans	49,118	0	-49,118
75	Other long-term loans	127,850	0	-127,850
76	Long-term debts to related parties	0	0	0
77	Long-term debts to other investments	0	0	0
78	Other long-term liabilities	1,667	1	-1,666
<b>79</b>	<b>III. CURRENT LIABILITIES (81-89)</b>	<b>35,248</b>	<b>74,600</b>	<b>39,352</b>
80	Short-term borrowings	0	0	0
81	- of which: convertible bonds	0	0	0
82	Other short-term loans	24,016	0	-24,016
83	Prepayments received from debtors	8	9	1
84	Creditors	2,029	266	-1,763
85	Bills of exchange payable	0	0	0
86	Short-term debts to related parties	3,203	99	-3,104
87	Short-term debts to other investments	0	0	0
88	Other current liabilities	2,041	33	-2,008
88/A.	Amounts payable to divisions	3,951	74,193	70,242
<b>89</b>	<b>G. ACCRUED EXPENSES AND DEFERRED INCOME (91.+.</b>	<b>31,965</b>	<b>2,651</b>	<b>-29,314</b>
90	Deferred income	7	594	587
91	Accrued expenses	5,895	2,057	-3,838
92	Deferred extraordinary revenues and negative goodwill	26,063	0	-26,063
<b>93</b>	<b>EQUITY &amp; LIABILITIES. (53.+61.+66.+90.)</b>	<b>137,420</b>	<b>4,169</b>	<b>-133,251</b>

Schedule 71. : Equity & liabilities side of the BS based on the passenger transport GL

figures in MHUF

Item	Passenger		of which: public transport		Other		Total	
	prior year	rep. Year	prior year	rep. Year	prior year	rep. Year	prior year	rep. Year
Domestic sales, net	130 917	27 953	129 401	27 387	398	268	131 315	28 221
Export sales, net	8 844	4 015	0	0	0	0	8 844	4 015
<b>Sales, net (01.+02.)</b>	<b>139 761</b>	<b>31 968</b>	<b>129 401</b>	<b>27 387</b>	<b>398</b>	<b>268</b>	<b>140 159</b>	<b>32 236</b>
Internal revenues from passenger transport	125	11	0	0	1	0	126	11
Internal revenues from engineering services	0	0	0	0	0	0	0	0
Internal revenues from central services	0	0	0	0	0	0	0	0
Internal revenues from railtrack services	0	0	0	0	0	0	0	0
Revenues from direct internal services	0	0	0	0	16	0	16	0
Revenues from central administration and property management	0	0	0	0	0	0	0	0
<b>Internal revenues: (I/A 1+I/A 2+I/A 3+I/A 4+I/A 5)</b>	<b>125</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>142</b>	<b>11</b>
Changes in self-produced inventories	0	0	0	0	0	0	0	0
Capitalised self-produced inventories	0	0	0	0	198	196	198	196
<b>Capitales self-performance (03.+04.)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>198</b>	<b>196</b>	<b>198</b>	<b>196</b>
<b>Other revenues</b>	<b>2 566</b>	<b>72 956</b>	<b>2 103</b>	<b>72 771</b>	<b>15</b>	<b>3</b>	<b>2 581</b>	<b>72 959</b>
of which: reversed impairment loss (962,1-962,2)		0		0		0		0
<b>Operating yields (I+I/A +II+III)</b>	<b>142 452</b>	<b>104 935</b>	<b>131 504</b>	<b>100 158</b>	<b>628</b>	<b>467</b>	<b>143 080</b>	<b>105 402</b>
Materials	948	565	790	470	14	2	962	567
Services used	16 734	9 248	10 730	6 257	150	30	16 884	9 278
Other services	262	234	206	215	2	0	264	234
COGS	0	0	0	0	47	7	47	7
Consignment services	279	770	247	537	12	9	291	779
<b>Material-type expenditures (05.+06.+07.+08.+09.)</b>	<b>18 223</b>	<b>10 817</b>	<b>11 973</b>	<b>7 479</b>	<b>225</b>	<b>48</b>	<b>18 448</b>	<b>10 865</b>
Internal costs of passenger transport	0	0	0	0	0	0	0	0
Internal costs of engineering services	53 679	32 519	50 209	31 327	0	0	53 679	32 519
Internal costs of central services	2 580	1 114	2 119	928	16	3	2 596	1 117
Internal costs of railtrack services	67 261	40 815	65 955	40 158	0	0	67 261	40 815
Costs of direct internal services	32	53	25	48	197	196	229	249
Costs of central administration and property management	8 738	1 932	6 873	1 547	58	6	8 796	1 938
<b>Internal expenditures: (IV/A 1+IV/A 2+IV/A 3+IV/A 4+IV/A 5+IV/A 6)</b>	<b>132 290</b>	<b>76 433</b>	<b>125 181</b>	<b>74 008</b>	<b>271</b>	<b>205</b>	<b>132 561</b>	<b>76 638</b>
Payroll costs	10 808	5 969	9 201	5 164	31	7	10 839	5 976
Other payments to personnel	1 986	1 135	1 562	908	13	8	1 999	1 143
Social security	3 839	2 096	3 285	1 791	9	3	3 848	2 099
<b>Payments to personnel (10.+11.+12.)</b>	<b>16 633</b>	<b>9 200</b>	<b>14 048</b>	<b>7 863</b>	<b>53</b>	<b>18</b>	<b>16 686</b>	<b>9 218</b>
<b>Depreciation</b>	<b>6 944</b>	<b>3 557</b>	<b>6 859</b>	<b>3 525</b>	<b>3</b>	<b>0</b>	<b>6 947</b>	<b>3 557</b>
<b>Other expenditures</b>	<b>1 571</b>	<b>1 814</b>	<b>1 437</b>	<b>1 774</b>	<b>5</b>	<b>1</b>	<b>1 576</b>	<b>1 815</b>
of which: impairment loss (862)		27		23		0		27
<b>Operating expenses: (IV+IV/A+V+VI+VII)</b>	<b>175 661</b>	<b>101 821</b>	<b>159 498</b>	<b>94 649</b>	<b>557</b>	<b>272</b>	<b>176 218</b>	<b>102 093</b>
<b>OPERATING LOSS</b>	<b>-33 209</b>	<b>3 114</b>	<b>-27 994</b>	<b>5 509</b>	<b>71</b>	<b>195</b>	<b>-33 138</b>	<b>3 309</b>
Dividends received		0		0		0	0	0
from related parties		0		0		0	0	0
Gains on share disposals		0		0		0	0	0
from related parties		0		0		0	0	0
Interest and FX gains on fixed assets		0		0		0	0	0
from related parties		0		0		0	0	0
Interest received and similar income		2		2		0	444	2
from related parties		0		0		0	0	0
Other financial income		194		155		1	1 927	195
<b>Financial revenues (13.+14.+15.+16.+17.)</b>	<b>2 355</b>	<b>196</b>	<b>1 853</b>	<b>157</b>	<b>16</b>	<b>1</b>	<b>2 371</b>	<b>197</b>
FX losses on fixed assets		0		0		0	0	0
to related parties		0		0		0	0	0
Interest paid and similar charges		6 557		6 557		0	10 053	6 557
to related parties		0		0		0	0	0
Impairment loss on shares and securities		0		0		0	0	0
Other financial expenses		422		338		1	1 507	423
<b>Financial expenses (18.+19.+20.+21.)</b>	<b>11 550</b>	<b>6 979</b>	<b>11 231</b>	<b>6 895</b>	<b>10</b>	<b>1</b>	<b>11 560</b>	<b>6 980</b>
<b>FINANCIAL LOSS (VIII-IX)</b>	<b>-9 195</b>	<b>-6 783</b>	<b>-9 378</b>	<b>-6 738</b>	<b>6</b>	<b>0</b>	<b>-9 189</b>	<b>-6 783</b>
<b>LOSS ON ORDINARY ACTIVITIES (A+B)</b>	<b>-42 404</b>	<b>-3 669</b>	<b>-37 372</b>	<b>-1 229</b>	<b>77</b>	<b>195</b>	<b>-42 327</b>	<b>-3 474</b>
Extraordinary revenues	2 542	1 247	2 517	1 230	0	0	2 542	1 247
Extraordinary expenditures	0	0	0	0	0	0	0	0
<b>EXTRAORDINARY PROFIT (X-XI)</b>	<b>2 542</b>	<b>1 247</b>	<b>2 517</b>	<b>1 230</b>	<b>0</b>	<b>0</b>	<b>2 542</b>	<b>1 247</b>
<b>PRE-TAX LOSS (C+D)</b>	<b>-39 862</b>	<b>-2 422</b>	<b>-34 855</b>	<b>1</b>	<b>77</b>	<b>195</b>	<b>-39 785</b>	<b>-2 227</b>
TAX PAYABLE	0	0	0	0	0	0	0	0
<b>LOSS AFTER TAX (E-XII)</b>	<b>-39 862</b>	<b>-2 422</b>	<b>-34 855</b>	<b>1</b>	<b>77</b>	<b>195</b>	<b>-39 785</b>	<b>-2 227</b>
Dividends paid from retained earnings	0	0	0	0	0	0	0	0
Dividends (paid) approved	0	0	0	0	0	0	0	0
<b>LOSS FOR THE YEAR (F+22.-23.)</b>	<b>-39 862</b>	<b>-2 422</b>	<b>-34 855</b>	<b>1</b>	<b>77</b>	<b>195</b>	<b>-39 785</b>	<b>-2 227</b>

Schedule 72. : P&amp;L based on the passenger transport GL

figures in MHUF

No.	Item	2006	2007
<b>I.</b>	<b>Operating cash flows, 1-14. )</b>	<b>-54,521</b>	<b>46,915</b>
1.	Pre-tax profit ±	-39,896	-2,290
	amounts received free of charge	111	63
	amounts given free of charge (expensed)	0	0
	dividends received	0	0
1/a	Previous year's profit/loss	0	-151
2.	Depreciation charge +	6,947	3,557
3.	Impairment loss +	379	254
3/a	Reversed impairment loss	0	-3
4.	Difference between provisions made and released +	-736	-1,349
5.	Gains on fixed asset disposals +	-5	-273
6.	Movements in creditors +	-773	-1,763
7.	Movements in current liabilities +	2,817	-5,041
8.	Movements in accruals +	584	-29,314
9.	Movements in debtors +	114	579
10.	Current asset movements (less debtors and liquid assets) +	6,511	680
	inventory increase	-5	54
	taxes reclaimed	7,358	931
	securities held for re-sales	0	0
	other receivables (less taxes and similar)	-842	-305
10/a	Change in division settlement balances	-23,715	70,184
11.	Movements in prepayments and accrued income +	-6,748	11,845
12.	Income taxes paid (payable) -	0	0
13.	Dividends and profit-sharing paid or payable -	0	0
<b>II.</b>	<b>Investing cash flows (15-18.)</b>	<b>-25,253</b>	<b>115,924</b>
14.	Fixed asset acquisition -	-10,322	114,535
15.	Fixed asset disposal +	120	1,453
16.	Change in advances for capital projects ±	-15,051	-64
17.	Dividends and profit-sharing received +	0	0
<b>III.</b>	<b>Financing cash flows (19-28)</b>	<b>79,834</b>	<b>-163,212</b>
18.	Revenues from the issue or redemption of shares +	0	39,673
19.	Revenues from the issue of bonds and debt securities +	0	0
20.	Borrowings +	112,856	0
21.	Repayment of loans +	202	315
22.	Amounts received free of charge +	111	63
23.	Change in capital	-10,323	-601
	previous years' profit/loss	-760	0
24.	Redemption of shares, capital reduction -	0	0
25.	Bond repayment -	0	0
26.	Loan repayment -	-24,667	-200,984
27.	Assets transferred free of charge -	0	0
28.	Movements in payable to founders and in other long-term liabilities +	1,656	-1,678
	treasury funds account	-12	0
	financial lease	1,871	-1,871
	unregistered capital increase	0	0
	other change	1,668	193
<b>IV.</b>	<b>Change in cash and cash equivalents (±I±II±III.) ±</b>	<b>60</b>	<b>-373</b>

Schedule 73. : Cash-flow statement based on the passenger transport GL

The profit and loss account of the passenger transport activity is set out below:

figures in THUF

<i>Line</i>	<i>Item</i>	<i>Basis</i>	<i>Adjusted* basis</i>	<i>Reporting year</i>
1	Net sales	139,761,692	65,354,972	31,967,538
	tickets	41,049,022	41,049,022	21,286,084
	subsidy (compensation)	24,305,950	24,305,950	10,681,454
	paid by government	74,406,720	0	0
2	Internal revenues	125,288	125,288	11,174
3	Capitalised own performance	-2	-2	0
4	Other revenues	2,565,830	76,972,550	72,956,662
	gov. refund	0	74,406,720	70,006,722
	gov. subsidy	1,268,480	1,268,480	549,362
<b>5</b>	<b>TOTAL BUSINESS YIELD</b>	<b>142,452,808</b>	<b>142,452,808</b>	<b>104,935,374</b>
6	Material-type expenditures	18,222,986	18,222,986	10,816,802
	track network access charge	0	0	0
7	Internal expenses	132,290,371	132,290,371	76,432,813
	track network access charge	67,014,371	67,014,371	40,452,674
	traction	42,717,703	42,717,703	26,116,715
	other railway services	11,240,621	11,240,621	6,817,418
	central services	2,580,497	2,580,497	1,114,037
	central administration	8,737,179	8,737,179	1,931,969
8	Payments to personnel	16,632,740	16,632,740	9,200,170
9	Depreciation	6,944,455	6,944,455	3,556,199
10	Other expenses	1,571,271	1,571,271	1,814,351
<b>11</b>	<b>TOTAL</b>	<b>175,661,823</b>	<b>175,661,823</b>	<b>101,820,335</b>
<b>12</b>	<b>OPERATING LOSS</b>	<b>-33,209,015</b>	<b>-33,209,015</b>	<b>3,115,039</b>
13	Financial income	2,355,613	2,355,613	196,583
14	Financial expenses	11,550,390	11,550,390	6,979,878
<b>15</b>	<b>FINANCIAL LOSS</b>	<b>-9,194,777</b>	<b>-9,194,777</b>	<b>-6,783,295</b>
16	Extraordinary revenues	2,542,448	2,542,448	1,246,979
	gov. subsidy	114,886	114,886	1,163,197
17	Extraordinary expenditures	386	386	0
<b>18</b>	<b>EXTRAORDINARY PROFIT</b>	<b>2,542,062</b>	<b>2,542,062</b>	<b>1,246,979</b>
19	Tax	0	0	0
<b>20</b>	<b>LOSS AFTER TAX</b>	<b>-39,861,730</b>	<b>-39,861,730</b>	<b>-2,421,277</b>

#### Schedule 74.: Passenger transport P&L

\* Subsidy for public transport services was recognised as internal net sales revenues. In 2007, further to the position of the Finance Ministry, it was recoded among other revenues. At the adjusted base year figures, we posted HUF 74,406,720 from line 1 to line 4.

In 2006 and in the first half of 2007, MÁV Zrt. supplied nationwide passenger transport services, which was outsourced to MÁV-START Zrt. as of 1 July 2007. As of August, MÁV Zrt. carried on with regional passenger transport services on regional railway networks as licensed by MVH and approved by the Ministry for Economy and Transport.

The losses from passenger transport reduced from HUF 39.9 billion in 2006 to HUF 2.4 billion in 2007 due to subsidies received based on the national budget act 2007 and government decree 244/2007.(IX.25.) for public passenger transport services. The loss for 2007 is from non-public service passenger transport (mainly international operations).

The profit from passenger services for 2007, compared to the supervisory report for the third quarter:

- does not include the release of deferred forgiven debts owed to the government in relation to vehicles contributed to MÁV-START Zrt.,

- includes the recognised internal expense related to the train service cancellation charges totalling HUF 2.9 billion in the second half of 2007 in connection with the outsourced passenger transport activity,

- subsidies received for public transport services also increased in line with the above.

Net sales revenues from passenger transport in 2007 (ticket sales and ticket compensation) are the half of the comparative information for 2006 due to the outsourced activity as of the second half of 2007. Two thirds of net sales revenues in 2007 are from ticket sales, while one third is from ticket compensation. In the first half of 2007, MÁV Zrt. served 57.6 million paying passengers, totalling HUF 16.7 billion inland and HUF 2.6 billion international sales (journey tickets, seat tickets and couchette tickets). Another significant item is HUF 1.9 billion from wagon use charge on international railway companies.

Other revenues include primarily government subsidy in relation to public services (HUF 70 billion in 2007). In contrast to the HUF 74.4. billion other revenues in 2006, the HUF 70 billion received to compensate for losses on public services made it possible to avoid having to report losses on passenger transport in 2007. Further HUF 0.5 billion subsidy was recognised with respect to all-inclusive public transport travelcards in greater Budapest.

Besides government subsidies and grants, other revenues also include HUF 0.7 billion from asset disposals to MÁV-START Zrt. (portable and other ticket printing machines and the related software, other machinery, equipment and fittings), HUF 0.7 billion from the re-sale of motor coaches purchased and HUF 0.9 billion of redundancy provision released.

The effect of the outsourced activity is apparent in the majority of both revenues and expenditures compared to 2006.

The main items of material-type expenditures include:

- third party maintenance (HUF 4.5 billion)

- RIC usage charge (HUF 1.9 billion)

- cleaning (HUF 1.1 billion)

of passenger wagons.

Internal expenditures include mostly the cost of internal services used by passenger transport in the first half of 2007.

Internal expenditures did not drop as expected after the outsourcing of the activity to MÁV-START Zrt due to HUF 2.9 billion of track demand cancellation charge with respect to passenger trains provided as a public service in the second half of 2007.

Other railway services used include internal maintenance costs (HUF 4.1 billion) and internal wagon testing costs (HUF 2 billion). Central services include human services (HUF 0.4 billion) accounting services (HUF 0.2 billion) and property maintenance costs apportioned to public services based on the use of properties by passenger transport serving staff (HUF 0.3 billion).

Payments to personnel include the crew on passenger trains (HUF 3.1b), station staff (ticket office, information, wagon wash, conductors etc.) (HUF 2.3 billion), service control (HUF 0.3b),

as well as training and other inactive time, leavers and payments based on the statutory labour contracts (HUF 2.7b).

Depreciation charge of HUF 3.4 billion includes the depreciation of passenger transport trains (electric motor coaches, diesel motor coaches and passenger wagons).

The typical components of financial expenditures include interest on liquid loans to cover public service losses (HUF 5.1b) and passenger wagon purchases (HUF 1.3b) for the first half of 2007.

Of the deferred debts forgiven by the government, the release of the accrued amount in line with the depreciation of the related assets in the first half of 2007 resulted in extraordinary revenues of HUF 1.1 billion. In previous years, MÁV Zrt. received grants from the Environmental Fund which have been deferred.

The figures of the public passenger transport services division are presented below in THUFs:

figures in THUF

<i>Line</i>	<i>Item</i>	<i>Basis</i>	<i>Adjusted* basis</i>	<i>Reporting year</i>
1	Net sales	129 400 776	54 994 056	27 386 533
	tickets	30 688 106	30 688 106	16 705 079
	subsidy (compensation)	24 305 950	24 305 951	10 681 454
	paid by government	74 406 720	0	0
2	Internal revenues	0	0	0
3	Capitalised own performance	-2	-2	0
4	Other revenues	2 102 963	76 509 683	72 770 868
	gov. refund	0	74 406 720	70 006 722
	gov. subsidy	997 772	997 772	549 301
<b>5</b>	<b>TOTAL BUSINESS YIELD</b>	<b>131 503 737</b>	<b>131 503 737</b>	<b>100 157 401</b>
6	Material-type expenditures	11 972 522	11 972 522	7 479 043
	track network access charge	0	0	0
7	Internal expenses	125 180 706	125 180 706	74 008 839
	track network access charge	65 707 853	65 707 853	39 795 795
	traction	40 132 493	40 132 493	25 353 061
	other railway services	10 348 984	10 348 984	6 384 662
	central services	2 118 803	2 118 803	928 397
	central administration	6 872 572	6 872 572	1 546 924
8	Payments to personnel	14 047 503	14 047 503	7 862 787
9	Depreciation	6 859 382	6 859 382	3 524 759
10	Other expenses	1 436 975	1 436 975	1 774 042
<b>11</b>	<b>TOTAL</b>	<b>159 497 088</b>	<b>159 497 088</b>	<b>94 649 470</b>
<b>12</b>	<b>OPERATING LOSS</b>	<b>-27 993 351</b>	<b>-27 993 351</b>	<b>5 507 931</b>
13	Financial income	1 852 900	1 852 900	157 269
14	Financial expenses	11 230 855	11 230 855	6 895 424
<b>15</b>	<b>FINANCIAL LOSS</b>	<b>-9 377 955</b>	<b>-9 377 955</b>	<b>-6 738 155</b>
16	Extraordinary revenues	2 517 149	2 517 149	1 230 224
	gov. subsidy	91 333	91 333	1 163 197
17	Extraordinary expenditures	304	304	0
<b>18</b>	<b>EXTRAORDINARY PROFIT</b>	<b>2 516 845</b>	<b>2 516 845</b>	<b>1 230 224</b>
19	Tax	0	0	0
<b>20</b>	<b>LOSS AFTER TAX</b>	<b>-34 854 461</b>	<b>-34 854 461</b>	<b>0</b>

Schedule 75. : P&L of the public service activity



\* Subsidy for public transport services was recognised as internal net sales revenues. In 2007, further to the position of the Finance Ministry, it was recorded among other revenues. At the adjusted base year figures, we posted HUF 74,406,720 from line 1 to line 4.

In the first half of 2007, MÁV Zrt. provided passenger transport services as a public service. This activity was outsourced to MÁV-START Zrt. as of 1 July 2007. In the third quarter of 2007, after obtaining regional licence from MVH and approval of the Ministry for Economy and Transport (GKM), the Company provided regional public transport services on regional tracks.

In 2006, passenger transport as a public service produced a loss of HUF 34.8 billion but reached break even point in 2007 due to the fact that subsidies received for passenger transport and for track network management were largely used to cover expenses attributable to passenger transport (as neither the central budget act nor the applicable government decree No. 244/2007.(IX.25.) defines the purposes for which the two types of subsidy should be used).

The components of the profit or loss from passenger transport are the differences presented under passenger transport as compared to the report sent to the supervision on the third quarter.

The effect of the outsourced activity is apparent in the majority of both revenues and expenditures compared to 2006.

61% of the net sales revenue from passenger transport in 2007 is from ticket sales and more than one third is subsidy (government compensation). The main element of sales revenues is HUF 16.7 billion of domestic ticket and seat ticket sales to passengers on trains run as public service. The regional trains, run exclusively as public passenger service, generated ticket revenues of HUF 0.04 billion in the second half of the year along with related subsidy of HUF 0.005 billion.

Other revenues include primarily government subsidy in relation to public services (HUF 70 billion in 2007). In contrast to the HUF 74.4. billion other revenues in 2006, the HUF 70 billion received to compensate for losses on public services made it possible to avoid having to report losses on passenger transport in 2007. Further HUF 0.5 billion subsidy was recognised with respect to all-inclusive public transport travelcards in greater Budapest.

Besides government subsidies and grants, other revenues also include HUF 0.7 billion from asset disposals to MÁV-START Zrt. (portable and other ticket printing machines and the related software, other machinery, equipment and fittings), HUF 0.7 billion from the re-sale of motor coaches purchased and HUF 0.7 billion of redundancy provision released.

The main items of material-type expenditures include:

- temporary maintenance (HUF 3.8 billion) and
- cleaning (HUF 1 billion)

of wagons involved in passenger transport provided as a public service.

Internal expenditures include mostly the cost of internal services used by passenger transport in the first half of 2007.

Internal expenditures did not drop as expected after the outsourcing of the activity to MÁV-START Zrt due to HUF 2.9 billion of track demand cancellation charge with respect to passenger trains provided as a public service in the second half of 2007.

Other railway services used include internal maintenance costs (HUF 3.8 billion) and internal wagon testing costs (HUF 1.8 billion). Central services include human services (HUF 0.4 billion) accounting services (HUF 0.3 billion) and property maintenance costs apportioned to public services based on the use of properties by passenger transport serving staff (HUF 0.2 billion).

The main items of payments to personnel include the crew on public service passenger trains (HUF 2.7 billion) and station staff (ticket office, information, wagon wash, conductors etc.) (HUF 2 billion).

Depreciation includes the depreciation charge of electric trains, diesel motor coaches and passenger wagons) totalling HUF 3.4 billion.

Financial expenditures mainly include the interest of loans taken out to cover the losses on public services for the first half of the year (HUF 5.1 billion) and interest of passenger train development loans for the first half of the year (HUF 1.3 billion).

Of the deferred debts forgiven by the government, the release of the accrued amount in line with the depreciation of the related assets in the first half of 2007 resulted in extraordinary revenues of HUF 1.1 billion. In previous years, MÁV Zrt. received grants from the Environmental Fund which have been deferred.

In the case of passenger transport, the related revenues and costs per related party are set out in schedule 76. In the case of public transport services in schedule 77.

figures in MHUF

Related party	Revenues			Expenditures			Grand total
	Net sales	Other rev.	Total	Costs	Other expenses	Total	
015 MÁV Nosztalgia Kft	7	0	7	11	0	11	-4
016 MÁV Jegynyomda Kft	0	0	0	118	0	118	-118
020 MÁV VAGON Kft	0	0	0	0	0	0	0
023 MÁV TISZAVAS Kft	0	0	0	0	0	0	0
027 Bombardier MÁV Kft	0	0	0	0	19	19	-19
028 MÁV Szolnoki JJ Kft	0	0	0	3 703	27	3 730	-3 730
033 MÁV Északi JJ Kft	0	0	0	0	0	0	0
034 MÁV Debreceni JJ Kft	0	0	0	0	0	0	0
040 TRANSFER-R Kft	0	0	0	0	0	0	0
102 MÁV GÉP Kft	0	0	0	0	0	0	0
130 MÁV RakSzer Kft	0	0	0	0	0	0	0
136 MÁV IK Kft	0	0	0	96	0	96	-96
138 MÁV INFORMATIKA Kft	0	0	0	220	0	220	-220
139 MÁV Vasútör Kft	10	0	10	82	0	82	-72
142 MÁV MULTISZOLG Kft	0	0	0	0	0	0	0
174 MÁV Hotels Rt.	0	0	0	0	0	0	0
176 MÁV Cargo ZRt.	0	0	0	3	0	3	-3
180 MÁV-START Zrt.	0	1 442	1 442	50	0	50	1 392
<b>Total</b>	<b>17</b>	<b>1 442</b>	<b>1 459</b>	<b>4 283</b>	<b>46</b>	<b>4 329</b>	<b>-2 870</b>

Schedule 76. : Related party balances – passenger transport

figures in MHUF

Related party	Revenues			Expenditures			Grand total
	Net sales	Other rev.	Total	Costs	Other expenses	Total	
015 MÁV Nosztalgia Kft	7	0	7	8	0	8	-1
016 MÁV Jegynyomda Kft	0	0	0	94	0	94	-94
020 MÁV VAGON Kft	0	0	0	0	0	0	0
023 MÁV TISZAVAS Kft	0	0	0	0	0	0	0
027 Bombardier MÁV Kft	0	0	0	0	15	15	-15
028 MÁV Szolnoki JJ Kft	0	0	0	3 015	26	3 041	-3 041
033 MÁV Északi JJ Kft	0	0	0	0	0	0	0
034 MÁV Debreceni JJ Kft	0	0	0	0	0	0	0
040 TRANSFER-R Kft	0	0	0	0	0	0	0
102 MÁV GÉP Kft	0	0	0	0	0	0	0
130 MÁV RakSzer Kft	0	0	0	0	0	0	0
136 MÁV IK Kft	0	0	0	78	0	78	-78
138 MÁV INFORMATIKA Kft	0	0	0	176	0	176	-176
139 MÁV Vasútor Kft	10	0	10	82	0	82	-72
142 MÁV MULTISZOLG Kft	0	0	0	0	0	0	0
174 MÁV Hotels Rt.	0	0	0	0	0	0	0
176 MÁV Cargo ZRt.	0	0	0	3	0	3	-3
180 MÁV-START Zrt.	0	1 442	1 442	50	0	50	1 392
Total	17	1 442	1 459	3 506	41	3 547	-2 088

Schedule 77.: Related party balances – public transport services

### II.6.3 Traction

The balance sheet prepared based on the engineering GL is set out in schedules 78.-79., the profit and loss account of traction activity is set out in schedule 80., the related cash flow statement is presented in schedule 81.

		figures in MHUF		
Line	Item	2006.12.31	2007.12.31	Change
<b>01</b>	<b>A. FIXED ASSETS</b>	<b>88,714</b>	<b>179,946</b>	<b>91,232</b>
<b>02</b>	<b>I. INTANGIBLE ASSETS</b>	<b>6</b>	<b>146</b>	<b>140</b>
03	Capitalised foundation/restructuring	0	0	0
04	Capitalised research and development	0	0	0
05	Concessions, licenses and similar rights	0	0	0
06	Trade-marks, patents and similar assets	6	146	140
07	Goodwill	0	0	0
08	Advance payments for intangible assets	0	0	0
09	Adjusted value of intangible assets	0	0	0
<b>10</b>	<b>II. TANGIBLE ASSETS</b>	<b>88,708</b>	<b>179,800</b>	<b>91,092</b>
11	Land and buildings and related property rights	9,896	8,660	-1,236
12	Plant, machinery, equipment and vehicles	76,569	147,469	70,900
13	Other equipment, fixtures and fittings, vehicles	4	6	2
14	Breeding stock	0	0	0
15	Assets in the course of construction	317	8,653	8,336
16	Advance payments for AICC	1,922	15,012	13,090
17	Adjusted value of tangible assets	0	0	0
<b>18</b>	<b>III. LONG-TERM FINANCIAL ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>
19	Long-term participations in related parties	0	0	0
20	Long-term loans granted to related parties	0	0	0
21	Other long-term investments	0	0	0
22	Long-term loans granted to other investments	0	0	0
23	Other long-term loans granted	0	0	0
24	Long-term debt securities	0	0	0
25	Adjusted value of financial investments	0	0	0
<b>26</b>	<b>B. Current assets</b>	<b>4,727</b>	<b>28,725</b>	<b>23,998</b>
<b>27</b>	<b>I. INVENTORIES</b>	<b>506</b>	<b>648</b>	<b>142</b>
28	Raw materials and consumables	505	518	13
29	Work in progress and semi-finished products	1	0	-1
30	Animals for breeding, fattening and other livestock	0	0	0
31	Finished products	0	0	0
32	Goods	0	130	130
33	Advance payments for stocks	0	0	0
<b>34</b>	<b>II. RECEIVABLES</b>	<b>4,210</b>	<b>28,069</b>	<b>23,859</b>
35	Trade debtors	213	310	97
36	Receivables from related parties	3,445	27,672	24,227
37	Receivables from other investments	0	0	0
38	Bills of exchange receivables	0	0	0
39	Other receivables	88	87	-1
39/A.	Receivables from division settlements	464	0	-464
<b>40</b>	<b>III. SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
41	Participations in related parties	0	0	0
42	Other participations	0	0	0
43	Treasury shares and own participation	0	0	0
44	Marketable debt securities	0	0	0
<b>45</b>	<b>IV. LIQUID ASSETS</b>	<b>11</b>	<b>8</b>	<b>-3</b>
46	Cash, cheques	0	0	0
47	Bank deposits	11	8	-3
<b>48</b>	<b>C. PREPAID EXPENSES &amp; ACCRUED INCOME</b>	<b>1,316</b>	<b>2,026</b>	<b>710</b>
49	Accrued income	1	48	47
50	Prepaid expenses	34	15	-19
51	Deferred expenses	1,281	1,963	682
<b>52</b>	<b>TOTAL ASSETS</b>	<b>94,757</b>	<b>210,697</b>	<b>115,940</b>

Schedule 78. : Asset side of the balance sheet prepared based on the engineering GL

		figures in MHUF		
line	Item	2006.12.31	2007.12.31	Change
53.	<b>D. EQUITY (54.+...61.)</b>	<b>25,678</b>	<b>27,535</b>	<b>1,857</b>
54.	<b>I. ISSUED CAPITAL</b>	<b>11,281</b>	<b>2,820</b>	<b>-8,461</b>
	of which: treasury shares redeemed at face value	0	0	0
55	II. Issued capital not paid (-)/	0	0	0
56	III. Capital reserve	0	0	0
57	IV. Retained earnings/(losses)	23,969	25,410	1,441
58	V. Allocated reserves	832	1,186	354
59	VI. Revaluation reserve	0	0	0
60	VII. Profit or loss for the year	-10,404	-1,881	8,523
61	<b>E. PROVISIONS (62.+...65.)</b>	<b>1,521</b>	<b>2,087</b>	<b>566</b>
62	Provisions for contingent liabilities	986	426	-560
63	Provisions for future commitments	85	884	799
64	Other provisions	450	777	327
65	<b>F. LIABILITIES (67.+71.+80.)</b>	<b>41,259</b>	<b>150,451</b>	<b>109,192</b>
66	<b>I. SUBORDINATED DEBT</b>	<b>0</b>	<b>0</b>	<b>0</b>
67	Subordinated debts to related parties	0	0	0
68	Subordinated debts to other investments	0	0	0
69	Subordinated debts to third parties	0	0	0
70	<b>II. LONG-TERM LIABILITIES (72.+...79.)</b>	<b>35,709</b>	<b>106,029</b>	<b>70,320</b>
71	Long-term borrowings	0	0	0
72	Convertible bonds	0	0	0
73	Debts from the issue of bonds	0	0	0
74	Investment and development loans	35,677	104,869	69,192
75	Other long-term loans	0	0	0
76	Long-term debts to related parties	0	0	0
77	Long-term debts to other investments	0	0	0
78	Other long-term liabilities	32	1,160	1,128
79	<b>III. CURRENT LIABILITIES (81-89)</b>	<b>5,550</b>	<b>44,422</b>	<b>38,872</b>
80	Short-term borrowings	0	0	0
81	- of which: convertible bonds	0	0	0
82	Other short-term loans	171	3,069	2,898
83	Prepayments received from debtors	0	0	0
84	Creditors	2,107	7,788	5,681
85	Bills of exchange payable	0	0	0
86	Short-term debts to related parties	2,005	3,292	1,287
87	Short-term debts to other investments	0	0	0
88	Other current liabilities	1,267	2,781	1,514
88/A.	Amounts payable to divisions	0	27,492	27,492
89	<b>G.ACCRUED EXPENSES AND DEFERRED INCOME (91.+.</b>	<b>26,299</b>	<b>30,624</b>	<b>4,325</b>
90	Deferred income	0	0	0
91	Accrued expenses	1,915	1,780	-135
92	Deferred extraordinary revenues and negative goodwill	24,384	28,844	4,460
93	<b>EQUITY &amp; LIABILITIES. (53.+61.+66.+90.)</b>	<b>94,757</b>	<b>210,697</b>	<b>115,940</b>

Schedule 79. : Asset side of the balance sheet prepared based on the engineering GL

figures in MHUF

Line	Item	Traction		Other		Total	
		Prev. year	Rep. year	Prev. year	Rep. year	Prev. year	Rep. year
.01.	Domestic sales, net	15 017	43 349	1 970	12 681	16 987	56 030
.02.	Export sales, net	0	0	11	61	11	61
<b>I.</b>	<b>Sales, net (01.+02.)</b>	<b>15 017</b>	<b>43 349</b>	<b>1 981</b>	<b>12 742</b>	<b>16 998</b>	<b>56 091</b>
I/A 1.	Internal revenues from passenger transport	0	0	0	0	0	0
I/A 2.	Internal revenues from engineering services	50 102	35 162	18 845	15 912	68 947	51 074
I/A 3.	Internal revenues from central services	0	0	0	0	0	0
I/A 4.	Internal revenues from railtrack services	0	0	0	0	0	0
I/A 5.	Revenues from direct internal services	0	0	274	277	274	277
I/A 6.	Revenues from central administration and property management	0	0	0	0	0	0
<b>I/A</b>	<b>Internal revenues: (I/A 1+I/A 2+I/A 3+I/A 4+I/A 5)</b>	<b>50 102</b>	<b>35 162</b>	<b>19 119</b>	<b>16 189</b>	<b>69 221</b>	<b>51 351</b>
.03.	Changes in self-produced inventories	-4	0	-59	-187	-63	-187
.04.	Capitalised self-produced inventories	0	0	577	388	577	388
<b>II.</b>	<b>Capitalised self-performance (03.+04.)</b>	<b>-4</b>	<b>0</b>	<b>518</b>	<b>201</b>	<b>514</b>	<b>201</b>
<b>III.</b>	<b>Other revenues</b>	<b>633</b>	<b>440</b>	<b>351</b>	<b>1 370</b>	<b>984</b>	<b>1 810</b>
	of which: reversed impairment loss (962, 1-962, 2)		0		0		0
	<b>Operating yields (I+I/A +II+III)</b>	<b>65 748</b>	<b>78 951</b>	<b>21 969</b>	<b>30 502</b>	<b>87 717</b>	<b>109 453</b>
.05.	Materials	23 494	26 149	5 579	7 168	29 073	33 317
.06.	Services used	1 554	1 722	827	1 225	2 381	2 947
.07.	Other services	106	67	49	111	155	178
.08.	COGS	0	0	1	0	1	0
.09.	Consignment services	0	0	51	143	51	143
<b>IV.</b>	<b>Material-type expenditures (05.+06.+07.+08.+09.)</b>	<b>25 154</b>	<b>27 938</b>	<b>6 507</b>	<b>8 647</b>	<b>31 661</b>	<b>36 585</b>
IV/A 1.	Internal costs of passenger transport	0	0	94	7	94	7
IV/A 2.	Internal costs of engineering services	7 963	8 953	613	653	8 576	9 606
IV/A 3.	Internal costs of central services	5 744	2 479	2 932	4 410	8 676	6 889
IV/A 4.	Internal costs of railtrack services	2 309	2 157	8	17	2 317	2 174
IV/A 5.	Costs of direct internal services	20	550	92	-289	112	261
IV/A 6.	Costs of central administration and property management	5 450	2 656	2 347	1 585	7 797	4 241
<b>IV/A</b>	<b>Internal expenditures: (IV/A 1+IV/A 2+IV/A 3+IV/A 4+IV/A 5+IV/A 6)</b>	<b>21 486</b>	<b>16 795</b>	<b>6 086</b>	<b>6 383</b>	<b>27 572</b>	<b>23 178</b>
.10.	Payroll costs	15 568	17 133	7 174	8 525	22 742	25 658
.11.	Other payments to personnel	1 839	1 774	1 260	1 773	3 099	3 547
.12.	Social security	5 323	5 769	2 470	2 909	7 793	8 678
<b>V.</b>	<b>Payments to personnel (10.+11.+12.)</b>	<b>22 730</b>	<b>24 676</b>	<b>10 904</b>	<b>13 207</b>	<b>33 634</b>	<b>37 883</b>
<b>VI.</b>	<b>Depreciation</b>	<b>4 397</b>	<b>4 327</b>	<b>183</b>	<b>3 104</b>	<b>4 580</b>	<b>7 431</b>
<b>VII.</b>	<b>Other expenditures</b>	<b>894</b>	<b>1 694</b>	<b>978</b>	<b>3 619</b>	<b>1 872</b>	<b>5 313</b>
	of which: impairment loss (862)		11		4		15
	<b>Operating expenses: (IV+IV/A+V+VI+VII)</b>	<b>74 661</b>	<b>75 430</b>	<b>24 658</b>	<b>34 960</b>	<b>99 319</b>	<b>110 390</b>
<b>A.</b>	<b>OPERATING LOSS</b>	<b>-8 913</b>	<b>3 521</b>	<b>-2 689</b>	<b>-4 458</b>	<b>-11 602</b>	<b>-937</b>
.13.	Dividends received		0		0	0	0
	from related parties		0		0	0	0
.14.	Gains on share disposals		0		0	0	0
	from related parties		0		0	0	0
.15.	Interest and FX gains on fixed assets		0		0	0	0
	from related parties		0		0	0	0
.16.	Interest received and similar income		0		0	61	0
	from related parties		0		0	0	0
.17.	Other financial income		7		245	590	252
<b>VIII.</b>	<b>Financial revenues (13.+14.+15.+16.+17.)</b>	<b>451</b>	<b>7</b>	<b>200</b>	<b>245</b>	<b>651</b>	<b>252</b>
.18.	FX losses on fixed assets		0		0	0	0
	to related parties		0		0	0	0
.19.	Interest paid and similar charges		1 743		1 389	1 027	3 132
	to related parties		0		0	0	0
.20.	Impairment loss on shares and securities		0		0	0	0
.21.	Other financial expenses		0		993	61	993
<b>IX.</b>	<b>Financial expenses (18.+19.+20.+21.)</b>	<b>1 070</b>	<b>1 743</b>	<b>18</b>	<b>2 382</b>	<b>1 088</b>	<b>4 125</b>
<b>B.</b>	<b>FINANCIAL LOSS (VIII-IX)</b>	<b>-619</b>	<b>-1 736</b>	<b>182</b>	<b>-2 137</b>	<b>-437</b>	<b>-3 873</b>
<b>C.</b>	<b>LOSS ON ORDINARY ACTIVITIES (A+B)</b>	<b>-9 532</b>	<b>1 785</b>	<b>-2 507</b>	<b>-6 595</b>	<b>-12 039</b>	<b>-4 810</b>
X.	Extraordinary revenues	1 626	1 464	9	1 465	1 635	2 929
XI.	Extraordinary expenditures	0	0	0	0	0	0
<b>D.</b>	<b>EXTRAORDINARY PROFIT (X-XI)</b>	<b>1 626</b>	<b>1 464</b>	<b>9</b>	<b>1 465</b>	<b>1 635</b>	<b>2 929</b>
<b>E.</b>	<b>PRE-TAX LOSS (C+D)</b>	<b>-7 906</b>	<b>3 249</b>	<b>-2 498</b>	<b>-5 130</b>	<b>-10 404</b>	<b>-1 881</b>
XII.	TAX PAYABLE	0	0	0	0	0	0
<b>F.</b>	<b>LOSS AFTER TAX (E-XII)</b>	<b>-7 906</b>	<b>3 249</b>	<b>-2 498</b>	<b>-5 130</b>	<b>-10 404</b>	<b>-1 881</b>
.22.	Dividends paid from retained earnings	0	0	0	0	0	0
.23.	Dividends (paid) approved	0	0	0	0	0	0
<b>G.</b>	<b>LOSS FOR THE YEAR (F+22.-23.)</b>	<b>-7 906</b>	<b>3 249</b>	<b>-2 498</b>	<b>-5 130</b>	<b>-10 404</b>	<b>-1 881</b>

Schedule 80. : Profit and loss account prepared based on the engineering GL

figures in MHUF

No.	Item	2006
<b>I.</b>	<b>Operating cash flows (1-14.)</b>	<b>4,986</b>
1.	Pre-tax profit ±	-10,404
	<i>amounts received free of charge</i>	0
	<i>amounts given free of charge (expensed)</i>	0
	<i>dividends received</i>	0
1/a	Previous year's profit/loss	0
2.	Depreciation charge +	4,459
3.	Impairment loss +	346
3/a	Reversed impairment loss	0
4.	Difference between provisions made and released +	632
5.	Gains on fixed asset disposals +	-13
6.	Movements in creditors +	-1,812
7.	Movements in current liabilities +	298
8.	Movements in accruals +	32
9.	Movements in debtors +	-136
10.	Current asset movements (less debtors and liquid assets) +	-3,421
	<i>inventory increase</i>	1
	<i>taxes reclaimed</i>	0
	<i>securities held for re- sales</i>	0
	<i>other receivables (less taxes and similar)</i>	-3,422
10/a	Change in division settlement balances	14,677
11.	Movements in prepayments and accrued income +	328
12.	Income taxes paid (payable) -	0
13.	Dividends and profit-sharing paid or payable -	0
<b>II.</b>	<b>Investing cash flow (15-18.)</b>	<b>-11,620</b>
14.	Fixed asset acquisition -	-10,137
15.	Fixed asset disposal +	15
16.	Change in advances for capital projects ±	-1,498
17.	Dividends and profit-sharing received +	0
<b>III.</b>	<b>Financing cash flow (19-28.)</b>	<b>6,644</b>
18.	Revenues from the issue or redemption of shares +	0
19.	Revenues from the issue of bonds and debt securities +	0
20.	Borrowings +	8,182
21.	Repayment of loans +	0
22.	Amounts received free of charge +	0
23.	Change in capital	-752
	<i>Previous year's profit/loss</i>	-434
24.	Redemptions of shares, capital reductions -	0
25.	Bond repayment -	0
26.	Loan repayment -	-791
27.	Assets transferred free of charge -	0
28.	Movements in payable to founders and in other long-term liabilities +	4
	<i>treasury funds account</i>	0
	<i>financial lease</i>	0
	<i>unregistered capital increase</i>	0
	<i>other change</i>	4
<b>IV.</b>	<b>Change in cash and cash equivalents (±I±II±III.) ±</b>	<b>10</b>

Schedule 81. : Cash-flow statement prepared based on the engineering GL

Figures of the traction activity are presented below in THUF:

figures in THUF

<i>Line</i>	<i>Item</i>	<i>Basis</i>	<i>Rep. year</i>
1	Net sales	15 017 043	43 349 239
	tickets	15 017 043	43 349 239
	subsidy (compensation)	0	0
	paid by government	0	0
2	Internal revenues	50 101 530	35 162 091
3	Capitalised own performance	-3 675	0
4	Other revenues	633 229	439 554
	gov. refund	0	0
	gov. subsidy	0	0
<b>5</b>	<b>TOTAL BUSINESS YIELD</b>	<b>65 748 127</b>	<b>78 950 884</b>
6	Material-type expenditures	25 154 095	27 937 838
	track network access charge	0	0
7	Internal expenses	21 485 841	16 796 036
	track network access charge	2 309 299	2 156 829
	traction	80 703	21 668
	other railway services	7 901 941	9 482 025
	central services	5 743 935	2 479 032
	central administration	5 449 963	2 656 483
8	Payments to personnel	22 730 612	24 676 269
9	Depreciation	4 276 494	4 326 919
10	Other expenses	1 015 106	1 694 205
<b>11</b>	<b>TOTAL</b>	<b>74 662 148</b>	<b>75 431 267</b>
<b>12</b>	<b>OPERATING LOSS</b>	<b>-8 914 021</b>	<b>3 519 617</b>
13	Financial income	451 182	6 621
14	Financial expenses	1 069 796	1 743 253
<b>15</b>	<b>FINANCIAL LOSS</b>	<b>-618 614</b>	<b>-1 736 632</b>
16	Extraordinary revenues	1 626 135	1 463 799
	gov. subsidy	1 625 050	1 463 891
17	Extraordinary expenditures	275	96
<b>18</b>	<b>EXTRAORDINARY PROFIT</b>	<b>1 625 860</b>	<b>1 463 703</b>
19	Tax	0	0
<b>20</b>	<b>LOSS AFTER TAX</b>	<b>-7 906 775</b>	<b>3 246 688</b>

Schedule 82.: P&L of the Traction Division

The traction activity turned a loss of HUF 7.9 billion in 2006 around into a HUF 3.2 billion profit for 2007. The positive change is the result of a HUF 13.2 billion increase in operating profit – the joint effect of outputs, ticket prices, and the increased electricity prices reflected in the ticket prices.

Owing kilometre outputs increased by 8% on 2006, primarily because of increased demand for passenger services as the regular schedule was extended.

As a result of the losses of the towing activity in 2006, the Engineering Division revised the towing tariffs used for internal purposes and, further to MÁV Zrt's pricing policies, established internal tariffs that compensated for the attributable expenses for 2007. Thus the internal tariffs consistently reflected the continuously increasing electricity and gasoline costs. After the outsourcing of the passenger transport activity, the same tariffs were applied towards MÁV-START Zrt.



More than half of the net sales revenues for 2007 is from passenger train traction (HUF 27.2 billion), mainly for MÁV-START Zrt. As for cargo train traction (HUF 16.2 billion), HUF 15.6 billion is from MÁV Cargo Zrt.

Internal revenues include HUF 26 billion from traction done for the Passenger Transport Division and HUF 7.8 billion is from shunting done for the Railtrack Division. The former revenue item relates to the first half of 2007. After the outsourcing of the passenger transport activity, revenues from traction outside regional railways are presented in net sales.

The main components of material-type services are electricity (HUF 19 billion), gasoline (HUF 7.7 billion) and traction services supplied by other railway companies (HUF 0.6 billion). The increase in material-type expenditures was due to higher traction-related electricity costs which increased in line with increased outputs and unit prices.

Internal expenses include in more than 50% other internal railway services, more precisely locomotive maintenance of HUF 8.9 billion (an increase of HUF 1.2 billion on 2006) as a result of steering bogie replacements. Railtrack access costs, granted by the Railtrack Division for the locomotives, are also significant at HUF 2.1 billion. Traction services used reflect the internal traction cost of cargo trains used in the regional railways experiment under government decision 1001/2004. (I.8) separated in the first half of 2007. Central service and management costs were favourable in 2007, hence the HUF 6 billion decrease in traction costs compared to 2006.

Payments to personnel include engine-drivers (HUF 15.8b), traction staff (HUF 4.1b) and traction directors (HUF 0.4b). Training and other inactive time, leavers and amounts due based on the statutory labour contract total HUF 4.3b.

Depreciation related primarily to locomotives.

The increase in other expenses was due to a HUF 0.4b provision made in 2007 for the restoration of a locomotive which got damaged in an accident at Szőny.

Financial expenses included the interest of development loans related to traction vehicles, which increased in 2007.

Extraordinary revenues include the amount of deferred forgiven government debt recognised in line with the depreciation of the related traction vehicles.

In the case of traction, related party revenues and payables are presented in schedule 83 by related party.

figures in MHUF

Related party	Revenues			Expenditures			Grand total
	Net sales	Other rev.	Total	Costs	Other expenses	Total	
006 MÁV Hídépitő Kft	0	0	0	0	9	9	-9
015 MÁV Nosztalgia Kft	0	0	0	2	0	2	-2
016 MÁV Jegynyomda Kft	0	0	0	0	0	0	0
022 MÁV Vasjármű Kft	0	0	0	6	0	6	-6
023 MÁV TISZAVAS Kft	0	0	0	0	0	0	0
027 Bombardier MÁV Kft	0	0	0	0	0	0	0
028 MÁV Szolnoki JJ Kft	0	12	12	0	0	0	12
033 MÁV Északi JJ Kft	0	4	4	1	11	12	-8
096 MÁV KERT Kft	4	0	4	0	0	0	4
097 MÁV ÉK Kft Szeged	0	0	0	0	0	0	0
101 MÁV FKG Kft	5	0	5	0	0	0	5
102 MÁV GÉP Kft	11	0	11	0	21	21	-10
136 MÁV IK Kft	0	0	0	17	0	17	-17
138 MÁV INFORMATIKA Kft	0	0	0	284	0	284	-284
139 MÁV Vasútör Kft	0	0	0	195	0	195	-195
142 MÁV MULTISZOLG Kft	0	0	0	0	0	0	0
152 MÁV Raktár Kft	0	0	0	16	0	16	-16
176 MÁV Cargo ZRt.	15 619	0	15 619	56	7	63	15 556
180 MÁV-START Zrt.	26 454	0	26 454	0	0	0	26 454
<b>Total</b>	<b>42 093</b>	<b>16</b>	<b>42 109</b>	<b>577</b>	<b>48</b>	<b>625</b>	<b>41 484</b>

Schedule 83. : related party revenues and payables of the traction activity

#### **II.6.4 Other activities**

The balance sheet as compiled based on the central GL is shown in schedules 84 and 85, the profit and loss account of other activities is shown in schedule 86, while the cash flow statements based on the central GL is shown in schedule 87.

figures in MHUF

Line	Item	2006.12.31	2007.12.31	Change
<b>01</b>	<b>A. FIXED ASSETS</b>	<b>106,463</b>	<b>167,657</b>	<b>61,194</b>
<b>02</b>	<b>I. INTANGIBLE ASSETS</b>	<b>3,604</b>	<b>3,500</b>	<b>-104</b>
03	Capitalised foundation/restructuring	0	0	0
04	Capitalised research and development	84	45	-39
05	Concessions, licenses and similar rights	2,475	642	-1,833
06	Trade-marks, patents and similar assets	1,045	2,813	1,768
07	Goodwill	0	0	0
08	Advance payments for intangible assets	0	0	0
09	Adjusted value of intangible assets	0	0	0
<b>10</b>	<b>II. TANGIBLE ASSETS</b>	<b>63,149</b>	<b>60,404</b>	<b>-2,745</b>
11	Land and buildings and related property rights	56,293	54,475	-1,818
12	Plant, machinery, equipment and vehicles	4,636	3,975	-661
13	Other equipment, fixtures and fittings, vehicles	401	216	-185
14	Breeding stock	0	0	0
15	Assets in the course of construction	1,628	1,738	110
16	Advance payments for AICC	191	0	-191
17	Adjusted value of tangible assets	0	0	0
<b>18</b>	<b>III. LONG-TERM FINANCIAL ASSETS</b>	<b>39,710</b>	<b>103,753</b>	<b>64,043</b>
19	Long-term participations in related parties	36,612	100,382	63,770
20	Long-term loans granted to related parties	8	8	0
21	Other long-term investments	1,013	1,397	384
22	Long-term loans granted to other investments	0	0	0
23	Other long-term loans granted	2,077	1,966	-111
24	Long-term debt securities	0	0	0
25	Adjusted value of financial investments	0	0	0
<b>26</b>	<b>B. Current assets</b>	<b>79,042</b>	<b>128,068</b>	<b>49,026</b>
<b>27</b>	<b>I. INVENTORIES</b>	<b>5,304</b>	<b>6,721</b>	<b>1,417</b>
28	Raw materials and consumables	5,175	6,594	1,419
29	Work in progress and semi-finished products	1	25	24
30	Animals for breeding, fattening and other livestock	0	0	0
31	Finished products	103	72	-31
32	Goods	17	30	13
33	Advance payments for stocks	8	0	-8
<b>34</b>	<b>II. RECEIVABLES</b>	<b>54,905</b>	<b>110,283</b>	<b>55,378</b>
35	Trade debtors	2,998	2,731	-267
36	Receivables from related parties	5,287	14,840	9,553
37	Receivables from other investments	38	24	-14
38	Bills of exchange receivables	0	0	0
39	Other receivables	10,836	1,630	-9,206
39/A.	Receivables from division settlements	35,746	91,058	55,312
<b>40</b>	<b>III. SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
41	Participations in related parties	0	0	0
42	Other participations	0	0	0
43	Treasury shares and own participation	0	0	0
44	Marketable debt securities	0	0	0
<b>45</b>	<b>IV. LIQUID ASSETS</b>	<b>18,833</b>	<b>11,064</b>	<b>-7,769</b>
46	Cash, cheques	13	11	-2
47	Bank deposits	18,820	11,053	-7,767
<b>48</b>	<b>C. PREPAID EXPENSES &amp; ACCRUED INCOME</b>	<b>606</b>	<b>645</b>	<b>39</b>
49	Accrued income	342	467	125
50	Prepaid expenses	264	178	-86
51	Deferred expenses	0	0	0
<b>52</b>	<b>TOTAL ASSETS</b>	<b>186,111</b>	<b>296,370</b>	<b>110,259</b>

Schedule 84.: Asset side of the BS based on the Central GL

		figures in MHUF		
Line	Item	2006.12.31	2007.12.31	Change
<b>53.</b>	<b><i>D. EQUITY (54.+...61.)</i></b>	<b>70,049</b>	<b>85,670</b>	<b>15,621</b>
54.	<i>I. ISSUED CAPITAL</i>	33,137	8,285	-24,852
	of which: treasury shares redeemed at face value	0	0	0
55	II. Issued capital not paid (-)/	0	0	0
56	III. Capital reserve	16	35	19
57	IV. Retained earnings/(losses)	24,597	49,969	25,372
58	V. Allocated reserves	12,659	12,640	-19
59	VI. Revaluation reserve	0	0	0
60	VII. Profit or loss for the year	-360	14,741	15,101
<b>61</b>	<b><i>E. PROVISIONS (62.+...65.)</i></b>	<b>18,537</b>	<b>18,623</b>	<b>86</b>
62	Provisions for contingent liabilities	18,298	18,375	77
63	Provisions for future commitments	239	248	9
64	Other provisions	0	0	0
<b>65</b>	<b><i>F. LIABILITIES (67.+71.+80.)</i></b>	<b>92,626</b>	<b>186,530</b>	<b>93,904</b>
<b>66</b>	<b><i>I. SUBORDINATED DEBT</i></b>	<b>0</b>	<b>0</b>	<b>0</b>
67	Subordinated debts to related parties	0	0	0
68	Subordinated debts to other investments	0	0	0
69	Subordinated debts to third parties	0	0	0
<b>70</b>	<b><i>II. LONG-TERM LIABILITIES (72.+...79.)</i></b>	<b>2,094</b>	<b>157,535</b>	<b>155,441</b>
71	Long-term borrowings	0	0	0
72	Convertible bonds	0	0	0
73	Debts from the issue of bonds	0	0	0
74	Investment and development loans	2,016	1,000	-1,016
75	Other long-term loans	0	91,850	91,850
76	Long-term debts to related parties	0	64,600	64,600
77	Long-term debts to other investments	0	0	0
78	Other long-term liabilities	78	85	7
<b>79</b>	<b><i>III. CURRENT LIABILITIES (81-89)</i></b>	<b>90,532</b>	<b>28,995</b>	<b>-61,537</b>
80	Short-term borrowings	324	174	-150
81	- of which: convertible bonds	0	0	0
82	Other short-term loans	4,636	1,197	-3,439
83	Prepayments received from debtors	209	201	-8
84	Creditors	12,119	10,974	-1,145
85	Bills of exchange payable	0	0	0
86	Short-term debts to related parties	5,313	7,516	2,203
87	Short-term debts to other investments	126	169	43
88	Other current liabilities	5,311	8,764	3,453
88/A.	Amounts payable to divisions	62,494	0	-62,494
<b>89</b>	<b><i>G. ACCRUED EXPENSES AND DEFERRED INCOME (91.+.</i></b>	<b>4,899</b>	<b>5,547</b>	<b>648</b>
90	Deferred income	796	709	-87
91	Accrued expenses	1,054	2,288	1,234
92	Deferred extraordinary revenues and negative goodwill	3,049	2,550	-499
<b>93</b>	<b><i>EQUITY &amp; LIABILITIES. (53.+61.+66.+90.)</i></b>	<b>186,111</b>	<b>296,370</b>	<b>110,259</b>

Schedule 85. : Liabilities side of the BS based on the Central GL

figures in MHUF

Line	Item	Other activities central		Other activities railtrack		Other activities passenger transport		Other activities engineering		Other activities Total MÁV Zrt.	
		Prev. Y.	Rep. Y.	Prev. Y.	Rep. Y.	Prev. Y.	Rep. Y.	Prev. Y.	Rep. Y.	Prev. Y.	Rep. Y.
.01.	Domestic sales, net	11 753	16 399	2 811	3 784	398	268	1 970	12 681	16 932	33 132
.02.	Export sales, net	22	53	0	17	0	0	11	61	33	131
<b>I.</b>	<b>Sales, net (01.+02.)</b>	<b>11 775</b>	<b>16 452</b>	<b>2 811</b>	<b>3 801</b>	<b>398</b>	<b>268</b>	<b>1 981</b>	<b>12 742</b>	<b>16 965</b>	<b>33 263</b>
I/A 1.	Internal revenues from passenger transport	0	0	0	0	1	0	0	0	1	0
I/A 2.	Internal revenues from engineering services	0	0	0	0	0	0	18 845	15 912	18 845	15 912
I/A 3.	Internal revenues from central services	31 885	30 340	0	0	0	0	0	0	31 885	30 340
I/A 4.	Internal revenues from railtrack services	0	0	255	380	0	0	0	0	255	380
I/A 5.	Revenues from direct internal services	722	715	399	590	16	0	274	277	1 411	1 582
I/A 6.	Revenues from central administration and property management	33 678	17 112	0	0	0	0	0	0	33 678	17 112
<b>I/A</b>	<b>Internal revenues:(I/A 1+I/A 2+I/A 3+I/A 4+I/A 5)</b>	<b>66 285</b>	<b>48 167</b>	<b>654</b>	<b>970</b>	<b>17</b>	<b>0</b>	<b>19 119</b>	<b>16 189</b>	<b>86 075</b>	<b>63 326</b>
.03.	Changes in self-produced inventories	123	256	-2	-72	0	0	-59	-187	62	-3
.04.	Capitalised self-produced inventories	348	313	2 449	2 454	198	196	577	388	3 572	3 351
<b>II.</b>	<b>Capitales self-performance (03.+04.)</b>	<b>471</b>	<b>569</b>	<b>2 447</b>	<b>2 382</b>	<b>198</b>	<b>196</b>	<b>518</b>	<b>201</b>	<b>3 634</b>	<b>3 348</b>
<b>III.</b>	<b>Other revenues</b>	<b>8 874</b>	<b>15 208</b>	<b>66</b>	<b>137</b>	<b>15</b>	<b>3</b>	<b>351</b>	<b>1 370</b>	<b>9 306</b>	<b>16 718</b>
	of which: reversed impairment loss (962,1-962,2)	0	0	0	0	0	0	0	0	0	0
	<b>Operating yields (I+I/A +II+III)</b>	<b>87 405</b>	<b>80 396</b>	<b>5 978</b>	<b>7 290</b>	<b>628</b>	<b>467</b>	<b>21 969</b>	<b>30 502</b>	<b>115 980</b>	<b>118 655</b>
.05.	Materials	6 233	5 806	1 067	1 893	14	2	5 579	7 168	12 893	14 869
.06.	Services used	15 635	16 268	1 308	1 242	150	30	827	1 225	17 920	18 765
.07.	Other services	119	520	3	3	2	0	49	111	173	634
.08.	COGS	3 917	5 821	1	18	47	7	1	0	3 966	5 846
.09.	Consignment services	1 236	1 611	28	167	12	9	51	143	1 327	1 930
<b>IV.</b>	<b>Material-type expenditures (05.+06.+07.+08.+09.)</b>	<b>27 140</b>	<b>30 026</b>	<b>2 407</b>	<b>3 323</b>	<b>225</b>	<b>48</b>	<b>6 507</b>	<b>8 647</b>	<b>36 279</b>	<b>42 044</b>
IV/A 1.	Internal costs of passenger transport	2	0	1	0	0	0	94	7	97	7
IV/A 2.	Internal costs of engineering services	0	107	0	565	0	0	613	653	613	1 325
IV/A 3.	Internal costs of central services	9 827	9 272	529	1 102	16	3	2 932	4 410	13 304	14 787
IV/A 4.	Internal costs of railtrack services	0	4	0	0	0	0	8	17	8	21
IV/A 5.	Costs of direct internal services	436	639	341	190	197	196	92	-289	1 066	736
IV/A 6.	Costs of central administration and property management	0	2 479	455	357	58	6	2 347	1 585	2 860	4 427
<b>IV/A</b>	<b>Internal expenditures:(IV/A 1+IV/A 2+IV/A 3+IV/A 4+IV/A 5+IV/A 6)</b>	<b>10 265</b>	<b>12 501</b>	<b>1 326</b>	<b>2 214</b>	<b>271</b>	<b>205</b>	<b>6 086</b>	<b>6 383</b>	<b>17 948</b>	<b>21 303</b>
.10.	Payroll costs	12 948	12 665	1 390	2 085	31	7	7 174	8 525	21 543	23 282
.11.	Other payments to personnel	3 208	2 137	147	302	13	8	1 260	1 773	4 628	4 220
.12.	Social security	4 940	4 697	528	725	9	3	2 470	2 909	7 947	8 334
<b>V.</b>	<b>Payments to personnel (10.+11.+12.)</b>	<b>21 096</b>	<b>19 499</b>	<b>2 065</b>	<b>3 112</b>	<b>53</b>	<b>18</b>	<b>10 904</b>	<b>13 207</b>	<b>34 118</b>	<b>35 836</b>
<b>VI.</b>	<b>Depreciation</b>	<b>1 980</b>	<b>2 407</b>	<b>281</b>	<b>339</b>	<b>3</b>	<b>0</b>	<b>183</b>	<b>3 104</b>	<b>2 447</b>	<b>5 850</b>
<b>VII.</b>	<b>Other expenditures</b>	<b>27 133</b>	<b>12 936</b>	<b>103</b>	<b>410</b>	<b>5</b>	<b>1</b>	<b>978</b>	<b>3 619</b>	<b>28 219</b>	<b>16 966</b>
	of which: impairment loss (862)	4 826	1 621	0	11	0	0	0	4	4 826	1 636
	<b>Operating expenses: (IV+IV/A+V+VI+VII)</b>	<b>87 614</b>	<b>77 369</b>	<b>6 182</b>	<b>9 398</b>	<b>557</b>	<b>272</b>	<b>24 658</b>	<b>34 960</b>	<b>119 011</b>	<b>121 999</b>
<b>A.</b>	<b>OPERATING LOSS</b>	<b>-209</b>	<b>3 027</b>	<b>-204</b>	<b>-2 108</b>	<b>71</b>	<b>195</b>	<b>-2 689</b>	<b>-4 458</b>	<b>-3 031</b>	<b>-3 344</b>
.13.	Dividends received	1 211	1 948	0	0	0	0	0	0	1 211	1 948
	from related parties	1 141	1 916	0	0	0	0	0	0	1 141	1 916
.14.	Gains on share disposals	1	66	0	0	0	0	0	0	1	66
	from related parties	0	47	0	0	0	0	0	0	0	47
.15.	Interest and FX gains on fixed assets	7	0	0	0	0	0	0	0	7	0
	from related parties	0	0	0	0	0	0	0	0	0	0
.16.	Interest received and similar income	882	1 154	0	0	0	0	0	0	882	1 154
	from related parties	62	76	0	0	0	0	0	0	62	76
.17.	Other financial income	593	31	23	23	1	1	246	593	593	301
<b>VIII.</b>	<b>Financial revenues (13.+14.+15.+16.+17.)</b>	<b>2 694</b>	<b>3 199</b>	<b>33</b>	<b>23</b>	<b>16</b>	<b>1</b>	<b>200</b>	<b>246</b>	<b>2 694</b>	<b>3 469</b>
.18.	FX losses on fixed assets	0	0	0	0	0	0	0	0	0	0
	to related parties	0	0	0	0	0	0	0	0	0	0
.19.	Interest paid and similar charges	1 700	4 655	0	0	0	0	1 389	1 700	6 044	6 044
	to related parties	49	28	0	0	0	0	0	49	28	28
.20.	Impairment loss on shares and securities	832	1 613	0	0	0	0	0	832	1 613	1 613
.21.	Other financial expenses	1 352	142	21	21	1	1	993	1 352	1 352	1 157
<b>IX.</b>	<b>Financial expenses (18.+19.+20.+21.)</b>	<b>3 884</b>	<b>6 410</b>	<b>19</b>	<b>21</b>	<b>10</b>	<b>1</b>	<b>18</b>	<b>2 382</b>	<b>3 884</b>	<b>8 814</b>
<b>B.</b>	<b>FINANCIAL LOSS (VIII-IX)</b>	<b>-1 190</b>	<b>-3 211</b>	<b>14</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>182</b>	<b>-2 136</b>	<b>-1 190</b>	<b>-5 345</b>
<b>C.</b>	<b>LOSS ON ORDINARY ACTIVITIES (A+B)</b>	<b>-1 399</b>	<b>-184</b>	<b>-190</b>	<b>-2 106</b>	<b>77</b>	<b>195</b>	<b>-2 507</b>	<b>-6 594</b>	<b>-4 221</b>	<b>-8 689</b>
X.	Extraordinary revenues	31 296	77 982	2	11	0	0	9	1 465	31 307	79 458
XI.	Extraordinary expenditures	30 257	63 057	3	0	0	0	0	0	30 260	63 057
<b>D.</b>	<b>EXTRAORDINARY PROFIT (X-XI)</b>	<b>1 039</b>	<b>14 925</b>	<b>-1</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>1 465</b>	<b>1 047</b>	<b>16 401</b>
<b>E.</b>	<b>PRE-TAX LOSS (C+D)</b>	<b>-360</b>	<b>14 741</b>	<b>-191</b>	<b>-2 095</b>	<b>77</b>	<b>195</b>	<b>-2 498</b>	<b>-5 129</b>	<b>-3 174</b>	<b>7 712</b>
XII.	TAX PAYABLE	0	0	0	0	0	0	0	0	0	0
<b>F.</b>	<b>LOSS AFTER TAX (E-XII)</b>	<b>-360</b>	<b>14 741</b>	<b>-191</b>	<b>-2 095</b>	<b>77</b>	<b>195</b>	<b>-2 498</b>	<b>-5 129</b>	<b>-3 174</b>	<b>7 712</b>
.22.	Dividends paid from retained earnings	0	0	0	0	0	0	0	0	0	0
.23.	Dividends (paid) approved	0	0	0	0	0	0	0	0	0	0
<b>G.</b>	<b>LOSS FOR THE YEAR (F+22.-23.)</b>	<b>-360</b>	<b>14 741</b>	<b>-191</b>	<b>-2 095</b>	<b>77</b>	<b>195</b>	<b>-2 498</b>	<b>-5 129</b>	<b>-3 174</b>	<b>7 712</b>

Schedule 86. : P&amp;L of other activities

figures in MHUF

No.	Item	2006	2007
<b>I.</b>	<b>Operating cash flows, 1-14. )</b>	<b>17,835</b>	<b>-107,314</b>
1.	Pre-tax profit ±	-1,574	10,591
	amounts received free of charge	19	2,211
	amounts given free of charge (expensed)	-16	-9
	dividends received	1,211	1,948
1/a	Previous year's profit/loss	0	1,052
2.	Depreciation charge +	1,980	2,407
3.	Impairment loss +	6,021	4,055
3/a	Reversed impairment loss	0	-91
4.	Difference between provisions made and released +	10,686	86
5.	Gains on fixed asset disposals +	-773	-10,245
6.	Movements in creditors +	-5,195	-1,145
7.	Movements in current liabilities +	-4,772	5,691
8.	Movements in accruals +	-3,198	648
9.	Movements in debtors +	5,555	25
10.	Current asset movements (less debtors and liquid assets) +	-494	-2,543
	inventory increase	-213	-1,895
	taxes reclaimed	578	8,056
	securities held for re-sales	0	0
	other receivables (less taxes and similar)	-859	-8,704
10/a	Change in division settlement balances	7,480	-117,806
11.	Movements in prepayments and accrued income +	2,119	-39
12.	Income taxes paid (payable) -	0	0
13.	Dividends and profit-sharing paid or payable -	0	0
<b>II.</b>	<b>Investing cash flows (15-18.)</b>	<b>6,209</b>	<b>-54,448</b>
14.	Fixed asset acquisition -	-26,242	-65,261
15.	Fixed asset disposal +	31,025	8,674
16.	Change in advances for capital projects ±	215	191
17.	Dividends and profit-sharing received +	1,211	1,948
<b>III.</b>	<b>Financing cash flows (19-28)</b>	<b>-17,518</b>	<b>153,993</b>
18.	Revenues from the issue or redemption of shares +	0	64,600
19.	Revenues from the issue of bonds and debt securities +	0	0
20.	Borrowings +	2,000	151,250
21.	Repayment of loans +	495	111
22.	Amounts received free of charge +	19	2,211
23.	Change in capital	4,602	-172
	previous years' profit/loss	-2,088	0
24.	Redemption of shares, capital reduction -	0	0
25.	Bond repayment -	0	0
26.	Loan repayment -	-24,497	-64,005
27.	Assets transferred free of charge -	-16	-9
28.	Movements in payable to founders and in other long-term liabilities +	-121	7
	treasury funds account	2	0
	financial lease	0	0
	unregistered capital increase	0	0
	other change	-123	7
<b>IV.</b>	<b>Change in cash and cash equivalents (±I±II±III.) ±</b>	<b>6,526</b>	<b>-7,769</b>

Schedule 87. : Cash-flow statement based on the Central GL

Other activities are presented in THUF below:

figures in THUF

<i>Line</i>	<i>Item</i>	<i>Basis</i>	<i>Rep. year</i>
1	Net sales	16 964 422	33 262 957
	tickets	16 964 422	33 262 957
	subsidy (compensation)	0	0
	paid by government	0	0
2	Internal revenues	86 074 982	65 326 122
3	Capitalised own performance	3 634 177	3 348 304
4	Other revenues	9 305 590	16 718 487
	gov. refund	0	0
	gov. subsidy	86 021	1
<b>5</b>	<b>TOTAL BUSINESS YIELD</b>	<b>115 979 171</b>	<b>118 655 870</b>
6	Material-type expenditures	36 279 813	42 044 905
	track network access charge	0	0
7	Internal expenses	17 948 848	21 302 960
	track network access charge	0	4 320
	traction	609 723	1 217 783
	other railway services	1 173 954	866 522
	central services	13 305 194	14 787 154
	central administration	2 859 977	4 427 181
8	Payments to personnel	34 117 668	35 835 707
9	Depreciation	2 445 901	5 850 329
10	Other expenses	28 219 127	16 965 255
<b>11</b>	<b>TOTAL</b>	<b>119 011 357</b>	<b>121 999 156</b>
<b>12</b>	<b>OPERATING LOSS</b>	<b>-3 032 186</b>	<b>-3 343 286</b>
13	Financial income	2 942 977	3 469 282
14	Financial expenses	3 931 305	8 814 392
<b>15</b>	<b>FINANCIAL LOSS</b>	<b>-988 328</b>	<b>-5 345 110</b>
16	Extraordinary revenues	31 307 560	79 458 736
	gov. subsidy	1 454 501	13 168 276
17	Extraordinary expenditures	30 259 039	63 057 883
<b>18</b>	<b>EXTRAORDINARY PROFIT</b>	<b>1 048 521</b>	<b>16 400 853</b>
19	Tax	0	0
<b>20</b>	<b>LOSS AFTER TAX</b>	<b>-2 971 993</b>	<b>7 712 457</b>

Schedule 88.: Other activities

Net revenues from MÁV Zrt's other activities include primarily the following activities (in order of significance): wagon lease/rent out, wagon testing, loading (in H1 2007), train maintenance, train and property lease out, property management, materials sold, inventory management, human and accounting services, central administration.

Other activities produced a loss of HUF 3 billion in 2006 and a profit of HUF 7.7. billion in 2007. As operating yields grew, so grew the related expenses: the increase is due to extraordinary revenues as reduced by increased financial expenses. Extraordinary profit includes extraordinary revenues of HUF 13.2 billion due to debts related to assets contributed to MÁV-START Zrt. forgiven by the government and the release of deferred development and project subsidies.



Net sales (HUF billions):

Activity	2006	2007
Vehicle and property rent-out	4,8	10,4
Materials sold, inventories	4,8	7,4
Vehicle maintenance	1,5	6
Other services (loading, wagon test, central services etc.)	5,9	9,5
<b>Total</b>	<b>17</b>	<b>33,3</b>

Schedule 89. : Net sales revenues from other activities

Leasing fees duplicated as a result of the leasing fees of trains leased out to MÁV-START Zrt. in the second half of 2007. Railtrack material sales increased significantly in 2007 and vehicle maintenance and central services supplied to MÁV-START Zrt. in the second half of 2007 also increased sales.

Internal revenues per activity (HUF billions):

Internal activity	2006	2007
Central administration	31,1	17,1
Vehicle maintenance	14,8	13
Wagon testing	4	2
Property management and supervision	16,8	17,9
Inventory management, purchase and other corporate services	7	4,8
Human services	3,4	3,4
Accounting	2,5	2,6
Administrative services	1,7	1,5
Other internal services	4,8	3
<b>Total</b>	<b>86,1</b>	<b>65,3</b>

Schedule 90. : Internal revenues from other activities

The costs of central administration significantly decreased in 2007 compared to 2006 and so did related internal revenues. Internal revenues from vehicle maintenance and wagon testing services dropped in 2007 as this activity was outsourced to MÁV-START Zrt. In the case of building structure maintenance, orders carried forward from 2006 to 2007 also contributed to increased property management and supervision revenues.

The main items within **other revenues** in 2007 included properties sold in connection with the planned government buildings project (HUF 7.1 billion), the release of HUF 3.5 billion provision for the early retirement of 'other employees' and HUF 1 billion released from the environmental provision made in 2006 to fund restoration work in 2007. The increase in other revenues on 2006 was also due to the disposal of properties in connection with the planned government buildings project.

Significant material-type expenditures in 2007:

Property management (energy, maintenance, rent/lease, cleaning and other communal services, heating improvement, utilities operation) and property utilisation costs totalling HUF 16.2 billion,

Materials used for wagon maintenance, wagon testing and other engineering activities (HUF 5.2 billion), fuel and energy (HUF 1.9 billion), billed vehicle maintenance (HUF 0.4 billion),

Material-type expenditures incurred during material and inventory purchase (operating and maintenance costs of the related assets, billed material deliveries, other related services) totalling HUF 1.1 billion,

Other expenditures incurred in relation to central activities: IT services (HUF 1.7 billion), authority charges and duties (HUF 0.4 billion), expert fees (HUF 0.5 billion) and car rental (HUF 0.2 billion).

The increase in material-type expenditures incurred in relation to other activities was attributable, among others, to charges and duties paid in relation to the outsourcing of the passenger transport and engineering activities, fees charged by Vagyonkezelő Zrt. for partly managing some of the Company's properties and orders placed by the property supervision deferred to 2007.

Internal expenditures related to other activities include mostly central services (HUF 14.8 billion): train maintenance, wagon testing and other engineering works (HUF 4.4 billion), central administration and services (HUF 9.3 billion).

Central administration costs of HUF 4.4 billion include central services (HUF 2.5 billion), train maintenance, wagon testing and other engineering works (HUF 1.6 billion).

Train maintenance also includes shunting on site (HUF 1.2 billion).

Wagons to be disassembled are stored on tracks, hence the internal track usage charge on other activities.

Payments to personnel (HUF 35.8 billion) include staff cost of train maintenance, wagon testing and other engineering works (HUF 13.1 billion), central services (HUF 11 billion) and central administration (HUF 8.4 billion).

The depreciation charge related to other activities more than doubled in 2007 as a result of the HUF 2.6 billion depreciation of nearly 2300 wagons leased to MÁV-START Zrt. recognised in the second half of the year.

Other expenditures significantly dropped compared to 2006 as inventories and receivables related to central services were impaired to a lesser extent and a smaller amount of provision was made for central administration costs. Other expenditures recognised in 2007 include: HUF 3 billion impairment loss on wagons and locomotives leased further to the appraisal of these vehicles, HUF 2 billion related to property disposals in connection with the planned government buildings, HUF 2.7 billion provision for early pension and severance pay and HUF 1.4 billion provision for litigations.

The increase in financial expenditures on other activities was due to interest of HUF 4.1 billion on development loans used with respect to trains that remained with MÁV Zrt. after the outsourced passenger transport activity.

In 2007, extraordinary revenues and extraordinary expenditures include the contracted and carrying values of tangible assets and liquid assets contributed to MÁV-START Zrt. and ZÁHONY-PORT Zrt.

Extraordinary revenues include HUF 13.1 billion due to deferred debt forgiven by the government which was released in line with the depreciation of the attributable assets in the first half of 2007 and the release of such deferrals in the second half of 2007 in relation to assets contributed or sold to MÁV-START Zrt. Subsidies for Desiro motor coaches received from the Environmental Fund in previous years had been deferred. With respect to motor coaches contributed to MÁV-START Zrt., HUF 2.3 billion was released of the deferred amount in the second half of 2007.

Amounts received from and paid to related parties are broken down by entity in detail in schedule 91 below.

figures in MHUF

Related party	Revenues					Expenditures					Grand total
	Net sales	Other rev.	Financial income	Extra rev.	Total	Costs	Other exp.	Finance exp.	Extra exp.	Total	
001 MÁVTRANSSPED Kft	6	0	0	0	6	50	0	0	0	50	-44
004 MÁV FAVÉD Kft	0	0	0	0	0	0	0	0	0	0	0
005 MÁVTI Kft	55	0	0	0	55	2	0	0	0	2	53
006 MÁV Hidépítő Kft	36	0	0	0	36	7	31	100	1	139	-103
013 MÁV Egressy Garázs Kft	1	0	0	0	1	7	0	0	0	7	-6
015 MÁV Nosztalgia Kft	80	0	6	0	86	104	0	0	0	104	-18
016 MÁV Jegynyomda Kft	32	0	0	0	32	45	0	0	0	45	-13
020 MÁV VAGON Kft	115	2	0	0	117	0	0	0	0	0	117
022 MÁV Vasjármű Kft	76	0	0	0	76	-27	0	0	50	23	53
023 MÁV TISZAVAS Kft	185	32	11	1,210	1,438	17	0	0	459	476	962
027 Bombardier MÁV Kft	89	1	196	0	286	0	0	0	21	21	265
028 MÁV Szolnoki JJ Kft	250	17	0	0	267	72	0	0	0	72	195
029 MÁVAUT Kft	0	0	0	0	0	0	0	28	0	28	-28
031 ÉSZAK-TRANS Kft	0	0	0	0	0	0	2	0	0	2	-2
033 MÁV Északi JJ Kft	287	0	0	0	287	44	25	0	0	69	218
034 MÁV Debreceni JJ Kft	73	0	34	0	107	1	0	1470	0	1471	-1364
037 VAMAV Kft	38	0	258	0	296	0	0	0	0	0	296
038 EURO-METALL Kft	133	0	29	0	162	12	0	0	2	14	148
040 TRANSFER-R Kft	0	0	24	0	24	0	0	0	0	0	24
094 MÁV ÉP Kft Győr	0	0	0	0	0	0	0	0	0	0	0
096 MÁV KERT Kft	27	3	0	0	30	3	3	0	1	7	23
097 MÁV ÉK Kft Szeged	1	0	0	0	1	0	1	0	0	1	0
101 MÁV FKG Kft	3,022	0	7	0	3,029	2,747	0	0	0	2747	282
102 MÁV GÉP Kft	2,732	0	17	0	2,749	2,392	270	0	9	2671	78
111 Agrochimtranspack Kft	0	0	0	0	0	0	0	0	0	0	0
113 MÁV Intel - Team Kft	0	0	0	0	0	0	0	0	0	0	0
116 MÁV THERMIT Kft	10	0	32	0	42	4	0	0	1	5	37
130 MÁV RakSzer Kft	3	0	0	0	3	2	7	15	1	25	-22
131 MÁV KFV Kft	28	0	0	0	28	654	0	0	1	655	-627
132 MÁVSÍN Kft	1	1	0	0	2	1	0	0	0	1	1
133 MÁV Kombiterminál Kft	20	0	0	0	20	-19	0	0	16	-3	23
134 MÁV Utasellátó Rt	1	0	0	0	1	0	2	0	0	2	-1
135 LOGISZTÁR Kft	0	0	0	0	0	0	0	0	0	0	0
136 MÁV IK Kft	168	0	0	0	168	7,561	565	0	6	8132	-7964
138 MÁV INFORMATIKA Kft	193	20	0	0	213	1,698	0	0	10	1708	-1495
139 MÁV Vasútor Kft	15	0	0	0	15	573	0	0	0	573	-558
141 VIACOM Rt	139	0	108	0	247	0	0	0	0	0	247
142 MÁV MULTISZOLG Kft	6	0	0	0	6	-5	0	0	4	-1	7
144 Záhonyi HÓTÁV Kft	1	0	0	0	1	0	0	0	0	0	1
149 MÁV Vagyonkezelő ZRt.	18	0	0	0	18	321	0	23	0	344	-326
150 EAST - RAIL Kft.	0	0	0	0	0	0	0	0	0	0	0
152 MÁV Raktár Kft	67	0	-92	0	-25	23	0	0	0	23	-48
158 VBSZ Kft	2	0	0	0	2	0	0	0	0	0	2
165 MÁV REC Kft.	7	0	0	0	7	0	0	0	0	0	7
167 BILK Kombi Terminál Rt.	1	64	23	0	88	0	0	0	0	0	88
170 Ferihegy Express Kft	0	0	0	0	0	0	0	0	0	0	0
174 MÁV Hotels Rt.	35	0	5	0	40	14	0	0	0	14	26
175 Vasutigazgatási-fejlesztési Tá	0	0	0	0	0	0	0	0	0	0	0
176 MÁV Cargo ZRt.	4319	453	1380	0	6152	758	0	5	22	785	5367
179 ZÁHONY-PORT Zrt.	224	0	0	418	642	127	0	0	385	512	130
180 MÁV-START Zrt.	13192	14	0	62100	75306	789	165	0	61938	62892	12414
181 Rákospuszta Pályaudvar Kft	0	0	0	0	0	0	0	0	0	0	0
182 Józsefváros Pályaudvar Kft.	0	0	0	0	0	0	0	0	0	0	0
183 PRUDENT INVEST Befekte	0	0	0	0	0	18	0	0	0	18	-18
184 Kelenföld Pályaudvar Kft.	0	0	0	0	0	0	0	0	0	0	0
186 MÁV-TRAKCIÓ VASÚTI V	0	0	0	0	0	0	0	0	0	0	0
903 Kelenföldi Konténer Depó	0	0	0	0	0	0	0	0	0	0	0
905 TSM	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>25688</b>	<b>607</b>	<b>2038</b>	<b>63728</b>	<b>92061</b>	<b>17995</b>	<b>1071</b>	<b>1641</b>	<b>62927</b>	<b>83634</b>	<b>8427</b>

Schedule 91. : Related party balances – other activities

### II.6.4.1 Activities presented in a joint schedule

The average statistical number of employees per staff category and per activity are presented as follows:

Activity	Staff
Railtrack	17 730
Passenger transport	3 096
Of which: public transport	2 786
Traction	5 307
Other activities	8 103
<b>MÁV Zrt. Total</b>	<b>34 236</b>

Schedule 92. :Average statistical number of employees per activity

Government grants used for operations per title:

figures in MHUF

Grants recognised as revenue					
Item	Railtrack	Traction	Public transport	Other	MÁV Zrt. Total
Gov. Refund for public services	24 402	0	70 007	0	94 409
Debts forgiven by government	107	1 464	1 159	13 055	15 785
Ticket subsidy	0	0	10 681	0	10 681
Refunded excise tax	9	5 438	0	267	5 714
Compensation for lost earnings on passenger transport	0	0	549	0	549
Subsidies for own assets	333	0	4	111	448
Aid for floods	352	0	0	0	352
Phare aid	179	0	0	3	182
<b>Government grants</b>	<b>25 382</b>	<b>6 902</b>	<b>82 400</b>	<b>13 436</b>	<b>128 120</b>
Development funds					
Item	Railtrack	Engineering GL	Passenger GL	Central GL	MÁV Zrt. Total
Railway network development	720	0	0	0	720
Free flow traffic	0	101	18	0	119
ISPA fund - government subsidy	4 330	0	0	0	4 330
Cohesion fund - government subsidy	831	0	0	0	831
TEN-T government subsidy for treasury assets	420	0	0	0	420
KIOP subsidy for treasury assets (local part 25%)	222	0	0	0	222
KIOP subsidy for MÁV Zrt. assets (local part 25%)	57	0	0	0	57
GSM-R government subsidy for treasury assets	5	0	0	0	5
Subsidy to prepare for projects funded from the Cohesion Fund	1 376	0	0	0	1 376
Costs not recognised by ISPA	557	0	0	0	557
Costs not recognised by the Cohesion Fund	92	0	0	0	92
VAT on TEN-T subsidy (treasury assets)	126	0	0	0	126
Costs not recognised by TEN-T	0	0	0	0	0
ISPA aid	1 956	0	0	0	1 956
Cohesion Fund financing	2 127	0	0	0	2 127
TEN-T fund for treasury assets	209	0	0	0	209
KIOP fund for treasury assets from ERFA funds (EU part 75%)	666	0	0	0	666
KIOP fund for MÁV Zrt. assets from ERFA funds (EU part 75%)	172	0	0	0	172
<b>Total development funds</b>	<b>13 866</b>	<b>101</b>	<b>18</b>	<b>0</b>	<b>13 985</b>

Schedule 93. : Government grants used for operations per title

Accumulation due to the per-activity breakdown:

figures in MHUF

Internal service providers and users	Track operat ions	Non public transport	Traction		Internal services					Corporate manaement	Total
			costs	income	track GL	engineering GL	passenger GL	Central services costs	income		
Railtrack operations	-42 613	4	7 806	0	0	471	0	11 960	0	8 097	-14 275
Public transport services	39 795	0	25 352	0	363	5 975	0	928	0	1 547	73 960
Not public transport	657	-11	764	0	0	428	0	186	0	385	2 409
Traction	2 157	0	22	-35 162	0	8 931	0	2 479	0	2 656	-18 917
Other activities:											
in railtrack GL	0	0	565	0	-380	0	0	1 102	0	357	1 644
in passnger transport GL	0	0	0	0	0	0	0	3	0	6	9
in engineering GL	0	7	653	0	17	-15 912	0	4 410	0	1 585	-9 240
in central GL	4	0	0	0	0	107	0	9 272	-30 340	2 479	-18 478
corporate direction	0	0	0	0	0	0	0	0	0	-17 112	-17 112
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>35 162</b>	<b>-35 162</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30 340</b>	<b>-30 340</b>	<b>0</b>	<b>0</b>

Schedule 94. : Accumulation due to the per-activity breakdown

The columns refer to internal service providers, the rows refer to the separable activities that use the internal services. The negative numbers refer to internal revenues, the positive numbers refer to internal costs. Correspondence between internal costs and internal revenues is indicated by zero in the bottom line and by the matching revenue and expense figures. The figures in the 'Total' column show the differences between the internal revenues and internal expenses of the separated activities.

Railtrack operations, traction and other engineering activities (vehicle repairs, testing etc.) and central services deliver higher value internal services than they use (including central services), hence the negative numbers in the Total column for these activities.

Passenger transport uses all the internal services as indicated by the high positive numbers of the 'Total' column.

### III Informative part

#### III.1 Subsidies and grants received

Subsidies and grants received to fund project and expenses including details of the consumer price subsidy are presented in the two schedules below.

figures in MHUF			
Item	2006	2007	Change
Ticket subsidy	24 306	10 681	-13 625
Refunded excise tax	5 748	5 714	-34
Project subsidy*	36 518	13 985	-22 533
Production subsidy (public service refunds)	74 407	94 409	20 002
Compensation for lost earnings on passenger transport(BEB)	1 022	549	-473
Force majeure (fire, flood)	531	352	-179
NFI subsidy for language training	48	0	-48
Support received from job centres	26	0	-26
Redundancy subsidy	740	0	-740
Other subsidies	17	12	-5
<b>Total:</b>	<b>143 363</b>	<b>125 702</b>	<b>-17 661</b>

\*Note: Project subsidies are detailed in schedule 14.

#### Schedule 95.: Subsidies recognised in the reporting year

figures in MHUF			
Ticket compensation per category	2006	2007	Change
50%	3 054	2 557	-497
67,50%	12 156	3 575	-8 581
90%	4 319	1 977	-2 342
Pupils and students	4 875	2 558	-2 317
OAPS over 70 (65)	3 942	2 123	-1 819
<b>Total:</b>	<b>28 346</b>	<b>12 790</b>	<b>-15 556</b>

#### Schedule 96. : Ticket compensation

### III.2 Average number of staff, payroll costs and other payments to personnel

Category	2006.	%	2007.	%	Index 2007/2006 (%)
<b>Full-time</b>	<b>38 084,2</b>	<b>97,2</b>	<b>33 650,5</b>	<b>98,3</b>	<b>88,4</b>
blue collar	22 196,7	56,6	19 791,2	57,8	89,2
white collar	15 887,5	40,5	13 859,3	40,5	87,2
<b>Part-time</b>	<b>1 116,9</b>	<b>2,8</b>	<b>585,6</b>	<b>1,7</b>	<b>52,4</b>
blue collar	948,2	2,4	451,0	1,3	47,6
white collar	168,7	0,4	134,6	0,4	79,8
<b>Total employees</b>	<b>39 201,1</b>	<b>100,0</b>	<b>34 236,0</b>	<b>100,0</b>	<b>87,3</b>
Apprentices	-	-	-	-	-
<b>Total staff</b>	<b>39 201,1</b>	<b>100,0</b>	<b>34 236,0</b>	<b>100,0</b>	<b>87,3</b>

Note: pensioners employed are presented among full time and part time staff in accordance with the guidelines of the Statistics Office (KSH).

Schedule 97. : Average number of staff

Staff	average wage (HUF/p/month) which: base wage (HUF/p/month)			
	2006.	2007.	2006.	2007.
blue collar	147 508	168 391	91 087	103 591
white collar	205 458	232 118	136 013	151 148
<b>Full-time</b>	<b>171 683</b>	<b>194 824</b>	<b>109 828</b>	<b>123 177</b>

Schedule 98. : Average and base wages and salaries

Category	2006.	%	2007.	%	Index 2007/2006 (%)
<b>Full-time</b>	<b>37 726</b>	<b>97,4</b>	<b>28 818</b>	<b>98,4</b>	<b>76,4</b>
blue collar	22 080	57,0	16 903	57,7	76,6
white collar	15 646	40,4	11 915	40,7	76,2
<b>Part-time</b>	<b>988</b>	<b>2,6</b>	<b>478</b>	<b>1,6</b>	<b>48,4</b>
blue collar	835	2,2	354	1,2	42,4
white collar	153	0,4	124	0,4	81,0
<b>Total employees</b>	<b>38 714</b>	<b>100,0</b>	<b>29 296</b>	<b>100,0</b>	<b>75,7</b>
Apprentices	-	-	-	-	-
<b>Total staff</b>	<b>38 714</b>	<b>100,0</b>	<b>29 296</b>	<b>100,0</b>	<b>75,7</b>

Note: pensioners are presented within full-time and part-time staff in accordance with statistical requirements

Schedule 99. : Number of MÁV Zrt. staff end-of-2007



Payments to (statistical) personnel by staff category were as follows:

Figures in THUF

Item	Full-time staff								Total
	Blue collar						White collar		
	Travelling staff on monthly		Unskilled workers	Semi-skilled workers	Skilled workers	Master	Production controller	Administrative staff	
	Semi-skilled workers	Skilled workers							
Average number of staff	1620,8	4007,2	193,3	6931,3	6107,8	909,9	6623,5	7257,5	33 651,3
Payments to personnel:									
Payroll costs	3 776 962	9 335 765	450 384	16 152 460	14 233 333	2 120 324	15 435 112	16 898 410	78 402 750
Severance pay under statutory collective labour contract	15 656	38 697	1 867	66 952	58 998	8 789	63 979	70 044	324 982
Severance pay under section 95 of the Labour Code	34 123	84 344	4 069	145 930	128 591	19 156	139 449	152 669	708 331
Social security	55 918	138 216	6 668	239 137	210 725	31 391	228 517	250 181	1 160 753
Daily stipend	8 018	19 818	956	34 288	30 214	4 501	32 765	35 871	166 431
VBKJ pay	346 205	855 736	41 283	1 480 570	1 304 658	194 354	1 414 816	1 548 945	7 186 566
Fees paid to private persons	1 574	3 891	188	6 733	5 933	884	6 434	7 044	32 681
Other payments to personnel	31 541	77 962	3 761	134 888	118 862	17 707	128 898	141 118	654 737
Pension contribution	852 992	2 108 397	101 715	3 647 885	3 214 467	478 856	3 485 878	3 816 350	17 706 540
Health care contribution	325 714	805 088	38 840	1 392 939	1 227 439	182 850	1 331 077	1 457 267	6 761 214
Contributions of START card holders	419	1 035	50	1 791	1 578	235	1 711	1 874	8 692
Employer's contribution	120 806	298 603	14 406	516 634	455 251	67 818	493 690	540 494	2 507 702
Specified health care contribution	38 387	94 884	4 578	164 165	144 660	21 550	156 874	171 747	796 844
Health care contribution in %	656	1 622	78	2 807	2 473	369	2 682	2 937	13 624
EKHO	0	0	0	0	0	0	0	660	660
Total:	5608970,2	13864058,3	668842	23987179	21137182,9	3148783	22921883	25094949,4	116 431 847

Schedule 100. : Number of staff and payments to personnel in 2007 per staff category I

figures in THUF

Item	Part-time employees									
	Blue collar						White collar			
	Travelling staff on monthly wage							Administrati ve		MÁV Zrt.
	Semi- skilled workers	Skilled workers	Unskille d worker	Semi- skilled workers	Skilled workers	Master	Production controller	staff	Total:	Total:
Average number of staff	46,3	162,3	69,2	46,9	98,5	16,3	31,4	113,8	584,7	34 236,0
Payments to personnel:										~
Payroll costs	14 582	145 146	44 719	30 137	112 964	39 211	73 172	241 870	701 802	79 104 552
Severance pay under statutory collective labour contract	60	602	185	125	468	163	303	1 003	2 909	327 891
Severance pay under section 95 of the Labour Code	132	1 311	404	272	1 021	354	661	2 185	6 341	714 672
Social security	216	2 149	662	446	1 672	581	1 083	3 581	10 390	1 171 143
Daily stipend	31	308	95	64	240	83	155	513	1 490	167 920
VBKJ pay	1 337	13 304	4 099	2 762	10 355	3 594	6 707	22 170	64 329	7 250 894
Fees paid to private persons	6	61	19	13	47	16	31	101	293	32 973
Other payments to personnel	122	1 212	373	252	943	327	611	2 020	5 861	660 597
Pension contribution	3 293	32 780	10 099	6 806	25 512	8 855	16 525	54 624	158 496	17 865 035
Health care contribution	1 258	12 517	3 856	2 599	9 742	3 381	6 310	20 858	60 521	6 821 736
Contributions of START card holders	2	16	5	3	13	4	8	27	78	8 770
Employer's contribution	466	4 643	1 430	964	3 613	1 254	2 340	7 736	22 447	2 530 149
Specified health care contribution	148,2	1475,2	454,5	306,3	1148,1	398,5	743,7	2458,2	7 133	803 977
Health care contribution in %	2,5	25,2	7,8	5,2	19,6	6,8	12,7	42	122	13 746
EKHO	0	0	0	0	0	0	0	0	0	660
Total:	21654,9	215549,2	66410	44755	167756	58230	108664,2	359189,1	1 042 209	117 474 056

Schedule 101. : Number of staff and payments to personnel in 2007 per staff category II

## III.3 MÁV Zrt's investments

Figures in HUF

Cons. Entities	Internal Code	Name	2007.01.01-i Nyilvántartott tőke	2007.01.01-i Halmozott értékesítés	2007.01.01-i Nyilvántartott érték	Capital increase	Foundation	Acquisition	Tőkezárlás	Disposal	Liquidated	Contributed	FX rate diff. at the end of 2007	Equity at 31 Dec 2007
S01	23	MAV TISZAVAS Kft	0,00	1992.12.30	3527	Miskolc	Kandó Kálmán tér 1.					662 050 000	202 622 000	49 428 000
S01	28	MAV Szolnoki Jt Kft	100,00	1992.12.30	5000	Szolnok	Kőrösi út 1-3.	1 200 000 000	521 357 000	722 655 000	2 444 012 000	1 200 000 000	0	1 200 000 000
S01	33	MAV Eszaki J.J. Kft	100,00	1992.12.30	1101	Budapest	Kőbányai út 30.	965 570 000	487 606 000	15 367 000	1 468 543 000	965 570 000	0	965 570 000
S01	34	MAV Debreceni Jt Kft	100,00	1992.12.30	4034	Debrecen	Faragóvár u. 67	4 500 000	485 692 000	-434 045 000	56 147 000	406 520 000	0	406 520 000
S01	101	MAV FKG Kft	100,00	1994.01.01	5137	Jászkecsér	Jászadányi út 10.	1 504 760 000	-705 110 000	20 098 000	819 748 000	1 504 760 000	687 868 000	816 892 000
S01	102	MAV GEP Kft	100,00	1994.01.01	1103	Budapest	Kőér u.2/d	954 510 000	-2 146 077 000	532 115 000	-659 452 000	954 510 000	954 510 000	0
S01	136	MAV IK	100,00	1996.12.30	1086	Budapest	Fiumei u. 22.	398 960 000	269 261 000	37 590 000	705 811 000	398 960 000	0	398 960 000
S01	138	MAV INFORMATIKA Kft	100,00	1996.11.01	1012	Budapest	Krisztina körút 37/a	800 000 000	289 552 000	219 443 000	1 308 995 000	800 000 000	0	800 000 000
S01	139	MAV Vasúti Rt	100,00	1996.12.30	1087	Budapest	Kerepesi út 14.	214 760 000	45 557 000	12 566 000	272 883 000	214 760 000	0	214 760 000
S01	167	BILK Kombiterminal Rt.	0,00	2002.04.11	1239	Budapest	Európa út 4.	2 754 073 000	74 357 000	514 729 000	3 343 159 000	116 788 565	22 728 249	94 060 316
S01	176	MAV Cargo ZRt.	99,99	2005.11.22	1133	Budapest	Váci út 92.	29 533 147 000	2 378 718 000	527 506 000	32 439 371 000	29 531 146 000	0	29 531 146 000
S01	149	MAV Vagyongazdálkodó Rt	100,00	1997.07.18	1066	Budapest	Tereztér krt. 62.	549 328 000	-112 051 000	-7 020 000	430 257 000	549 328 000	111 131 000	438 197 000
S01	180	MAV-START Zrt.	100,00	2007.01.11	1087	Budapest	Kerepesi út 1-5	10 000 000 000	52 318 000 000	333 424 000	-62 651 874 000	0	0	0
S01 FULLY CONSOLIDATED ENTITIES, TOTAL								48 879 608 000	53 906 862 000	2 494 428 000	-20 022 400 000	37 304 392 565	2 385 379 249	34 919 013 316
S02	4	MAV FAIVÉD Kft (f.a.)	100,00	1992.07.01	1132	Budapest	Fisegvári u. 9.	6 000 000				296 220 000	296 220 000	0
S02	5	MAV TI Kft	100,00	1992.07.01	1016	Budapest	Mészáros u. 19.	80 000 000	-151 787 000	210 722 000	138 935 000	80 000 000	0	80 000 000
S01	6	MAV Hídepítő Kft (f.a.)	100,00	1992.08.01	1142	Budapest	Mexikói út 71.	3 100 000				500 000 000	500 000 000	0
S02	8	MAVPEPSZER Kft (f.a.)	100,00	1992.10.01	1045	Budapest	Madrádi út 9.	234 330 000				234 330 000	234 330 000	0
S02	13	MAV Egressy Garázs Kft (v.a.)	100,00	1992.12.30	1149	Budapest	Teleki Blanka u. 15	58 590 000				58 590 000	58 590 000	0
S02	15	MAV Nosztalgia Kft	57,00	1992.12.30	1066	Budapest	Jókai u. 38.	10 000 000	16 794 000	20 753 000	47 547 000	5 700 000	0	5 700 000
S02	16	MAV Jégnyomda Kft	100,00	1992.12.31	1062	Budapest	Podmaniczky u.32.	61 000 000	2 367 000	24 484 000	87 851 000	61 000 000	0	61 000 000
S02	20	MAV VAGON Kft	90,00	1992.12.30	8000	Székesfehérvár	Takarósi út 1.	243 980 000	33 025 000	23 775 000	300 780 000	219 582 000	0	219 582 000
S02	29	MAVAUT Kft. (v.a.)	100,00	1992.12.30	9500	Celldömölk	Nagy Sándor tér 16	41 760 000				41 760 000	13 330 000	28 430 000
S02	31	ESZAK-TRANS Kft (v.a.)	100,00	1992.12.30	3527	Miskolc	Tiszai pu. Szimva út 14.	25 900 000				25 900 000	25 900 000	0
S02	88	MAV BOGLARKA Kft (f.a.)	0,00	1993.04.01	8630	Balatonboglár	Dózsa Gy. u. 34.	6 320 000				6 320 000	6 320 000	0
S02	90	MAV LIÁN Kft (f.a.)	90,00	1993.04.01	8263	Budaörs	Budaörsi út 1.	4 700 000				4 257 000	4 257 000	0
S02	96	MAV KERT Kft	100,00	1993.04.01	1102	Budapest	Kolozsvári u.	46 270 000	12 459 000	13 279 000	72 008 000	46 270 000	0	46 270 000
S02	97	MAV EK Kft Szeged (f.a.)	90,00	1993.04.01	6725	Szeged	Indóház tér 11.	44 510 000				42 788 000	42 788 000	0
S02	130	MAV RakSzrt Kft (v.a.)	100,00	1996.11.01	9700	Szombathely	Pálva u. 1.	21 810 000				21 810 000	6 683 000	15 127 000
S02	131	MAV KFY Kft	100,00	1996.08.31	1098	Budapest	Pécsi út 2.	180 400 000	475 961 000	184 301 000	840 662 000	180 400 000	0	180 400 000
S02	132	MAVSIN Kft. (f.a.)	100,00	1996.09.01	3200	Gyöngyös	Gyár u. 1.	199 900 000				199 900 000	199 900 000	0
S02	134	MAV Utasszállító Rt. (f.a.)	100,00	1996.12.01	1053	Budapest	Veres Pálné u. 9.	137 000 000				137 000 000	137 000 000	0
S02	144	Záhonyi HÓTÁV Kft.	90,00	1997.04.18	4625	Záhony	Baross G. u.11	86 660 000	3 530 000	-8 370 000	81 820 000	78 313 000	0	78 313 000
S02	145	MM CARGO Kft.(f.a.)	100,00	1997.03.03	1142	Budapest	Teleki B. u. 15-17.	49 890 000				43 275 000	43 275 000	0
S02	170	Ferencvárosi Express Kft.	50,00	2001.07.31	1092	Budapest	Haller u. 2	81 000 000				40 500 000	16 872 000	23 628 000
S02	174	MAV Hotels ZRt.	90,00	2004.05.01	1142	Budapest	Teleki Blanka u. 15	20 000 000	120 100 000	-105 778 000	34 322 000	18 000 000	0	18 000 000
S02	175	Vasútgazdálatsi-felújítási Tanácsadó Kft. (v.a.)	90,00	2005.09.22	1088	Budapest	Múzeum u.11	3 000 000				2 700 000	2 700 000	0
S02	178	ZÁHONY-PORT Zrt.	100,00	2006.08.31	4625	Záhony	Európa tér 12.	320 000 000	417 590 000	-128 514 000	609 250 000	20 000 000	0	20 000 000
S02	181	Rákóczerődsz Pályaudvar Kft.	90,00	2007.02.14	1142	Budapest	Szönyi út 2.	20 000 000	-292 000	-53 534 000	-33 826 000	0	0	0
S02	182	Józsefváros Pályaudvar Kft.	90,00	2007.02.14	1071	Budapest	Városligeti fasor 47-49	20 000 000	-43 000	-18 874 000	1 083 000	0	0	0
S02	183	PRUDENT INVEST Befektetési Alapkezelő Zrt.	50,59	2007.07.25	1122	Budapest	Moszkva tér 15.	85 000 000	78 422 000	-63 010 000	100 412 000	0	0	0
S02	184	Kelenföldi Pályaudvar Kft.	100,00	2007.07.16	1062	Budapest	Andrássy u. 73-75.	20 000 000	-1 452 000	-5 532 000	13 016 000	0	0	0
S02	185	Déli Pályaudvar Ingatlanfejlesztési Zrt.	100,00	2007.10.16	1062	Budapest	Andrássy u. 73-75.	20 000 000		-1 825 000	16 208 000	0	0	0
S02	186	MAV-TRAKCÓ Zrt.	90,00	2007.10.10	1062	Budapest	Andrássy u. 73-75.	20 000 000			20 000 000	0	0	0
S02	187	MAV-GÉPSZET Zrt.	80,00	2007.11.12	1062	Budapest	Andrássy u. 73-75.	20 000 000	-100 000	-54 000	19 846 000	0	0	0
S02 SUBSIDIARIES TREATED AS ASSOCIATES:								2 171 120 000	1 006 574 000	91 823 000	2 349 914 000	2 364 615 000	1 668 165 000	696 450 000
S04														0
S04 JOINT VENTURES TREATED AS ASSOCIATES:								0	0	0	0	0	0	0
S05	22	MAV Vasúti Rt	25,00	1992.12.30	9700	Szombathely	Szövő u.85	631 990 000				158 000 000	0	158 000 000
S05	27	Bombardier MAV Kft	25,10	1992.12.30	2120	Dunakeszi	Állomás sétány 19.	772 000 000				193 770 000	0	193 770 000
S05	37	VAMAV Kft	50,00	1991.11.26	3201	Gyöngyös	Gyár u. 1.	1 400 000 000				480 000 000	0	480 000 000
S05	38	EURO-METALL Kft	35,00	1991.05.01	1045	Budapest	Elem útja 5-7	50 590 000				17 700 000	0	17 700 000
S05	40	TRANSFER-R Kft	0,00	1989.12.19	4625	Záhony	Rákóczi u.16	66 670 000				19 000 000	4 768 000	14 232 000
S05	113	MAV Intel - Team Kft	48,48	1995.04.01	3502	Miskolc	Tiszai pu.	3 300 000				1 600 000	0	1 600 000
S05	116	MAV THERMIT Kft	35,00	1995.02.28	2030	Erd	Tolmács u.18.	138 000 000				48 300 000	0	48 300 000
S05	141	VIACOM Rt	30,00	1997.01.01	2093	Budaörs	Fűzes u.1.	100 000 000				30 000 000	0	30 000 000
S05	142	MAV MULTISZOLG Kft	25,00	1997.04.15	1088	Budapest	Múzeum u.11	61 280 000				15 332 000	0	15 332 000
S05	153	BVSC-Zugló FC Kft (f.a.)	0,00	1998.06.15	1142	Budapest	Szönyi út 2/a.	29 000 000				10 000 000	10 000 000	0
S05	156	Szombathelyi Vasutas F.C. (f.a.)	33,20	1998.10.01	9700	Szombathely	Rohonczi u.3.	30 100 000				10 000 000	10 000 000	0
S05	158	VBSZ Kft	25,00	1999.08.03	1062	Budapest	Szív u. 23/B	5 000 000				1 250 000	0	1 250 000
S05	177	Carpathian Cargo s.r.o.	49,00	2005.09.27	81105	Bratislava	Kvecskőhe 5.					35 819 000	0	35 819 000
S05	178	Magyar Vasúti Fuvarozói Egyesülés	20,00	2006.03.24	1011	Budapest	Szilágyi Dezső tér 1.	500 000				0	0	0
S05 ASSOCIATES:												1 020 771 000	24 768 000	996 003 000
S06	7	AUTORAIL Kft	1,00	1992.08.01	6728	Szeged	Napos út 3.	22 000 000				187 000	187 000	0
S06	58	TEKISZ Rt	0,69	1988.10.17	4623	Tuzsér	Meszes dűlő 11.	432 900 000				5 200 000	0	5 200 000
S06	84	RESTI Rt	14,48	1994.01.01	2040	Budaörs	Szabadság u.52-54.	104 112 000				15 077 000	0	15 077 000
S06	120	Vasútegészeti Kft	14,41	1997.07.31										

Figures in THUF

Cons. intern Entit es	al code	Name	Capital increase	Foundation	Acquisition	Disposal	Liquidated	Contributed	FX rate diff. at the end of 2007	Equity at 31 Dec 2007	Impairment loss	Impairment recovered as receivable in 2006 posted upon registered capital increase	Written off due to disposal, contribution	Written off due to liquidation	Accumulat depre. At 31 Dec 2007	Carrying value at 31 Dec 2007
S01	23	MÁV TISZAVAS Kft						662 050 000		0			202 622 000		0	0
S01	28	MÁV Székesi Jt Kft								1 200 000 000					0	1 200 000 000
S01	33	MÁV Eszaki Jt. Kft								965 570 000					0	965 570 000
S01	34	MÁV Debreceni Jt Kft	2 220 000 000							2 626 520 000	1 470 000 000	750 000 000			2 626 520 000	0
S01	101	MÁV FKG Kft								1 504 760 000					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 Vasúti Rt								214 760 000					0	214 760 000
S01	167	BULK Kombiterminal Rt.				116 788 565				0			22 728 249		0	0
S01	176	MÁV Cargo Zrt.	1 210 000 000							30 741 146 000					0	30 741 146 000
S01	149	MÁV Vagyonkezelő Rt								549 328 000					111 131 000	438 197 000
S01	180	MÁV-START Zrt.	62 300 000 000	20 000 000						62 320 000 000					0	62 320 000 000
<b>S01 FULLY CONSOLIDATED ENTITIES, TOTAL</b>			<b>65 730 000 000</b>	<b>20 000 000</b>	<b>0</b>	<b>116 788 565</b>	<b>0</b>	<b>662 050 000</b>	<b>0</b>	<b>102 275 554 000</b>	<b>1 470 000 000</b>	<b>750 000 000</b>	<b>225 350 249</b>	<b>0</b>	<b>4 380 029 000</b>	<b>97 895 525 000</b>
S02	4	MÁV FÁVED Kft (fa.)								296 220 000					296 220 000	0
S02	5	MÁVTKft								80 000 000					80 000 000	0
S01	6	MÁV Hídepus Kft (fa.)	100 000 000							600 000 000	100 000 000				600 000 000	0
S02	8	MÁVEPSZER Kft (fa.)								234 330 000					234 330 000	0
S02	13	MÁV Egressy Garázs Kft (v.a.)								58 590 000					58 590 000	0
S02	15	MÁV Nostalgia Kft								5 700 000					0	5 700 000
S02	16	MÁV Jelenyomda Kft								61 000 000					0	61 000 000
S02	20	MÁV VAGON Kft								219 582 000					0	219 582 000
S02	29	MÁVAUT Kft (v.a.)								41 760 000	28 430 000				41 760 000	0
S02	31	ESZAK-TRANS Kft (v.a.)								25 900 000					25 900 000	0
S02	88	MÁV BOGLÁRKA Kft (fa.)				6 320 000				0			6 320 000		0	0
S02	90	MÁV LIAN Kft (fa.)								4 257 000					4 257 000	0
S02	96	MÁV KERT Kft								46 270 000					0	46 270 000
S02	97	MÁV Ék Kft Szeged (fa.)								42 788 000					42 788 000	0
S02	130	MÁV RakSzer Kft (v.a.)								21 810 000	15 127 000				21 810 000	0
S02	131	MÁV KfV Kft								180 400 000					0	180 400 000
S02	132	MÁV SÍN Kft (fa.)								199 900 000					199 900 000	0
S02	134	MÁV Ünelő Rt. (fa.)								137 000 000					137 000 000	0
S02	144	Záhonyi HÖTÁV Kft.								78 313 000					0	78 313 000
S02	145	MM CARGO Kft (fa.)								43 275 000					43 275 000	0
S02	170	Fenlegy 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	Vasútgazdálkodási-fejlesztési Tanácsadó Kft. (v.a.)								2 700 000					2 700 000	0
S02	179	ZÁHONY-PORT Zrt.	717 590 000							737 590 000					0	737 590 000
S02	181	Rákosszentő Pályaudvar Kft.		18 000 000						18 000 000					0	18 000 000
S02	182	Józsefvárosi Pályaudvar Kft.		18 000 000						18 000 000					0	18 000 000
S02	183	PRUDENT INVEST Befektetési Alapkezelő Zrt.			22 816 090					22 816 090					0	22 816 090
S02	184	Kelenföldi Pályaudvar Kft.		20 000 000						20 000 000					0	20 000 000
S02	185	Déli Pályaudvar Ingatlanfejlesztési Zrt.		20 000 000						20 000 000					0	20 000 000
S02	186	MÁV-TRAKCIO Zrt.		18 000 000						18 000 000					0	18 000 000
S02	187	MÁV-GEPESET Zrt.		16 000 000						16 000 000					0	16 000 000
<b>S02 SUBSIDIARIES TREATED AS ASSOCIATES:</b>			<b>817 590 000</b>	<b>110 000 000</b>	<b>22 816 090</b>	<b>0</b>	<b>6 320 000</b>	<b>0</b>	<b>0</b>	<b>3 308 701 090</b>	<b>143 557 000</b>	<b>0</b>	<b>0</b>	<b>6 320 000</b>	<b>1 805 402 000</b>	<b>1 503 299 090</b>
S04										0					0	0
<b>S04 JOINT VENTURES TREATED AS ASSOCIATES:</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
S05	22	MÁV Vasúti Kft								158 000 000					0	158 000 000
S05	27	Bombardier MÁV Kft								193 770 000					0	193 770 000
S05	37	VAMÁV 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				0			4 768 000		0	0
S05	113	MÁV Inted - Team Kft								1 600 000					0	1 600 000
S05	116	MÁV THERMIT Kft								48 300 000					0	48 300 000
S05	141	VIACOM Rt								30 000 000					0	30 000 000
S05	142	MÁV MULTISZOLG Kft								15 332 000					0	15 332 000
S05	153	BVSC-Zugló FC Kft (fa.)				10 000 000				0			10 000 000		0	0
S05	156	Szembeh. Vastás F.C. (fa.)								10 000 000					10 000 000	0
S05	158	VBSZ Kft								1 250 000					0	1 250 000
S05	177	Carpathian Cargo s.r.o.							1 127 000	36 946 000					0	36 946 000
S05	178	Magyar Vasút Fuvareozó Egyesület		100 000						100 000					0	100 000
<b>S05 ASSOCIATES:</b>			<b>0</b>	<b>100 000</b>	<b>0</b>	<b>19 000 000</b>	<b>10 000 000</b>	<b>0</b>	<b>1 127 000</b>	<b>992 998 000</b>	<b>0</b>	<b>0</b>	<b>4 768 000</b>	<b>10 000 000</b>	<b>10 000 000</b>	<b>982 998 000</b>
S06	7	AUTÓRAIL Kft								187 000					187 000	0
S06	58	TÉKISZ Rt								5 200 000					0	5 200 000
S06	84	RESTI Rt								15 077 000					0	15 077 000
S06	120	Vasútegészeti Kft								100 000 000					0	100 000 000
S06	122	Döntőgyári Sz. g. gyár Kft. (fa.)								40 333					40 333	0
S06	128	EUROFIMA Rt			454 485 887				-69 967 903	1 205 556 845					0	1 205 556 845
S06	146	Hódiköt Rt. (fa.)								605 000					605 000	0
S06	147	BCC				565 707			1 570	378 708					0	378 708
S06	151	ZTF Kft								13 750 000					0	13 750 000
S06	160	EUROMETRO Kft				500 000				0					0	0
S06	162	Dugai Kávéház Kft.								500 000					0	500 000
S06	166	NGF Kft.								200 000					0	200 000
S06	169	HIT Rail B.V.							228 710	55 184 444					0	55 184 444
S06	171	Balaton-Boronka Kávéház Kft.								500 000					0	500 000
S06	172	NORMON-TOOL Kft.								132 200					0	132 200
<b>S06 OTHER INVESTMENTS:</b>			<b>0</b>	<b>0</b>	<b>454 485 887</b>	<b>1 065 707</b>	<b>0</b>	<b>0</b>	<b>-69 737 623</b>	<b>1 397 311 530</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>832 333</b>	<b>1 396 479 197</b>
<b>TOTAL</b>			<b>66 547 590 000</b>	<b>130 100 000</b>	<b>477 301 977</b>	<b>136 854 272</b>	<b>16 320 000</b>	<b>662 050 000</b>	<b>-68 610 623</b>	<b>107 974 564 620</b>	<b>1 613 557 000</b>	<b>750 000 000</b>	<b>230 118 249</b>	<b>16 320 000</b>	<b>6 196 263 333</b>	<b>101 778 301 287</b>

Schedule 103. : Changes in MÁV Zrt's shares in 2007

On 2 January 2008, MÁV Zrt. and Rail Cargo Austria signed a share sale-purchase agreement on RCA buying shares in MÁV Cargo Zrt. A binding deposit of HUF 9.7 billion was paid to MÁV Zrt. in January 2008. The rest of the purchase price is payable once the agreement takes effect (the Fair Competition Bureau is revising the fairness of the transaction).

### III.4 Remuneration paid to Board and Supervisory Board members

Item	figures in MHUF		
	2006	2007	Change
Board of Directors	35	49	14
Supervisory Board	33	33	0
<b>Total:</b>	<b>68</b>	<b>82</b>	<b>14</b>

Schedule 104.: Remunerations for 2007

No loan was disbursed to Board and Supervisory Board members in 2007.

### III.5 MÁV Zrt's shares

The Company's share capital comprises two subscribed ordinary shares: one of HUF 20,000m and one of HUF 250m at face value. The shares are non-convertible and non-transferable.

The Company's shares are printed as one share with aggregate face value in accordance with regulations pertaining to securities.

Under the companies act, all shareholder rights are attributable to the founder.

### III.6 Corporate tax base increasing and reducing items

Figures in MHUF

Item	increaseing	decreasing	tax base change
Adjustment due to provisions	14 438	9 603	4 835
Adjustments due to depreciation	107 268	73 805	33 463
Dividends received	0	1 948	-1 948
Penalties and fines	110	0	110
Impairment loss of debtors / reversed	1 349	112	1 237
Forgiven debt	9	0	9
Related party interest diff.	0	20	-20
Amounts and assets received/contributed free of charge	804	2 618	-1 814
Expenses/revenues identified by tax audit or self-correction	4	0	4
Vocational apprentices employed	0	148	-148
Further employment of vocational pupils or unemployed	0	0	0
Research and development	0	35	-35
Transfer price applied	58	0	58
Donations	252	196	56
<b>Total</b>	<b>124 292</b>	<b>88 485</b>	<b>35 807</b>

Schedule 105. : Corporate tax base increasing and reducing items

Reducing items include dividends received (HUF 1,948m), reduction available during the employment of trainees who participate in vocational training (HUF 148m), and direct R&D costs (HUF 35m). Another reducing item is 50% of the difference between interest received from and paid to related parties (HUF 20m).

Donations to foundations reduce the tax base by HUF 196m, while also increase it by HUF 252m at the same time.

The amount of extra income received over the book value of impaired receivables increases the tax base by HUF 1,349m and reduces it by HUF 112m. Other increasing items are forgiven debt of HUF 9m and fines and penalties levied by authorities totalling HUF 110m.

Assets contributed/received free of charge and non-refundable grants increase the tax base by HUF 804m and reduce it by HUF 2,618m, respectively.

The tax base had to be increased by HUF 58m due to transfer prices other than the fair value.

### III.6.1 Corporate tax base increasing/reducing items due to provisions

figures in MHUF	
increaseing	14 438
decreasing	9 603
<b><i>difference</i></b>	<b><i>4 835</i></b>

Schedule 106. : Corporate tax base increasing/reducing items due to provisions

Provisions made for expected liabilities and for future expenses (early retirement, severance pay, litigations, environmental damage, supervision cost, demolition, maintenance and floods) increase the tax base by HUF 14.438m, while provisions released reduce the tax base by HUF 9,603m.

### III.6.2 Corporate tax base increasing/reducing items due to amortisation

figures in MHUF	
increaseing	107 268
decreasing	73 805
<b><i>difference</i></b>	<b><i>33 463</i></b>

Schedule 107. : Corporate tax base increasing/reducing items due to amortisation

The tax base is increased with the actual depreciation charge and the expensed cost of destroyed, missing, disposed of or scrapped assets of contributed assets (HUF 107,268m).

The tax base is reduced with the amount of depreciation charge to the extent stipulated in subsection 7(1)d and appendices 1 and 2 of the corporate tax act (HUF 73,805m).

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