

MÁV MAGYAR ÁLLAMVASUTAK ZRT.

**INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

31. December 2016



INDEPENDENT AUDITOR'S REPORT

(Free translation)

To the founder of MÁV Magyar Államvasutak Zrt.

Opinion

We have audited the accompanying consolidated financial statements of MÁV Magyar Államvasutak Zrt. ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated balance sheet as at 31 December 2016 (in which the balance sheet total is MHUF 1.477.179, the profit after tax is MHUF 14.055), the related consolidated income statement for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of the results of its operations for the year then ended in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act"), in force in Hungary.

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Hungary. We have fulfilled our other ethical responsibilities in accordance with those requirements.

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

Emphasis of matter

We draw attention to the following matters in connection with the consolidated financial statements of the Company:

1. We draw attention to note II.3.1. which states that the financing of the Company's and its subsidiaries operations, the repayment of its loans, and the return on its assets depend on whether the owner provides the financial resources for the operation in time and whether resources from the state budget are available to the extent necessary.
2. We draw attention to note II.3.1.1. which states that in 2015 the Hungarian government and MÁV Zrt. signed a railtrack operation agreement to ensure the funding of the railtrack operation for the period between 2016 and 2025. The Company received a cost compensation amounting to HUF 69,12 billion in 2016. The reimbursement for 2016 has not been settled with the Ministry for National Development, and the amount is still subject to change.
3. We draw attention to note II.3.1.1. which states that as a result of the amendment of Act CVI of 2007 on State Property as of 28 June 2013 and the amendment of the Asset Management Agreement, as of this date, cost compensations are divided into the categories of compensation of operational costs to be accounted in profit/loss and compensation of renovation costs providing funds for capital expenditures on treasury assets.



From the compensation available the compensation used till 31 December 2016 to cover losses amounted to HUF 38.869 million (HUF 38.180 million at 31 December 2015), compensation for renovations amounted to HUF 31.810 million (HUF 25.227 million at 31 December 2015). According to the rules stipulated by the Act on the State Budget for Financial Year 2016, HUF 7.473 million representing a difference between the compensation actually used and remaining available, and the remaining compensations not used in previous periods, was recorded as a liability to the state budget (HUF 12.681 million liability in 2015).

4. We draw attention to note II.1.1.1. which states that on 1 July 2007 the Company transferred the implementation of capital projects related to treasury assets and financed from government and EU funds to Nemzeti Infrastruktúra Fejlesztő Zrt. ("NIF Zrt").

The estimated gross value of assets technically supplied and installed by NIF Zrt. but not yet legally and financially transferred by 31 December 2016 and therefore not shown in the Company's books was HUF 28.513 million (HUF 179.095 million at 31 December 2015.)

5. We draw attention to note II.1.1.1. which states that the ownership status of certain properties is still unresolved between the Company and its Founder. The settlement's potential effect on the assets is at present unclear, and will be subject to future agreements between the Company and its Founder. Under the amendment of Act CVI of 2007 on State Property as of 28 June 2013, settlement of ownership status of the real property cannot result in property loss for the Company.
6. We draw attention to note II.3.1.2. which states that in 2013 MÁV-START Zrt. concluded a public passenger transport service agreement for the years 2014-2023 with the Ministry of National Development, representing the Hungarian State as the requestor of the public service. In accordance with the agreement, MÁV-START Zrt. is entitled to reimbursement of reasonable expenses incurred in connection with the supply of public services that are not covered by revenues. MÁV-START Zrt. presents compensation receivable for public service costs in its books of HUF 1.230 million relating to 2012, HUF 6.050 million relating to 2013 and HUF 4.615 million relating to 2014. After the year 2015 HUF 1.103 million was presented in other short-term liabilities, from which the Hungarian State accepted HUF 931 million additional reimbursement claim in 2016 therefore HUF 172 million is shown as other short-term liabilities in the 2016 annual report. Claims for reimbursement of expenses for the year are HUF 125.245 million, and HUF 20.829 million has been recognized as accrued revenue and therefore the total amount of reimbursement of expenses recognized as other income is HUF 146.074 million. From the reimbursement of expenses HUF 123.171 million was paid during the current year.

Our opinion is not modified in respect of matters presented in points 1)-6).

Other Information: the Consolidated Business Report

The other information comprises the consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements expressed in the "Opinion" section of our report does not cover the consolidated business report.



In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the Accounting Act, in respect of the consolidated business report, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any.

In our opinion, the 2016 consolidated business report of the Group is consistent with the 2016 consolidated financial statements and the consolidated business report has been prepared in accordance with the provisions of the Accounting Act.

As there is no other regulation prescribing further requirements for the consolidated business report, in respect of this, our opinion on the consolidated business report does not express the opinion required by Section (5) h) of 156 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated business report, and shall give an indication of the nature of any such misstatements. We have nothing to report in this respect.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Budapest, 30 May 2017.

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464

Translation note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version. The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Hungary.

Statistical code: 10856417-5221-114-01

Company registration number: 01-10-042272

MÁV Hungarian State Railways
Private Company Limited by Shares

1087 Budapest, Könyves Kálmán krt. 54-60.

Consolidated
Balance sheet and profit and loss account
2016.12.31

Date: Budapest, 30 May 2017

Manager (representative) of the Company

Stamp

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Company registration number

Balance sheet date of the business year: 31/12/2016

BALANCE SHEET Version "A" Assets

Figures in MHUF

Serial no.	Description	Previous year 31/12/2015	Adjustments to previous year(s)	Reporting year 31/12/2016
a	b	c	d	e
A.	Non-current assets (I.+II.+III.)	1 162 156	0	1 332 486
I.	INTANGIBLE ASSETS	8 084	0	14 708
1.	Capitalised value of foundation and restructuring	1	0	0
2.	Capitalised value of R&D	459	0	356
3.	Intangible property rights	2 992	0	7 189
4.	Intellectual property	4 632	0	7 163
5.	Goodwill	0	0	0
6.	Advances given for intangible assets	0	0	0
7.	Revaluation of intangible assets	0	0	0
II.	TANGIBLE ASSETS	1 148 178	0	1 312 054
1.	Real property and related rights	758 904	0	864 678
2.	Technical equipment, machinery, vehicles	355 274	0	410 620
3.	Other fixtures, fittings and vehicles	236	0	157
4.	Breeding stock	0	0	0
5.	Capital projects, renovations	31 039	0	32 596
6.	Advances given for capital projects	2 725	0	4 003
7.	Revaluation of tangible assets	0	0	0
III.	FINANCIAL INVESTMENTS	5 894	0	5 724
1.	Long-term investments in related companies	131	0	98
2.	Long-term loans to related companies	0	0	0
3.	Long-term investments in undertakings with which the undertaking is linked by virtue of participating interest	3 259	0	3 149
4.	Long-term loans granted to undertakings with which the undertaking is linked by virtue of participating interest	0	0	0
5.	Other long-term investments	2 459	0	2 458
6.	Long-term loans granted to other investments	0	0	0
7.	Other long-term loans granted	45	0	19
8.	Long-term debt securities	0	0	0
9.	Revaluation of financial investments	0	0	0
10.	Fair value adjustment of financial investments	0	0	0
11.	Difference from the consolidation of equity (goodwill)	0	0	0
	- From subsidiaries	0	0	0
	- From associates	0	0	0

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Company registration number

Balance sheet date of the business year: 31/12/2016

BALANCE SHEET Version "A" Assets

Figures in MHUF

Serial no.	Description	Previous year 31/12/2015	Adjustments to previous year(s)	Reporting year 31/12/2016
a	b	c	d	e
B.	Current assets (lines I+II+III+IV)	111 368	0	109 227
I.	INVENTORIES	23 471	0	29 681
1.	Raw materials	18 305	0	24 616
2.	Work in progress and semi-finished products	2 587	0	2 103
3.	Animals for breeding, fattening and other livestock	0	0	0
4.	Finished products	1 173	0	1 473
5.	Goods	1 182	0	1 080
6.	Advance payments for inventories	224	0	409
II.	RECEIVABLES	34 865	0	34 043
1.	Accounts receivable from supply of goods and services (trade debtors)	8 016	0	7 651
2.	Receivables from related companies	34	0	1 216
3.	Receivables from companies linked by virtue of participating interests	114	0	92
4.	Receivables from other investments	8	0	30
5.	Notes receivable	0	0	0
6.	Other receivables	26 682	0	25 044
7.	Fair value adjustment of receivables	0	0	0
8.	Positive fair value adjustment of derivatives	0	0	0
9.	Deferred tax assets arising from consolidation	11	0	10
III.	SECURITIES	0	0	0
1.	Investments in related companies	0	0	0
2.	Investments in undertakings with which the undertaking is linked by virtue of participating interest	0	0	0
3.	Other investments	0	0	0
4.	Treasury shares and interests repurchased	0	0	0
5.	Debt securities held for sale	0	0	0
6.	Fair value adjustment of securities	0	0	0
IV.	LIQUID ASSETS	53 032	0	45 503
1.	Cash, cheques	151	0	164
2.	Bank deposits	52 881	0	45 339
C.	Prepaid expenses and accrued income	40 961	0	35 466
1.	Accrued income	27 039	0	26 539
2.	Prepaid expenses	603	0	650
3.	Deferred expenses	13 319	0	8 277
	TOTAL ASSETS (A+B+C)	1 314 485	0	1 477 179

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Company registration number

Balance sheet date of the business year: 31/12/2016

BALANCE SHEET Version "A" Liabilities

Figures in MHUF

Serial no.	Description	Previous year 31/12/2015	Adjustments to previous year(s)	Reporting year 31/12/2016
a	b	c	d	e
D.	Equity	147 260	0	157 372
I.	REGISTERED CAPITAL	22 000	0	22 000
	of which: repurchased ownership share at nominal value	0	0	0
II.	REGISTERED CAPITAL NOT PAID (-)	0	0	0
III.	CAPITAL RESERVE	119 155	0	115 207
IV.	RETAINED EARNINGS	-23 000	0	13 786
V.	NON-DISTRIBUTABLE RESERVE	6 405	0	4 137
VI.	VALUATION RESERVE	0	0	0
1.	Valuation adjustment reserve	0	0	0
2.	Valuation reserve for fair value	0	0	0
VII.	ADJUSTED AFTER-TAX PROFIT/LOSS	39 554	0	14 055
VIII.	CHANGES IN EQUITY OF SUBSIDIARIES (±)	2 361	0	4 676
VIII./A	CHANGES IN VALUE OF INVESTMENTS IN ASSOCIATES	2 754	0	2 577
IX.	CHANGES DUE TO CONSOLIDATION (±)	-21 969	0	-19 066
1.	From the elimination of intragroup receivables and liabilities	54	0	24
2.	From the elimination of internal profit/loss	-22 023	0	-19 090
X.	INVESTMENTS OF EXTERNAL MEMBERS (NON-CONTROLLING)	0	0	0
E.	Provisions	45 919	0	40 713
1.	Provisions for expected liabilities	28 356	0	24 322
2.	Provisions for future costs	9 501	0	11 315
3.	Other provisions	8 062	0	5 076
F.	Liabilities	990 865	0	1 128 223
I.	SUBORDINATED LIABILITIES	100	0	100
1.	Subordinated liabilities to related companies	0	0	0
2.	Subordinated liabilities to undertakings with which the undertaking is linked by virtue of participating interest	0	0	0
3.	Subordinated liabilities to other investments	0	0	0
4.	Subordinated liabilities to third parties	0	0	0
5.	Difference from the equity consolidation of subsidiaries (negative goodwill)	100	0	100

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Company registration number

Balance sheet date of the business year: 31/12/2016

BALANCE SHEET Version "A" Liabilities

Figures in MHUF

Serial no.	Description	Previous year 31/12/2015	Adjustments to previous year(s)	Reporting year 31/12/2016
a	b	c	d	e
II.	LONG-TERM LIABILITIES	892 275	0	1 031 383
1.	Long-term borrowings	526	0	292
2.	Convertible bonds	0	0	0
3.	Bonds payable	0	0	0
4.	Loans received for investment and development	61 983	0	51 152
5.	Other long-term loans	1 647	0	0
6.	Long-term liabilities to related companies	0	0	0
7.	Long-term liabilities to undertakings with which the undertaking is linked by virtue of participating interest	0	0	0
8.	Long-term liabilities to other investments	0	0	0
9.	Other long-term liabilities	828 119	0	979 939
III.	CURRENT LIABILITIES	98 490	0	96 740
1.	Short-term borrowings	686	0	234
	- of which: convertible and contingent convertible bonds	0	0	0
2.	Short-term loans	34 513	0	14 094
3.	Advances received from customers	72	0	60
4.	Liabilities from the transportation of goods and from services (accounts payable)	29 488	0	44 317
5.	Notes payable	0	0	0
6.	Short-term liabilities to related parties	134	0	84
7.	Short-term liabilities to undertakings with which the undertaking is linked by virtue of participating interest	1 505	0	1 990
8.	Short-term liabilities to other investments	47	0	48
9.	Other current liabilities	32 045	0	35 913
10.	Fair value adjustment of liabilities	0	0	0
11.	Negative fair value adjustment of derivatives	0	0	0
12.	Deferred tax liability arising from consolidation	0	0	0
G.	Accrued expenses and deferred income:	130 441	0	150 871
1.	Prepaid income	10 251	0	9 565
2.	Accrued expenses	6 811	0	7 145
3.	Deferred income	113 379	0	134 161
	TOTAL EQUITY AND LIABILITIES (D.+E.+F.+G.)	1 314 485	0	1 477 179

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Statistical code

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Company registration number

Balance sheet date of the business year: 31/12/2016

Profit and loss account prepared using the total cost method

Figures in MHUF

Serial no.	Description	Previous year 31/12/2015	Adjustments to previous year(s)	Reporting year 31/12/2016
a	b	c	d	e
01.	Net domestic sales revenue	120 383	0	115 313
02.	Net export sales revenue	18 056	0	17 075
I.	Net sales revenue (01+02)	138 439	0	132 388
03.	Change in self-manufactured inventories	918	0	-184
04.	Capitalised value of self-manufactured assets	28 787	0	30 522
II.	Capitalised value of own performance (±03+04)	29 705	0	30 338
III.	Other gains	277 664	0	275 806
	Of which: impairment reversed	925	0	727
III/A.	Consolidation difference – increasing profit/loss – arising from the elimination of intragroup receivables and liabilities	0	0	0
05.	Raw materials and consumables used	60 791	0	59 189
06.	Value of services used	55 227	0	60 853
07.	Value of other services used	3 457	0	3 327
08.	Cost of goods sold	10 038	0	8 710
09.	Value of sold (intermediated) services	2 830	0	3 025
IV.	Material-type expenses (Lines 05+06+07+08+09)	132 343	0	135 104
10.	Payroll cost	118 552	0	123 007
11.	Other payments to personnel	17 571	0	18 635
12.	Contributions on wages and salaries	36 380	0	37 774
V.	Payments to personnel (10.+11.+12.)	172 503	0	179 416
VI.	Depreciation expense	72 106	0	76 822
VII.	Other expenses	25 385	0	27 670
	Of which: impairment	6 030	0	13 441
VII/A.	Consolidation difference – decreasing profit/loss – arising from the elimination of intragroup receivables and liabilities	0	0	0
A.	OPERATING PROFIT/(LOSS) (I.+II.+III.+III/A.-IV.-V.-VI.-VII.-VII/A.)	43 471	0	19 520

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Statistical code

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Company registration number

Balance sheet date of the business year: 31/12/2016

Profit and loss account prepared using the total cost method
Version "A"

Figures in MHUF

Serial no.	Description	Previous year 31/12/2015	Adjustments to previous year(s)	Reporting year 31/12/2016
a	b	c	d	e
13/a.	Dividend received from associates	0	0	0
13/b.	Dividend received from other investments	3	0	2
14.	Exchange gain on sale of investments	0	0	0
	Of which: received from related companies	0	0	0
15.	Interest and gain on financial investments	0	0	0
	Of which: received from related companies	0		0
16.	Other interest received (due) and similar income	725	0	379
	Of which: received from related companies	0	0	0
17.	Other financial gains	2 050	0	1 355
	Of which: fair value adjustment	0	0	0
VIII.	Financial gains (13/a+13/b.+14.+15.+16.+17.)	2 778	0	1 736
18.	Expenses of and losses on investments	0	0	1
	Of which: provided to related companies	0	0	0
19.	Expenses of and losses on financial investments (securities and loans)	0	0	0
	Of which: provided to related companies	0	0	0
20.	Interest payable (paid) and similar expenses	2 113	0	1 091
	Of which: provided to related companies	0	0	0
21.	Impairment of investments, long-term loans given, securities and bank deposits	-90	0	-20
22.	Other financial expenses	4 285	0	5 994
	Of which: fair value adjustment	0	0	0
IX.	Financial expenses (18.+19.+ 20.+ 21.+22.)	6 308	0	7 066
B.	FINANCIAL PROFIT/LOSS (VIII.-IX.)	-3 530	0	-5 330
C.	PROFIT/LOSS BEFORE TAX (±A.±B.)	39 941	0	14 190
X.	Tax expense	269	0	134
X/A.	Deferred tax expense	118	0	1
D.	PROFIT/LOSS AFTER TAX (±C.-X.±X/A.)	39 554	0	14 055
23.	Share of external members (other owners) in the after-tax profit/loss of subsidiaries (non-controlling interest)	0	0	0
E.	ADJUSTED AFTER-TAX PROFIT/LOSS (D.-23.)	39 554	0	14 055



MÁV HUNGARIAN STATE RAILWAYS PRIVATE COMPANY LIMITED BY SHARES

NOTES TO THE

CONSOLIDATED ANNUAL FINANCIAL

STATEMENTS FOR THE YEAR 2016

30TH MAY 2017

L.S.

.....
Director (representative) of the Company

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I GENERAL SECTION

I.1 INTRODUCTION OF THE COMPANY GROUP

I.1.1 General information on the parent company

On the basis of act LIII of 1992 on the management of permanent government businesses and their assets and of act XVI of 1991 on concessions, on 30 June 1993, the Ministry for Transport, Telecommunications and Water of the Republic of Hungary, on behalf of the government as owner (Founder), established Magyar Államvasutak Részvénytársaság (hereinafter: MÁV Zrt., or the Company), as a single-owner private company limited by shares. As the goods transport (cargo) activity was outsourced as of 1 January 2006, passenger transport on standard railtracks was outsourced as of 1 July 2007, traction and towed vehicle maintenance were outsourced as of 1 January 2008 to separate entities, these activities no longer form part of the Company's operations. Since 2008, the Company's main activity has been the operations of the railtrack network.

The principles of MÁV Zrt's operations, organisation and governance structure are set out in the Articles of Incorporation. The Company's executive body is the Board of Directors; operations are directed by the Company's Chairperson & CEO.

Name of the Company

MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság.

Name of the Company in foreign languages:

In English: MÁV Hungarian State Railways Private Company Limited by Shares

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

In German: MÁV Ungarische Staatseisenbahnen Aktiengesellschaft betreibend in geschlossener Weise.

Abbreviated name of the Company

MÁV Zrt.

In foreign languages:

In English: MÁV Co.,

In French: MÁV S.A.,

In German: MÁV AG.

Registered office of the Company:

1087 Budapest, Könyves Kálmán krt. 54-60. Phone: 06-1/322-0660

Website of the Company:

www.mavcsopot.hu

Founder of the Company:

The Company's founder is the Hungarian State.

Date of foundation: 30 June 1993

Owner of the Company:

The company's owner is the Hungarian State. Between 1 January 2014 and 31 December 2017, ownership rights were exercised by the Ministry for National Development. Registered office: 1011 Budapest, Fő utca 44-50.

Based on Section 3:109 (4) of the Civil Code no general meeting is held at the Company, and decisions relating to matters that otherwise fall under the scope of authority of a general meeting are made by the Founder in writing.

Share capital of the Company:

At 31 December 2016: HUF 22,000,000,000 consisting of 2,200,000 ordinary shares of HUF 10,000 face value each.

As a result of increases in capital registered between the balance sheet date and the balance sheet preparation date – described in detail in section *II.1.5 Equity* – the Company's share capital was HUF 24,500,000,000 as at the balance sheet preparation date.

Company registration number: Cg 01-10-042272

Tax number: 10856417-2-44

Statistical code: 10856417-5221-114-01

Main activity of the Company: 52.21 Land transport support services

Authorised signatory of the consolidated financial statements:

Ilona Dávid, Chairperson & CEO (domicile: 2120 Dunakeszi, Baross Gábor utca 11).

The person responsible for the management and supervision of the accounting services and compilation of the financial statements is:

MÁV Zrt. commissioned MÁV Szolgáltató Központ Zrt. to perform the management and supervision of the accounting services and the compilation of the financial statements and of the consolidated financial statements as per Section 150 (2) of Act C of 2000 on Accounting ("Accounting Act").

Executive responsible for the management of accounting services: Dr. Nándor Kaliczka, MÁV Szolgáltató Központ Zrt. Head of Business Branch (domicile: 1204 Budapest, Bethlen utca 11., registered bookkeeper registration number: 189604).

Person responsible for the audit of the financial statements:

The audit of the consolidated financial statements is performed by PricewaterhouseCoopers Könyvvizsgáló Kft.

Person responsible for the audit: Éva Barsi (permanent address: 1163 Budapest, Tiszakömlő utca 45.), chamber membership number: 002945)

The auditor's fee charged in respect of the reporting year:

- The audit fee charged to MÁV Zrt. in respect of the reporting year is HUF 15 M.
- The fee for the audit of the financial statements of the subsidiaries comprehensively included in the consolidated financial statements of MÁV Zrt. is HUF 24 M net.
- Other services performed in addition to the audit amounted to HUF 2 M.

I.1.2 The Parent Company

The Parent Company (MÁV Zrt.) transformed into a company limited by shares on 30 June 1993 as a general legal successor of Hungarian Railways, a state-owned company.

The Company's share capital as at the balance sheet date comprises 2,200,000 registered ordinary shares of HUF 10,000 face value each. The shares are dematerialised, non-transferable, and cannot be converted to any other share type.

All shareholder rights according to the Civil Code are attributable to the Company's founder.

Based on the contract with the government regarding the management of state assets, the state assets taken into management, as well as the funding sources for these, which are classified as other long-term liabilities, are recognised in the Company's books. With respect to the management of state-owned assets, MÁV Zrt's asset management practice is aimed at providing efficient and effective services on behalf of the state, protecting the condition and value of the managed assets, and increasing their value.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	1 177 557	1 323 997	146 440	112%
Equity	159 080	167 167	8 087	105%
Registered capital	22 000	22 000	0	100%
Net sales revenue	153 025	151 231	-1 794	99%
Wages and salaries	50 651	58 709	8 058	116%
Pre-tax profit/loss	33 700	12 035	-21 665	36%

Table 1: The parent company's key figures

The company's core activity: railway transport support activities (railtrack access services). With effect from 1 January 2008, the company outsourced its rolling stock maintenance and traction

activities to companies within the MÁV Group. Since 2008, the company's main activity has been the operation of the railtrack network.

I.1.3 Fully consolidated companies

In 2016, similarly to the previous business year, MÁV Zrt. had a total of 6 subsidiaries that were fully included in its consolidated financial statements. The key figures of the fully consolidated subsidiaries are shown below.

1. MÁV-START Vasúti Személyszállító Zártkörűen Működő Részvénytársaság

Date of foundation: 15 October 2006

Registered office of the Company: 1087 Budapest, Könyves Kálmán krt. 54-60.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	271 625	290 406	18 781	107%
Equity	116 412	119 685	3 273	103%
Registered capital	43 742	43 742	0	100%
Net sales revenue	101 581	99 494	-2 087	98%
Wages and salaries	48 094	49 813	1 719	104%
Pre-tax profit/loss	2 476	4 025	1 549	163%

Table 2: MÁV-START Zrt.'s key figures

The company's core activities: passenger transport by rail (mostly on the basis of public service contracts), as well as activities that are essential for passenger transport by rail: railway traction activity, operation of railway rolling stock for traction purposes, repair and maintenance of locomotives, passenger carriages, cargo wagons and operation of the equipment used to pre-heat carriages, the prevention and management of chemical emergencies and partly the prevention and management of accidents.

2. MÁV Felépítménykarbantartó és Gépjavító Korlátolt Felelősségű Társaság

Date of foundation: 1 January 1994

Registered office of the Company: 5137 Jászkísér, Jászladányi u. 10.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	14 269	13 987	-282	98%
Equity	3 441	3 424	-17	100%
Registered capital	1 505	1 505	0	100%
Net sales revenue	21 323	21 712	389	102%
Wages and salaries	4 264	4 504	240	106%
Pre-tax profit/loss	621	292	-329	47%

Table 3: MÁV FKG Kft.'s key figures

The company's core activities: railtrack renovation and maintenance, operation, repair and renovation of special complex installations.

3. MÁV Szolgáltató Központ Zártkörűen Működő Részvénytársaság

Date of foundation: 1 November 1996

Registered office of the Company: 1087 Budapest, Könyves Kálmán krt. 54-60.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	10 218	11 464	1 246	112%
Equity	1 947	2 337	390	120%
Registered capital	801	801	0	100%
Net sales revenue	23 288	25 161	1 873	108%
Wages and salaries	8 427	8 008	-419	95%
Pre-tax profit/loss	27	446	419	1652%

Table 4: MÁV Szolgáltató Központ Zrt.'s key figures

The company's core activities: the establishment and operation of the accounting systems of companies in the MÁV Group that are party to a service agreement, and the performance of accounting activities; provision of HR administration services and health and safety at work services; provision of centralised services (procurement and inventory management, logistics services, implementation of public procurements, asset management, inventory taking, energy management related to railway technology, establishment and operation of environmental protection systems) ; educational activity; administrative and management support tasks. Operating and monitoring the IT systems required for the business and functional processes of companies within and outside the MÁV Group, setting up, monitoring, managing and co-ordinating the new systems, ensuring the integration with the IT systems applied.

4. MÁV Központi Felépítményvizsgáló Korlátolt Felelősségű Társaság

Date of foundation: 1 September 1996

Registered office of the Company: 1097 Budapest, Péceli út 2.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	3 117	4 163	1 046	134%
Equity	2 762	2 989	227	108%
Registered capital	569	569	0	100%
Net sales revenue	2 354	2 428	74	103%
Wages and salaries	505	565	60	112%
Pre-tax profit/loss	818	667	-151	82%

Table 5: MÁV KfV Kft.'s key figures

The company's core activities: railtrack monitoring, track geometry measurement, development of measurement tools and devices.

5. ZÁHONY-PORT Záhonyi Logisztikai és Rakománykezelési Szolgáltató Zártkörűen Működő Részvénytársaság

Date of foundation: 31 August 2006

Registered office of the Company: 4625 Záhony, Európa tér 12.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	935	907	-28	97%
Equity	388	326	-62	84%
Registered capital	10	10	0	100%
Net sales revenue	1 740	2 039	299	117%
Wages and salaries	856	871	15	102%
Pre-tax profit/loss	-241	-62	179	26%

Table 6: ZÁHONY-PORT Zrt.'s key figures

The company's core activities: cargo handling, warehousing, storage, forwarding.

6. MÁV VAGON Vasúti Jármű Gyártó és Javító Korlátolt Felelősségű Társaság

Date of foundation: 30 December 1992

Registered office of the Company: 8000 Székesfehérvár, Takarodó út 1.

The company's key figures (Figures in MHUF):

Item	2015	2016	Change	Index
Balance sheet total	1 345	1 830	485	136%
Equity	391	453	62	116%
Registered capital	244	244	0	100%
Net sales revenue	3 814	5 217	1 403	137%
Wages and salaries	540	538	-2	100%
Pre-tax profit/loss	150	69	-81	46%

Table 7: MÁV VAGON Kft.'s key figures

The company's core activities: the manufacturing of railway, fixed-track rolling stock.

I.1.4 Assignment to consolidation categories

I.1.4.1 Changes in the reporting year

Pursuant to the Accounting Act, MÁV Zrt. has fully included 6 of its subsidiaries in its consolidated financial statements for 2016; it exercises a direct controlling influence in all of these except MÁV VAGON Kft. The number of fully consolidated entities remained unchanged compared to the consolidated financial statements for 2015.

MÁV Zrt. and the Chinese undertakings China Railway International Corporation and China Railway International Group jointly established Kínai-Magyar Vasúti Nonprofit Zrt. with a registered capital of HUF 5 M, for the performance of procurement and project management tasks related to development of the Hungarian section of the Budapest-Belgrade railway line. The owners make decisions on a consensual basis, and accordingly the company is classified as a joint venture; however, making use of the exemption set out in the Accounting Act, it is included in MÁV Zrt.'s consolidated financial statements using the equity method (as an affiliated undertaking) rather than on the basis of a quota.

The liquidation of MÁV HÍDÉPÍTŐ Kft "f.a." was completed, and the company was deleted from the companies register on 29 June 2016; as a result of this, it was removed from among the companies stated at book value in the consolidated statements.

The liquidation of HUNGRAIL Egyesülés "f.a." was completed, and the company was deleted from the companies register on 3 June 2016; as a result of this, it was removed from among the companies stated at book value in the consolidated statements.

Indicators considered in the assignment to consolidation categories are shown in Annex 1.

The assignment of companies to consolidation categories and the movements in this in the reporting year are shown in Annexes 2 and 3.

A diagram of the overall company group structure is in Annex 4.

The classification of group companies and their definitive assignment to consolidation categories are presented in Annex 5.

I.1.4.2 Significant changes occurring between the balance sheet date and the balance sheet preparation date

MÁV Zrt. carried out a HUF 1,200 M capital increase with premium in Kínai-Magyar Vasúti Nonprofit Zrt., which was registered by the Company Court on 26 January 2017, after the balance sheet date but before the balance sheet preparation date.

Budapesti Helyiérdekű Vasút Zrt. (BHÉV Zrt.), based on the decision of the General Meeting of Budapest, was established on 7 November 2016 by demerger from Budapesti Közlekedési Zártkörűen Működő Részvénytársaság. An agreement was concluded between the Municipality of Budapest and Magyar Nemzeti Vagyonkezelő Zrt. (MNV Zrt.) on 25 November 2016 with respect to the transfer of the municipality's share in the company to MNV Zrt. MNV Zrt. transferred the share to the Ministry of National Development (NFM) to exercise the ownership right, and the NFM concluded an agency contract with MÁV Zrt. on 23 November 2016 with respect to exercising the ownership rights. Later, the Ministry of National Development transferred its shareholding in BHÉV Zrt. to MÁV Zrt. as a non-cash contribution to equity, thus making the Company the actual owner. The Company Court registered the increase in capital on 13 February 2017, after the balance sheet date but before the balance sheet preparation date. The name of the company changed to MÁV-HÉV Helyiérdekű Vasút Zártkörűen Működő Részvénytársaság, or MÁV-HÉV Zrt. for short, following the non-cash contribution.

I.2 THE COMPANY GROUP'S ACCOUNTING POLICY

I.2.1 The consolidated annual financial statements and their compilation

The business year of the consolidated financial statements matches the business year of MÁV Zrt., which is the calendar year; that is, the period lasting from 1 January to 31 December. The accounting date of the consolidated financial statements is the last day of the business year; that is, 31 December.

MÁV Zrt. prepares the consolidated balance sheet in accordance with variant "A" of Section I of Schedule No. 1 and the provisions of Section I of Schedule No. 6 to the Accounting Act, with the following additional requirements:

- items denoted with Arabic numerals are not merged or omitted (Section 22 (3) and (5) of the Accounting Act),
- making use of the opportunity provided under Section 22 (2) of the Accounting Act, within equity, movements in equity attributable to changes in the value of investments in associates and constituting a component of retained earnings is recognised as separate balance sheet line item, with the designation D/VIII/A Changes in value of investments in associates .

MÁV Zrt. prepares the consolidated profit and loss account in accordance with variant "A" of Schedule No. 2 and Section II of Schedule No. 6 to the Accounting Act.

The figures stated in the consolidated financial statements are presented in million forints (HUF M) in accordance with the requirements of Section 20 (2) of the Accounting Act.

The steps of consolidation must be performed in thousand forints (HUF T), regardless of how (with what number scale) the member company prepares its individual annual financial statements.

For the purposes of the consolidated financial statements, material errors are defined as follows in accordance with Section 3 (3) 3 of the Accounting Act: errors are always considered to be material if, in the year when disclosed by different reviews, the total of all errors (whether negative or positive) disclosed for the same financial year and the impacts thereof – increasing or decreasing the profit/loss for the year or equity – exceeds 2% of the consolidated balance sheet total of the reviewed financial year.

Any discrepancies between the financial statements taken into account during the consolidation process and the final individual financial statements are recorded through profit/loss in the consolidation process of the following year, as items affecting the previous year.

I.2.2 Assignment to consolidation categories

For the purpose of assignment to consolidation categories and for identification of the consolidation technique to be used, the members of the MÁV group of companies must be classified. MÁV Zrt. performs the classification of the companies at the time of the first consolidation, and at the time of management during the consolidation process; that is, at the time of acquisition (including the foundation of new entities).

The classification and assignment to a consolidation category performed at the time of acquiring the investment also determines the method of consolidation in the following years, which may only be departed from in the event of a material change. A change is considered to be material if:

- a new member company is added to the company group, or an existing member company leaves the company group,
- a member company is wound up or goes into liquidation or forced liquidation,
- the investment in an existing company increases as a result of acquiring an additional investment, or decreases due to the alienation of the investment, and the classification of the entity in question changes as a result of the above,
- there is a change in the nature or scope of the activities of a company belonging to the company group that makes it necessary to review the classification (in this case, classification is carried out on an individual basis).

Subsidiaries and joint ventures are exempt from full consolidation if, at the time of their first consolidation, the provision of the data necessary for consolidation is only possible at disproportionately high costs and with a delay.

Subsidiaries and joint ventures are exempt from full consolidation if the investment (shares, equity interest) in them was acquired by the MÁV Group for the purpose of resale, and for this reason the equity interest is recognised among current assets in the individual financial statements of the member company that acquired them.

Subsidiaries and joint ventures are exempt from full consolidation if the MÁV Group is prevented, in the long-term, from exercising its controlling influence in respect of them due to material and long-term (existing for at least one year) legal restrictions or extraordinary circumstances. Such restrictions or extraordinary circumstances include, but are not limited to: nationalisation, bringing under direct state control, liquidation proceedings, forced liquidation proceedings etc.

Subsidiaries and joint ventures are exempt from full consolidation if, at the time of their first consolidation, any two of the following three conditions are in place in respect of them:

- the balance sheet total is less than 1% of the pre-consolidation aggregated balance sheet total of MÁV Zrt., the subsidiaries and joint ventures as at the same balance sheet date,
- annual net sales revenue is less than 1% of the pre-consolidation aggregated annual net sales revenue of MÁV Zrt., the subsidiaries and joint ventures in respect of the same period,
- annual payroll costs are less than 1% of the pre-consolidation aggregated annual payroll costs of MÁV Zrt., the subsidiaries and joint ventures.

For the purposes of examining the above conditions, joint ventures must be taken into account according to the extent of the equity stake (quota).

The examined indicators in respect of all the exempted subsidiaries and joint ventures together may not exceed 5% of the pre-consolidation aggregate value of the indicator concerned in respect of MÁV Zrt., the subsidiaries and joint ventures.

Member companies that have a shareholding in any other fully consolidated company may not be exempted on the basis of any of the conditions.

Member companies are exempt from treatment based on the first valuation of the investment if, by the time of preparation of the consolidated financial statements, the data necessary for the application of the equity method is not available.

If the fact or extent of the governance, control or controlling influence cannot be clearly determined on the basis of voting rights, then the parent company classifies the status of the member company concerned within the group on the basis of an individual assessment.

I.2.3 Preparing for the consolidation

MÁV Zrt., as parent company, prescribes standardised accounting procedures at the consolidated undertakings, in the framework of a group-level accounting and valuation policy. In this way, MÁV Zrt. ensures the uniformity of the financial statements to be consolidated, and therefore in the case of these member companies there are no tasks to be performed in preparation for the consolidation.

If the consolidated undertakings, with respect to issues regulated at group level, apply differing settlements or methods on the basis of the options available to them under the Accounting Act or based on their individual characteristics, this is specified in the group-level accounting policy and valuation regulations in relation to the companies concerned.

With respect to associates, the check on compliance with the balance sheet requirements and the standardisation of the valuation only takes place if the information necessary for these is available during the consolidation process. If this information is not available or is missing, MÁV Zrt. omits these consolidation steps.

The conversion of the balance sheets of consolidated undertakings prepared in a foreign currency is performed by MÁV Zrt. on the basis of Section 123 (6) b. of the Accounting Act; that is, every item of the balance sheet is translated at the official exchange rate published by the National Bank of Hungary (MNB) as valid on the balance sheet date.

I.2.4 Rules of equity consolidation by investment elimination

MÁV Zrt. performs the first equity consolidation at book value on the basis of Section 124 (5) a) of the Accounting Act in every case.

MÁV Zrt. performs the first equity consolidation in accordance with the values applicable at the time of acquisition if a new undertaking is consolidated upon its foundation, or in other cases if the conditions for performing the consolidation tasks from the date of acquisition are in place. The conditions may be regarded as being in place if the acquired undertaking prepares a financial statement between the date of the acquisition and the following consolidated balance sheet date. In this case, the accounting date of the previous individual financial statements is to be treated as the date of acquisition.

If the conditions for performing the consolidation tasks from the date of acquisition are not in place, then the first equity consolidation is based on the values applicable as at the balance sheet date.

In the event of the removal of undertakings from the group managed using the equity method, or in the event of the acquisition of further shareholdings in a previously consolidated undertaking, the balance sheet date for the purpose of equity consolidation is the balance sheet date of the year preceding the reporting year, which is the same as the first day of the reporting year. In the event of removal from the group of undertakings managed using the equity method, during the first equity consolidation performed with investment elimination, the values recognised in connection with the reclassified undertaking – previously managed as an associate – in the previous years must be taken into account.

During the equity consolidation, goodwill or negative goodwill may arise, which must be broken down into hidden reserves or hidden liabilities in accordance with Section 124 (8) of the Accounting Act. In such case, MÁV Zrt. regards the hidden reserves or hidden liabilities as material – and performs the breakdown – if these exceed the book value of the shareholding by at least 10%, or if they fall short of it by at least 10%.

During the equity consolidation MÁV Zrt., making use of the opportunity provided under Section 124 (8) c) of the Accounting Act, aggregates the goodwill or negative goodwill arising from the consolidation of several subsidiaries.

The ordinary depreciation of the goodwill recognised among financial investments – insofar as the useful life thereof cannot be determined – is accounted for by MÁV Zrt. over a period of 5 years.

The recognition of extraordinary depreciation on the goodwill from equity consolidation takes place if the book value thereof materially (by 20%, but a minimum of HUF 50 M) and persistently as per Section 46 (4) of the Accounting Act (for at least one year on the basis of historical facts or future expectations for at least one year, or permanently based on the information available at the time of the valuation) exceeds its market value.

1.2.5 Rules on debt consolidation

MÁV Zrt. consolidates debts for fully consolidated companies in accordance with Section 125 of the Accounting Act, and performs this step in every case regardless of the amount of the assets and liabilities to be eliminated.

When reconciling receivables and liabilities, differences are not classified as material if, at group level, in terms of their absolute value, they do not exceed 0.1% of the lower of receivables and liabilities to be eliminated, or a maximum of HUF 50 M. In such case, receivables and liabilities are eliminated at the lower amount, which will be regarded as the identical value.

In the event of a material discrepancy, the company establishes the reasons for the differences, and based on a knowledge of such reasons the value of the receivables or liabilities must be recognised or derecognised against the balance sheet or P&L item to which they were found to relate. If the reason for the discrepancy cannot be detected, receivables or liabilities must be recognised or derecognised against other gains or expenses arising from debt consolidation.

The recognition, during the consolidation process, of differences in an amount matching that of the previous year takes place without an effect on profit/loss, as a change in equity, against balance sheet line item *D/IX. Changes due to consolidation resulting from difference from debt consolidation*

I.2.6 Rules on the consolidation of expenses and income

MÁV Zrt. performs the consolidation of income and expenses for fully consolidated companies in every case, regardless of value threshold.

When reconciling the values of income and expenses, differences are not classified as material if, at group level, in terms of their absolute value, they do not exceed 0.05% of the income to be eliminated, or a maximum of HUF 50 M. In this case, the elimination must take place at values net of the difference.

Following the reconciliation, the elimination of income and expenses must be performed as follows:

- In the case of received own performance recognised against profit/loss, the revenue/gain recognised at the issuer must be eliminated against the expense recognised at the recipient. In the case of purchased performance, the income recognised at the issuer must be eliminated, against the cost of goods sold or the cost of sold (intermediated) services, at the value of the income or expense (cost) recognised at the issuer, whichever is the lower, then the expense recognised by the recipient must be adjusted for the difference (reduced in the event of excess income, or increased in the event of excess expense).
- In the case of received performance recognised as an asset, for the elimination of the income and expense, the income recognised at the issuer must be eliminated against the capitalised value of self-manufactured goods in the case of own performance, or at the cost of goods sold, cost of sold (intermediated) services or other expense, expense of financial transactions in the case of external performance, at the value of either the income or the expense (cost) recognised at the issuer, whichever is the lower.
- In the case of unilaterally recognised income or unilaterally recognised expense, the unilateral recognition must be cancelled by eliminating the original recognition, then in the following year the balance sheet item 'changes due to consolidation from the elimination of internal profit/loss' within consolidated equity must be adjusted (reduced or increased) as appropriate with the amount of this. In the following consolidations, if the unilateral settlement persists in an unchanged amount, then the recognised equity adjustment remains in the accounts. If the amount changes because the unilateral settlement was eliminated by the member company concerned, then it must be treated as a unilateral settlement arising in the reporting period. If the asset affected by the settlement ceases to exist or is excluded from full consolidation, then the elimination of internal profit/loss due to the unilateral accounting must be released. The value of the line item of movements from the difference of internal profit/loss recognised separately within equity will automatically be settled through the after-tax profit/loss – as a result of the allocation of the after-tax profit/loss – on opening the next year.

I.2.7 Rules on the elimination of internal profit/loss

MÁV Zrt. performs the elimination of internal profit/loss among the consolidated undertakings if the value of the accepted internal performance, with respect to all the relationships of a recipient member company – in aggregate, in the given year – equals or exceeds a new acquisition cost of HUF 10 M.

When eliminating the internal profit/loss, revenue accounted for by the recipient is modified, against the value of the assets received, by an amount equal to the difference between the revenue and expenses accounted for by the issuer.

MÁV Zrt. does not regard the internal profit and loss as material, and immediately derecognises it against ordinary depreciation, if its amount in the year-end book value of the individual non-current assets is less than HUF 100 thousand. The absolute value of the internal profit/loss classified as not material, and consequently derecognised, may not exceed at group level 0.1% of the total cumulative depreciation charge for the reporting year, and a maximum of HUF 50 M. If the aggregate internal profit/loss classified as not material exceeds the aforementioned threshold, then the internal profit and loss with the smaller value is derecognised first.

The path of an asset containing a material internal profit/loss is tracked by MÁV Zrt. in the reporting period and in the following periods, and if it

- appears in the form of a new asset within the given member company, then the internal profit/loss is reallocated to this,
- terminates or is worn out within the given member company, then the internal profit/loss is released proportionately to the wear or termination, modifying the expense (cost) recognised by the member company,
- flows out of the given member company but remains within the group of consolidated companies, then the internal profit/loss is reallocated to the asset or cost of the recipient member company,
- flows out of the given member company and the recipient is not a consolidated member company, then the internal profit/loss is released against the recognised expense.

The elimination and transference of the internal profit/loss apportioned to inventories originating from the group of consolidated companies takes place separately for each recipient member company, but within this in aggregate for each inventory group (materials, goods without intermediated services, intermediated services).

The internal profit/loss not realised by the end of the period is eliminated as a consolidation adjustment. The recognition, during the consolidation process, of differences in an amount matching that of the previous year takes place without an effect on profit/loss, as a change in equity, against balance item *D/IX. Changes due to consolidation from the elimination of internal profit/loss.*

From the amount of any difference that differs from the previous year, the discrepancy is resolved in the consolidated profit and loss account.

I.2.8 Rules on the management of corporate tax differences (deferred tax) due to consolidation

Pursuant to Section 132 of the Accounting Act, MÁV Zrt. recognises and releases deferred tax in consolidation if consolidated companies implement transactions between each other with an effect on profit/loss, and as a consequence of this the consolidated pre-tax profit/loss differs from the pre-tax profit/loss obtained from the individual financial statements, and this discrepancy will be reversed within the foreseeable future.

The recognition of deferred tax only takes place if the consolidated member company receiving internal performance incurs a corporate tax liability during the reporting year.

MÁV Zrt. bases the quantification of deferred tax on the tax rate applicable to the member company receiving the asset whose value contains internal profit/loss. If the tax rate changes, the tax effects are recalculated. The effect of recalculation is accounted for with an effect on profit/loss credited or charged to the reporting year. As a result of recalculation, deferred tax is released at the tax rate applicable according to Act LXXXI of 1996 on Corporate Tax and Dividend Tax as effective in the year of release.

The deferred tax for the given period must be stated in the consolidated balance sheet at net value; a deferred tax receivable and a deferred tax liability may not be stated at the same time.

Transactions giving rise to deferred tax are taken into account during the elimination of the internal profit/loss, whereas the effect of these transactions is not considered to be material when income and expenses are consolidated (except for differences due to unilateral settlements) because all material differences are resolved when balances are reconciled.

The elimination of internal profit/loss results in a change in deferred tax, which MÁV Zrt. – as parent company – accounts for in aggregate, on the basis of the posting of the internal profit/loss eliminated in the reporting year, and the posting of movements eliminated in the reporting year and previous years and the reporting-year movements.

II SPECIFIC SECTION

II.1 NOTES TO THE BALANCE SHEET

II.1.1 Movements in non-current assets

II.1.1.1 Movements in intangible and tangible assets

Movements in tangible and intangible assets in the reporting year are presented in the tables below.

Figures in MHUF

	ITEM	Capitalised value of foundation and restructuring	Capitalised value of R&D	Intangible property rights	Intellectual property	Goodwill	Advances paid on intangible assets	Total:
1	Cost, opening	2	600	9,126	19,165	0	0	28,893
2.	Advance payment on acquisition and renovation (+)	0	0	1,816	2,760	0	0	4,576
3	Self-produced inventories (+)	0	0	166	1,496	0	0	1,662
4	Assets received free of charge (+)	0	0	0	0	0	0	0
5.	Asset management of projects carried out by NIF Zrt. / NISZ Zrt. (+)	0	0	2,848	0	0	0	2,848
6.	Count surplus (+)	0	0	0	0	0	0	0
7.	Transferred free of charge (-)	0	0	0	0	0	0	0
8.	Contribution in kind (-)	0	0	0	0	0	0	0
9.	Disposal (-)	0	0	-1	-1	0	0	-2
10.	Scrapped (-)	0	-3	-277	-300	0	0	-580
11.	Missing (-)	0	0	0	-1	0	0	-1
12.	Destroyed (-)	0	0	0	0	0	0	0
13.	FX revaluation (advance) (+/-)	0	0	0	0	0	0	0
14.	Reclassification (division or consolidation, offsetting of advance payment) (+/-)	0	0	502	-490	0	0	12
15.	Cost, closing	2	597	14,180	22,629	0	0	37,408
16.	Amortisation, opening	1	141	6,134	14,533	0	0	20,809
17.	Ordinary amortisation in reporting year (+)	1	103	913	1,235	0	0	2,252
18.	Ordinary amortisation in previous year (+)	0	0	0	0	0	0	0
19.	Extraordinary depreciation in the reporting year (+)	0	0	231	0	0	0	231
20.	Reversal of extraordinary depreciation (-)	0	0	0	0	0	0	0
21.	Assets received free of charge (+)	0	0	0	0	0	0	0
22.	Count surplus (+)	0	0	0	0	0	0	0
23.	Transferred free of charge (-)	0	0	0	0	0	0	0
24.	Contribution in kind (-)	0	0	0	0	0	0	0
25.	Disposal (-)	0	0	0	0	0	0	0
26.	Scraping (-)	0	-3	-277	-300	0	0	-580
27.	Missing (-)	0	0	-4	-6	0	0	-10
28.	Destroyed (-)	0	0	0	0	0	0	0
29.	Reclassification (division or consolidation) (+/-)	0	0	-6	4	0	0	-2
30.	Amortisation, closing	2	241	6,991	15,466	0	0	22,700
31.	Opening, net	1	459	2,992	4,632	0	0	8,084
32.	Closing, net	0	356	7,189	7,163	0	0	14,708

Table 8: Movements in intangible assets

In 2016 the legal and financial acceptance of intangible assets took place in a total amount of HUF 2,848 M in connection with capital investments implemented by NISZ Zrt.

Figures in MHUF

	ITEM	Real property and related rights	Technical equipment, machinery, vehicles	Other fixtures, fittings and vehicles	Breeding stock	Capital projects, renovations	Advances given for capital projects	Total:
1.	Cost, opening	1 089 783	746 130	3 591	0	32 597	2 725	1 874 826
2.	Advance payment on acquisition and renovation (+)	0	0	0	0	50 542	1 278	51 820
3.	Self-produced inventories (+)	0	0	0	0	22 418	0	22 418
4.	Assets received free of charge (+)	0	0	0	0	0	0	0
5.	Count surplus (+)	73	26	0	0	0	0	99
6.	Taken into management (+)	4 020	0	0	0	0	0	4 020
7.	Asset management of projects carried out by NIF Zrt. / NISZ Zrt. (+)	0	0	0	0	177 929	0	177 929
8.	Capitalisation of projects carried out by NIF Zrt. / NISZ Zrt. (+)	127 348	50 039	0	0	-177 387	0	0
9.	Increase due to asset settlement (+)	0	0	0	0	0	0	0
10.	Transferred free of charge (-)	0	-2	0	0	0	0	-2
11.	Contribution in kind (-)	0	0	0	0	0	0	0
12.	Disposal (-)	-1 321	-78	-13	0	0	0	-1 412
13.	Scrapped (-)	-3 697	-2 671	-110	0	-2	0	-6 480
14.	Missing (-)	-31	-241	-33	0	-279	0	-584
15.	Destroyed (-)	0	-1	0	0	-1	0	-2
16.	Commissioning (+/-)	27 927	43 978	45	0	-71 950	0	0
17.	Waiver of asset management rights (-)	-39	0	0	0	0	0	-39
18.	Decrease due to asset settlement (-)	-4 785	0	0	0	0	0	-4 785
19.	FX revaluation (advance) (+/-)	0	0	0	0	0	0	0
20.	Reclassification (division or consolidation, offsetting of advance)	-92	2	-9	0	23	-13	-89
21.	Cost, closing	1 239 186	837 182	3 471	0	33 890	3 990	2 117 719
22.	Depreciation, opening	330 879	390 856	3 355	0	1 558	0	726 648
23.	Ordinary depreciation in reporting year (+)	39 860	34 586	124	0	0	0	74 570
24.	Extraordinary depreciation in the reporting year (+)	8 308	3 917	0	0	2	0	12 227
25.	Reversal of extraordinary depreciation (-)	0	-2	0	0	-7	0	-9
26.	Assets received free of charge (+)	0	0	0	0	0	0	0
27.	Count surplus (+)	0	0	0	0	0	0	0
28.	Transferred free of charge (-)	0	-2	0	0	0	0	-2
29.	Contribution in kind (-)	0	0	0	0	0	0	0
30.	Disposal (-)	-445	-71	-13	0	0	0	-529
31.	Scrapping (-)	-3 340	-2 409	-110	0	0	0	-5 859
32.	Missing (-)	-25	-241	-32	0	-259	0	-557
33.	Destroyed (-)	0	0	0	0	0	0	0
34.	Waiver of asset management rights (-)	0	0	0	0	0	0	0
35.	Decrease due to asset settlement (-)	-749	0	0	0	0	0	-749
36.	Reclassification (division or consolidation) (+/-)	20	-72	-10	0	0	-13	-75
37.	Depreciation, closing	374 508	426 562	3 314	0	1 294	-13	805 665
38.	Opening, net	758 904	355 274	236	0	31 039	2 725	1 148 178
39.	Closing, net	864 678	410 620	157	0	32 596	4 003	1 312 054

Table 9: Movements in tangible assets

Of the capital investments implemented by NIF Zrt. in 2016, the legal and financial acceptance of 10 projects in a value of HUF 170,258 M, and of the capital investments implemented by NISZ Zrt., the legal and financial acceptance of tangible assets totalling HUF 7,671 M in value took place. Of the assets taken over by NISZ Zrt., assets totalling HUF 542 M were not commissioned.

The ownership status of some of MÁV Zrt's properties has not been resolved between the Company and its Founder since the foundation of the Company. In order to clarify the ownership status of its property portfolio, MÁV Zrt. has launched a robust project that involves significant resources, and as a result of this, progress was made in the reporting year in reducing the discrepancies compared to the land registry records of land property assets. In 2016, at consolidated value, the asset settlement of HUF 24 M in assets not serving railway operation (VÜNSZ) and HUF 4,012 M in assets serving railway operation (VÜSZ) took place.

In the reporting year 15 FLIRT multiple-unit trains were procured, totalling HUF 26,656 M in value.

II.1.1.2 Assets contributed/received free of charge

Item	Delivery			Receipt
	Gross value	Accumulated depreciation	Net value	Gross value
Intangible assets	0	0	0	0
Tangible assets	2	2	0	0
Capital investments	0	0	0	0
<i>Total:</i>	<i>2</i>	<i>2</i>	<i>0</i>	<i>0</i>

Table 10: Assets contributed/received free of charge

II.1.1.3 Managed state-owned assets

Within the group, only MÁV Zrt. has state-owned assets.

Tangible assets owned by the state and managed by the Company are carried separately in MÁV Zrt.'s books.

The cumulative development of managed state-owned tangible assets, and the related liabilities, is presented in the tables below.

Figures in MHUF

Item	2015	2016	Change
Intangible assets in total	0	2 675	2 675
Land, total	22 671	24 413	1 742
Buildings, total	35 663	43 382	7 719
Structures, total	645 925	745 475	99 550
Asset rights on real property	481	435	-46
Machinery, equipment and vehicles, total	76 582	118 530	41 948
Capital WIP related to managed assets	16 724	14 992	-1 732
Managed state-owned tangible assets, total:	798 046	949 902	151 856
Managed treasury materials (from disassembly of assets)	2 350	2 318	-32
Expected value, at year end, of materials from managed state-owned tangible assets to be disassembled	6	2	-4
Managed treasury finished products, WIP	13	8	-5
Managed state-owned inventories, total:	2 369	2 328	-41
Managed state-owned assets, total:	800 416	952 230	151 814
Long-term liabilities, opening at 30 September 2001, upon signing the asset management contract	275 578	275 578	0
Asset management of projects carried out by NIF Zrt.	451 732	632 508	180 776
<i>of which - State and EU funds</i>	<i>449 248</i>	<i>630 024</i>	<i>180 776</i>
- Own funds	1 645	1 645	0
- Other (local government) funds	299	299	0
- Funds provided by NIF	540	540	0
Assets taken into management	15 089	15 089	0
Assets taken into management due to asset settlement	52 907	56 927	4 020
Capital projects and renovations carried out from renovation cost reimbursements and the residuals thereof	65 491	90 938	25 447
Investment, renovation from EU funds/other budgetary resources	173 851	175 595	1 744
Acquisition from own funds	153 729	153 737	8
Investment realised from funds received from third parties	7 521	7 516	-5
Surplus of state-owned assets	1 797	1 870	73
Net value of assets taken over from MÁV Zrt.	19	19	0
Use of managed state-owned inventories to produce managed state-owned tangible assets	1 070	1 340	270
Origin of increase in managed state-owned tangible assets, total:	923 206	1 135 539	212 333
Increase in materials from disassembly of assets in the reporting year	3 621	4 015	394
Origin of increase in managed state-owned inventories, total:	3 621	4 015	394
Origin of increase in managed state-owned assets, total:	926 827	1 139 554	212 727
Ordinary depreciation	310 288	357 748	47 460
Extraordinary depreciation and reversal	53 162	65 594	12 432
Sale	57	57	0
Scrapping	16 979	17 525	546
Missing	2 108	2 108	0
Destroyed	3	3	0
Transferred free of charge	1 656	1 656	0
Net value of state-owned assets transferred to MÁV Zrt.	1 819	1 819	0
Settlement of managed state-owned land	8 970	8 970	0
Waiver of asset management rights	5 692	5 731	39
Origin of decrease in managed state-owned tangible assets, total:	400 735	461 212	60 477
Use of managed state-owned inventories	1 230	1 595	366
Sale of managed state-owned inventories	24	95	70
Origin of decrease in managed state-owned inventories, total:	1 254	1 690	436
Origin of decrease in managed state-owned assets, total:	401 989	462 902	60 913
Funds of managed state-owned assets, total:	800 416	952 230	151 814

Table 11: Managed state-owned assets and the related balance sheet liabilities

The details of movements in managed state-owned assets in the reporting year and in the base year are presented in the following table:

Figures in MHUF

Movements in managed state-owned assets	2015	2016	Change
Opening net value of managed state-owned assets	719 782	800 416	80 634
Asset management of projects carried out by NIF Zrt.	83 126	180 776	97 650
<i>of which - State and EU funds</i>	83 126	180 776	97 650
Investment, renovation from government funds (reimbursement for renovation)	23 059	25 447	2 388
Taking into asset management in relation to asset settlement	0	4 020	4 020
Managed state-owned assets procured from government subsidy	21 951	1 744	-20 207
Managed state-owned assets procured from own funds	12	8	-4
Treasury capital projects/renovations implemented from liquid assets received for development from third parties	5	-5	-10
Use of materials from disassembly of state-owned assets to produce managed assets	240	270	30
Settlement of funds related to previous years	3	0	-3
Managed state-owned assets identified as surplus	270	73	-197
Increase of managed state-owned tangible assets, total	128 666	212 333	83 667
Increase in materials from disassembly of assets in the reporting year	651	394	-257
Increase in managed state-owned inventories, total	651	394	-257
Increase of managed state-owned assets, total:	129 317	212 727	83 410
Ordinary depreciation of assets in the reporting year	-43 702	-47 460	-3 758
Extraordinary depreciation and reversal in the reporting year	-4 272	-12 432	-8 160
Scrapping	-386	-546	-160
Missing, destroyed	-11	0	11
Waiver of management right in respect of managed assets	-94	-39	55
Decrease in managed state-owned tangible assets, total	-48 466	-60 477	-12 011
Materials from the disassembly of state-owned assets used	-193	-366	-173
Sale in the reporting year of materials from the disassembly of state-owned assets	-24	-70	-46
Decrease in managed state-owned inventories, total	-217	-436	-219
Decrease in managed state-owned assets, total	-48 683	-60 913	-12 230
Closing balance of managed state-owned assets	800 416	952 230	151 814

Table 12: Movements in managed state-owned assets in the reporting year and in the base year

Subsidies for development purposes are presented in the following table:

Figures in MHUF

Use of subsidies received for the renovation/investment of managed state-owned assets			
Subsidy	2015	2016	Change
Use of reimbursement for renovation related to managed state-owned assets	23 120	21 242	-1 878
of which: reconstruction of assets	23 059	20 371	-2 687
Advances on assets	0	827	827
Value-added activities of assets	62	44	-18
Use of the reimbursement residual	0	5 076	5 076
Refurbishment of railway bridges and steel structures (Bridge project)	217	0	-217
Development of Budapest-Belgrade railtrack	644	61	-583
Development of public transport in the Balaton region project (DDOP progr.)	53	4	-48
Development of public transport in Keszthely and in the Zalakaros micro-region (NYDOP progr.)	4	0	-4
KÖZOP subsidy for the implementation of MÁV Zrt. Traffic safety projects (15%)	680	-1	-681
Electrification of railway line 2 Rákospuszta-Esztergom (KÖZOP) (domestic part)	273	1	-273
KÖZOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" (15%) (domestic part)	95	6	-89
Renovation of the right side track Nagyút-Mezőkeresztes-Mezőnyárád (KÖZOP) (domestic part 15%)	2 085	24	-2 061
IKOP preparatory project for 2014-2020 (15%)	1	-1	-2
Improvement of public transport in Balatonfüred (15%)	6	0	-6
Studies for the development of priority project no. 22 (TEN-T project) (50%)	31	0	-31
IKOP subsidy "MÁV Zrt. Traffic safety projects" (IKOP, domestic part 15%)	1	22	21
IKOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" (IKOP domestic part, 15%)	0	31	31
Refurbishment of railway bridges and steel structures (ZE140001)	0	339	339
Service level improvement on railtrack no. 80	0	314	314
Use of central subsidies, total:	27 210	27 117	-93
KÖZOP subsidy for the implementation of MÁV Zrt. Traffic safety projects (85%)	3 849	-8	-3 856
KÖZOP subsidy for the implementation of MÁV Zrt. Traffic safety projects (preparatory project) (85%)	-4	4	9
KÖZOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" (ERFA/KA 85%)	538	33	-505
Electrification of railway line 2 Rákospuszta-Esztergom (KÖZOP) (ERFA - 85%)	1 550	4	-1 545
Renovation of the right side track Nagyút-Mezőkeresztes-Mezőnyárád (KÖZOP)(ERFA - 85%)	11 781	137	-11 644
Improvement of public transport in Balatonfüred (85%)	33	0	-33
Development of public transport in the Balaton region project (DDOP progr.)	298	25	-272
Improvement of Communal Transportation conditions in Sárvár and the surrounding settlements (NYDOP progr.)	38	0	-38
Development of the conditions of the public transport system in the West Transdanubian region - NYDOP Celldömölk -	68	0	-68
Development of public transport in Keszthely and in the Zalakaros micro-region (NYDOP progr.), ERFA subs.	34	0	-34
IKOP preparatory project for 2014-2020 (85%)	5	-5	-10
Studies for the development of priority project no. 22 (TEN-T) (50%)	31	0	-31
Reinforcement of the Balatonkenese - Balatonakaratya elevated shore wall (Reducing the danger of collapse and slippage of the shore walls) (KDOP progr.)	289	7	-282
IKOP subsidy for the implementation of "MÁV Zrt. Traffic safety projects" (IKOP, KA 85%)	5	122	116
IKOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" (IKOP, KA 85%)	0	176	176
Use of EU subsidies in total:	18 515	497	-18 018
Use of subsidies received for the renovation of managed state-owned assets, total	45 725	27 614	-18 112

Figures in MHUF

Use of subsidies received for the renovation/investment of assets owned by the MÁV Group			
Subsidy	2015	2016	Change
Use of reimbursement for renovation of assets owned by MÁV	294	2 591	2 297
Use of reimbursement for renovation of advances on assets owned by MÁV	176	960	784
Use of the reimbursement residual	1 636	1 942	306
Memorial Centre for the Child Victims of the Holocaust investment project	2 714	159	-2 554
KÖZOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations," KÖZOP 0003	274	3	-271
Development of public transport in the Balaton region project (DDOP progr.)	6	5	-1
Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (KÖZOP) - (domestic part	174	38	-135
IKOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" from the central budget (IKOP domestic part, 15%)	0	62	62
Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (IKOP, domestic part 15%)	4	74	70
KÖZOP subsidy for the implementation of the project "Procurement of 42 multiple-unit trains for suburban passenger transport for MÁV-START" - from the state budget (15%)	6 887	0	-6 887
GOP subsidy for the implementation of the project "Design and development of domestic Intercity railway carriages capable of international traffic at speeds up to 200 km/h" - from the state budget (15%)	13	5	-8
KDOP subsidy for implementation of the "Improvement of public transport in Balatonfüred" project - from the state budget (15%)	1	0	-1
Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (KÖZOP) - (domestic part	56	12	-44
KÖZOP subsidy for the implementation of the project "Procurement of 6 electric multiple-unit trains for suburban passenger transport for MÁV-START" - from the state budget (15%)	1 631	0	-1 631
KÖZOP subsidy for implementation of the "Refurbishment of the Ticket and travel pass vending machine network on the TEN-T railway network (phase I)" project - from the state budget (15%)	0	98	98
KÖZOP subsidy for implementation of the "MÁV-START Zrt modernisation of ticket sales)" project - from the state budget (15%)	0	202	202
KÖZOP subsidy for implementation of the "PASSENGER INFORMATION" project - from the state budget (15%)	0	203	203
IKOP subsidy for the implementation of the project "Procurement of 6 multiple-unit trains with capacity for 200 persons for passenger transport on railway line 1" - from the state budget (15%)	0	1 452	1 452
IKOP subsidy for the implementation of the project "Procurement of 9 multiple-unit trains with capacity for 200 persons for passenger transport on railway lines 30a-20 and 80" - from the state budget (15%)	0	971	971
Refurbishment of railway bridges and steel structures (ZE140001)	0	55	55
Use of central budget subsidies, total:	13 865	8 833	-5 033
KÖZOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations," KÖZOP 0003	1 550	15	-1 535
Improvement of Communal Transportation conditions in Sárvár and the surrounding settlements (NYDOP progr.)	22	0	-22
KÖZOP subsidy for the implementation of MÁV Zrt. Traffic safety projects (ERFA/KA 85%)	1	0	-1
Consolidation of infrastructure and rolling stock maintenance SW and IT app. (INKA)(KÖZOP)(ERFA - 85%)	983	217	-766
Development of public transport in the Balaton region project (DDOP progr.)	35	30	-4
IKOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" (IKOP, KA 85%)	0	350	350
Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (IKOP KA - 85%)	24	422	397
KÖZOP subsidy for the implementation of the project "Procurement of 42 electric multiple-unit trains for suburban passenger transport for MÁV-START" - EU portion (85%)	39 361	2	-39 359
GOP subsidy for the implementation of the project "Design and development of domestic Intercity railway carriages capable of international traffic at speeds up to 200 km/h" - EU portion (85%)	72	25	-47
KDOP subsidy for implementation of the "Improvement of public transport in Balatonfüred" project - EU portion (85%)	6	0	-6
Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (KÖZOP) - (ERFA - 85%)	316	71	-245
KÖZOP subsidy for the implementation of the project "Procurement of 6 electric multiple-unit trains for suburban passenger transport for MÁV-START" - EU portion (85%)	9 237	0	-9 237
KÖZOP subsidy for implementation of the "Refurbishment of the Ticket and travel pass vending machine network on the TEN-T railway network (phase I)" project - from the state budget (85%)	0	554	554
KÖZOP subsidy for implementation of the "Modernisation of ticket sales)" project - from the state budget (85%)	0	1 144	1 144
KÖZOP subsidy for implementation of the "PASSENGER INFORMATION" project - from the state budget (85%)	0	1 154	1 154
IKOP subsidy for the implementation of the project "Procurement of 6 multiple-unit trains with capacity for 200 persons for passenger transport on railway line 1" - from the state budget (85%)	0	8 222	8 222
IKOP subsidy for the implementation of the project "Procurement of 9 multiple-unit trains with capacity for 200 persons for passenger transport on railway lines 30a-20 and 80" - from the state budget (85%)	0	5 503	5 503
Use of EU subsidies in total:	51 608	17 709	-33 899
Use of subsidies received for the renovation/investment of assets owned by the MÁV Group, in total	65 473	26 541	-38 932

Table 13: Subsidies for development purposes

II.1.1.4 The MÁV Group's investments

The balance of undertakings consolidated applying the equity method, and the gross values of undertakings stated at book value in the MÁV Group's balance sheet, and any related accumulated impairment, are presented in the tables below.

Figures in MHUF

Equity consolidated undertakings (associates)				
Code	Item	Value in the financial statements		Change
		2015	2016	
15	MÁV NOSZTALGIA Kft.	131	98	-33
27	Dunakeszi Járműjavító Kft.	785	788	3
37	VAMAV Kft.	1,558	1,373	-185
38	EURO-METALL Kft.	466	545	79
116	MÁV-THERMIT Kft	377	371	-6
142	MÁV MULTISZOLG Kft.	22	22	0
193	Kínai-Magyar Vasúti Nonprofit Zrt.	0	0	0
<i>Total:</i>		3,339	3,197	-142

Table 14: Undertakings brought in with equity consolidation

The value of undertakings consolidated applying the equity method decreased by HUF 142 M compared to the previous year.

Of the profit/loss realised by the companies in the reporting year, the balance of loss and profit apportioned to the MÁV Group increased the value of the shareholdings by HUF 562 M, while the recognition as profit/loss of the amount, apportioned to the group, of the differences between the final equity and the preliminary equity data available during the consolidation did not change the value of the shareholdings.

The elimination of dividends due for the prior year but recognised by MÁV Zrt. in the reporting year contributed HUF 705 M to the reduction in the balance sheet value of investments.

The balance sheet value of equity consolidated undertakings was increased by HUF 1 M due to the foundation of Kínai-Magyar Vasúti Nonprofit Zrt; the details of this are given in section *I.1.4 A Assignment to consolidation categories and movements in the reporting year*.

Figures in MHUF

Related and major participating interests stated at book value in the consolidated financial statements								
Code	Item	2015			2016			Change (book value)
		Gross value	Accumulated impairment loss	Book value	Gross value	Accumulated impairment loss	Book value	
6	MÁV HÍDÉPÍTŐ Kft. (f.a.)	600	600	0	0	0	0	0
22	MÁV VASJÁRMŰ Kft. (f.a.)	158	158	0	158	158	0	0
134	MÁV Utasellátó Zrt. (f.a.)	137	137	0	137	137	0	0
152	MÁV RAKTÁR Kft. (f.a.)	138	138	0	0	0	0	0
165	MÁV-REC Kft.	50	0	50	50	0	50	0
178	HUNGRAIL Egyesülés (v.a.)	1	0	1	0	0	0	-1
191	TS-MÁV Gépészet Services Kft.	0	0	0	0	0	0	0
Total:		1 084	1 033	51	345	295	50	-1

1515: Related and major participating interests stated at book value in the consolidated financial statements

During the consolidation process, the balance sheet value of the undertakings exempted from equity consolidation and accordingly stated at book value decreased by HUF 1 M in the reporting year due to the final settlement of Hungrail Egyesülés (v.a.).

Figures in MHUF

Other investments								
Code	Item	2015			2016			Change (book value)
		Gross value	Accumulated impairment loss	Book value	Gross value	Accumulated impairment loss	Book value	
120	Vasutegészségügyi NK Kft.	100	0	100	100	0	100	0
128	EUROFIMA	2 289	0	2 289	2 289	0	2 289	0
147	BCC	1	0	1	1	0	1	0
169	HIT Rail b.v.	69	0	69	68	0	68	-1
172	Normon-Tool Kft.	0	0	0	0	0	0	0
Total:		2 459	0	2 459	2 458	0	2 458	-1

1616: Other investments

The balance sheet value of other investments decreased by HUF 1 M as a result of the year-end revaluation of foreign currency-denominated investments.

II.1.1.5 Impairment of long term loans given and long-term debt securities

Figures in MHUF

Item	Impairment				
	Opening value	Impairment for the reporting year	Write-back in the current year	Other decrease in the reporting year	Closing
Long-term loans to related companies	0	0	0	0	0
Long-term loans granted undertakings with which the undertaking is linked by virtue of participating interest	0	0	0	0	0
Long-term loans granted to other investments	0	0	0	0	0
Other long-term loans given	692	4	24	0	672
Long-term debt securities	0	0	0	0	0
Total:	692	4	24	0	672

1717: Impairment on financial investments

The closing impairment of other long-term loans given is related to the housing loans provided to employees.

II.1.1.6 Goodwill arising on full consolidation

No goodwill arising on the consolidation of fully consolidated subsidiaries is presented in the MÁV group's consolidated financial statements.

II.1.1.7 Negative goodwill arising on full consolidation

Figures in MHUF

Company		Negative goodwill				
Code	Item	Opening value	Change			Closing
			Procurement of investment	Investment disposal	Due to merger	
20	MÁV VAGON Kft.	2	0	0	0	2
101	MÁV FKG Kft.	5	0	0	0	5
138	MÁV Szolgáltató Központ Zrt.	3	0	0	0	3
180	MÁV-START Zrt.	90	0	0	0	90
Total:		100	0	0	0	100

Table 18: Negative goodwill arising on full consolidation

II.1.1.8 Goodwill arising on equity consolidation

No goodwill arising on the consolidation of equity consolidated companies (associates) is presented in the MÁV group's consolidated financial statements.

II.1.1.9 Negative goodwill arising on equity consolidation

Figures in MHUF

Company		Negative goodwill					Closing
Code	Item	Opening value	Change				
			Procurement of investment	Investment disposal	Due to merger	Change in classification	
27	Dunakeszi Járműjavító Kft.	13	0	0	0	0	13
37	VAMAV Kft.	111	0	0	0	0	111
38	EURO-METALL Kft.	121	0	0	0	0	121
116	MÁV-THERMIT Kft.	13	0	0	0	0	13
Total:		258	0	0	0	0	258

Table 19: Negative goodwill arising on equity consolidation

II.1.2 Inventories and their impairment loss

Inventories and their impairment loss recognised in the reporting year are summarised below:

Figures in MHUF

Inventories	Raw materials	WIP and semi-finished products	Young, fattened and other livestock	Finished products	Goods	Advance payments on inventories	Total
<i>Opening, gross</i>	20 278	2 587	0	1 284	1 184	233	25 566
Purchase, advance payment given	66 459	0	0	0	10 579	265	77 303
Assets received free of charge	0	0	0	0	0	0	0
Contribution in kind	0	0	0	0	0	0	0
Reclassification	0	0	0	0	4	0	4
Taken to inventories	0	2 609	0	9 867	0	0	12 476
Surplus	20	0	0	2	0	0	22
Other increase	499	0	0	0	1	742	1 242
Use (expensed)	-59 925	-3 040	0	-9 472	-31	0	-72 468
Reclassification, offsetting of advance paym	0	0	0	0	0	-463	-463
Sale	-1 089	-53	0	-29	-10 646	0	-11 817
Transferred free of charge	0	0	0	0	0	0	0
Contributed	0	0	0	0	0	0	0
Scrapping	-53	0	0	-1	-1	0	-55
Missing	-15	0	0	0	-7	0	-22
Other decrease	-427	0	0	-18	-2	-359	-806
<i>Closing, gross</i>	25 747	2 103	0	1 633	1 081	418	30 982
<i>Impairment, opening</i>	1 973	0	0	111	2	9	2 095
Impairment for the reporting year	163	0	0	79	0	0	242
Written off due to decrease in stocks	-364	0	0	-7	0	0	-371
Reversed impairment	-641	0	0	-23	-1	0	-665
Other decrease	0	0	0	0	0	0	0
<i>Impairment, closing</i>	1 131	0	0	160	1	9	1 301
<i>Opening, net</i>	18 305	2 587	0	1 173	1 182	224	23 471
<i>Closing, net</i>	24 616	2 103	0	1 473	1 080	409	29 681

Table 20: Inventories and their impairment loss

II.1.3 Receivables and their impairment loss

Receivables and impairment loss recognised in the reporting year are summarised below.

Figures in MHUF

Item	RECEIVABLES						Impairment						Book value of receivables 2016	Book value of receivables 2015	Change in the book value of debtors
	Not overdue	1-90 days	91-180 days	181-365 days	over 365 days	Total	Opening	Impairment in the reporting year	Impairment reversal	Impaired debt collected	Other derecognition of impairment	Closing			
<i>Accounts receivable from supply of goods and services (trade debtors)</i>	7 257	355	95	137	3 206	11 050	4 485	297	53	86	1 244	3 399	7 651	8 016	-365
<i>Receivables from related companies</i>	1 206	5	6	0	0	1 217	0	1	0	0	0	1	1 216	34	1 182
of which: receivables from not fully consolidated subsidiaries	6	5	6	0	0	17	0	1	0	0	0	1	16	34	-18
of which: receivables from joint ventures	1 200	0	0	0	0	1 200	0	0	0	0	0	0	1 200	0	1 200
<i>Receivables from companies linked by virtue of participating interest</i>	85	6	1	0	30	122	31	-1	0	0	0	30	92	114	-22
<i>Receivables from other investments</i>	21	9	0	0	0	30	0	0	0	0	0	0	30	8	22
<i>Notes receivable</i>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Other receivables</i>	24 917	47	30	134	1 347	26 475	1 350	96	0	10	5	1 431	25 044	26 682	-1 638
<i>Deferred tax</i>	10	0	0	0	0	10	0	0	0	0	0	0	10	11	-1
Total receivables:	33 496	422	132	271	4 583	38 904	5 866	393	53	96	1 249	4 861	34 043	34 865	-822

Table 21: Receivables and their impairment loss

The most significant item among other receivables is the passenger transport public service reimbursement receivable, which – excluding reasonable profit – amounts to HUF 13,969 M. A breakdown of this figure is shown in the following table:

Figures in MHUF

Period	Amount of receivables on 1 January 2015	Net receivables recognised for 2015 amount 31/12/2016	Amount received in 2016	Net amount of receivable 31/12/2016	Net amount of liability 31/12/2016	Accrued amount carried over from 2016 to 2017	Receivables and accruals total on 31 December 2015	Amount received in 2017 until balance sheet preparation
Year 2012	5 230	0	4 000	1 230	0	0	1 230	0
Year 2013	6 050	0	0	6 050	0	0	6 050	0
Year 2014	4 615	0	0	4 615	0	0	4 615	0
Year 2015	0	931	931	0	172	0	0	0
Previous years in total	15 895	931	4 931	11 895	172	0	11 895	0
Year 2016	0	0	0	2 074	0	20 829	22 903	20 829
Total	15 895	931	4 931	13 969	172	20 829	34 798	20 829

Table 22: Passenger transport public service costs reimbursement receivable

II.1.4 Prepaid expenses and accrued income

Figures in MHUF

Item	2015	2016	Change
Accrued income			
Public service cost compensation	20,829	20,829	0
RIC carriage rent	4,738	4,268	-470
Accrued sales revenue	700	1,074	374
Interest received	40	10	-30
Receivables from unsettled deliveries	278	6	-272
Late-payment interest, penalties, damages	57	0	-57
Other accrued income	397	352	-45
Accrued income, total:	27,039	26,539	-500
Prepaid expenses			
Prepaid insurance premiums	155	376	221
Other prepayments	448	274	-174
Prepaid expenses, total:	603	650	47
Deferred expenses			
Deferred unrealised FX losses	13,319	8,277	-5,042
Deferred expenses, total:	13,319	8,277	-5,042
Total:	40,961	35,466	-5,495

Table 23: The composition of prepaid expenses and accrued income

The group's prepaid expenses and accrued income decreased by HUF 5,495 M relative to the 2015 figure, mainly due to the decrease in the accrual of non-realised exchange rate loss (HUF -5,042 M), which resulted from a drop in the volume of loans and the exchange rate.

II.1.5 Equity

II.1.5.1 Movements in equity

Movements in the company group's equity components are shown in the table below by category:

Figures in MHUF

Item	Registered capital	Capital reserve	Retained earnings	Non-distributable reserve	Adjusted after-tax profit/loss	Changes in equity of subsidiaries	Changes due to consolidation		Changes in investments in associates	Investments of external members (NCI)	Total:
							Difference from debt consolidation	Difference from internal profit/loss			
Equity in 2015	22 000	119 155	-23 000	6 405	39 554	2 361	54	-22 023	2 754	0	147 260
Transfer of after-tax profit/loss of the previous year			34 518		-39 554	2 315	-30	2 928	-177		0
Asset settlement		-3 948						5			-3 943
Non-distributable reserves released for foundation/restructuring			1	-1							0
Release of non-distributable reserves for research and development			103	-103							0
Development reserve provided			-581	581							0
Development reserve released			689	-689							0
Release of non-distributable reserves related to unrealised exchange losses			2 056	-2 056							0
Adjusted after-tax profit/loss in the reporting year					14 055						14 055
Equity in 2016	22 000	115 207	13 786	4 137	14 055	4 676	24	-19 090	2 577	0	157 372

Table 24: Movements in equity

The equity of the MÁV Group was reduced by HUF 3,943 M due to the asset settlement of 2016, during which – in accordance with Act CVI of 2007 on State Property – the Company recognised the value of assets that were transferred to the state as a decrease in capital reserves.

The owner of MÁV Zrt., in its sole shareholder's (owner's) decision number 25/2016 (XII. 20.) issued on 20 December 2016, ordered the raising of MÁV Zrt's capital through the provision of a HUF 1,978,362,109 cash contribution. Accordingly the Company's registered capital was increased by HUF 200,000. The financial settlement of the capital increase took place in 2016, but registration of the capital increase with the company court took place on 11 January 2017 with effect from 20 December 2016. Consequently, the amount of the capital increase is recognised on the balance sheet date under other short-term liabilities.

MÁV Zrt.'s owner, in its single-shareholder (owner) resolution no. 2/2017. (II. 7.) issued on 7 February 2017, ordered the capital increase of MÁV Zrt. through a non-cash contribution of HUF 18,202,918,217. Through the capital increase, the Company's registered capital was increased by HUF 2,499,800,000. The capital increase was registered on 13 February 2017.

As a result of the above-mentioned capital increases, MÁV Zrt.'s registered capital stood at HUF 24,500,000,000 at the time of balance sheet preparation.

The development of the company group's non-distributable reserve is presented in the table below.

Figures in MHUF

Non-distributable reserve	Opening balance	Released in the reporting year	Set aside in the reporting year	Closing balance
Difference between provisions for unrealised FX losses on FX loans and deferred expenses	5,257	2,056	0	3,201
Amount not yet written off from the capitalised value of foundation and restructuring	1	1	0	0
Amount not yet written off from the capitalised value of research and development	459	103	0	356
Development reserve	688	689	581	580
Total:	6,405	2,849	581	4,137

Table 25: Non-distributable reserve

II.1.6 Provisions made and released

II.1.6.1 Development of provisions in 2016

At group level the balance sheet closing value of provisions was HUF 40,713 M, of which provisions set aside for expected liabilities was HUF 24,322 M, provisions for future costs was HUF 11,315 M, and other provisions HUF 5,076 M.

Figures in MHUF

Item	Provisions for expected liabilities	Provisions for future costs	Provision for unrealised FX losses	Total:
Opening balance of provisions	28 356	9 501	8 062	45 919
Released in 2016	7 521	2 767	3 101	13 389
Made in 2016	3 487	4 581	115	8 183
Closing balance of provisions	24 322	11 315	5 076	40 713

Table 26: Movements in provisions presented in the balance sheet

II.1.6.2 Provisions for expected liabilities

The 2016 closing volume of provisions for expected liabilities was HUF 24,322 M at MÁV Group level. The most significant items include the provisions recognised for environmental protection liabilities, annuity payment liabilities, severance-related liability, and for litigious cases.

Figures in MHUF

Provisions set aside for expected liabilities	Opening	Released in 2016	Made in 2016	Closing
Provisions for environmental liabilities	10 507	687	524	10 344
Provisions for annuity liabilities	7 320	795	515	7 040
Provisions for litigation	3 783	2 220	528	2 091
Provisions for working clothes and uniforms	1 829	534	105	1 400
Provisions for payable bonuses	1 188	669	818	1 337
Provisions for liabilities related to redundancies	2 542	2 097	633	1 078
Provisions for damage incidents	482	79	127	530
Provisions recognised for default interest liabilities	343	325	115	133
Provisions for contractual guarantee obligations	87	65	103	125
Provisions for breaches of EU rules	0	0	19	19
Provisions for other liabilities	275	50	0	225
Total:	28 356	7 521	3 487	24 322

Table 27: Provisions for expected liabilities

The development of provisions recognised for environmental protection liabilities is presented in detail in section *III.3.1 Environmental protection liabilities*.

Since 8 May 2006, MÁV Zrt. has been insured against accidental damage to passengers and accidents suffered by its employees for reasons attributable to the Company. Before the insured years, MÁV Zrt. had been liable for any accident suffered and the damages were paid typically as annuities. As, owing to the nature of annuities, these payments are not precisely quantifiable to MÁV Zrt., but qualify as certain future obligations, provisions were made for these liabilities amounting to HUF 1,894 M in 2010, HUF 1,189 M in 2011, HUF 5,042 M in 2012, HUF 597 M in 2013, HUF 232 M in 2014, HUF 524 M in 2015, and HUF 515 M in 2016. In addition, we released a provision of HUF 795 M for annuity payments.

The decrease in provisions made to cover the expected liabilities arising from litigious cases was caused by the fact that an agreement was reached regarding the unpaid salary of employees employed in standby positions, and the payments related to this were also made in the course of the year.

Pursuant to orders issued by the Ministry for National Development, the bonuses relating to the years 2013 and 2014 were not paid to employees who are subject to Section 208 (1) and (2) of the Labour Code. The provisions previously recognised for the unpaid amount will not be released until expiry of the limitation period under labour law. Provisions of HUF 818 M were recognised at the fully consolidated undertakings in respect of the 2016 performance.

II.1.6.3 Provisions for future costs

The closing volume of provisions made for future costs was HUF 11,315 M at MÁV Group level. The two most significant items were the provisions recognised for demolition costs and maintenance costs.

Figures in MHUF

Provisions recognised for future costs	Opening	Released in 2016	Made in 2016	Closing
Provisions to cover key maintenance costs	3 675	0	3 485	7 160
Provisions to cover the maintenance costs of TRAXX locomotives	2 018	969	452	1 501
Provisions to cover the maintenance costs of FLIRT multiple unit trains	332	0	589	921
Provisions to cover other maintenance costs	1 884	1 068	55	871
Provision to cover demolition	1 592	730	0	862
Total:	9 501	2 767	4 581	11 315

Table 28: Provisions made for future costs

There is a growing proportion of lines, stations and other elements of infrastructure within the railway network operated by the MÁV Group which have been developed, reconstructed or comprehensively refurbished using EU funds. This part of the network – due to the incorporation of assets that are more modern and ensure a higher standard of service, as well as the special rules relating to the use of EU funds – gives rise to maintenance expenses that differ from the existing ones in terms of the technical content, are of a higher amount than at present, and generally recur cyclically. In order to reconcile the funds received at an effectively constant rate on the basis of the track operation agreement with the maintenance funds requirement incurred cyclically as described above, provisions of HUF 3,675 M were recognised in 2015, and further provisions of HUF 3,485 M in 2016.

Similarly to the railtrack network, rolling stock also requires cyclical maintenance expenditure, and accordingly from the profit/loss of the reporting year we made provisions for the pro-rata part of the periodically recurring maintenance costs of the TRAXX locomotives and the FLIRT multiple-unit trains, in a total amount of HUF 1,041 M.

In the reporting year a review was held of the other assets in respect of which provisions were made in previous years for periodically recurring maintenance costs. Based on the review, provisions totalling HUF 1,068 were used for the performance of works or released due to the decommissioning of buildings.

II.1.6.4 Other provisions

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

Figures in MHUF

Other provisions	Opening	Released in 2016	Made in 2016	Closing
Provision for exchange rate loss on project and development loans	8,062	3,101	115	5,076
Total:	8,062	3,101	115	5,076

Table 29: Other provisions

II.1.7 Liabilities

II.1.7.1 Liabilities related to managed state-owned assets

Further to Section 23 (2) of the Accounting Act, managed state-owned or municipality assets are to be recognised as the assets of the asset manager, while according to Section 42 (5), liabilities related to managed state-owned assets should be recognised as long-term liabilities. The accounting treatment of state-owned assets is governed by Government Decree No 254/2007 (X. 4.) on the management of state-owned assets, Government Decree 457/2013 (XI. 29.) on the amendment thereof, and by the asset management agreement between KVI and MÁV Zrt. as amended with effect from 13 December 2013.

On 31 December 2016, HUF 979,318 M was recognised as long-term liabilities against HUF 952,230 M of managed state-owned assets shown in MÁV Zrt.'s balance sheet; in addition, HUF 1.866 M in short-term liabilities were recognised, as presented in the table below:

Figures in MHUF			
Liabilities related to managed state-owned assets	2015	2016	Change
Long-term liabilities related to managed state-owned assets	800,416	952,230	151,814
Compensation obligation	27,059	27,088	29
Long-term liabilities related to managed state-owned assets, total	827,475	979,318	151,843
Balance of settlement against the Hungarian State Treasury related to investments	696	166	-530
<i>of which: treasury investment invoices submitted to the treasury in the current year</i>	-21,954	-1,708	20,246
<i>payments made by the treasury in the current year,</i>	22,605	1,296	-21,309
Liabilities from financing subsidies provided by the beneficiary	543	1,719	1,176
Use of materials from the disassembly of managed state-owned assets for maintenance and repair	-115	-19	95
Short-term liabilities related to managed state-owned assets, total	1,124	1,866	742
Liabilities related to managed state-owned assets, total	828,599	981,184	152,585

Table 30: Liabilities related to managed state-owned assets

The details of liabilities related to the decrease in state-owned assets are presented in the following table:

Figures in MHUF			
Compensation liability accounted from the date the amendment to the Act on State Property took effect (28/06/2013)	2015	2016	Change
Opening balance of compensation liability	27,071	27,059	-12
Ordinary amortisation recognised	0	0	0
Extraordinary depreciation	0	37	37
<i>of which: Takeover in 2016 of NIF projects</i>	0	37	37
Investment, renovation related to managed state-owned assets, from own funds (-)	-12	-8	4
Balance of compensation liability accounted after the amendment to the Act on State Property took effect, in accordance with the rules in effect before 28/06/2013	-12	29	41
Ordinary amortisation recognised	43,702	47,461	3,759
Extraordinary depreciation	4,272	12,395	8,123
<i>of which: Handover in 2016 of NIF projects</i>	0	9,619	9,619
<i>From Investment and Scrapping of tangible assets</i>	4,277	2,781	-1,495
<i>Extraordinary depreciation of investments related to managed state-owned assets</i>	-5	-5	0
Net value of missing managed state-owned assets	1	0	-1
Net value of scrapped managed state-owned assets on derecognition	386	546	160
Materials recovered from the scrapping of managed state-owned assets (-)	-591	-350	241
Waiving the compensation obligation (-)	-47,770	-60,052	-12,282
Balance of compensation liability accounted after the amendment to the Act on State Property took effect, in accordance with the rules in effect after 27/06/2013	0	0	0
Closing balance of compensation liability	27,059	27,088	29
Use of materials from the disassembly of managed state-owned assets for maintenance and repair	0	0	0
Liabilities related to the decrease in managed state-owned assets, total	27,059	27,088	29

Table 31: Liabilities related to the decrease in state-owned assets

II.1.7.2 The MÁV Group's subordinated liabilities

The MÁV group's subordinated liabilities only include the negative goodwill in accordance with Schedule 6 of the Accounting Act. This is detailed in section II.1.1.7.

II.1.7.3 The MÁV Group's long-term loans

The MÁV group's long-term borrowings and loans, and the repayment schedules, are presented in the tables below.

Title of loan	Loan agreement dated at	Matures on	State guarantee (no. of govt. decree)	Currency	Amount per loan agreement (millions, original currency)	Available facility	
						TFOREX	M HUF
Investment loans							
EUROFIMA 11	31/12/2003	17/12/2018	1036/2003.,1027/2008.	EUR	35	35,000	10,886
CA-CIB Consortium (30 Flirt)	22/03/2006	16/06/2020	-	EUR	145	44,009	13,688
Raiffeisen Bank Zrt. (+30 Flirt)	25/09/2007	28/11/2021	-	EUR	142	60,162	18,712
Raiffeisen - H-91/2008.	23/12/2008	23/12/2018	-	HUF	3,000	0	818
Unicredit-MFB loan	10/09/2008	31/12/2023	-	HUF	2,376	0	1,091
KFW (TRAXX)	03/12/2009	15/05/2024	-	EUR	41	24,863	7,732
EIB (TRAXX)	03/12/2009	15/05/2024	-	EUR	38	22,950	7,138
MFB	27/10/2009	30/09/2024	-	HUF	2,800	0	1,526
Total:							61,591
Operational loans							
MFB Zrt. HUF 7.0 bn	27/12/2012	27/12/2017	1546/2012	HUF	7,000		1,647
Total:							1,647
Entrepreneurial loans							
Central traffic coordination system in Szeged - PROLAN	10/08/2007	27/06/2019	-	HUF	1,870		526
Total:							526
Grand total:							63,764

The following were recognised in the balance sheet among short-term borrowings: HUF 10,439 M from the amount shown in the table of investment loans and HUF 1,647 M in operational loans were shown among short-term borrowings, and HUF 234 M in entrepreneurial loans was stated under short-term loans in the balance sheet.

Table 32: The group's long-term borrowings and loans

Figures in MHUF

Title of loan	2017	2018	2019	2020 and after	Total
Investment loans					
EUROFIMA 11	0	10 886	0	0	10 886
CA-CIB Consortium (30 Flirt)	3 911	3 911	3 911	1 955	13 688
Raiffeisen Bank Zrt. (+30 Flirt)	3 830	3 830	3 830	7 222	18 712
Raiffeisen - H-91/2008.	363	455	0	0	818
Unicredit-MFB loan	156	156	156	623	1 091
KFW (TRAXX)	1 031	1 031	1 031	4 639	7 732
EIB (TRAXX)	952	952	952	4 282	7 138
MFB	196	196	196	938	1 526
Total:	10 439	21 417	10 076	19 659	61 591
Operational loans					
MFB Zrt. HUF 7.0 bn	1 647	0	0	0	1 647
Total:	1 647	0	0	0	1 647
Entrepreneurial loans					
Central traffic coordination system in Szeged - PROLAN	234	234	58	0	526
Total:	234	234	58	0	526
Grand total:	12 320	21 651	10 134	19 659	63 764

Table 33: Repayment schedule of the group's long-term borrowings and loans

II.1.7.4 Leasing liabilities

The MÁV Group has no finance lease liabilities.

II.1.7.5 Other short-term liabilities

Other short-term liabilities are shown by category in the following table.

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Taxes (incl. local taxes) payable	9,125	28.5%	7,742	21.6%	-1,383
Wages and salaries	6,490	20.3%	6,933	19.3%	443
Other liabilities deducted from employees	331	1.0%	422	1.2%	91
Liabilities from overpayment of compensation	13,784	43.0%	7,645	21.3%	-6,139
As yet unutilised subsidy received for narrow gauge railway developments	0	0.0%	10,000	27.8%	10,000
Liabilities to the treasury	1,410	4.4%	934	2.6%	-476
Uninvoiced capital projects received, late-payment interest, security provided	292	0.9%	112	0.3%	-180
Other liabilities	613	1.9%	2,125	5.9%	1,512
Other current liabilities, total	32,045	100.0%	35,913	100.0%	3,868

Table 34: Composition of other short-term liabilities

II.1.8 Accrued expenses and deferred income:

Figures in MHUF

Item	2015	2016	Change
Prepaid income			
INVITEL Kft. Other prepaid income	9 444	9 155	-289
Pre-billed prepaid income	137	142	5
Other prepaid income	670	268	-402
<i>Prepaid income</i>	<i>10 251</i>	<i>9 565</i>	<i>-686</i>
Accrued expenses			
RIC carriage rent	3 241	3 234	-7
Accrual of unbilled costs and expenses	1 004	1 889	885
Accrued traction expenses	609	1 138	529
Accrued invoices to be approved	877	465	-412
Accrued interest	42	76	34
Payables from unsettled deliveries	476	26	-450
Late-payment interest, penalties, damages	122	15	-107
Other accrued expenses	440	302	-138
<i>Accrued expenses</i>	<i>6 811</i>	<i>7 145</i>	<i>334</i>
Deferred income			
EU funds and government subsidies	86 198	104 021	17 823
Cash received from the government	10 447	10 277	-170
Accrual of debts arising from asset acquisitions assumed by the government	12 239	10 011	-2 228
Reimbursement for renovation - assets owned by MÁV	3 116	8 536	5 420
Surplus of non-current assets	623	608	-15
Phare aid for development	440	411	-29
Amounts received from local governments and from businesses free of charge	123	120	-3
Grants	102	91	-11
Non-current assets received free of charge and as gifts	90	86	-4
Other deferred income	1	0	-1
<i>Deferred income</i>	<i>113 379</i>	<i>134 161</i>	<i>20 782</i>
Total:	130 441	150 871	20 430

Table 35: The composition of accrued expenses and deferred income

The growth in accrued expenses and deferred income (HUF 20,430 M) was almost entirely due to deferred income, a substantial part of which resulted from the growth in deferred income related to subsidies received under EU and other central programmes (the most significant of these: procurement of multiple unit trains, introduction of the SAP enterprise resource managements system).

II.1.9 Off-balance sheet liabilities

II.1.9.1 Hedging transactions

Financial market risks related to the MÁV Group's activity are part of the group's business operations, which risks are actively mitigated by hedging transactions.

MÁV Zrt.'s FX balance at the end of 2016, expressed in both EUR and in HUF on an EUR basis, showed a EUR 3,866 thousand deficit.

The total FX loss at group level expressed in EUR was EUR 119,056 thousand, including the FX debt service related to the motor coaches.

The budgeted FX loss was hedged, in line with our FX management policies, with forward contracts of EUR 59,966 thousand, swap contracts amounting to EUR 1,500 thousand and spot contracts totalling EUR 46,216 thousand. (The rest of the loss was financed through other FX receipts.)

The group had no open hedge positions on the balance sheet date.

Through the above transactions, the necessary foreign currency cash flow was assured at a more favourable exchange rate (weighted average rate: 311.19 HUF/EUR) than the MNB rate.

The MÁV Group concluded commodity hedge swap transactions in respect of the 2016 business year for 24.9 M litres of diesel, divided into equal monthly quantities of 1,750 metric tons (1 mt = 1,183.43 litres). The purpose of concluding the transactions was to protect the 2016 price stated as a premise of the business plan (net procurement price of diesel: 163.45 HUF/l) against any increase in diesel prices. The transactions successfully hedged a part of the diesel exposure at below the price stated as a premise of the business plan, but despite the rising diesel prices they led to the realisation of a loss in terms of financial settlement.

As a result of the low oil prices, the Group achieved a saving on the procurement price of diesel, and thus the hedge price level assured by the transactions was achieved.

During the business year the Group concluded twelve commodity hedge transactions totalling HUF 3,006 M, with the aim of mitigating the risk of a change (increase) in the price of diesel fuel. All of these positions were closed and settled on a net basis in 2016.

The Group concluded no hedge transactions in 2016 for the risks associated with interest rate changes.

The profit and loss and cash flow effect of hedging contracts concluded in 2016 and known by the balance sheet preparation date are presented in the table below.

II.1.9.2 Closed forward and option contracts

Figures in MHUF

Transaction type		Effect on profit/loss*	Effect on cash flow*
Clearing transactions	Forward	3	3
	Swap	-661	-661
	Option	0	0
	Total:	-658	-658
Delivery transactions	Forward	35	35
	Swap	0	0
	Option	0	0
	Total:	35	35
Grand total:		-623	-623
of which:	Hedging	-623	-623
	Non-hedging	0	0
	Total:	-623	-623
of which:	Stock exchange	0	0
	OTC	-623	-623
	Total:	-623	-623

*Note: The profit and loss and cash flow effect in the case of foreign currency transactions is determined based on the bank's standard exchange rate prevailing at the date of maturity, and in the case of goods transactions, on the basis of settlement cost.

Table 36: Closed derivative (hedge) transactions in 2016

II.1.9.1 Significant derivative (hedge) transactions in 2016

	Trading rate	Quantity (mt)*	Period	Date of settlement	Closing rate**	Profit/loss (MHUF)***	Settlement method	Comments
1.	143,150 HUF	1,750	01/01/2016 - 29/01/2016	05/02/2016	82,470 HUF	-106	Recognised	Swap transaction
2.	143,150 HUF	1,750	01/02/2016 - 29/02/2016	07/03/2016	84,153 HUF	-103	Recognised	Swap transaction
3.	143,150 HUF	1,750	01/03/2016 - 31/03/2016	07/04/2016	98,400 HUF	-78	Recognised	Swap transaction
4.	143,150 HUF	1,750	01/04/2016 - 29/04/2016	06/05/2016	101,300 HUF	-73	Recognised	Swap transaction
5.	143,150 HUF	1,750	02/05/2016 - 31/05/2016	07/06/2016	117,549 HUF	-45	Recognised	Swap transaction
6.	143,150 HUF	1,750	01/06/2016 - 30/06/2016	07/07/2016	123,567 HUF	-34	Recognised	Swap transaction
7.	143,150 HUF	1,750	01/07/2016 - 29/07/2016	05/08/2016	113,772 HUF	-52	Recognised	Swap transaction
8.	143,150 HUF	1,750	01/08/2016 - 31/08/2016	07/09/2016	111,813 HUF	-55	Recognised	Swap transaction
9.	143,150 HUF	1,750	01/09/2016 - 30/09/2016	07/10/2016	114,571 HUF	-50	Recognised	Swap transaction
10.	143,150 HUF	1,750	03/10/2016 - 28/10/2016	08/11/2016	128,112 HUF	-26	Recognised	Swap transaction
11.	143,150 HUF	1,750	02/11/2016 - 30/11/2016	07/12/2016	121,942 HUF	-37	Recognised	Swap transaction
12.	143,150 HUF	1,750	01/12/2016 - 30/12/2016	06/01/2017	142,982 HUF	0	Recognised	Swap transaction

Comments: The profit and loss impact was determined on the basis of the official central bank (MNB) rate prevailing at the date of maturity.

*Quantity in metric tons: 1 metric ton = 1,184 litre

**The arithmetic average of the daily standard costs applied in the given period

***The difference between the Closing rate and the Strike rate, multiplied by the amount of a given Period

Table 37: Swap transactions in 2016

II.1.9.2 Surety and guarantee contracts

The guarantee contracts of the MÁV Group in effect as at 31 December 2016 are shown in the table below.

Beneficiary company name	Type of guarantee	Contracting party	Start date	End date	Amount of guarantee in EUR	Amount of guarantee in million
Bank guarantee						
National Tax and Customs	excise guarantee	OTP Bank Nyrt.	2015.12.12	2017.12.11	-	300
National Transport Authority	accident	OTP Bank Nyrt.	2009.04.27	2017.12.31	-	1 000
Ministry of National Development	for the use of budgeted amount and its residual value for the purposes of the TEN-T project	OTP Bank Nyrt.	2016.10.26	2017.10.31	-	1 182
NAV Szabolcs-Szatmár-Bereg County Customs and Finance Guard Directorate	customs duty security specified in the operation permit	K&H Bank Zrt.	2011.03.18	2017.05.16	-	10
National Transport Authority	payment bank guarantee	KDB Bank Zrt.	2014.01.01	2018.12.31	-	1 100
National Transport Authority	payment bank guarantee	KDB Bank Zrt.	2013.01.01	2017.12.31	-	150
National Transport Authority	payment bank guarantee	KDB Bank Zrt.	2013.01.01	2017.12.31	-	5
National Transport Authority	payment bank guarantee	KDB Bank Zrt.	2011.07.01	2018.12.31	-	10
Hungarian Trade Licensing Office	payment bank guarantee	KDB Bank Zrt.	2010.10.26	2018.06.30	-	6
Bank guarantees, total:					0	3 763
Good performance guarantees						
Slovenian Railways	good performance guarantee	K&H Bank Zrt.	2014.07.14	2018.01.10	80 000	25
Good performance guarantees in total:					80 000	25
Guarantees, total:					80 000	3 788

Table 38: Guarantee contracts in effect at the balance sheet date

II.1.9.3 Lien and other off-balance sheet liabilities

Loan	Available facility 31.12.2016 (MHUF)	Security
EUROFIMA 11	10,886	Rolling stock
CA-CIB Consortium (30 Flirt financing)	13,688	Rolling stock
Raiffeisen Bank Zrt. (+30 Flirt financing)	18,712	Rolling stock
EIB (TRAXX)	7,138	Rolling stock
KFW (TRAXX)	7,732	Rolling stock
UniCredit - MFB	1,091	Rolling stock
Raiffeisen - H-91/2008.	818	Rolling stock
MFB	1,526	Rolling stock
Total:	61,591	

Table 39: Loans secured with lien

Liens have been established on 30 Flirt multiple unit railcars for Crédit Agricole Corporate and Investment Bank, and on 30 additional Flirt multiple unit railcars for Raiffeisen Bank, as lenders, in connection with the procurement of the said assets.

MÁV Zrt. issued a parent company comfort letter to Kreditanstalt für Wiederaufbau and to the European Investment Bank as the funders of 25 TRAXX engines for MÁV-TRAKCIÓ Zrt. (from 1 January 2014, MÁV-START Zrt.).

MÁV Zrt. holds CHF 18.2 M (0.7%) of the registered share capital of EUROFIMA, of which CHF 14.56 M (80% of the registered share capital) is not yet paid. It becomes payable based on the resolution of the Board of Directors of EUROFIMA in line with Article 5 and Article 21 paragraph 3 (6) of EUROFIMA's Articles of Incorporation. However, no request for payment has been made yet.

In addition to CHF 18.2 M of EUROFIMA's registered share capital held by MÁV Zrt., MÁV guarantees in an additional amount equalling the share capital holding of CHF 18.2 M the rolling stock financing arrangement in accordance with Article 26 of EUROFIMA's Articles of Incorporation. This guarantee can only be called if both the railway company and the shareholder state guaranteeing the loan fails to pay, and the guarantee fund specified in Article 29 of EUROFIMA's Articles of Incorporation (CHF 696.5 M according to the 2015 annual financial statements) does not cover the losses suffered. Amounts drawn from the shareholders' guarantee are refunded by EUROFIMA to the extent of the recoverable value from the disposal of the underlying rolling stock or from other receivables associated with the loan agreement.

The locomotives associated with the EUROFIMA loan are encumbered by liens. The EIB and KFW loans related to the procurement of the 25 TRAXX locomotives are secured with a lien on the TRAXX locomotives.

II.1.9.4 Interest and similar charges payable in the future

Figures in MHUF

Title of loan	2017	2018	2019	2020 and after	Total
Investment loans					
EUROFIMA 11	4	36	0	0	40
CA-CIB Consortium (30 Flirt)	137	107	57	10	311
Raiffeisen Bank Zrt. (+30 Flirt)	192	172	123	99	586
Raiffeisen - H-91/2008.	24	12	0	0	36
Unicredit-MFB loan	40	44	36	66	186
KFW (TRAXX)	158	298	250	524	1,230
EIB (TRAXX)	117	116	98	210	541
MFB	79	83	70	155	387
Total:	751	868	634	1,064	3,317
Operational loans					
MFB Zrt. HUF 7.0 bn	42	0	0	0	42
Total:	42	0	0	0	42
Entrepreneurial loans					
Central traffic coordination system in Szeged - PROLAN	14	9	1	0	24
Total:	14	9	1	0	24
Grand total:	807	877	635	1,064	3,383

4040: Payment schedule of liabilities (interest and related charges) payable in the future

II.1.9.5 Significant operating lease contracts concluded by the company group and in effect at the balance sheet date

Contracting partner (lessor)	Subject matter	Agreement dated at	Matures on	Contracted amount M HUF/month	Amount not recognised until the B/S date (million HUF)
Deutsche Leasing Hungaria Kft.	8 Desiro multiple-unit trains	2008.09.24	2029.02.28	19	2 800
Mercarius Flottakezelő Kft.	Lease and operation contract on 212 road vehicles	20/05/2016	20/05/2020	42	1 701
Mercarius Flottakezelő Kft.	Vehicle rent MÁV	2015.12.01	2019.12.01	2	58
Raiffeisen Real Property Fund	Budapest, Könyves K. 54-60	2009.02.28	2019.05.06	88	2 484
FORSE Kft.	Availability of worker accommodation	2012.04.07	2018.04.07	10	147
Porsche Lízing és Szolgáltató Kft.	Lease and fleet management of a fleet of goods vehicles not exceeding a gross weight of 3,5 t (6+2 units)	04/10/2011	31/10/2017	1	11
Porsche Lízing és Szolgáltató Kft.	Vehicle rent	2011.10.04	2017.10.31	11	242
Porsche Lízing és Szolgáltató Kft.	Vehicle rent MÁV	2011.10.03	2017.10.31	111	1 110
Porsche Lízing és Szolgáltató Kft.	Vehicle rent	01/06/2013	03/10/2017	21	213
Raiffeisen Real Property Fund	Real property lease contract	2016.04.01	2017.02.28	3	5
MKB Euroleasing	Vehicle rent MÁV	2012.02.06	2017.01.31	8	8
CAR-STÁR Kft.	Long-term lease of goods vehicles (FLF-452)	06/03/2006	indefinite	0	n/a
Magyar Telekom Nyrt	number of mutual infrastructure service framework contract: 67103-743999/2004.,	2004.09.30	indefinite	22	n/a
Invitel Zrt.	Number of mutual infrastructure contract: IR/1089-05/2005.	2005.06.26	indefinite	4	n/a
LeasePlan Hungária Zrt.	Vehicle rent MÁV	2004.12.27	indefinite	2	n/a
József Kovács ev.	Vehicle rent MÁV	2010.08.01	indefinite	3	n/a
Merkantil Bank Zrt.	Vehicle rent MÁV	2014.09.15	indefinite	3	n/a
Other contracts in total		26.03.1969 multiple contracts	indefinite/ fixed term	9	121
Total:				359	8 900

41 41: Significant operating lease contracts in effect at the balance sheet date

II.2 NOTES TO THE PROFIT AND LOSS ACCOUNT

II.2.1 Net sales revenue by activity

Figures in MHUF

Activity	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Passenger transport	60,187	43%	60,126	46%	-61
Railtrack operations	34,396	25%	32,516	25%	-1,880
Passenger ticket subsidies	19,128	14%	18,980	14%	-148
Traction, shunting	14,584	11%	12,114	9%	-2,470
Property lease and management, supervision, demolition	1,822	1%	1,723	1%	-99
Repair, manufacture, operation, maintenance and registration of vehicles and machinery	2,992	2%	2,149	2%	-843
Goods transportation, loading and logistics services	1,532	1%	1,740	1%	208
Sale of materials, goods and finished products	1,019	1%	477	0%	-542
Security service	860	1%	416	0%	-444
Rental of machinery and vehicles	397	0%	163	0%	-234
Other services	1,522	1%	1,984	2%	462
Total:	138,439	100%	132,388	100%	-6,051

Table 42: Net sales revenue

In 2016 the MÁV Group's sales revenue from passenger transport was on a par with the base figure. As regards consumer ticket price subsidies, the decline that has been observed for many years now continues.

The sales revenue from traction and shunting services, and from operation of the railtrack network, decreased by HUF 4,350 M at consolidated value, with this revenue shortfall caused partly by the drop in the volume of orders from Rail Cargo Hungária Zrt. and private railways, and partly by the decrease in the prices of traction electricity and traction fuel.

II.2.2 Export and import sales revenue

Exports and imports by country are shown in the table below.

Figures in MHUF

Country	2015				2016			
	Export		Import		Export		Import	
	Product	Service	Product	Service	Product	Service	Product	Service
Austria	18	5,923	5,071	2,571	0	5,552	5,558	2,151
Belgium	0	19	41	20	0	10	3	6
Bulgaria	0	24	17	0	0	52	54	0
Cyprus	0	0	0	0	0	0	0	0
Czech Republic	15	1,875	4,036	53	57	1,848	3,523	5
Denmark	0	11	3	0	0	1	29	3
Estonia	0	0	0	0	0	0	0	0
Finland	0	9	1	0	0	0	1	18
France	0	526	79	68	0	514	84	49
Greece	0	0	8	27	0	0	0	0
Netherlands	0	535	1	11	0	912	94	77
Croatia	0	201	193	0	0	186	249	2
Ireland	0	4	0	3	0	0	0	0
Poland	0	146	361	0	0	165	1,197	8
Latvia	0	0	0	0	0	0	0	0
Lithuania	0	0	1	0	0	0	0	0
Luxembourg	0	2	1	0	0	1	0	0
Malta	0	0	0	0	0	0	0	0
Great Britain	0	20	37	0	0	12	126	2
Germany	0	2,414	2,522	1,378	0	2,408	2,310	1,254
Italy	37	10	16	12	0	5	13	19
Portugal	0	5	6	2	0	0	0	0
Romania	0	1,934	1,771	370	0	845	1,413	155
Spain	0	18	10	40	0	1	425	25
Sweden	0	99	48	0	0	98	34	0
Slovakia	345	2,154	1,394	13	0	2,652	1,502	547
Slovenia	0	273	100	26	0	270	130	25
Total EU member states:	415	16,202	15,717	4,594	57	15,532	16,745	4,346
Albania	0	0	0	0	0	0	0	0
Australia	0	0	0	0	0	0	0	0
Bosnia-Herzegovina	0	0	0	0	0	0	0	0
United States	0	0	0	27	0	0	0	28
Belarus	0	0	2	0	0	3	10	0
Canada	0	0	0	0	0	0	0	0
Kazakhstan	0	0	0	0	0	0	0	0
Macedonia	0	2	0	0	0	2	0	0
Moldova	0	0	71	0	0	0	0	0
Montenegro	0	1	3	0	0	0	3	0
Norway	0	9	3	0	0	1	1	0
Russia	0	6	94	3	0	26	40	1
Switzerland	0	1,045	358	9	0	1,012	400	10
Serbia	0	193	296	13	0	282	425	13
Turkey	88	9	1	0	8	0	0	0
Turkmenistan	0	0	0	0	0	0	0	0
Ukraine	0	39	34	13	0	36	47	9
Uzbekistan	0	0	0	0	0	0	0	0
Other	47	0	0	1	100	16	0	0
Total non-EU member states:	135	1,304	862	66	108	1,378	926	61
Grand total:	550	17,506	16,579	4,660	165	16,910	17,671	4,407

Table 43: Export and import by market segments

II.2.3 Movements in material-type expenses

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Material costs					
Operation, maintenance and other materials	29 316	22,2%	29 598	21,9%	282
Traction electricity	14 263	10,8%	14 414	10,7%	151
Engine and heating fuel	9 142	6,9%	7 548	5,6%	-1 594
Public utilities (energy, gas, water)	7 607	5,7%	7 052	5,2%	-555
Working clothes, uniforms, protective equipment	463	0,3%	577	0,4%	114
Material costs, total:	60 791	45,9%	59 189	43,8%	-1 602
Services used					
Track operation and rolling stock maintenance, related other services	21 300	16,1%	22 064	16,3%	764
Lease fees	13 972	10,6%	13 929	10,3%	-43
Public hygiene costs	2 469	1,9%	6 210	4,6%	3 741
Transportation and loading costs	4 190	3,2%	3 040	2,3%	-1 150
IT services	2 420	1,8%	2 878	2,1%	458
Traction	1 795	1,4%	1 961	1,5%	166
Postage, advertising, market research	1 353	1,0%	1 373	1,0%	20
Other services used	7 728	5,8%	9 398	7,0%	1 670
Total value of services used:	55 227	41,7%	60 853	45,0%	5 626
Other services					
Insurance fees	1 273	1,0%	1 144	0,8%	-129
Authority fees	1 485	1,1%	1 493	1,1%	8
Bank charges, incidental payments	696	0,5%	687	0,5%	-9
Costs of other unspecified services	3	0,0%	3	0,0%	0
Total costs of other services:	3 457	2,6%	3 327	2,5%	-130
Cost of goods sold:	10 038	7,6%	8 710	6,4%	-1 328
Value of sold (intermediated) services:	2 830	2,1%	3 025	2,2%	195
Material-type expenses in total:	132 343	100,0%	135 104	100,0%	2 761

Table 44: Movements in material-type expenses

II.2.4 Other gains

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Fixed asset disposals	1 261	0,5%	2 614	0,9%	1 353
Reversal of extraordinary depreciation of intangible and tangible assets	897	0,3%	9	0,0%	-888
Reversal of impairment of inventories	27	0,0%	665	0,2%	638
Income from receivables sold	1	0,0%	1	0,0%	0
Reversal of impairment on receivables	1	0,0%	53	0,0%	52
Amounts received from discounted receivables	247	0,1%	97	0,0%	-150
Damages received	326	0,1%	352	0,1%	26
Default interest received	-45	0,0%	125	0,0%	170
Penalties received	194	0,1%	276	0,1%	82
Release of provisions generated for expected liabilities	6 509	2,3%	7 521	2,7%	1 012
Release of provisions generated for future commitments	795	0,3%	2 767	1,0%	1 972
Release of provisions generated for unrealised FX losses	1 481	0,5%	3 101	1,1%	1 620
Reversal of deferred income due to costs and expenses reducing operating profit/loss	5 096	1,8%	6 461	2,3%	1 365
Operational compensation and reasonable profit for railtrack operation	41 896	15,1%	42 519	15,4%	623
Public service passenger transport cost compensation	145 037	52,2%	147 005	53,3%	1 968
Non-refundable subsidies, awards received without a repayment obligation as recompense for other costs and expenses	1 985	0,7%	1 869	0,7%	-116
State assumption of bond debts and interest thereon	10 162	3,7%	0	0,0%	-10 162
State assumption of loan debts and interest thereon	13 552	4,9%	0	0,0%	-13 552
Waived compensation obligation	47 770	17,2%	60 052	21,8%	12 282
Income from assets received free of charge and from surplus assets	16	0,0%	24	0,0%	8
Miscellaneous other income	456	0,2%	295	0,1%	-161
Total:	277 664	100,0%	275 806	100,0%	-1 858

Table 45: Composition of other gains

Main components of other gains:

- Under the heading of sale of intangible assets and tangible assets, HUF 1,353 M more other gain was recognised in comparison to the base period. The bulk of the gain recognised under this heading (HUF 2,538 M) in the reporting year derives from the sale to TS Hungaria Kft. of the properties in Miskolc with title numbers 5079/7, 01441/2 and 5089/10.
- The increase in other provisions recognised for expected liabilities is predominantly attributable to the release of provisions that were recognised previously for the expected payment liability resulting from litigious cases, but recognised in the reporting year due to the payment of wages withheld from employees in standby positions. The increase was partly offset by a decrease in the use of provisions generated for the purpose of covering environmental protection obligations.

- The increase in the release of provisions recognised for future costs is attributable partly to the R1 major service of the TRAXX locomotives, and partly to the review of the amount of provisions previously recognised to cover maintenance costs. In connection with the TRAXX locomotives an additional HUF 869 M, while based on the result of the review – due to the performance of works and the decommissioning of buildings – an additional HUF 936 M in provisions were released in the reporting year.
- The cause of the increase in released provisions recognised for unrealised exchange rate losses was the substantial decrease in the volume of FX investment and development loans in the reporting year.
- The operational compensation for 2016 increased by HUF 623 M, and the passenger transport public service costs reimbursement by HUF 1,968 M, compared to the base period.
- In 2015, pursuant to decision number BM/762-8/2015 of the Ministry of Internal Affairs, and in accordance with Government Decree 375/2010. (XII. 31.), an agreement was signed with the relevant authority with respect to the period from 9 March 2015 to 29 February 2016, regarding support for the employment of 1,574 persons in the context of a national public employment programme. In 2016, with a view to extending the public employment programme, in accordance with decision number BM/3768-24/2016 of the Ministry of Internal Affairs, an agreement was signed with the relevant authority with respect to the period from 7 March 2016 to 28 February 2017, regarding support for the employment of another 1,574 persons in the context of a national public employment programme. A total of HUF 1,370 M in other gain was recognised in connection with the public employment programme in the reporting year.
- The amount of the waived compensation liability exceeds the base figure by HUF 12,282 M, with HUF 3,759 M of this increase associated with the growth in ordinary depreciation on managed state-owned assets, and HUF 8,523 M attributable to the growth in extraordinary depreciation of managed state-owned assets.

II.2.5 Other expenses

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Expenses on intangible and tangible assets sold	357	1,4%	885	3,2%	528
Expenses on scrapped and missing intangible and tangible assets	-131	-0,5%	293	1,1%	424
Extraordinary depreciation of intangible and tangible assets	4 376	17,2%	12 458	45,0%	8 082
Impairment and scrapping of inventories	1 154	4,5%	297	1,1%	-857
Inventory shortage	31	0,1%	22	0,1%	-9
Impairment of receivables	631	2,5%	393	1,4%	-238
Bad debts written off	11	0,0%	48	0,2%	37
Book value of receivables sold	0	0,0%	0	0,0%	0
Losses from damages	797	3,1%	633	2,3%	-164
Late-payment penalty paid	47	0,2%	338	1,2%	291
Damages	180	0,7%	70	0,3%	-110
Self-revision fee	24	0,1%	11	0,0%	-13
Taxes and similar items	3 718	14,6%	3 160	11,4%	-558
Fines and penalties	80	0,3%	43	0,2%	-37
Provision for contingent liabilities	8 298	32,7%	3 487	12,6%	-4 811
Provisions for future costs	4 994	19,7%	4 581	16,6%	-413
Provisions for unrealised FX losses	166	0,7%	115	0,4%	-51
Cash transferred	408	1,6%	428	1,5%	20
Expenses on assets and services provided free of charge	108	0,4%	51	0,2%	-57
Various other expenses	136	0,5%	357	1,3%	221
Total:	25 385	100%	27 670	100%	2 285

Table 46: Other expenses

Main components of other expenses:

- In connection with the take over of capital investments carried out by NIF Zrt. in 2016, extraordinary depreciation of HUF 9,619 M was recognised in respect of the period between the commissioning and the actual acceptance of the assets, which is HUF 7,303 M more than in the previous year. The reason for the increase was that while in 2015 railway infrastructure with a gross value of HUF 83,126 M came under the management of MÁV Zrt., in 2016 this figure was HUF 180,777, while the number of days elapsed between the actual commissioning and the financial and legal acceptance of the assets increased.

- The amount of other expenses related to provisioning for expected liabilities and future costs decreased by HUF 5,224 M compared to the base year, primarily due to the reduction in provisions recognised to cover environmental protection obligations (HUF -2,657 M). A significant decrease was also seen in provisions recognised to cover litigious cases (HUF -1,438 M) and to cover the termination of employment relationships (HUF -759 M). A breakdown of provisioning by legal grounds is contained in section II.1.6.

II.2.6 Financial profit/(loss)

II.2.6.1 Gains from financial transactions

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Dividend received (due)	3	0,1%	2	0,1%	-1
Of which: HIT Rail b.v.	3	0,1%	2	0,1%	-1
Gains from shareholdings	0	0,0%	0	0,0%	0
Gains on financial investments (from securities and loans)	0	0,0%	0	0,0%	0
Other interest received (due) and similar income	725	26,1%	379	21,8%	-346
Of which: Interest received from credit institutions	648	23,3%	362	20,9%	-286
Other financial gains	2 050	73,8%	1 355	78,1%	-695
Of which: Part of the positive after-tax profit of entities consolidated applying the equity method attributable to the	806	29,0%	581	33,5%	-225
Exchange rate gain realised in relation to receivables and liabilities denominated in foreign currency	698	25,1%	334	19,2%	-364
Price gain from forward transactions	12	0,4%	2	0,1%	-10
Exchange rate gain resulting from the year-end revaluation of receivables, liabilities	495	17,8%	385	22,2%	-110
Total:	2 778	100,0%	1 736	100,0%	-1 042

Table 47: Composition of gains from financial transactions

II.2.6.2 Expenses of financial transactions

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Expenses of and losses on investments	0	0,0%	1	0,0%	1
Expenses of and losses on financial investments (securities and loans)	0	0,0%	0	0,0%	0
Interest payable (paid) and similar expenses	2 113	33,5%	1 091	15,4%	-1 022
Of which: Interest paid to credit institutions	1 896	30,1%	1 058	15,0%	-838
Impairment of investments, long-term loans given, securities and bank deposits	-90	-1,4%	-20	-0,3%	70
Other financial expenses	4 285	67,9%	5 994	84,8%	1 709
Of which: Part of the after-tax loss of entities consolidated applying the equity method attributable to the company group	4	0,1%	19	0,3%	15
Exchange rate loss realised in relation to receivables and liabilities denominated in foreign currency	357	5,7%	259	3,7%	-98
Release of accrued exchange rate loss on investment loans	3 868	61,3%	5 042	71,4%	1 174
Exchange rate loss on forward transactions	42	0,7%	661	9,4%	619
Exchange rate loss resulting from the year-end revaluation of receivables, liabilities	0	0,0%	0	0,0%	0
Total:	6 308	100,0%	7 066	100,0%	758

Table 48: Composition of expenses of financial transactions

II.2.7 Calculation of the Group's consolidated profit/loss

The calculation of the MÁV Group's consolidated profit/loss is shown in the table below.

Figures in MHUF

Item	Amount
Aggregated after-tax profit/loss of fully consolidated subsidiaries	17 336
Pre-consolidation adjusted after-tax profit/loss, total	17 336
Elimination of reversal of impairment on investments	-5 482
Effect on profit/loss of equity consolidation with elimination of investments	-5 482
Elimination of dividend received from undertakings treated as associates	-705
Reporting-year profit of companies treated as associates	581
Reporting-year loss of companies treated as associates	-19
Effect on profit/loss of equity consolidation by applying the equity method	-143
Late-payment interest, penalties, damages recognised out of prudence	-3
Effect on profit/loss of the management of other differences	-8
Effect of profit/loss of the elimination of receivables and liabilities	-11
Elimination of provisions recognised for intragroup expected liabilities and future costs	207
Elimination of released provisions recognised for intragroup expected liabilities and future costs	-181
Effect on profit/loss of the elimination of income and expenses	26
Effect on profit/loss of elimination of the internal profit/loss realised on own performance accepted in respect of non-current assets	-425
Effect on profit/loss of elimination of the internal profit/loss generated from the sale of tangible assets between consolidated entities	-8
Modification of ordinary depreciation recognised on assets containing internal profit/loss	1 255
Modification of extraordinary depreciation and reversal recognised on assets containing internal profit/loss	95
Modification of items (sales, scrapping, shortfall, etc.) lowering the other profit/loss recognised in respect of assets containing internal profit/loss	10
Release, proportional to depreciation in the reporting year, of deferred income reversed during consolidation	1 624
Modification of the release of accrued exchange rate losses due to repayment, in connection with FCY loans	-1 006
Modification the accrual of unrealised exchange rate losses on FCY loans	-17
Modification of other provisions recognised for the accrued losses of FCY loans	772
Effect on profit/loss of the elimination and release of internal profit/loss accepted on inventories	30
Effect, on the reporting-year consolidated profit/loss, of the elimination and release of internal profit/loss	2 330
Effect on profit/loss of deferred tax resulting from consolidation in the reporting year	-1
Effect on profit/loss of deferred tax	-1
Adjusted after-tax profit/loss in the reporting year	14 055

Table 49: Calculation of the Group's consolidated profit/loss

II.3 ACTUAL FINANCIAL POSITION, LIQUIDITY AND PROFITABILITY

II.3.1 State participation in the MÁV Group's operations

For the group's liquidity, state funding of reasonable expenses of railtrack operation and public service passenger transport that are not covered by revenues bears special significance, provided by cost reimbursement and a state guaranteed borrowing possibilities.

Financing the Group's operations, the repayment of its loans and the return of its assets are strongly dependent on the availability of state funds.

II.3.1.1 State participation in the MÁV Group's operations with regard to railtrack operation

On 21 December 2015, the Hungarian State and MÁV Zrt. signed a public service contract relating to the operation of the railtrack network in respect of the period between 2016 and 2025. Based on this contract, the funding of the operation of the railtrack network is now assured in the long-term.

Pursuant to the annual budget clause relating to 2016, in the reporting year HUF 44,030 M operating and HUF 25,091 M renovation costs reimbursement was disbursed to MÁV Zrt., and the utilisation of these funds is presented in the table below.

		Figures in MHUF	
Ref.	Legal title of reimbursement	2015	2016
A	Opening, unused reimbursement	8 987	12 681
B	Amount used for capital projects and renovations, charged to previous year's residual	-1 636	-7 018
C	Reasonable profit recognised in the reporting year, charged to previous year's residual	-3 716	-3 650
I.	Cost reimbursement not used from residual of previous periods (I=A+B+C)	3 635	2 013
D	Operational compensation disbursed in the reporting year	44 745	44 030
E	Operational compensation recognised in the reporting year	-38 180	-38 869
II.	Unused operational compensation in the reporting year (II=D+E)	6 565	5 161
F	Renovation cost reimbursement disbursed in the reporting year	26 072	25 091
G	Used amount of renovation cost reimbursement disbursed in the reporting year	-23 591	-24 792
III.	Unused cost reimbursement for renovation in the reporting year (III=F+G)	2 481	299
IV.	Unused reimbursement, total (IV= I+II+III)	12 681	7 473

Table 50: Use of operation and renovation costs reimbursement

According to Chapter XVII, title 21, heading 1, subheadings 5, 6 and 8 of Act XC of 2016 on the Central Budget of Hungary for the year 2017, the State of Hungary has budgeted HUF 74,805 M to cover the justified costs of operating the rail network, and of this amount HUF 69,744 M is received by MÁV Zrt.

II.3.1.2 State participation in the MÁV Group's operations with regard to public service passenger transport activity

In 2013 MÁV-START Zrt. concluded a railway public service passenger transport contract, in respect of the years 2014-2023, with the Ministry for National Development on behalf of the Hungarian State, as principal. According to the contract, the Company is entitled to reimbursement of reasonable expenses incurred in connection with the supply of public services that are not covered by revenues.

According to the memorandum of the public service agreement for 2016, the planned amount of cost reimbursement available in respect of public service activity is HUF 144,000 M. The reasonable expenses of ordered public service activity certified by the principal (Ministry for National Development) but not covered by revenues are HUF 2,074 M higher than specified in the memorandum; a total of HUF 146,074 M in cost reimbursement was recognised in the annual financial statements. Settlement of the actual reimbursement takes place with the submission of the financial statements on public services for 2016, following preparation of the annual financial statements for 2016.

Details of the Group's receivables from the government stated under the heading of public service costs reimbursements are given in section II.1.3.

In terms of payments, cost reimbursement by the government in the amount of HUF 144,000 M was disbursed in the reporting year. Of this, HUF 20,829 M related to the previous year's public service activity (the amount disbursed in January and February), while compensation for the costs of operation in the reporting year was provided by the HUF 123,171 M disbursed between the months of March and December. The Company, in addition to the cost reimbursement for the reporting year, became entitled to draw a further HUF 4,000 M from the cost reimbursement settlements of previous years, and of this amount HUF 2,264 M was received in April and HUF 1,736 M in August. The drawn amount, in its entirety, reduced the cost reimbursement requirement relating to the year 2012. In the month of September – upon completion of the annual settlement of public service passenger transport activity for 2015 – the HUF 931 M cost reimbursement requirement recognised by the principal in respect of 2015 was compensated by the HUF 1,103 M recognised in the books as a liability towards the government. The amount of the liability changed to HUF 172 million as a result of the compensation.

II.3.2 Cash flow statement

Figures in MHUF

No.	Item	2015	2016
I.	<i>Change in cash from ordinary activities (Operating cash flow)</i>	<i>156 543</i>	<i>67 098</i>
1.	Profit or loss before tax	39 938	14 188
2.	Recognised ordinary depreciation charge	72 106	76 822
2/b	Depreciation charged to previous years	0	0
3.	Impairment loss recognised	5 015	12 694
4.	Change in provisions	4 800	-5 206
5.	Gain/loss on sale of non-current assets	-904	-1 729
5/b.	Gain/loss from changes in investments	0	0
6.	Change in trade payables	-17 299	14 829
7.	Change in other short-term liabilities	7 211	-468
7/b.	Reclassification from other long-term liabilities	0	0
8.	Change in accrued expenses and deferred income	58 953	20 430
8/b.	Released deferred income related to asset settlement	73	92
8/c	Deferred income associated with non-current assets received without compensation and identified	-102	-2 556
9.	Changes in trade receivables	2 174	121
10.	Change in current assets (net of trade accounts receivable and cash)	8 184	-5 145
11.	Change in prepayments and accrued income	3 377	5 495
12.	Corporate tax paid, payable (on profit)	-387	-135
13.	Dividend and share payable	0	0
13/b	Assets transferred or received free of charge, and surplus assets	500	-3 054
13/c	Change in liabilities related to managed state-owned assets	-2 673	-58 921
13/d	Prior-year adjustments	0	0
13/e	Change in deferred tax assets due to consolidation	118	1
13/f	Adjustments not involving cash movements due to consolidation	48	143
13/g	Realised and non-realised exchange rate difference	-1 059	-503
13/h	Debts assumed by the government	-23 548	0
13/i	Interest on debts assumed by the government	84	0
13/j	Changes in assets and liabilities due to merger and change of scope of consolidation	-66	0
II.	<i>Changes in cash resulting from investment activities</i>	<i>-109 097</i>	<i>-77 860</i>
14.	Non-current asset additions	-122 336	-79 197
15.	Sale of non-current assets	1 261	2 614
15/b	Movements in long-term financial assets	0	-1
15/c	Change in advance payments on capital investments	11 975	-1 278
16.	Dividend received	3	2
III.	<i>Change in cash from financial transactions (Financing cash flow)</i>	<i>-27 978</i>	<i>3 233</i>
17.	Proceeds from issue of shares, capital increase	0	1 978
18.	Proceeds from bond issue	0	0
19.	Borrowings	0	1 417
20.	Repayment of long-term loans and bank deposits	169	97
21.	Amounts received free of charge*	0	34 798
22.	Share withdrawal (capital reduction)	0	0
23.	Redemption of bonds and debt securities	0	0
24.	Loan repayment	-27 675	-34 496
25.	Long-term loans and bank deposits	0	-39
26.	Cash transferred	-500	-502
27.	Movements in payables to founders and in other long-term liabilities	28	-20
IV.	<i>Change in cash (Lines ±I±II±III)</i>	<i>19 468</i>	<i>-7 529</i>

* In 2015, reimbursement for renovation was presented as part of operating cash flow

Table 51: Cash flow statement

II.3.3 Development of the indicators used for analysing the financial position, liquidity and profitability

The baseline data of indicators – pursuant to Article 177, paragraph (45) of the Accounting Act – was determined pursuant to the balance sheet and profit and loss account template set forth in Act C of 2000 on Accounting and in Act CI of 2015 on the amendment of certain acts concerning financial matters.

Value and composition of assets

Non-current assets ratio

$$\frac{\text{Non-current assets}}{\text{Total assets}} = \frac{1\,332\,486}{1\,477\,179} = 90,20\% \quad (\text{base: } 88.41\%)$$

Coverage of tangible assets

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{157\,372}{359\,824} = 43,74\% \quad (\text{base: } 42.35\%)$$

$$\frac{\text{Equity} + \text{Treasury funds}}{\text{Tangible assets}} = \frac{1\,138\,556}{1\,312\,054} = 86,78\% \quad (\text{base: } 84.99\%)$$

Coverage of non-current assets

$$\frac{\text{Equity}}{\text{Own non-current assets}} = \frac{157\,372}{380\,256} = 41,39\% \quad (\text{base: } 40.71\%)$$

$$\frac{\text{Equity} + \text{Treasury funds}}{\text{Non-current assets}} = \frac{1\,138\,556}{1\,332\,486} = 85,45\% \quad (\text{base: } 83.97\%)$$

Current assets to non-current assets

$$\frac{\text{Current assets}}{\text{Non-current assets}} = \frac{109\,227}{1\,332\,486} = 8,20\% \quad (\text{base: } 9.58\%)$$

Value and composition of equity and liabilities

Capitalisation

$$\frac{\text{Equity}}{\text{Total equity} + \text{liabilities}} = \frac{157\,372}{1\,477\,179} = 10,65\% \quad (\text{base: } 11.2\%)$$

$$\frac{\text{Equity}}{\text{Equity and liabilities} - \text{Treasury funds}} = \frac{157\,372}{495\,995} = 31,73\% \quad (\text{base: } 30.31\%)$$

Gearing ratio

$$\frac{\text{Debt}}{\text{Equity}} = \frac{1\,128\,223}{157\,372} = 716,91\% \quad (\text{base: } 672.87\%)$$

$$\frac{\text{Borrowings} - \text{Treasury funds}}{\text{Equity}} = \frac{147\,039}{157\,372} = 93,43\% \quad (\text{base: } 110.19\%)$$

Indebtedness ratio

$$\frac{\text{Debt}}{\text{Total assets}} = \frac{1\,128\,223}{1\,477\,179} = 76,38\% \quad (\text{base: } 75.38\%)$$

Equity increase ratio

$$\frac{\text{Equity}}{\text{Registered capital}} = \frac{157\,372}{22\,000} = 715,33\% \quad (\text{base: } 669,36\%)$$

Non-current assets coverage

$$\frac{\text{Equity}}{\text{Non-current assets}} = \frac{157\,372}{1\,332\,486} = 11,81\% \quad (\text{base: } 12,67\%)$$

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{157\,372}{380\,256} = 41,39\% \quad (\text{base: } 40,71\%)$$

Profitability indicators

$$\text{EBITDA (Operating profit + depreciation)} = 19\,520 + 76\,822 = 96\,342 \quad (\text{base: } 115,577)$$

$$\text{EBITDA rate} = \frac{\text{EBITDA}}{\text{Net sales revenue}} = \frac{96\,342}{132\,388} = 72,77\% \quad (\text{base: } 83,49\%)$$

$$\text{Operational rate} = \frac{\text{Operating profit or loss}}{\text{Net sales revenue}} = \frac{19\,520}{132\,388} = 14,74\% \quad (\text{base: } 31,4\%)$$

Liquidity

Working capital and liquidity

Net working capital

$$\text{Current assets} - \text{Current liabilities} = 109\,227 - 96\,740 = 12\,487 \quad (\text{base: } 12,878)$$

Liquidity ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{109\,227}{96\,740} = 112,91\% \quad (\text{base: } 113,08\%)$$

Quick ratio

$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} = \frac{79\,546}{96\,740} = 82,23\% \quad (\text{base: } 89,24\%)$$

Cash liquidity ratio

$$\frac{\text{Liquid assets}}{\text{Current liabilities}} = \frac{45\,503}{96\,740} = 47,04\% \quad (\text{base: } 53,85\%)$$

III SUPPLEMENTARY NOTES

III.1 Information about the parent company's elected officers

Figures in MHUF

Item	2015	2016	Change
Senior officers	41	89	48
Supervisory Board	15	18	3
Total:	56	107	51

Table 52: Remuneration paid to the parent company's officers

No loan was disbursed to, or guarantees were assumed on behalf of, senior officers and members of the Board of Directors and Supervisory Board in 2016.

III.2 Subsidies received

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
Railtrack operation renovation cost compensation	25,226	7.9%	31,811	12.0%	6,585
Other investment subsidies*	85,972	26.9%	22,344	8.4%	-63,628
Total investment subsidies:	111,198	35%	54,155	20%	-57,043
Public service cost compensation	145,037	45.3%	147,005	55.4%	1,968
Operational compensation for railtrack operation	38,180	11.9%	38,869	14.7%	689
Ticket price subsidies	19,128	6.0%	18,980	7.2%	-148
Refunded excise tax	4,499	1.4%	4,429	1.7%	-70
Support for public employment	1,548	0.5%	1,370	0.5%	-178
Support for the Memorial Centre for the Child Victims of the Holocaust	17	0.0%	0	0.0%	-17
Other subsidies	405	0.1%	485	0.2%	80
Total subsidies received as compensation for costs and expenses:	208,814	65%	211,138	80%	2,324
Grand total:	320,012	100%	265,293	100%	-54,719

* Details of the use of investment subsidies are contained in table 13.

Table 53: Subsidies received

In its resolution number 1803/2016 (XII.20.) on the provision of funds for special infrastructure development investments the Government granted HUF 10,000 M in support, according to Section 101/A of Government Decree 368/2011 (XII.31.) on implementation of the act on public finance, for narrow-gauge railway development projects, which support is recognised under other short-term liabilities (II.1.7.5).

The ticket subsidy benefits are shown by type in the following table.

Figures in MHUF

Item	2015		2016		Change
	Amount	Distribution	Amount	Distribution	
50% discount	3,536	18.5%	3,526	18.7%	-10
90% discount	2,458	12.8%	2,366	12.5%	-92
Student discount	7,411	38.7%	7,165	37.9%	-246
Senior discount for persons over 70 (65)	5,728	29.9%	5,835	30.9%	107
Total:	19,133	100%	18,892	100%	-241

Ticket subsidy figures for the reporting year include accruals from 2015 (HUF -88 M)

Table 54: Ticket subsidy usage

III.3 Environmental protection

III.3.1 Environmental protection liabilities

The development of the balance sheet value of provisions for environmental liabilities is presented in the table below.

Figures in MHUF

Item	Opening balance	Increase	Decrease	Closing balance
Provisions	10 507	524	687	10 344

Table 55: Provisions relating to environmental protection

The development of environmental provisions, broken down by legal title, is given in the table below.

Figures in MHUF

Legal title	Value of provisions			
	2015	Released	Made	2016
Owing to illegal waste	4 070	6	58	4 122
Obligations arising from soil and groundwater contamination	3 444	664	307	3 087
Protection for the technical facilities of gasoline uploading and unloading systems	1 480	0	0	1 480
Disposal of railway sleepers	886	13	159	1 032
Testing for leakage of operational hazardous waste and lubricant containers, improvement of sealant systems	400	0	0	400
Survey, cleaning and coating of technological sewage networks	175	0	0	175
Survey of dead sewage networks, preparation of utility maps	52	4	0	48
Total liabilities:	10 507	687	524	10 344

Table 56: Development of provisions related to environmental protection, broken down by legal title

The development of environmental expenses arising in 2015 and in 2016 is presented in the following table:

Figures in MHUF

Item	Previous year	Reporting year	Change
Environmental expenses	740	936	196

Table 57: Environmental expenses

III.3.2 Tangible assets serving environmental protection purposes

The reporting-year movements in tangible assets used directly for environment protection are shown in the table below.

Figures in MHUF

Serial no.	ITEM	Real property and related rights	Technical equipment, machinery, vehicles	Other fixtures, fittings and vehicles	Capital projects, renovations	Total:
1.	Cost, opening	8 766	455	0	0	9 221
2.	Increase in the reporting year	44	65	0	0	109
3.	Decrease in the reporting year	0	0	0	0	0
4.	Reclassification	0	0	0	0	0
5.	Cost, closing	8 810	520	0	0	9 330
6.	Depreciation, opening	1 744	316	0	0	2 060
7.	Ordinary depreciation in the reporting year	347	75	0	0	422
8.	Extraordinary depreciation in the reporting year	0	0	0	0	0
9.	Extraordinary depreciation reversed	0	0	0	0	0
10.	Depreciation derecognised	0	0	0	0	0
11.	Other increase	0	0	0	0	0
12.	Other decrease	0	0	0	0	0
13.	Reclassification	0	0	0	0	0
14.	Depreciation, closing	2 091	391	0	0	2 482
15.	Opening, net	7 022	139	0	0	7 161
16.	Closing, net	6 719	129	0	0	6 848

Table 58: Movements in tangible assets used for environmental purposes

III.3.3 Quantity of hazardous waste

EWC code	Item	2015 (kg)	2016 (kg)
060101*	Sulphuric acid and sulphurous acid	0	60
060204*	Sodium and potassium hydroxide	0	370
060404*	Wastes containing mercury	1	51
070104*	Other organic solvents, cleansers and alkali substances	0	7
080111*	Waste paint and varnish containing organic solvents or other dangerous substances	3 444	1 007
080117*	Wastes from paint or varnish removal containing organic solvents or other dangerous substances	5 057	2 153
080317*	Waste toner (hazardous paint)	3 063	3 299
080409*	Waste adhesives and fillers containing organic solvents or other dangerous substances	0	2 431
100402*	Blast furnace slag and skimming from primary and secondary production	0	1 226
120109*	Machining emulsions and solutions free of halogens	0	292
120112*	Used wax and grease	686	1 135
120116*	Sandblasting wastes containing dangerous substances	0	3 909
120118*	Grinding sludge	0	1 334
130205*	Used oil	38 847	19 787
130208*	Other lubricants	0	60
130307*	Mineral oil based, non-chloride insulation and heat transmission lubricants	5 703	4 459
130502*	Sludge from oil/water separator	8 924	2 542
130506*	Oil from oil/water separator	904	11
130508*	Mixed waste from oil/water separator	11 242	200
130701*	Heating and diesel oil	642	2 642
140603*	Other solvent mixes	705	570
150110*	Packaging containing residues of or contaminated by dangerous substances	15 973	8 531
150111*	Metallic packaging containing a dangerous solid porous matrix (e.g. asbestos) including empty pressure containers	838	588
150202*	Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances	39 555	24 194
160103*	Rubber waste	0	10
160107*	Oil filters	3 244	2 311
160114*	Waste antifreeze containing hazardous materials	560	40
160121*	Hazardous spare parts	309	75
160213*	Equipment no longer in use	3 871	663
160303*	Inorganic wastes containing dangerous substances	84	68
160305*	Organic wastes containing dangerous substances	5 165	2 548
160506*	Laboratory chemicals, consisting of or containing dangerous substances	88	41
160507*	Discarded inorganic chemicals consisting of or containing dangerous substances	0	27
160601*	Lead batteries	58 555	15 956
160606*	Separately collected electrolyte from batteries	3 774	1 000
160708*	Wastes containing oil	1 261	0
161001*	Aqueous liquid waste containing dangerous substances	6 734	1 230
170204*	Glass, plastic and wood containing or contaminated with dangerous substances	176 222	71 368
170405*	Ferrous scrap, added	211 280	0
170409*	Metal waste contaminated with dangerous substances	45	0
170410*	Cables containing oil, coal tar and other dangerous substances	665	16 934
170503*	Soil and stones containing dangerous substances	3 293	1 295
170603*	Other insulation materials consisting of or containing dangerous substances	80	83
170901*	Construction and demolition wastes containing mercury	7	0
180103*	Infectious waste	0	11
190813*	Sludge containing dangerous substances from other treatment of industrial waste water	0	58 640
200121*	Fluorescent light bulbs and other mercury-containing wastes	1 430	264
200133*	Batteries and accumulators included in 16 06 01, 16 06 02 or 16 06 03 and unsorted batteries	2 295	643
200135*	Discarded electrical and electronic equipment other than those mentioned in 20 01 21 and 20 01 23 containing hazardous components	12 869	17 664
080119*	Waste paint and varnish containing organic solvents or other dangerous substances, water-based suspensions containing varnish	0	60
090104*	Fixer solutions	0	16
090106*	Silver-containing waste resulting from the treatment of photographic waste at the site of their origin	0	9
110198*	Other wastes containing dangerous substances	0	364
130113*	Other hydraulic oil	0	160
130703*	Other fuels (including mixtures)	0	1 440
190806*	Saturated or ion-exchange resins	0	70
200129*	Detergents containing dangerous substances	0	130
Total:		627 415	273 978

Table 59: Closing quantity of hazardous waste

III.4 Personnel expenses and average statistical headcount

The MÁV Group's average statistical headcount and wages are presented in the tables below.

Figures in MHUF

Item	2015				2016			
	Wages and salaries	Other payments to personnel	Total:	Distribution (%)	Wages and salaries	Other payments to personnel	Total:	Distribution (%)
Blue collar	78,940	11,774	90,714	66.64%	81,460	12,460	93,920	66.31%
White collar	39,187	5,728	44,915	33.00%	41,069	6,091	47,160	33.30%
Inactive	425	69	494	0.36%	478	84	562	0.40%
Total:	118,552	17,571	136,123	100.00%	123,007	18,635	141,642	100.00%

Table 60: The Group's personnel expenses

Figures in MHUF

Legal title of wage-related contributions	2015		2016	
	Amount	Distribution (%)	Amount	Distribution (%)
Healthcare contribution	3,822	11%	2,611	7%
Rehabilitation contribution	1,611	4%	1,700	4%
Vocational training contribution	1,609	4%	1,731	5%
Social contribution tax	29,338	81%	31,732	84%
Total:	36,380	100%	37,774	100%

Table 61: Contributions on wages and salaries

Item	2015		2016	
	Average statistical headcount	Distribution (%)	Average statistical headcount	Distribution (%)
Blue-collar	25,755	68.3%	25,240	67.8%
White-collar	11,927	31.7%	11,995	32.2%
Total staff employed:	37,682	100.0%	37,235	100.0%

Table 62: The Group's average statistical headcount

III.5 Research and experimental development

The MÁV Group's research and experimental development costs in the reporting year are presented in the tables below.

Figures in MHUF			
Item	2015	2016	Change
Research costs	40	54	14
Of which: basic research	0	0	0
applied research	40	54	14
Experimental development costs	8	0	-8
Production development	0	0	0
Of which: capitalised	0	0	0
Product development	8	0	-8
Of which: capitalised	0	0	0
Total:	48	54	6

Table 63: Costs of research and experimental development in the reporting year

The primary purpose of the MÁV Group's research and development activity is to improve transport safety and the standard of service, raise cost-effectiveness and environment protection.

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ANNEXES

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Annex 2 – Consolidated entities

Annex 3 – Changes in the scope of consolidation

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Annex 6 – Items posted as part of the consolidation

Annex 1
Key indicators of subsidiaries and joint ventures for non-inclusion in the consolidation

Figures in MHUF

Nr.	Company		Balance-sheet total		Net sales revenue		Wages and salaries	
	Code	Item	Value	%	Value	%	Value	%
1	100	MÁV Zrt.	1 323 997	80,37%	151 231	48,99%	58 709	47,58%
2	020	MÁV VAGON Kft.	1 830	0,11%	5 217	1,69%	538	0,44%
3	101	MÁV FKG Kft.	13 987	0,85%	21 712	7,03%	4 504	3,65%
4	131	MÁV KFTV Kft.	4 163	0,25%	2 428	0,79%	565	0,46%
5	138	MÁV Szolgáltató Központ Zrt.	11 464	0,70%	25 161	8,15%	8 008	6,49%
6	179	ZÁHONY-PORT Zrt.	907	0,06%	2 039	0,66%	871	0,71%
7	180	MÁV-START Zrt.	290 406	17,63%	99 493	32,23%	49 813	40,37%
Fully consolidated companies, total:			1 646 754	99,96%	307 281	99,55%	123 008	99,70%
8	015	MÁVNOSZTALGIA Kft.	432	0,03%	1 400	0,45%	372	0,30%
Subsidiaries consolidated applying the equity method (as associates), total:			432	0,03%	1 400	0,45%	372	0,30%
9	193	Kínai-Magyar Vasúti Nonprofit Zrt.*	181	0,01%	0	0,00%	1	0,00%
Joint ventures consolidated applying the equity method (as associates), total:			181	0,01%	0	0,00%	1	0,00%
Subsidiaries, joint ventures and parent company in total:			1 647 367	100,00%	308 681	100,00%	123 381	100,00%

* data proportional to equity stake

Annex 2

Consolidated entities

Fully consolidated entities			
Parent		Subsidiary	
100	MÁV Zrt.	020	MÁV VAGON Kft.
		101	MÁV FKG Kft.
		131	MÁV KfV Kft.
		138	MÁV Szolgáltató Központ Zrt.
		179	ZÁHONY-PORT Zrt.
		180	MÁV-START Zrt.

Companies consolidated applying the equity method (as associates)					
Subsidiary		Jointly managed		Associate	
015	MÁVNOSZTALGIA Kft.	193	Kínai-Magyar Vasúti Nonprofit Zrt.	027	Dunakeszi Járműjavító Kft.
				037	VAMAV Kft.
				038	EURO-METALL Kft.
				116	MÁV-THERMIT Kft.
				142	Multiszolg 97 Hídmérleg Kft.

Companies treated as investments					
Subsidiary		Associate		Other investments	
134	MÁV Utasellátó Zrt. (f.a.)	022	MÁV VASJÁRMŰ Kft. (f.a.)	120	Vasutegészségügyi Nonprofit Kft.
		165	MÁV-REC Kft.	128	EUROFIMA
		191	TS-MÁV Gépészet Services Kft.	147	BCC
				169	HIT Rail b.v.
				172	Normon-Tool Kft.

Annex 3

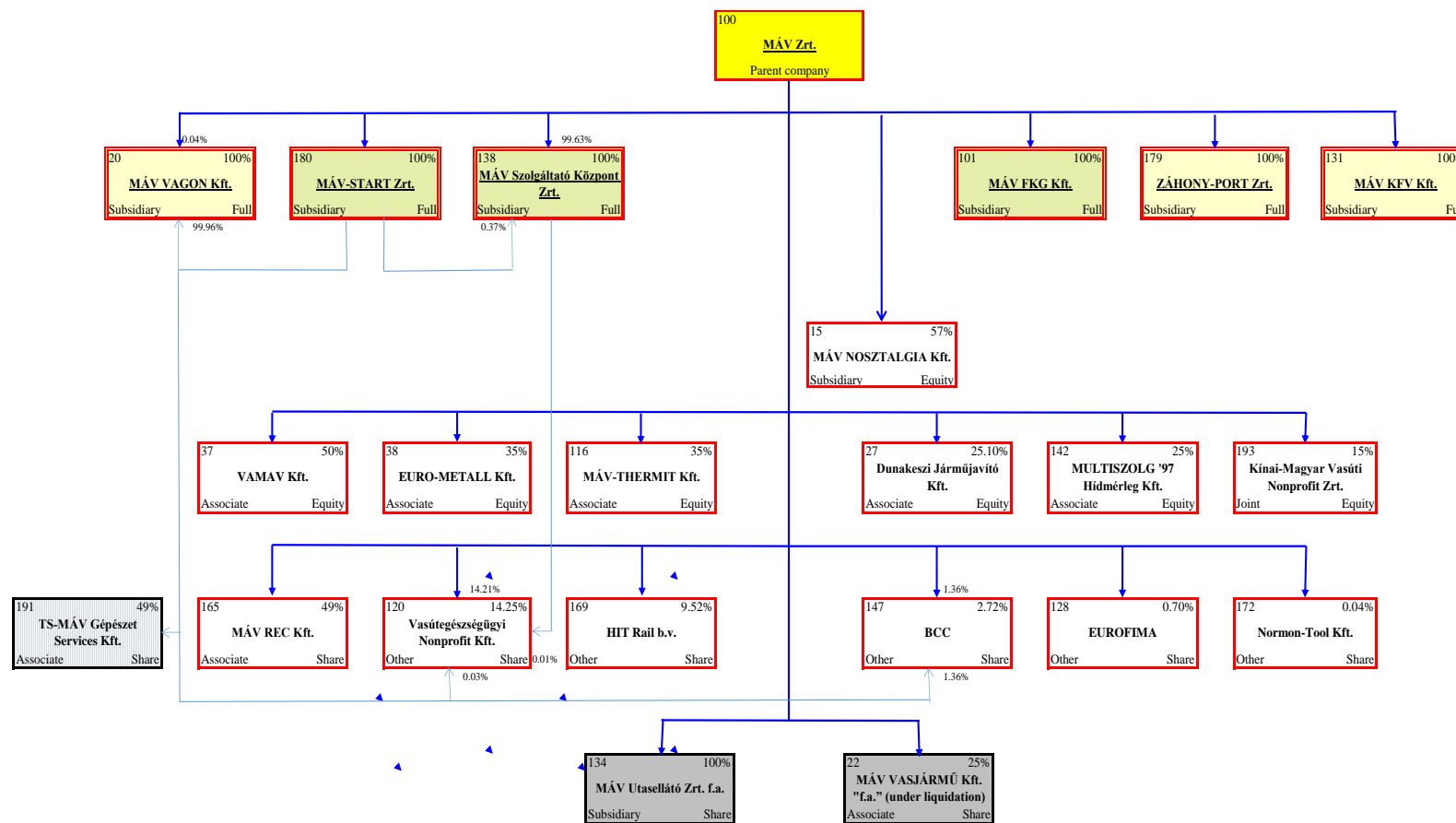
Changes in the scope of consolidation

Changes in the group of fully consolidated companies					
Growth		Reason for increase	Decrease		Reason for decrease
-	-	-	-	-	-

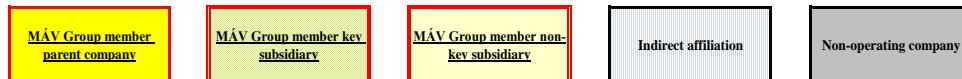
Changes in the group of companies consolidated applying the equity method (as associates)					
Growth		Reason for increase	Decrease		Reason for decrease
193	Kinai-Magyar Vasúti Nonprofit Zrt.	Foundation	-	-	-

Change in the group of companies treated as investments for consolidation purposes					
Growth		Reason for increase	Decrease		Reason for decrease
-	-	-	006	MÁV HÍDÉPÍTŐ Kft. (f.a.)	Liquidation procedure closed
-	-	-	178	HUNGRAIL Egyesülés (v.a.)	Wound up procedure closed

Annex 4 Organisational chart



Designations:



Annex 5

Required level of consolidation and actual method of consolidation applied

Nr.	Company		Classification	Basis of classification	Consolidation requirement stemming from classification	Method of actual consolidation
	Code	Item				
1	100	MÁV Zrt.	parent	voting rights	full	full
2	020	MÁV VAGON Kft.	subsidiary	voting rights	full	full
3	101	MÁV FKG Kft.	subsidiary	voting rights	full	full
4	131	MÁV KfV Kft.	subsidiary	voting rights	full	full
5	138	MÁV Szolgáltató Központ Zrt.	subsidiary	voting rights	full	full
6	179	ZÁHONY-PORT Zrt.	subsidiary	voting rights	full	full
7	180	MÁV-START Zrt.	subsidiary	voting rights	full	full
8	015	MÁV NOSZTALGIA Kft.	subsidiary	voting rights	full	equity
9	193	Kínai-Magyar Vasúti Nonprofit Zrt.	jointly managed	voting rights	proportional to equity stake	equity
10	027	Dunakeszi Járműjavító Kft.	associate	voting rights	equity	equity
11	037	VAMAV Kft.	associate	voting rights	equity	equity
12	038	EURO-METALL Kft.	associate	voting rights	equity	equity
13	116	MÁV-THERMIT Kft.	associate	voting rights	equity	equity
14	142	Multiszolg 97 Hidmérleg Kft.	associate	voting rights	equity	equity
15	022	MÁV Vasjármű Kft. (f.a.)	associate	voting rights	equity	share
16	134	MÁV Utasellátó Zrt. (f.a.)	subsidiary	voting rights	full	share
17	165	MÁV-REC Kft.	associate	voting rights	equity	share
18	191	TS-MÁV Gépészet Services Kft.	associate	voting rights	equity	share
19	120	Vasutegészségügyi Nonprofit Kft.	other share	voting rights	share	share
20	128	EUROFIMA	other share	voting rights	share	share
21	147	BCC	other share	voting rights	share	share
22	169	HIT Rail b.v.	other share	voting rights	share	share
23	172	Normon-Tool Kft.	other share	voting rights	share	share

Annex 6
Items posted as part of the consolidation

Figures in MHUF

No.		Item	Aggregate financial statement data for the reporting year		Opening total	Effects of consolidation tasks for 2016					Total consolidation for 2016		Consolidated data for 2016		Comparison	
			Prior-year adjustments	Reporting year		Total opening settlements	Total equity consolidation	Total debt consolidation	Consolidation of income and expenses	Elimination of internal profit/loss in total	Elimination of prior years	Eliminations for the reporting year	Prior-year adjustments	Reporting year	Consolidated financial statements for 2015	Change (reporting year - prior year)
01.	A	NON-CURRENT ASSETS	0	1 463 728	-126 424	0	-5 625	-113	0	920	0	-4 818	0	1 332 486	1 162 156	170 330
02.	I.	INTANGIBLE ASSETS	0	14 808	-102	0	0	0	0	2	0	2	0	14 708	8 084	6 624
03.		Capitalised value of foundation and restructuring	0	0	0	0	0	0	0	0	0	0	0	0	1	-1
04.		Capitalised value of R&D	0	356	0	0	0	0	0	0	0	0	0	356	459	-103
05.		Intangible property rights	0	7 199	-11	0	0	0	0	1	0	1	0	7 189	2 992	4 197
06.		Intellectual property	0	7 253	-91	0	0	0	0	1	0	1	0	7 163	4 632	2 531
07.		Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0	0
08.		Advances given for intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
09.		Revaluation of intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10.	II.	TANGIBLE ASSETS	0	1 322 043	-10 794	0	0	-113	0	918	0	805	0	1 312 054	1 148 178	163 876
11.		Real property and related rights	0	869 891	-5 300	0	0	0	0	87	0	87	0	864 678	758 904	105 774
12.		Technical equipment, machinery, vehicles	0	415 185	-5 365	0	0	0	0	800	0	800	0	410 620	355 274	55 346
13.		Other fixtures, fittings and vehicles	0	158	-2	0	0	0	0	1	0	1	0	157	236	-79
14.		Breeding stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15.		Capital projects, renovations	0	32 693	-127	0	0	0	0	30	0	30	0	32 596	31 039	1 557
16.		Advances given for capital projects	0	4 116	0	0	0	-113	0	0	0	-113	0	4 003	2 725	1 278
17.		Revaluation of tangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18.	III.	FINANCIAL INVESTMENTS	0	126 877	-115 528	0	-5 625	0	0	0	0	-5 625	0	5 724	5 894	-170
19.		Long-term investments in related companies	0	123 594	-117 980	0	-5 516	0	0	0	0	-5 516	0	98	131	-33
20.		Long-term loans to related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21.		Long-term investments in undertakings with which the undertaking is linked by virtue of participating interest	0	806	2 452	0	-109	0	0	0	0	-109	0	3 149	3 259	-110
22.		Long-term loans granted to undertakings with which the undertaking is linked by virtue of participating interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23.		Other long-term investments	0	2 458	0	0	0	0	0	0	0	0	0	2 458	2 459	-1
24.		Long-term loans granted to other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.		Other long-term loans granted	0	19	0	0	0	0	0	0	0	0	0	19	45	-26
26.		Long-term debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27.		Revaluation of financial investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28.		Fair value adjustment of financial investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29.		Difference from the consolidation of equity (goodwill)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30.		from subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31.		from associates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32.	B	CURRENT ASSETS	0	140 934	-30	0	0	-31 718	0	41	0	-31 677	0	109 227	111 368	-2 141
33.	I.	INVENTORIES	0	29 688	-27	0	0	-10	0	30	0	20	0	29 681	23 471	6 210
34.		Raw materials	0	24 623	-27	0	0	-10	0	30	0	20	0	24 616	18 305	6 311
35.		Work in progress and semi-finished products	0	2 103	0	0	0	0	0	0	0	0	0	2 103	2 587	-484
36.		Animals for breeding, fattening and other livestock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37.		Finished products	0	1 473	0	0	0	0	0	0	0	0	0	1 473	1 173	300
38.		Goods	0	1 080	0	0	0	0	0	0	0	0	0	1 080	1 182	-102
39.		Advance payments for inventories	0	409	0	0	0	0	0	0	0	0	0	409	224	185
40.	II.	RECEIVABLES	0	65 743	-3	0	0	-31 708	0	11	0	-31 697	0	34 043	34 865	-822
41.		Accounts receivable from supply of goods and services (trade debtors)	0	7 651	0	0	0	0	0	0	0	0	0	7 651	8 016	-365
42.		Receivables from related companies	0	33 055	-2	0	0	-31 837	0	0	0	-31 837	0	1 216	34	1 182
43.		Receivables from companies linked by virtue of participating interests	0	92	0	0	0	0	0	0	0	0	0	92	114	-22
44.		Receivables from other investments	0	30	0	0	0	0	0	0	0	0	0	30	8	22
45.		Notes receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
46.		Other receivables	0	24 915	-12	0	0	129	0	12	0	141	0	25 044	26 682	-1 638
47.		Fair value adjustment of receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0
48.		Positive fair value adjustment of derivatives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
49.		Deferred tax assets arising from consolidation	0	0	11	0	0	0	0	-1	0	-1	0	10	11	-1
50.	III.	SECURITIES	0	0	0	0	0	0	0	0	0	0	0	0	0	0
51.		Investments in related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
52.		Investments in undertakings with which the undertaking is linked by virtue of participating interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0
53.		Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
54.		Treasury shares and interests repurchased	0	0	0	0	0	0	0	0	0	0	0	0	0	0
55.		Debt securities held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
56.		Fair value adjustment of securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
57.	IV.	LIQUID ASSETS	0	45 503	0	0	0	0	0	0	0	0	0	45 503	53 032	-7 529
58.		Cash, cheques	0	164	0	0	0	0	0	0	0	0	0	164	151	13
59.		Bank deposits	0	45 339	0	0	0	0	0	0	0	0	0	45 339	52 881	-7 542
60.	C	PREPAID EXPENSES AND ACCRUED INCOME	0	42 091	1 462	0	0	-7 064	0	-1 023	0	-8 087	0	35 466	40 961	-5 495
61.		Accrued income	0	31 804	8	0	0	-5 273	0	0	0	-5 273	0	26 539	27 039	-500
62.		Prepaid expenses	0	2 448	-7	0	0	-1 791	0	0	0	-1 791	0	650	603	47
63.		Deferred expenses	0	7 839	1 461	0	0	0	0	-1 023	0	-1 023	0	8 277	13 319	-5 042
64.		TOTAL ASSETS	0	1 646 753	-124 992	0	-5 625	-38 895	0	-62	0	-44 582	0	1 477 179	1 314 485	162 694

Figures in MHUF

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		Prior-year adjustments	Reporting year		Total opening settlements	Total equity consolidation	Total debt consolidation	Consolidation of earnings and expenditures	Elimination of internal profit/loss in total	Elimination of prior years	Eliminations for the reporting year	Prior-year adjustments	Reporting year	Consolidated financial statements for 2015	Change (reporting year - prior year)
65.	D. EQUITY	0	296 380	-135 732	0	-5 625	-11	26	2 334	0	-3 276	0	157 372	147 260	11 891
66.	I. REGISTERED CAPITAL	0	68 871	-46 871	0	0	0	0	0	0	0	0	22 000	22 000	0
67.	Of which: repurchased ownership share at nominal value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
68.	II. REGISTERED CAPITAL NOT PAID (-)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
69.	III. CAPITAL RESERVE	0	184 220	-69 013	0	0	0	0	0	0	0	0	115 207	119 155	-3 948
70.	IV. RETAINED EARNINGS	0	21 886	-6 036	0	-2 315	0	0	251	0	-2 064	0	13 786	-23 000	36 786
71.	V. NON-DISTRIBUTABLE RESERVE	0	4 067	321	0	0	0	0	-251	0	-251	0	4 137	6 405	-2 268
72.	VI. VALUATION RESERVE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
73.	1. Valuation adjustment reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0
74.	2. Valuation reserve for fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
75.	VII. ADJUSTED AFTER-TAX PROFIT/LOSS	0	17 336	0	0	-5 625	-11	26	2 329	0	-3 281	0	14 055	39 554	-23 720
76.	VIII. CHANGES IN EQUITY OF SUBSIDIARIES	0	0	2 361	0	2 315	0	0	0	0	2 315	0	4 676	2 361	2 315
77.	VIII/A. CHANGES IN VALUE OF INVESTMENTS IN ASSOCIATES	0	0	2 577	0	0	0	0	0	0	0	0	2 577	2 754	-177
78.	IX. CHANGES DUE TO CONSOLIDATION	0	0	-19 071	0	0	0	0	5	0	5	0	-19 066	-21 969	2 903
79.	from debt consolidation difference	0	0	24	0	0	0	0	0	0	0	0	24	54	-30
80.	from internal profit/loss difference	0	0	-19 095	0	0	0	0	5	0	5	0	-19 090	-22 023	2 933
81.	X. INVESTMENTS OF EXTERNAL MEMBERS (NON-CONTROLLING INT.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
82.	E. PROVISIONS	0	40 647	864	0	0	0	-26	-772	0	-798	0	40 713	45 919	-5 206
83.	1. Provisions for expected liabilities	0	24 623	-275	0	0	0	-26	0	0	-26	0	24 322	28 356	-4 034
84.	2. Provisions for future costs	0	11 315	0	0	0	0	0	0	0	0	0	11 315	9 501	1 814
85.	3. Other provisions	0	4 709	1 139	0	0	0	0	-772	0	-772	0	5 076	8 062	-2 986
86.	F. LIABILITIES	0	1 162 329	94	0	0	-34 200	0	0	0	-34 200	0	1 128 223	990 865	137 358
87.	I. SUBORDINATED LIABILITIES	0	0	100	0	0	0	0	0	0	0	0	100	100	0
88.	Subordinated liabilities to related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
89.	Subordinated liabilities to undertakings with which the undertaking is linked	0	0	0	0	0	0	0	0	0	0	0	0	0	0
90.	Subordinated liabilities to other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
91.	Subordinated liabilities to third parties	0	0	0	0	0	0	0	0	0	0	0	0	0	0
92.	Difference from the equity consolidation of subsidiaries (negative GW)	0	0	100	0	0	0	0	0	0	0	0	100	100	0
93.	II. LONG-TERM LIABILITIES	0	1 031 383	0	0	0	0	0	0	0	0	0	1 031 383	892 275	139 108
94.	Long-term borrowings	0	292	0	0	0	0	0	0	0	0	0	292	526	-234
95.	Convertible and contingent convertible bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
96.	Bonds payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
97.	Loans received for investment and development	0	51 152	0	0	0	0	0	0	0	0	0	51 152	61 983	-10 831
98.	Other long-term loans	0	0	0	0	0	0	0	0	0	0	0	0	1 647	-1 647
99.	Long-term liabilities to related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100.	Long-term liabilities to undertakings with which the undertaking is linked by	0	0	0	0	0	0	0	0	0	0	0	0	0	0
101.	Long-term liabilities to other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
102.	Other long-term liabilities	0	979 939	0	0	0	0	0	0	0	0	0	979 939	828 119	151 820
104.	III. CURRENT LIABILITIES	0	130 946	-6	0	0	-34 200	0	0	0	-34 200	0	96 740	98 490	-1 750
105.	Short-term borrowings	0	234	0	0	0	0	0	0	0	0	0	234	686	-452
106.	- of which: convertible and contingent convertible bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
107.	Short-term loans	0	14 094	0	0	0	0	0	0	0	0	0	14 094	34 513	-20 419
108.	Advances received from customers	0	60	0	0	0	0	0	0	0	0	0	60	72	-12
109.	Liabilities from the transportation of goods and from services (accounts pay	0	44 318	0	0	0	-1	0	0	0	-1	0	44 317	29 488	14 829
110.	Notes payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
111.	Short-term liabilities to related companies	0	34 287	-6	0	0	-34 197	0	0	0	-34 197	0	84	134	-50
112.	Short-term liabilities to undertakings with which the undertaking is linked b	0	1 990	0	0	0	0	0	0	0	0	0	1 990	1 505	485
113.	Short-term liabilities to other investments	0	48	0	0	0	0	0	0	0	0	0	48	47	1
114.	Other current liabilities	0	35 915	0	0	0	-2	0	0	0	-2	0	35 913	32 045	3 868
115.	Fair value adjustment of liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
116.	Negative fair value adjustment of derivatives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
117.	Deferred tax liability arising from consolidation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
118.	G. ACCRUED EXPENSES AND DEFERRED INCOME	0	147 397	9 782	0	0	-4 684	0	-1 624	0	-6 308	0	150 871	130 441	20 430
119.	Prepaid income	0	11 426	0	0	0	-1 861	0	0	0	-1 861	0	9 565	10 251	-686
120.	Accrued expenses	0	9 986	-18	0	0	-2 823	0	0	0	-2 823	0	7 145	6 811	334
121.	Deferred income	0	125 985	9 800	0	0	0	0	-1 624	0	-1 624	0	134 161	113 379	20 782
122.	TOTAL EQUITY AND LIABILITIES	0	1 646 753	-124 992	0	-5 625	-38 895	0	-62	0	-44 582	0	1 477 179	1 314 485	164 473

Figures in MHUF

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		Prior-year adjustments	Reporting year		Total opening settlements	Total equity consolidation	Total debt consolidation	Consolidation of earnings and expenditures	Elimination of internal profit/loss in total	Elimination of prior years	Eliminations for the reporting year	Prior-year adjustments	Reporting year	Consolidated financial statements for 2015	Change (reporting year - prior year)
01.	Net domestic sales revenue	0	290 206	0	0	0	1	-154 254	-20 640	0	-174 893	0	115 313	120 383	-5 070
02.	Net export sales revenue	0	17 075	0	0	0	0	0	0	0	0	0	17 075	18 056	-981
I.	NET SALES REVENUE	0	307 281	0	0	0	1	-154 254	-20 640	0	-174 893	0	132 388	138 439	-6 051
03.	Change in self-manufactured inventories	0	-184	0	0	0	0	0	0	0	0	0	-184	918	-1 102
04.	Capitalised value of self-manufactured assets	0	15 231	0	0	0	0	-93	15 384	0	15 291	0	30 522	28 787	1 735
II.	CAPITALISED VALUE OF OWN PERFORMANCE	0	15 047	0	0	0	0	-93	15 384	0	15 291	0	30 338	29 705	633
III.	OTHER GAINS	0	273 795	0	0	0	-19	-291	2 321	0	2 011	0	275 806	277 664	-1 858
	Of which: impairment reversed	0	727	0	0	0	0	0	0	0	0	0	727	925	-198
III/A.	DIFFERENCE – INCREASING PROFIT/LOSS – ARISING FROM DEBT CONSOLIDATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0
05.	Raw materials and consumables used	0	61 684	0	0	0	8	-1 186	-1 317	0	-2 495	0	59 189	60 791	-1 602
06.	Value of services used	0	184 145	0	0	0	1	-123 225	-68	0	-123 292	0	60 853	55 227	5 626
07.	Value of other services used	0	3 471	0	0	0	0	-144	0	0	-144	0	3 327	3 457	-130
08.	Cost of goods sold	0	38 640	0	0	0	0	-26 497	-3 433	0	-29 930	0	8 710	10 038	-1 328
09.	Value of sold (intermediated) services	0	6 238	0	0	0	-28	-3 135	-50	0	-3 213	0	3 025	2 830	195
IV.	MATERIAL-TYPE EXPENSES	0	294 178	0	0	0	-19	-154 187	-4 868	0	-159 074	0	135 104	132 345	2 761
10.	Payroll costs	0	123 007	0	0	0	0	0	0	0	0	0	123 007	118 552	4 455
11.	Other payments to personnel	0	18 730	0	0	0	-7	-88	0	0	-95	0	18 635	17 571	1 064
12.	Contributions on wages and salaries	0	37 774	0	0	0	0	0	0	0	0	0	37 774	36 380	1 394
V.	PAYMENTS TO PERSONNEL	0	179 511	0	0	0	-7	-88	0	0	-95	0	179 416	172 503	6 913
VI.	DEPRECIATION EXPENSE	0	78 076	0	0	0	0	0	-1 254	0	-1 254	0	76 822	72 106	4 716
VII.	OTHER EXPENSES	0	28 206	0	0	0	19	-389	-166	0	-536	0	27 670	25 385	2 285
	Of which: impairment	0	13 545	0	0	0	0	0	-104	0	-104	0	13 441	6 030	7 411
VII/A.	DIFFERENCE – DECREASING PROFIT/LOSS – ARISING FROM DEBT CONSOLIDATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0
A.	OPERATING PROFIT/(LOSS)	0	16 152	0	0	0	-11	26	3 353	0	3 368	0	19 520	43 471	-23 951
13.	Dividends, profit share received	0	707	0	0	-705	0	0	0	0	-705	0	0	0	0
	Of which: received from related companies	0	15	0	0	-15	0	0	0	0	-15	0	0	0	0
13/a.	Dividend received from associates	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13/b.	Dividend received from other investments	0	0	0	0	0	0	0	0	0	0	0	2	3	-1
14.	Exchange gain on sale of investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Of which: received from related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15.	Interest and gain on financial investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Of which: received from related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16.	Other interest received (due) and similar income	0	440	0	0	0	0	-61	0	0	-61	0	379	725	-346
	Of which: received from related companies	0	61	0	0	0	0	-61	0	0	-61	0	0	0	0
17.	Other financial gains	0	776	0	0	581	0	0	-2	0	579	0	1 355	2 050	-695
	Of which: fair value adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VIII.	FINANCIAL GAINS	0	1 923	0	0	-124	0	-61	-2	0	-187	0	1 736	2 778	-1 042
18.	Expenses of and losses on investments	0	1	0	0	0	0	0	0	0	0	0	1	0	1
	Of which: provided to related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19.	Expenses of and losses on financial investments (securities and loans)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Of which: provided to related companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20.	Interest payable (paid) and similar expenses	0	1 152	0	0	0	0	-61	0	0	-61	0	1 091	2 113	-1 022
	Of which: provided to related companies	0	61	0	0	0	0	-61	0	0	-61	0	0	0	0
21.	Impairment of investments, long-term loans given, securities and bank deposits	0	-5 502	0	0	5 482	0	0	0	0	5 482	0	-20	-90	70
22.	Other financial expenses	0	4 954	0	0	19	0	0	1 021	0	1 040	0	5 994	4 285	1 709
	Of which: fair value adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IX.	FINANCIAL EXPENSES	0	605	0	0	5 501	0	-61	1 021	0	6 461	0	7 066	6 308	758
B.	FINANCIAL PROFIT/(LOSS)	0	1 318	0	0	-5 625	0	-1 023	0	-6 648	0	-5 330	-3 530	-1 800	
C.	PROFIT OR LOSS BEFORE TAX	0	17 470	0	0	-5 625	-11	26	2 330	0	-3 280	0	14 190	39 941	-25 751
X.	TAX EXPENSE	0	134	0	0	0	0	0	0	0	0	0	134	269	-135
X/A.	DEFERRED TAX EXPENSE	0	0	0	0	0	0	0	1	0	1	0	1	118	-117
D.	PROFIT/LOSS AFTER TAX	0	17 336	0	0	-5 625	-11	26	2 329	0	-3 281	0	14 055	39 554	-25 499
23.	Share of external members (other owners) in the after-tax profit/loss of subsidiaries (if any)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E.	ADJUSTED AFTER-TAX PROFIT/LOSS	0	17 336	0	0	-5 625	-11	26	2 329	0	-3 281	0	14 055	39 554	-25 499