

MÁV MAGYAR ÁLLAMVASUTAK ZRT.

**INDEPENDENT AUDITOR'S REPORT AND 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 financial statements of MÁV Magyar Államvasutak Zrt. ("the Company") which comprise the balance sheet as at 31 December 2016 (in which the balance sheet total is MHUF 1.323.997, the profit after tax is MHUF 12.035), the related income statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company 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 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 financial statements of the Company:

1. We draw attention to note I.5.1. which states that the financing of the Company's 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 I.5.1. which states that in 2016 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.1.6.3.2. 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 25.226 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 million liability in 2015).

4. We draw attention to note II.1.1.2. 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.1.1.3. 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.

Our opinion is not modified in respect of matters presented in points 1)-5).

Other Information: the Business Report

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

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the 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 business report, our responsibility is to read the business report and, in doing so, consider whether the 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 business report of the Company is consistent with the 2016 financial statements and the 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 business report, in respect of this, our opinion on the 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 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 Financial Statements

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, 19 April 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.

10856417-5221-114-01
Statistical code

01-10-042272
Registration number

MÁV HUNGARIAN STATE RAILWAYS

Private Company by Shares

H-1087 Budapest, Könyves Kálmán krt. 54-60.

Balance sheet and profit & loss account

31 December 2016

Date: Budapest, 19.04.2017

Manager (representative) of the Company

Stamp

BALANCE SHEET Version "A" - Assets

31 December 2016 Data in million HUF

| No. | Description | Previous year | Current year |
|-----------|--|---------------|--------------|
| a | b | c | e |
| A. | Non-current assets | 1 087 447 | 1 241 669 |
| I. | INTANGIBLE ASSETS | 3 597 | 9 063 |
| 1. | Capitalised cost of foundation/restructuring | 0 | 0 |
| 2. | Capitalised cost of development | 37 | 37 |
| 3. | Concessions, licenses and similar rights | 1 762 | 5 740 |
| 4. | Intellectual properties | 1 798 | 3 286 |
| 4/a. | of which: Managed state owned intellectual property | 0 | 0 |
| 5. | Goodwill | 0 | 0 |
| 6. | Advances given for intangible assets | 0 | 0 |
| 7 | Revaluation of intangible assets | 0 | 0 |
| II. | TANGIBLE ASSETS | 962 706 | 1 106 002 |
| 1. | Land and buildings and related property rights | 761 667 | 867 159 |
| 1/a | of which: Managed state owned properties and related rights | 704 740 | 813 705 |
| 2. | Plant, machinery, equipment and vehicles | 171 021 | 209 084 |
| 2/a | of which: Managed state owned technical equipment, machinery and vehicles | 76 582 | 118 530 |
| 3. | Other equipment, fixtures and fittings, vehicles | 42 | 21 |
| 4. | Breeding stock | 0 | 0 |
| 5. | Tangible assets under construction | 27 128 | 25 778 |
| 5/a. | of which: Managed state owned capital projects | 16 724 | 14 992 |
| 6. | Advances given for assets under construction | 2 848 | 3 960 |
| 7 | Revaluation of tangible assets | 0 | 0 |
| III. | LONG-TERM FINANCIAL ASSETS | 121 144 | 126 604 |
| 1. | Long-term investments in related parties | 117 858 | 123 341 |
| 2. | Long-term loans granted to related parties | 0 | 0 |
| 3. | Long-term investments in undertakings with which the undertaking is linked by virtue of participating interest | 806 | 805 |
| 4. | Long-term loans granted to undertakings with which the undertaking is linked by virtue of participating interest | 0 | 0 |
| 5. | Other long-term investments | 2 457 | 2 457 |
| 6. | Long-term loans granted to other investments | 0 | 0 |
| 7 | Other long-term loans granted | 23 | 1 |
| 8 | Long-term debt securities | 0 | 0 |
| 9 | Revaluation of financial investments | 0 | 0 |
| 10. | Fair value adjustment of financial investments | 0 | 0 |

Date: Budapest, 19.04.2017

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BALANCE SHEET Version "A" - Assets

31 December 2016 Data in million HUF

| No. | Description | Previous year | Current year |
|---------------------|--|------------------|------------------|
| a | b | c | e |
| B. | Current assets | 77 718 | 74 265 |
| I. | INVENTORIES | 9 528 | 9 728 |
| 1. | Raw materials | 8 432 | 9 403 |
| 1/a. | of which: Managed state owned raw material and consumables | 2 356 | 2 320 |
| 2. | Work in progress and semi-finished products | 4 | 2 |
| 2/a. | of which: Managed state owned work in progress and semi-finished products | 0 | 0 |
| 3. | Animals for breeding, fattening and other livestock | 0 | 0 |
| 4. | Finished products | 267 | 236 |
| 4/a. | of which: Managed state owned finished products | 13 | 8 |
| 5. | Goods | 825 | 87 |
| 6. | Advances given for inventories | 0 | 0 |
| II. | RECEIVABLES | 20 883 | 21 038 |
| 1. | Accounts receivable | 2 871 | 2 824 |
| 2. | Receivables from related parties | 13 846 | 14 733 |
| 3. | Receivables from companies linked by virtue of major participating interests | 45 | 52 |
| 4. | Receivables from other companies | 2 | 9 |
| 5. | Notes receivable | 0 | 0 |
| 6. | Other receivables | 4 119 | 3 420 |
| 6/a. | of which: Managed state owned other receivables | 0 | 0 |
| 7. | Fair value adjustment of receivables | 0 | 0 |
| 8. | Positive fair value adjustment of derivatives | 0 | 0 |
| III. | SECURITIES | 0 | 0 |
| 1. | Investments in related parties | 0 | 0 |
| 2. | Investments in undertakings with which the undertaking is linked by virtue of participating interest | 0 | 0 |
| 3. | Other investments | 0 | 0 |
| 4. | Treasury shares and interests repurchased | 0 | 0 |
| 5. | Marketable debt securities | 0 | 0 |
| 6. | Fair value adjustment of securities | 0 | 0 |
| IV. | CASH AND BANK | 47 307 | 43 499 |
| 1. | Cash, cheques | 4 | 6 |
| 2. | Bank deposits | 47 303 | 43 493 |
| C. | Prepaid expenses & accrued income | 12 392 | 8 063 |
| 1. | Accrued income | 3 011 | 1 115 |
| 2. | Prepaid expenses | 1 418 | 1 614 |
| 3. | Deferred expenses | 7 963 | 5 334 |
| Total assets | | 1 177 557 | 1 323 997 |

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01-10-042272

Registration number

BALANCE SHEET Version "A" - Equity and liabilities

31 December 2016 Data in million HUF

| No. | Description | Previous year | Current year |
|--|--|---------------|--------------|
| a | b | c | e |
| D. Equity | | 159 080 | 167 167 |
| I. REGISTERED CAPITAL | | 22 000 | 22 000 |
| | of which: repurchased ownership share at nominal value | 0 | 0 |
| II. REGISTERED CAPITAL NOT PAID (-) | | 0 | 0 |
| III. CAPITAL RESERVE | | 119 155 | 115 207 |
| IV. RETAINED EARNINGS | | -19 449 | 15 680 |
| V. NON-DISTRIBUTABLE RESERVE | | 3 674 | 2 245 |
| VI. REVALUATION RESERVE | | 0 | 0 |
| 1. Valuation reserve of adjustment | | 0 | 0 |
| 2. Valuation reserve for mark to fair value | | 0 | 0 |
| VII. PROFIT / LOSS FOR THE YEAR | | 33 700 | 12 035 |
| E. Provisions | | 34 776 | 33 635 |
| 1. Provisions for expected liabilities | | 23 942 | 21 616 |
| 2. Provisions for future costs | | 6 450 | 8 893 |
| 3. Other provisions | | 4 384 | 3 126 |
| F. Liabilities | | 950 633 | 1 082 752 |
| I. SUBORDINATED DEBT | | 0 | 0 |
| 1. Subordinated debts to related parties | | 0 | 0 |
| 2. Subordinated debts to undertakings with which the undertaking is linked by virtue of participating interest | | 0 | 0 |
| 3. Subordinated debts to other investments | | 0 | 0 |
| 4. Subordinated debts to third parties | | 0 | 0 |
| II. LONG-TERM LIABILITIES | | 865 273 | 1 007 249 |
| 1. Long-term borrowings | | 526 | 292 |
| 2. Convertible bonds | | 0 | 0 |
| 3. Bonds payable | | 0 | 0 |
| 4. Loans received for investment and development | | 35 141 | 27 165 |
| 5. Other long-term loans | | 1 647 | 0 |
| 6. Long-term debts to related parties | | 0 | 0 |
| 7. Long-term debts to undertakings with which the undertaking is linked by virtue of participating interest | | 0 | 0 |
| 8. Long-term debts to other investments | | 0 | 0 |
| 9. Other long-term liabilities | | 827 959 | 979 792 |
| 9/a. of which: Liabilities related to managed state owned assets | | 827 475 | 979 318 |

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10856417-5221-114-01
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01-10-042272
Registration number

BALANCE SHEET Version "A" - Equity and liabilities

31 December 2016 Data in million HUF

| No. | Description | Previous year | Current year |
|----------------------------|---|---------------|--------------|
| a | b | c | e |
| III. | CURRENT LIABILITIES | 85 360 | 75 503 |
| 1. | Short-term borrowings | 686 | 234 |
| 1/a | of which: convertible bonds | 0 | 0 |
| 2. | Other short-term loans | 25 259 | 9 388 |
| 3. | Advances received from trade debtors | 57 | 45 |
| 4. | Accounts payable | 19 346 | 21 459 |
| 5. | Notes payable | 0 | 0 |
| 6. | Short-term debts to related parties | 17 353 | 16 133 |
| 7 | Short-term debts to undertakings with which the undertaking is linked by virtue of participating interest | 440 | 521 |
| 8 | Short-term debts to other investments | 21 | 22 |
| 9 | Other current liabilities | 22 198 | 27 701 |
| 9/a. | of which: Liabilities related to managed state owned assets | 1 124 | 1 866 |
| 10 | Fair value adjustment of liabilities | 0 | 0 |
| 11 | Negative fair value adjustment of derivatives | 0 | 0 |
| G. | Accrued expenses and deferred income | 33 068 | 40 443 |
| 1. | Prepaid income | 9 913 | 9 888 |
| 2. | Accrued expenses | 1 483 | 2 338 |
| 3. | Deferred income | 21 672 | 28 217 |
| Total equity & liabilities | | 1 177 557 | 1 323 997 |

Date: Budapest, 19.04.2017

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PROFIT AND LOSS ACCOUNT (total-cost method)

31 December 2016

Data in million HUF

| No. | Description | Previous year | Current year |
|-------------|---|---------------|--------------|
| a | b | c | e |
| 01 | Net domestic sales revenue | 151 274 | 149 706 |
| 02 | Net export sales revenue | 1 751 | 1 525 |
| I. | Net sales revenue (01+02) | 153 025 | 151 231 |
| 03 | Changes in self produced inventories | 129 | -34 |
| 04 | Capitalised value of self produced assets | 7 260 | 6 298 |
| II. | Capitalised own performance (±03+04) | 7 389 | 6 264 |
| III. | Other gains | 123 687 | 115 905 |
| | of which: impairment reversed | 6 | 51 |
| 05 | Raw materials and consumables used | 18 692 | 19 694 |
| 06 | Services purchased | 49 318 | 46 271 |
| 07 | Value of other services used | 1 313 | 1 310 |
| 08 | Cost of goods sold | 35 523 | 30 500 |
| 09 | Cost of sold (intermediated) services | 1 588 | 1 704 |
| IV. | Material-type expenses (05+06+07+08+09) | 106 434 | 99 479 |
| 10. | Payroll cost | 50 651 | 58 709 |
| 11 | Other employee benefits | 7 797 | 9 210 |
| 12. | Social security and other contributions | 15 477 | 17 971 |
| V. | Personnel related expenses (10+11+12) | 73 925 | 85 890 |
| VI. | Depreciation expense | 52 110 | 56 080 |
| VII. | Other expenses | 18 681 | 23 627 |
| | of which: impairment loss | 4 740 | 13 119 |
| A. | OPERATING PROFIT/LOSS (I±II±III-IV-V-VI-VII) | 32 951 | 8 324 |

Date: Budapest, 19.04.2017

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PROFIT AND LOSS ACCOUNT (total-cost method)

31 December 2016 Data in million HUF

| No. | Description | Previous year | Current year |
|--------------|--|---------------|--------------|
| a | b | c | e |
| 13 | Dividends (due) received | 2 282 | 707 |
| | of which: from related parties | 1 428 | 15 |
| 14. | Disposal and other gains of equity investments | 0 | 0 |
| | of which: from related parties | 0 | 0 |
| 15 | Disposal and other gains of long-term financial investments (securities, loans) | 0 | 0 |
| | of which: from related parties | 0 | 0 |
| 16 | Other interest received (due) and similar income | 516 | 323 |
| | of which: from related parties | 53 | 46 |
| 17 | Other financial gains | 723 | 381 |
| | of which: fair value adjustment | 0 | 0 |
| VIII. | Financial gains (13+14+15+16+17) | 3 521 | 1 411 |
| 18 | Disposal and other losses of equity investments | 0 | 0 |
| | of which: to related parties | 0 | 0 |
| 19 | Disposal and other losses of long-term financial investments (securities, loans) | 0 | 0 |
| | of which: to related parties | 0 | 0 |
| 20 | Interest payable (paid) and similar charges | 1 279 | 515 |
| | of which: to related parties | 21 | 15 |
| 21 | Impairment loss of shares, securities, bank deposits | -732 | -5 502 |
| 22 | Other financial losses | 2 225 | 2 687 |
| | of which: fair value adjustment | 0 | 0 |
| IX. | Financial losses (18+19+20+21) | 2 772 | -2 300 |
| B. | FINANCIAL PROFIT/LOSS (VIII-IX) | 749 | 3 711 |
| C. | PROFIT/LOSS FROM ORDINARY ACTIVITIES (±A±B) | 33 700 | 12 035 |
| X. | Tax expense | 0 | 0 |
| D. | PROFIT/LOSS FOR THE YEAR (±C-X) | 33 700 | 12 035 |

Date: Budapest, 19.04.2017

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

**NOTES TO THE
ANNUAL FINANCIAL STATEMENTS OF
2016**

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| | | |
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I General disclosures

I.1 Introduction to the Company

On the basis of Act LIII of 1992 on the management of permanent government businesses and their assets and to Act XVI of 1991 on concessions, on 30 June 1993, the Ministry for Transport, Telecommunications and Water of the Republic of Hungary, 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. MÁV Zrt. was created by way of transformation, and was tasked with the performance of rail passenger and goods transport activity, of which the goods transport (cargo) activity was outsourced as of 1 January 2006, and standard-gauge passenger transport was outsourced as of 1 July 2007, traction and towed vehicle maintenance were outsourced as of 1 January 2008 to separate entities, and these activities no longer form part of the Company's operations. Since 2008, the Company's main activity has been the operation of the railtrack network. With effect from 31 December 2015, MÁV Létesítményüzemeltető és Vasútör Kft. and MÁV Tervezőintézet Kft. as well as the solely owned subsidiary of the latter, VITECO Kft., were merged into MÁV Zrt, thereby expanding the range of its activities, with the result that the company now also performs the complex management, sale and letting of properties, the performance of personal security tasks and the guarding of the properties and rolling stock.

The rules pertaining to the operations, organisation and governance system of MÁV Zrt. are set out in the Company's Articles of Association. The Company's executive body is the Board of Directors; operations are directed by the Company's Chairman and CEO.

Name of the Company

MÁV Hungarian State Railways Private Company Limited by Shares

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 Geschlossene Aktiengesellschaft

Shortened 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. tel.: 322-0660

Website of the Company:

www.mavcsoport.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 sole 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.

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

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

Based on the contract with the government regarding the management of state assets, the state-owned assets taken into management, as well as the funding sources for these, which are stated as other long-term liabilities, are recognised in the Company's books. With respect to the management of treasury 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.

Person authorised to represent the Company:

Authorised signatory of the financial statements: Ilona Dávid, domicile: 2120 Dunakeszi, Baross Gábor utca 11.

MÁV Zrt. has engaged MÁV Szolgáltató Központ Zrt. to coordinate and manage the tasks related to the accounting services defined in Section 150 (2) of Act C of 2000 on Accounting (hereinafter: Accounting Act), and to audit the annual financial statements and the consolidated annual financial statements.

Details of person responsible for bookkeeping and for preparing the financial statements:

The person responsible for the management and supervision of the accounting services and compilation of the financial statements is: Dr. Nándor Kaliczka MÁV Szolgáltató Központ Zrt. Manager of Business Department, domicile: 1204 Budapest, Bethlen u. 11., registered chartered accountant, membership number/registration number: 189604.

Information relating to the audit:

Based on Section 155 (2) of the Accounting Act, MÁV Zrt's annual financial statements are subject to audit. The Company's auditor is PricewaterhouseCoopers Könyvvizsgáló Kft.

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

Annual fee for the audit: HUF 15 million.

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 registered capital between the balance sheet date and the balance sheet preparation date – described in detail in the section entitled II.1.4.1 Changes in equity

components – the Company's share capital was HUF 24,500,000,000 as at the balance sheet preparation date.

1.2 Key elements of the accounting policy applied by the Company

Main features of the rules applied when compiling the financial statements

The Company prepares its financial statements in accordance with the rules of the Accounting Act. Bookkeeping is based on the double-entry bookkeeping method. Both are in Hungarian.

In addition to the requirements set out in the Accounting Act, the Company's accounting policy also complies with Act CLXXXIII of 2005 on Railway Transport (hereinafter: Railways Act) and with joint decree 50/2007 (IV.26.) of the Ministry of Transport and the Ministry of Finance (GKM-PM) on the accounting separation of various railway activities within railway companies (hereinafter: Decree). Pursuant to this, as a part of the notes to the annual financial statements, an annual supervisory report (see section IV) also has to be published for each separable activity performed by the Company.

At the Company, the financial year corresponds to the calendar year and the balance sheet date of the financial statements is 31 December.

The balance sheet, profit and loss account and notes to the annual financial statements specify monetary amounts in HUF million (HUF M) in line with the regulations of the Accounting Act, with the exception of the statements relating to the operation of the railway track network, which are prepared in HUF thousand (THUF) in accordance with the Decree, and the tables showing the Company's investments, which display monetary values in HUF.

The balance sheet preparation date is 24 February of the year following the reporting year.

The Company keeps a record of the incurred costs by cost type, in account class 5, and it does not perform any secondary cost centre / cost-bearer accounting in account classes 6 or 7.

The Company always capitalises the costs of establishment-restructuring and research & development, provided that the statutory conditions for doing so are met.

The Company continuously maintains records of the quantity and value of its inventories, with the exception of its inventories of live plants.

The Company defines material errors as follows in accordance with Section 3 (3) point 3 of the Accounting Act:

Errors are considered to be material if, in the year when revealed by different reviews, the total of all errors (whether negative or positive) revealed for the same financial year and the impacts thereof – increasing or decreasing the profit/loss for the year or equity – exceeds 2% of the balance sheet total of the reviewed financial year, or exceeds HUF 1 million if 2% of the balance sheet total is less than HUF 1 million.

Items relating to previous years are accounted for, in the content of continuous bookkeeping, in the same way as items from the reporting year, but are separated in terms of which period they relate to. With respect to items affecting previous years, if an audit or self-revision finds a material error or errors, then the corrections relating to the previous year or years – resulting from findings, made up to the day of preparing the balance sheet, that are not disputed or appealed, and have become legally binding – are stated in the notes to the financial statements, under each item in the balance sheet and profit and loss account, retrospectively for the 5 years preceding the reporting year, in an annual breakdown alongside the data from the previous year. Correction items relating to periods more than 5 years ago are stated in the notes to the financial

statements in aggregate with the data of 5 years ago. Items classified as material relating to previous years are reclassified under retained earnings in the monthly closing processes.

Definition of items of exceptional amount and occurrence

The Company defines revenues and expenses (costs) accounted for under certain headings as exceptional in every case, and presents these by title in the notes to the financial statements if they amount to HUF 10 million or more, and in terms of their nature, they originate from events with the following legal titles:

- contribution in kind (fulfilment of contribution),
- transfer/receipt without compensation,
- gift, bequest
- dissolution without legal successor,
- dissolution with legal successor (transformation, merger, demerger),
- lowering of subscribed capital by withdrawal of capital,
- waiver of claim,
- assumption of liability,
- assumption of debt,
- waiver of liability,
- permanent cash received,
- permanent cash transferred,
- services provided without compensation,
- services used without compensation,
- subsidies relating to operations received,
- subsidies for development received,
- assistance given for any purpose,
- other gains, other expenses accounted for under the following legal titles:
 - gains from sold intangible and tangible assets
 - reversal of the extraordinary depreciation of tangible and intangible assets
 - reversal of impairment of inventories
 - gain from sold receivables
 - reversal of impairment of receivables
 - sums received in respect of depreciated claims
 - compensation received related to damage events
 - default interest received
 - penalties received
 - release of provisions set aside for expected liabilities
 - release of provisions set aside for future costs
 - release of provisions set aside for unrealised foreign exchange losses
 - release of other provisions
 - subsidies and awards received as compensation for costs and expenses
 - difference (gain) between the value of assets contributed to equity as stated in the articles of association, and the book value of such assets
 - gains from assets received free of charge and from surplus assets
 - cost of sold tangible assets, capital projects and intangible assets
 - cost of scrapped or missing tangible assets, capital projects and intangible assets
 - extraordinary depreciation of tangible and intangible assets
 - impairment and scrapping of inventories
 - inventory shortage

- impairment of receivables
- written-off amount of non-recoverable claims
- book value of sold receivables
- losses related to damage events
- late-payment penalty paid
- damages paid
- self-revision fee
- taxes and similar items
- fines and penalties
- provisions for expected liabilities
- provisions for future costs
- provisions for unrealised exchange rate losses
- other provisioning
- difference (loss) between the value of assets contributed to equity as stated in the articles of association, and the book value of such assets
- non-refundable housing grant to employees
- value of assets transferred and services provided without compensation
- waiver of receivables
- permanent cash transferred
- assumed liabilities

Definition of material value in the case of certain settlements and asset items

- For the purposes of the extraordinary depreciation of intangible and tangible assets, the difference between the book value and the fair value is deemed to be material if it exceeds 5% of the book value of the asset as at the time prior to the recognition/reversal of the impairment and amounts to at least HUF 1 million.
- For the purposes of recognising or reversing impairment on equity investments and debt securities, the difference between the book value and the fair value is classified as material – regardless of whether they are recognised under financial investments or current assets – if it exceeds 5% of the book value of the asset as at the time prior to the recognition/reversal of the impairment.
- The impairment to be recognised and the impairment reversed of accounts receivable outstanding at the balance sheet date and not settled by the balance sheet preparation date is considered material regardless of its value. For the purposes of recognising or reversing impairment of accounts receivable, the difference between the book value and the fair value is classified as material if it exceeds 5% of the asset's gross value and amounts to at least HUF 100 thousand.
- For the purposes of recognising or reversing impairment of purchased inventories (materials, goods), the difference between the book value and the fair value is classified as material if it exceeds 20% of the book value of the asset as at the time prior to the recognition/reversal of the impairment. For the purposes of recognising or reversing impairment of self-manufactured inventories (work in progress, semi-finished products, finished products), the difference between the book value and the expected sale price including subsidies is classified as material if it exceeds 20% of the book value of the asset as at the time prior to the recognition/reversal of the impairment.
- Also observing the provisions of Section 16 (5) of the Accounting Act (principle of cost-benefit comparison), in the case of economic events occurring outside the company group that have an effect on profit, items in a net amount exceeding HUF 50 thousand are recognised as accruals on the balance sheet date. Exceptions to this are the network access

fees, which are accounted for in every case. For events related to an invoice, one item is defined as the total net value of an invoice, and for items not related to an invoice, one item is defined as the amount to be recognised on the basis of a given accounting document. In the case of economic events within the corporate group that have an effect on profit, the participants of which are companies that are fully consolidated, all accruals are recognised on the balance sheet date regardless of value.

- The principles of provisioning are stated in section II.1.5.
- For the purpose of recognising deferred incomes, every item is considered material, and is recognised against other gains or income from financial transactions, depending on the related compensated cost or expense.

Special rules and settlements related to managed state-owned assets

The special record-keeping and book-keeping rules relating to managed state-owned assets, in addition to the related statutory provisions, are set out in the asset management agreement concluded with Hungarian National Asset Management Inc (MNV Zrt.).

The subledger records of managed state-owned assets are kept separately, and their posting to the general ledger takes place against other long-term liabilities.

Managed state-owned assets are presented separately within liabilities:

- long-term liabilities for the financing of managed state-owned tangible assets,
- long-term liabilities for the financing of managed state-owned inventories,
- compensation liability, and
- short-term liabilities related to managed state-owned inventories (other short-term liabilities).

The valuation of managed state-owned assets on the balance sheet date takes place in accordance with the general rules.

When accounting for the extraordinary depreciation of managed state-owned assets (scrapping, shortfall and destruction), it must be examined whether accounting is based on an event attributable to MÁV Zrt.:

- If the event occurs for reasons attributable to MÁV Zrt. (including any scrapping that becomes necessary due to capital investments), depreciation must be charged to MÁV Zrt.'s profit/loss for the year, concurrently with settlement of the liability financing the related managed state-owned asset.
- If the event is not attributable, depreciation must be accounted as a decrease in the managed state-owned assets.

Attribution must be assessed on the basis of the prevailing asset management contract.

The shortfall of disassembled state-owned materials charged to profit/loss is recognised against other expenses, concurrently with settlement of the liability funding the related managed state-owned asset.

The shortfall of disassembled state-owned materials charged to profit/loss is recognised against other expenses, concurrently with a decrease of the long-term liability constituting the source of funding for the disassembled materials, and with an increase of the other short-term liability related to the managed state-owned inventories.

The provisions of the Act on State Property (Vtv.) concerning asset management were amended upon the commencement of Act CVIV of 2013 on 28 June 2013, and thus by authority of the Vtv. MÁV Zrt. has been exempt from the compensation obligation since 28 June 2013.

The special settlement rules relating to the compensation obligation are detailed in the Company's accounting policy.

Special rules related to asset settlement

Cash and assets are transferred against the capital reserve on the basis of a statutory provision, and thus the value of the asset settlement on the basis of Section 69/A (4) of the Railways Act, are recognised concurrently with the movement of cash or assets – up to the positive amount of the capital reserve – as a reduction in the capital reserve concurrently with the movement of cash or assets. The release of deferred income related to these assets is also recognised against the capital reserve.

Main rules relating to the accounting separation of railway activities within the company

Pursuant to Section 7 of the Decree, the Company has accounting separation rules as a part of its accounting policy. The of accounting separation of railway activities in respect of

- the operation of the railtrack network,
- passenger rail transport and
- other activities

is achieved through the allocation of the costs of central (company and group) management relating to the various separate activities (including the internal costs of central services used) on the basis of the staff headcount (application base).

The costs arising exclusively in connection with the management of a single separable activity are allocated to the activity in question.

The Decree requires the Company to allocate all its assets and liabilities to activities. The basis for the classification is the general ledger unit generating the transaction, or when the transaction relates to future transactions (e.g. provisioning, operational loan), the general ledger unit which likely will be affected by such future transaction. Other costs, expenses and revenues are recognised (in the general ledger), in respect of the corresponding activities, on the basis of the units performing the separable activities.

Special rules apply to internal settlements between separated activities.

In the course of compiling the statements, in the balance of divisional receivables and liabilities, the asset settlements, the classification of properties as necessary for railtrack operations (PÜSZ), not necessary for railtrack operations but necessary for railway operations (VÜSZ) and not necessary for railway operations (VÜNSZ), and in the event of a merger the appropriate amounts of subscribed capital and capital reserves of the merged companies are displayed, and the divisional receivables and liabilities recognised in excess of these are settled through the general ledger settlement accounting of the committed liquid assets.

I.3 Adjustment of the Accounting Policy in the reporting year

The Company adopted a new accounting policy (and, in the framework thereof, a new valuation policy) in 2015 (EVIG directive 49/2015. (XII. 11. MÁV Ért. 22.) and EVIG directive 58/2015. (XII.18. MÁV Ért.28.), the provisions of which were first applied by the Company in the business year beginning on 1 January 2016.

In addition to the adoption of the changes in the Accounting Act that took effect on 4 July 2015 – and which are first applicable in respect of the business year starting on 1 January 2016 – the valuation requirements changed in respect of the following:

- The rules for determining the impairment to be recognised on receivables changed; the new rules are presented in detail in the following section.
- The threshold set in relation to accruals changed: the threshold for generating accruals in respect of non-members of the MÁV Group rose from HUF 1 M to HUF 2 M.
- The threshold for material errors has changed: The regulations applied to date, beyond the requirements of the Accounting Act, treated the value of errors and the impacts of errors as material if their consolidated impact on the profit/loss or equity exceeded 5% of the equity of the audited year. The Company does not apply this supplementary rule with effect from 2016.

The changes to the valuation requirements detailed above have no material impact on the Company's assets and liabilities, financial position and profit/loss.

I.4 The valuation procedures applied by the Company

Common rules of valuation

When recognising assets and liabilities denominated in foreign currency, the Company applies the official exchange rate of the National Bank of Hungary for the purpose of translating the amounts into forint.

For financial instruments, the Company does not apply the fair value method set out in Section 59/A-F of the Accounting Act.

Valuation procedures applied in respect of non-current assets

Depreciation of non-current assets is recognised monthly based on the gross value, on a straight-line basis over the expected useful life of the asset, calculated with respect to calendar days.

Under the Company's accounting policy, the residual value is classified as material if its value is expected to exceed 10% of the original acquisition cost of the asset and amounts to at least HUF 1 million. The residual value is always material if its expected amount exceeds HUF 10 million.

Tangibles and intangibles with an individual acquisition cost below HUF 100 000 are immediately expensed upon commissioning, except for properties and related property rights.

In relation to unbilled non-current asset and inventory acquisitions, the difference between the acquisition cost identified based on documents and the actual (invoice based) value may significantly adjust the acquisition cost of the asset if this difference exceeds 2% of the acquisition cost determined in advance, or HUF 20 million. All items recognised in connection with the capital projects managed by NIF Zrt are classified as adjusting items.

The Company does not use the option of recognising revaluation as provided in Section 58(5) of the Accounting Act.

Valuation procedures applied in respect of current assets

The Company determines the acquisition cost of its self-manufactured inventories by retrospective calculation. Inventories held in warehouses, and any changes thereto, are carried at weighed average cost (standard cost). The standard cost used is the weighted average of the opening balance of inventories and monthly additions of the relevant article supported by invoices.

Where it is uncertain whether inventories will be utilised (obsolete, slow-moving inventories), the following percentage rate of write down is determined on the basis of the retrospective utilisation data going back for 5 years, taking into account the expected turnover period:

| Estimated turnover period | Rate of impairment |
|---------------------------|--------------------|
| Within 1 year | 0% |
| Within 3 year | 20% |
| Within 5 years | 50% |
| More than 5 years | 90% |

The amount of impairment and reversal to be recognised on the receivables is determined in accordance with the following:

100% impairment loss is recognised on all of our claims outstanding against the debtor if the debtor is under liquidation proceedings, voluntary liquidation proceedings or bankruptcy proceedings.

For all other debtors we perform the rating on the basis of average aging. For this, with respect to every debtor we determine the weighted average maturity of the claims outstanding against the debtor (average aging): the debtor's balances in all the receivables categories (not overdue, 1-30, 31-60, 61-90, 91-180 and 181-365 days overdue, and more than 366 days overdue) are multiplied by the first day of the category (in the case of non-overdue receivables, by zero), then the sumproduct thus obtained is divided by the total receivable.

Based on the average aging, we recognise the following rate of impairment on the all the debtor's receivables:

| Average aging | Rate of impairment |
|---------------|--------------------|
| 1-30 | 0% |
| 31-60 | 10% |
| 61-90 | 25% |
| 91-180 | 50% |
| 181-365 | 75% |
| 366+ | 100% |

The amount of impairment and reversal to be recognised on receivables from related parties is determined in accordance with the following:

100% impairment is recognised on all of our claims outstanding against the debtor if the debtor is under liquidation proceedings, voluntary liquidation proceedings or bankruptcy proceedings.

In all other cases we determine the percentage rate of impairment and reversal to be recognised on all our outstanding receivables from the debtor on the basis of the debtor's individual rating, with the proviso that we do not recognise impairment on outstanding receivables from partners that are members of the MÁV group.

The amount of impairment and reversal to be recognised on other is determined on the basis of an individual assessment.

We do not recognise impairment on receivables collected by the balance sheet preparation date.

If information or documents available upon the balance sheet preparation enable a more exact approximation of the expected recoverable value of the receivable than described in the foregoing, the amount of impairment and reversal to be recognised must be determined individually.

The Company recognises decreases of foreign exchange and foreign currency stocks based on the current average exchange rate of the foreign currency or foreign exchange concerned.

I.5 Main information and changes affecting the Company's activity

I.5.1 Government involvement in MÁV Zrt.'s operations

On 21 December 2015, the State of Hungary 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 million operating and HUF 25,091 million renovation costs reimbursement was disbursed to MÁV Zrt, and the utilisation of these funds is presented in the section entitled II.1.6.3.2 Other short-term liabilities.

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 million to cover the justified costs of operating the rail network, and of this amount HUF 69,744 million is received by MÁV Zrt.

I.6 The obligation to prepare consolidated financial statements

On the basis of Section 10 (1) of the Accounting Act, MÁV Zrt. is obliged to prepare consolidated financial statements and a consolidated report on business operations, because it is classified as a parent company as defined in Section 3 (2) 1. of the Accounting Act, and is not exempt from the obligation to prepare consolidated financial statements under either Section 116 or Section 117 thereof.

The consolidated statement of the MÁV Group is available on the Company's website: www.mavcsport.hu.

II Specific disclosures

II.1 Notes to the balance sheet

The Company compiles a type “A” balance sheet in accordance with Schedule 1 of the Accounting Act. In view of the special nature of its activity and the weight of managed state-owned assets, the balance sheet template defined in the Accounting Act is supplemented with the following detail lines, which show the value of managed state-owned assets and liabilities within the individual balance sheet items:

- The line item “A/I. Intangible assets”, “3. Intangible property rights”, is extended to include the subcategory “of which: managed state-owned property rights”.
- The line item “A/I. Intangible assets” “4. Trade-marks, patents and similar assets” is extended to include the subcategory “of which: managed state owned trade-marks, patents and similar assets”.
- The line item “A/II. Tangible assets” “1. Land and buildings and related property rights” is extended to include the subcategory “of which: managed state owned properties and related rights”.
- The line item “A/II. Tangible assets” “2. Plant, machinery, equipment and vehicles” is extended to include the subcategory “of which: managed state owned technical equipment, machinery and vehicles”.
- The line item “A/II. Tangible assets” “5. Assets in the course of construction” is extended to include the subcategory “of which: managed state owned capital projects”.
- The line item “B/I. Inventories” “1. Raw materials and consumables” is extended to include the subcategory “of which: managed state owned raw materials and consumables”.
- The line item “B/I. Inventories” “2. Work in progress and semi-finished products” is extended to include the subcategory “of which: managed state owned work in progress and semi-finished products”.
- The line item “B/I. Inventories” “4. Finished products” is extended to include the subcategory “of which: managed state owned finished products”.
- The line item “B/II. Other receivables” “6. Other receivables” is extended to include the subcategory “of which: receivables related to managed state owned assets”.
- The line item “F/II. Long-term liabilities” “9. Other long-term liabilities” is extended to include the subcategory “of which: liabilities related to managed state-owned assets”.
- The line item “F/III. Short-term liabilities” “9. Other short-term liabilities” is extended to include the subcategory “of which: liabilities related to managed state-owned assets”.

Apart from the above, the Company does not omit or merge any line items in the balance sheet template specified by law.

The evaluation procedures applied to individual balance sheet items are not different from those applied in the previous business year.

II.1.1 Non-current assets

II.1.1.1 Movements in intangible assets

The gross and net values of intangible assets are presented in the table below:

Figures in MHUF

| Description | Capitalised value of foundation/re structuring | Capitalised value of R&D | Intangible property rights | Intellectual properties | Goodwill | Advances given for intangible assets | Total |
|---|--|--------------------------|----------------------------|-------------------------|----------|--------------------------------------|---------------|
| 1. Gross value, opening balance | 0 | 41 | 5 388 | 14 321 | 0 | 0 | 19 750 |
| 2. Advances given for acquisition and renovation (+) | | | 1 399 | 2 292 | | | 3 691 |
| 3. Self-produced inventories (+) | | | | | | | 0 |
| 4. Assets received free of charge (+) | | | | | | | 0 |
| 5. Assets received (in return for receivables or ownership share) (+) | | | | | | | 0 |
| 6. Asset management of projects carried out by NIF Zrt. / NISZ Zrt. | | | 2 848 | | | | 2 848 |
| 7. Count surplus (+) | | | | | | | 0 |
| 8. Increase from contribution in kind (+) | | | | | | | 0 |
| 9. Increase due to merger (+) | | | | | | | 0 |
| 10. Disposal (-) | | | -2 | -1 | | | -3 |
| 11. Transferred free of charge (-) | | | | | | | 0 |
| 12. Scrapped (-) | | -3 | -268 | -298 | | | -569 |
| 13. Missing (-) | | | | -1 | | | -1 |
| 14. Destroyed (-) | | | | | | | 0 |
| 15. Provided as contribution in kind (-) | | | | | | | 0 |
| 16. Reclassification (division or consolidation, offsetting of advance) (+/-) | | | 294 | -290 | | | 4 |
| 17 Gross value, closing balance | 0 | 38 | 9 659 | 16 023 | 0 | 0 | 25 720 |
| 18 Depreciation, opening balance | 0 | 4 | 3 626 | 12 523 | 0 | 0 | 16 153 |
| 19. Ordinary depreciation in reporting year (+) | | | 414 | 518 | | | 932 |
| 20. Extraordinary depreciation in the reporting year (+) | | | 152 | | | | 152 |
| 21. Extraordinary depreciation reversed (-) | | | | | | | 0 |
| 22. Disposal (-) | | | -2 | | | | -2 |
| 23. Transferred free of charge (-) | | | | | | | 0 |
| 24. Scrapped (-) | | -3 | -268 | -298 | | | -569 |
| 25. Missing (-) | | | -3 | -6 | | | -9 |
| 26. Destroyed (-) | | | | | | | 0 |
| 27. Provided as contribution in kind (-) | | | | | | | 0 |
| 28. Reclassification (division or consolidation) (+/-) | | | | | | | 0 |
| 29 Depreciation, closing balance | 0 | 1 | 3 919 | 12 737 | 0 | 0 | 16 657 |
| 30 Net value of opening balance | 0 | 37 | 1 762 | 1 798 | 0 | 0 | 3 597 |
| 31 Net value of closing balance | 0 | 37 | 5 740 | 3 286 | 0 | 0 | 9 063 |

Table 1: Movements in intangible assets in the reporting year

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

II.1.1.2 Changes in managed state-owned intangible assets

Figures in MHUF

| | Description | Capitalised value of foundation/restructuring | Capitalised value of R&D | Intangible property rights | Intellectual properties | Goodwill | Advances given for intangible assets | Total |
|-----|---|---|--------------------------|----------------------------|-------------------------|----------|--------------------------------------|-------|
| 1. | Gross value, opening balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. | Advances given for acquisition and renovation (+) | | | 135 | | | | 135 |
| 3. | Self-produced inventories (+) | | | | | | | 0 |
| 4. | Assets received free of charge (+) | | | | | | | 0 |
| 5. | Assets received (in return for receivables or ownership share) (+) | | | | | | | 0 |
| 6. | Asset management of projects carried out by NIF Zrt. / NISZ Zrt. | | | 2 848 | | | | 2 848 |
| 7. | Count surplus (+) | | | | | | | 0 |
| 8. | Increase from contribution in kind (+) | | | | | | | 0 |
| 9. | Increase due to merger (+) | | | | | | | 0 |
| 10. | Disposal (-) | | | | | | | 0 |
| 11. | Transferred free of charge (-) | | | | | | | 0 |
| 12. | Scrapped (-) | | | | | | | 0 |
| 13. | Missing (-) | | | | | | | 0 |
| 14. | Destroyed (-) | | | | | | | 0 |
| 15. | Provided as contribution in kind (-) | | | | | | | 0 |
| 16. | Reclassification (division or consolidation, offsetting of advance) (+/-) | | | | | | | 0 |
| 17. | Gross value, closing balance | 0 | 0 | 2 983 | 0 | 0 | 0 | 2 983 |
| 18. | Depreciation, opening balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19. | Ordinary depreciation in reporting year (+) | | | 156 | | | | 156 |
| 20. | Extraordinary depreciation in the reporting year (+) | | | 152 | | | | 152 |
| 21. | Extraordinary depreciation reversed (-) | | | | | | | 0 |
| 22. | Disposal (-) | | | | | | | 0 |
| 23. | Transferred free of charge (-) | | | | | | | 0 |
| 24. | Scrapped (-) | | | | | | | 0 |
| 25. | Missing (-) | | | | | | | 0 |
| 26. | Destroyed (-) | | | | | | | 0 |
| 27. | Provided as contribution in kind (-) | | | | | | | 0 |
| 28. | Reclassification (division or consolidation) (+/-) | | | | | | | 0 |
| 29. | Depreciation, closing balance | 0 | 0 | 308 | 0 | 0 | 0 | 308 |
| 30. | Net value of opening balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31. | Net value of closing balance | 0 | 0 | 2 675 | 0 | 0 | 0 | 2 675 |

Table 2: Changes in managed state-owned intangible assets in the reporting year

II.1.1.3 Changes in tangible assets

The changes in the net value of tangible assets in 2016 are shown in the following table:

Figures in MHUF

| Description | Land and buildings and related property rights | Technical equipment, machinery, vehicles | Other equipment, fittings, fixtures and vehicles | Breeding stock | Capital projects, renovations | Advances given for capital projects | Total |
|---|--|--|--|----------------|-------------------------------|-------------------------------------|------------------|
| 1. Gross value, opening balance | 1 091 982 | 353 002 | 1 047 | 0 | 28 061 | 2 848 | 1 476 940 |
| 2. Acquisition and renovation (+) | | | | | 33 164 | 1 112 | 34 276 |
| 3. Assets received free of charge (+) | | | | | | | 0 |
| 4. Assets received (in return for receivables or ownership share) (+) | | | | | | | 0 |
| 5. Count surplus (+) | 73 | 3 | | | | | 76 |
| 6. Increase from contribution in kind (+) | | | | | | | 0 |
| 7. Asset management of projects carried out by NIF Zrt. / NISZ Zrt. | | | | | 177 929 | | 177 929 |
| 8. Capitalisation of projects carried out by NIF Zrt. / NISZ Zrt. | 127 348 | 50 039 | | | -177 387 | | 0 |
| 9. Assets taken into management | 4 020 | | | | | | 4 020 |
| 10. Increase due to asset settlement (+) | | | | | | | 0 |
| 11. Increase due to merger (+) | | | | | | | 0 |
| 12. Disposal (-) | -1 322 | -179 | -11 | | | | -1 512 |
| 13. Transferred free of charge (-) | | -2 | | | | | -2 |
| 14. Scrapped (-) | -3 744 | -2 288 | -94 | | | | -6 126 |
| 15. Missing (-) | -31 | -238 | -33 | | -279 | | -581 |
| 16. Destroyed (-) | | | | | | | 0 |
| 17. Provided as contribution in kind (-) | | | | | | | 0 |
| 18. Decrease due to asset settlement (-) | -4 791 | | | | | | -4 791 |
| 19. Relinquished asset management rights (-) | -39 | | | | | | -39 |
| 20. Commissioning (+/-) | 27 811 | 7 230 | | | -35 041 | | 0 |
| 21. Reclassification (division or consolidation, offsetting of advance) | -58 | 55 | -1 | | | | -4 |
| 22. Gross value, closing balance | 1 241 249 | 407 622 | 908 | 0 | 26 447 | 3 960 | 1 680 186 |
| 23. Depreciation, opening balance | 330 315 | 181 981 | 1 005 | 0 | 933 | 0 | 514 234 |
| 24. Ordinary depreciation in reporting year (+) | 39 976 | 15 151 | 21 | | | | 55 148 |
| 25. Extraordinary depreciation in reporting year (+) | 8 389 | 3 917 | | | 2 | | 12 308 |
| 26. Extraordinary depreciation reversed (-) | | | | | -7 | | -7 |
| 27. Count surplus (+) | | | | | | | 0 |
| 28. Taken into management (+) | | | | | | | 0 |
| 29. Disposal (-) | -445 | -163 | -12 | | | | -620 |
| 30. Transferred free of charge (-) | | -2 | | | | | -2 |
| 31. Scrapped (-) | -3 392 | -2 087 | -94 | | | | -5 573 |
| 32. Missing (-) | -25 | -238 | -32 | | -259 | | -554 |
| 33. Destroyed (-) | | | | | | | 0 |
| 34. Provided as contribution in kind (-) | | | | | | | 0 |
| 35. Decrease due to asset settlement (-) | -750 | | | | | | -750 |
| 36. Relinquished asset management rights (-) | | | | | | | 0 |
| 37. Reclassification (division or consolidation) (+/-) | 22 | -21 | -1 | | | | 0 |
| 38. Depreciation, closing balance | 374 090 | 198 538 | 887 | 0 | 669 | 0 | 574 184 |
| 39. Net value of opening balance | 761 667 | 171 021 | 42 | 0 | 27 128 | 2 848 | 962 706 |
| 40. Net value of closing balance | 867 159 | 209 084 | 21 | 0 | 25 778 | 3 960 | 1 106 002 |

Table 3: Movements in intangible assets in the reporting year

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. As a result of this project, more progress was made in 2016 towards resolving the discrepancies between the actual status of MÁV Zrt's land property assets and their status at the land registry office.

In 2016 the asset settlement of HUF 24 million in assets not serving railway operation (VÜNSZ) and HUF 4,016 million in assets serving railway operation (VÜSZ) took place. The impact of the asset settlements is shown in Table 82 and Table 98.

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 million, and of the capital investments implemented by NISZ Zrt., the legal and financial acceptance of tangible assets and work in progress totalling HUF 7,671 million in value took place. Of the assets taken over from NISZ Zrt., assets totalling HUF 542 million were not commissioned.

II.1.1.4 Change in managed state-owned tangible assets

Figures in MHUF

| | Description | Land and buildings and related property rights | Technical equipment, machinery, vehicles | Other equipment, fittings, fixtures and vehicles | Breeding stock | Capital projects, renovations | Total |
|-----|---|--|--|--|----------------|-------------------------------|------------------|
| 1. | Gross value, opening balance | 1 018 544 | 163 124 | 0 | 0 | 17 378 | 1 199 046 |
| 2. | Advances given for acquisition and renovation (+) | | | | | 27 329 | 27 329 |
| 3. | Assets received free of charge (+) | | | | | | 0 |
| 4. | Assets received (in return for receivables or ownership share) (+) | | | | | | 0 |
| 5. | Count surplus (+) | 73 | | | | | 73 |
| 6. | Increase from contribution in kind (+) | | | | | | 0 |
| 7. | Asset management of projects carried out by NIF Zrt. / NISZ Zrt. | | | | | 177 929 | 177 929 |
| 8. | Capitalisation of projects carried out by NIF Zrt. / NISZ Zrt. | 127 348 | 50 039 | | | -177 387 | 0 |
| 9. | Taken into management (+) | 4 020 | | | | | 4 020 |
| 10. | Increase due to asset settlement (+) | | | | | | 0 |
| 11. | Disposal (-) | | | | | | 0 |
| 12. | Transferred free of charge (-) | | | | | | 0 |
| 13. | Scrapped (-) | -3 713 | -1 925 | | | | -5 638 |
| 14. | Missing (-) | -13 | | | | | -13 |
| 15. | Destroyed (-) | | | | | | 0 |
| 16. | Provided as contribution in kind (-) | | | | | | 0 |
| 17. | Decrease due to asset settlement (-) | | | | | | 0 |
| 18. | Waiver of asset management rights (-) | -39 | | | | | -39 |
| 19. | Commissioning (+/-) | 25 402 | 4 206 | | | -29 608 | 0 |
| 20. | Reclassification (division or consolidation, offsetting of advance) (+/-) | -105 | 105 | | | | 0 |
| 21. | Gross value, closing balance | 1 171 517 | 215 549 | 0 | 0 | 15 641 | 1 402 707 |
| 22. | Depreciation, opening balance | 313 804 | 86 542 | 0 | 0 | 654 | 401 000 |
| 23. | Ordinary depreciation in reporting year (+) | 39 021 | 8 283 | | | | 47 304 |
| 24. | Extraordinary depreciation in reporting year (+) | 8 371 | 3 914 | | | | 12 285 |
| 25. | Extraordinary depreciation reversed (-) | | | | | -5 | -5 |
| 26. | Count surplus (+) | | | | | | 0 |
| 27. | Taken into management (+) | | | | | | 0 |
| 28. | Disposal (-) | | | | | | 0 |
| 29. | Transferred free of charge (-) | | | | | | 0 |
| 30. | Scrapped (-) | -3 367 | -1 724 | | | | -5 091 |
| 31. | Missing (-) | -13 | | | | | -13 |
| 32. | Destroyed (-) | | | | | | 0 |
| 33. | Provided as contribution in kind (-) | | | | | | 0 |
| 34. | Decrease due to asset settlement (-) | | | | | | 0 |
| 35. | Relinquished asset management rights (-) | | | | | | 0 |
| 36. | Reclassification (division or consolidation) (+/-) | -4 | 4 | | | | 0 |
| 37. | Depreciation, closing balance | 357 812 | 97 019 | 0 | 0 | 649 | 455 480 |
| 38. | Net value of opening balance | 704 740 | 76 582 | 0 | 0 | 16 724 | 798 046 |
| 39. | Net value of closing balance | 813 705 | 118 530 | 0 | 0 | 14 992 | 947 227 |

Table 4: Changes in managed state-owned tangible assets in the reporting year

Figures in MHUF

| Main category | Gross value | Net value |
|--------------------------------|------------------|----------------|
| Land | 24,413 | 24,413 |
| Buildings | 46,089 | 43,382 |
| Structures | 1,100,389 | 745,475 |
| Asset rights on real property | 626 | 435 |
| Machinery, equipment, vehicles | 215,549 | 118,530 |
| Intangible assets | 2,983 | 2,675 |
| Construction in progress | 15,641 | 14,992 |
| Grand total: | 1,405,690 | 949,902 |

Table 5: Managed state-owned assets by main category

Figures in MHUF

| Main category | Gross value | Net value |
|--------------------------------|----------------|---------------|
| Land | 3 | 3 |
| Buildings | 31,511 | 25,868 |
| Structures | 14,131 | 7,502 |
| Asset rights on real property | 1,261 | 477 |
| Machinery, equipment, vehicles | 34,259 | 11,076 |
| Intangible assets | 22,193 | 6,388 |
| Construction in progress | 10,781 | 10,764 |
| Grand total: | 114,139 | 62,078 |

Table 6: MÁV Zrt.-owned assets necessary for railtrack operation, by main category

II.1.1.5 Change in capital projects

Figures in MHUF

| Item | Ongoing investment | |
|---|--------------------|---------------|
| | 2015 | 2016 |
| Opening | 19 691 | 27 128 |
| Additions in the reporting year (+) | 133 706 | 210 551 |
| Self-produced inventories (+) | 0 | 0 |
| Increase due to merger (+) | 0 | 0 |
| Commissioning following takeover of capital projects implemented by NIF/NISZ Zrt. (-) | -83 126 | -177 387 |
| Of various capital projects implemented by NIF/NISZ Zrt. and taken over in the reporting year, unfinished capital projects (WIP) as at balance sheet date (+) | 0 | 542 |
| Other commissioning (-) | -43 157 | -35 041 |
| Extraordinary depreciation (-) | -2 | -2 |
| Extraordinary depreciation reversed (+) | 6 | 7 |
| Other increase (+) | 0 | |
| Disposal (-) | 0 | |
| Missing (-) | 0 | -20 |
| Assets received free of charge | 0 | 0 |
| Other decrease (-) | 10 | 0 |
| Closing | 27 128 | 25 778 |

Table 7: Capital expenditures

II.1.1.6 Impact of the settlement of depreciation in the reporting year

Figures in MHUF

| Item | Depreciation | | | | |
|---|-------------------|---------------|---------------|----------------------------------|-----------------|
| | Total gross value | Ordinary | Extraordinary | As per the Accounting Act, total | According to CT |
| Land | 37 054 | | 0 | 0 | |
| Real estate properties (less land) | 1 204 195 | 39 976 | 8 389 | 48 365 | 41 694 |
| Technical machinery, equipment | 407 622 | 15 151 | 3 917 | 19 068 | 21 769 |
| Other machinery and equipment | 908 | 21 | 0 | 21 | 15 |
| Capital investments | 26 447 | | 2 | 2 | |
| Total tangible assets: (Without advances given for capital projects) | 1 676 226 | 55 148 | 12 308 | 67 456 | 63 477 |
| Foundation, restructuring | 0 | 0 | 0 | 0 | - |
| Research and development | 38 | 0 | 0 | 0 | - |
| Intangible property rights | 9 659 | 414 | 152 | 566 | 424 |
| Intellectual properties | 16 023 | 518 | 0 | 518 | 505 |
| Goodwill | 0 | 0 | 0 | 0 | - |
| Intangible assets in total: | 25 720 | 932 | 152 | 1 084 | 929 |
| Grand total (before advances for capital projects): | 1 701 946 | 56 080 | 12 460 | 68 540 | 64 406 |

Table 8: Depreciation of tangible and intangible assets for accounting purposes and for corporate tax (CT) purposes

II.1.1.7 Transfers and receipts of intangible and tangible assets without compensation

The transfers and receipts of intangible and tangible assets without compensation in 2016 are presented in the table below:

Figures in MHUF

| Item | Transferred free of charge | | Assets received free of charge |
|---------------------|----------------------------|--------------------------|--------------------------------|
| | Gross | Accumulated depreciation | Gross |
| Intangible assets | 0 | 0 | 0 |
| Tangible assets | 2 | 2 | 0 |
| Capital investments | 0 | 0 | 0 |
| Total: | 2 | 2 | 0 |

Table 9: Transfers and receipts of tangible and intangible assets without compensation

II.1.1.8 Managed 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 in 2016 |
|--|----------------|------------------|----------------|
| 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 alien parties | 7 521 | 7 516 | -5 |
| Surplus 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 |
| Settlement, in the reporting year, of shortage related to managed assets, written off in previous year | 0 | 0 | 0 |
| Settlement of extraordinary depreciation recognised in the previous year | 0 | 0 | 0 |
| 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 10: 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 |
| Other assets taken into management | 0 | 0 | 0 |
| 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 treasury 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 |
| Settlement of managed state-owned lands | 0 | 0 | 0 |
| Relinquishment 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 treasury assets used | -193 | -366 | -173 |
| Sale in the reporting year of materials from the disassembly of treasury 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 11: Changes in managed state-owned assets in the reporting year and in the base year

The utilisation of subsidies granted for development purposes is presented in the following table:

Figures in MHUF

| Use of subsidies received for the renovation/investment of managed state-owned assets | | | |
|--|---------------|---------------|----------------|
| Title of grants | 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 |
| Preliminary financing of assets | 0 | 0 | 0 |
| Value-added activities of assets | 62 | 44 | -18 |
| Reporting-year adjustment of the compensation liability for previous years | 0 | 0 | 0 |
| 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 Zalakáros micro-region (NYDOP progr.) | 4 | 0 | -4 |
| KÖZOP grants for the implementation of MÁV Zrt. Traffic safety projects (15%) | 680 | -1 | -681 |
| KÖZOP grants MÁV Zrt. Traffic safety projects (preparatory project) (15%) | 0 | 0 | 0 |
| Electrification of railway line 2 Rákosrendező-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 |
| "Preparation and implementation of bridge renovation project on MÁV Zrt's network" (KÖZOP)(domestic part - 15%) | 0 | 0 | 0 |
| Renovation of right 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 grants "MÁV Zrt. Traffic safety projects " (IKOP, domestic part 15%) | 1 | 22 | 21 |
| IKOP grants for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" (IKOP domestic part, 15%) | 0 | 31 | 31 |
| Renovation of right track Nagyút-Mezőkeresztes-Mezőnyárád (IKOP, domestic part 15%) | 0 | 0 | 0 |
| 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 Rákosrendező-Esztergom (KÖZOP) (ERFA - 85%) | 1 550 | 4 | -1 545 |
| "Preparation and implementation of bridge renovation project on MÁV Zrt's network" (KÖZOP) (ERFA - 85%) | 0 | 0 | 0 |
| Renovation of right 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 Sárovar and the surrounding settlements (NYDOP progr.) | 38 | 0 | -38 |
| Development of the conditions of the public transport system in the West Transdanubian region - NYDOP Celdömök - ERFA grants | 68 | 0 | -68 |
| Development of public transport in Keszthely and in the Zalakáros 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 |
| Establishing P+R and B+R parking facilities in Gödöllő | 0 | 0 | 0 |
| 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 grants for the implementation of "MÁV Zrt. Traffic safety projects" (IKOP, KA 85%) | 5 | 122 | 116 |
| IKOP grants 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 grants 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 |

| Use of subsidies received for the renovation/investment of assets owned by MÁV Zrt. | | | |
|--|--------------|--------------|---------------|
| Title of Grants | 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 grants for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations," KÖZOP 0003 | 274 | 3 | -271 |
| Asset purchases associated with public employment program | 0 | 0 | 0 |
| Development of public transport in the Balaton region project (DDOP progr.) | 6 | 5 | -1 |
| Development of public transport in Keszthely and in the Zalaharos micro-region (NYDOP progr.) | 0 | 0 | 0 |
| KÖZOP grants for the implementation of "MÁV Zrt. Traffic safety projects," from the central budget (15%) | 0 | 0 | 0 |
| Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (KÖZOP) - (domestic part 15%) | 174 | 38 | -135 |
| IKOP grants 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 |
| Refurbishment of railway bridges and steel structures (ZE140001) | 0 | 55 | 55 |
| Use of central subsidies, total: | 5 277 | 5 890 | 612 |
| KÖZOP grants 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 grants 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 application (INKA)(KÖZOP)(ERFA - 85%) | 983 | 217 | -766 |
| Development of public transport in the Balaton region project (DDOP progr.) | 35 | 30 | -4 |
| IKOP grants 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 |
| Use of EU subsidies in total: | 2 616 | 1 034 | -1 582 |
| Use of subsidies received for the renovation/investment of assets owned by MÁV Zrt. in total | 7 893 | 6 923 | -970 |

Table 12: Use of investment subsidies

II.1.1.9 The Company's long-term investments

Figures in MHUF

| Item | Book value of investments | | | |
|---------------------------|---------------------------|--------------|----------|----------------|
| | Opening value | Increase | Decrease | Closing value |
| Related companies | 117,858 | 5,483 | 0 | 123,341 |
| Significant shareholdings | 806 | 0 | 1 | 805 |
| Other investments | 2,457 | 0 | 0 | 2,457 |
| Total: | 121,121 | 5,483 | 1 | 126,603 |

Table 13: The book value of the Company's investments by category

Pursuant to the provisions of the Accounting Act, MÁV Zrt. has fully consolidated 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.

On the basis of Sections 54 and 46 of the Accounting Act, at the end of 2016 reversing the impairment previously recognised on shareholdings was justified in the case of MÁV-START Zrt, in an amount of HUF 5,482 million.

The value of investments in related parties was increased by the establishment of Kínai-Magyar Vasúti Nonprofit Zrt. with a value of HUF 1 million. The purpose of this joint venture established with the Chinese partner is to perform the procurement and project management

tasks related to the development of the Hungarian section of the Budapest-Belgrade railway line. The owners of the venture (MÁV Zrt. and China Railway International Corporation and China Railway International Group) make decisions on a consensual basis. MÁV Zrt. carried out a HUF 1,200 M share premium-based capital increase in the company, which was registered by the Company Court on 26 January 2017, after the balance sheet date but before the balance sheet preparation date.

Following a decision by the Metropolitan Council, Budapesti Helyiérdekű Vasút Zrt. (BHÉV Zrt.) was established on 7 November 2016 by way of demerger from Budapesti Közlekedési Zártkörűen Működő Részvénytársaság. An agreement was made between the Metropolitan Council of Budapest and Magyar Nemzeti Vagyongazdálkodó Zrt. (MNV Zrt.) on 25 November 2016 regarding the handover of the municipality's shareholding in the venture to MNV Zrt.

MNV Zrt. transferred the shareholding, for the purposes of the exercising of rights, to the Ministry of National Development (NFM), which on 23 November 2016 concluded a proxy agreement with MÁV Zrt. regarding the exercising of owner's 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 HUF 1M decrease in investments in material shareholdings was caused by the completion of the voluntary liquidation of HUNGRAIL Egyesülés. The liquidation procedure at MÁV Hídépítő Kft. was also completed in the reporting year, but in view of the fact that the shareholding was recognised at zero HUF in the books, the derecognition of the shareholding had no impact on profit/loss.

The development of MÁV Zrt's shareholdings in the reporting year is shown in detail in the section entitled III.6. The Company's investments.

II.1.1.10 Impairment of non-current financial assets

Figures in MHUF

| Description | Impairment | | | | |
|--|---------------|--------------------------------|--------------------------------|--------------------------------|---------------|
| | Opening value | Increase in the reporting year | Decrease in the reporting year | Write-back in the current year | Closing value |
| Long-term investments in related companies | 8 422 | 0 | 600 | 5 482 | 2 340 |
| Long-term loans to related companies | 0 | 0 | 0 | 0 | 0 |
| Significant permanent shareholding | 158 | 0 | 0 | 0 | 158 |
| Long-term loans given to significant related parties | 0 | 0 | 0 | 0 | 0 |
| Other long-term investments | 0 | 0 | 0 | 0 | 0 |
| Long-term loans given to other related parties | 0 | 0 | 0 | 0 | 0 |
| Other long-term loans given | 692 | 4 | 0 | 24 | 672 |
| Long-term debt securities | 0 | 0 | 0 | 0 | 0 |
| Total: | 9 272 | 4 | 600 | 5 506 | 3 170 |

Table 14: Impairment on non-current financial investments

II.1.1.11 Value of subordinated assets by legal title

MÁV Zrt. recognised no subordinated assets in 2016.

II.1.2 Current assets

II.1.2.1 Presentation of the inventories

Figures in MHUF

| Inventories | Raw materials | WIP and semi-finished products | Young, fattened and other livestock | Finished products | Goods | Advances given for inventories |
|---|---------------|--------------------------------|-------------------------------------|-------------------|----------|--------------------------------|
| Opening, gross | 8,473 | 4 | - | 267 | 825 | - |
| Acquisition, advance given | 24,351 | | | | 21,246 | |
| Assets received free of charge | | | | | | |
| Contribution in kind | | | | | | |
| Increase due to merger | | | | | | |
| Reclassification | | | | | | |
| Taken to inventories | | - 2 | | 766 | | |
| Surplus | 18 | | | | | |
| Materials from disassembled assets | 362 | | | | | |
| Other increase | | | | | | |
| Use (expensed) | - 13,288 | | | - 794 | - 26 | |
| Reclassification, offsetting of advance | | | | | | |
| Sale | - 10,317 | | | | - 21,958 | |
| Transferred free of charge | | | | | | |
| Contributed | | | | | | |
| Scrapping | - 45 | | | | | |
| Missing | - 12 | | | | | |
| Other decrease | | | | | | |
| Closing, gross | 9,542 | 2 | - | 239 | 87 | - |
| Impairment, opening | 41 | - | - | - | - | - |
| Impairment for the reporting year | 139 | | | 3 | | |
| Written off due to low stock levels | - 41 | | | | | |
| Reversed impairment | | | | | | |
| Impairment, closing | 139 | - | - | 3 | - | - |
| Opening, net | 8,432 | 4 | - | 267 | 825 | - |
| Closing, net | 9,403 | 2 | - | 236 | 87 | - |

Table 15: Presentation of the inventories

Raw materials and finished goods include the value of materials from the scrapping of state-owned assets, as well as the value of the finished goods manufactured from these, in an amount of HUF 2,328 million.

II.1.2.2 Receivables

II.1.2.2.1 Receivables and their impairment loss

Figures in MHUF

| Description | Gross value of receivables | | | | | | Impairment of receivables | | | | | | Book value of receivables in 2016 | Book value of receivables in 2015 | Change |
|--|----------------------------|-----------|-------------|--------------|---------------|--------|---------------------------|-----------------------------------|---------------------|----------------------------|---------------------------|-----------------|-----------------------------------|-----------------------------------|--------|
| | Not overdue | 1-90 days | 91-180 days | 181-365 days | over 365 days | Total | Opening balance | Impairment for the reporting year | Reversed impairment | Written off debt collected | Other reversed impairment | Closing balance | | | |
| Accounts receivable | 2 692 | 100 | 85 | 123 | 3 095 | 6 095 | 4 322 | 249 | -44 | 78 | 1 178 | 3 271 | 2 824 | 2 871 | -47 |
| Receivables from related companies | 14 707 | 26 | 0 | 0 | 0 | 14 733 | 0 | 0 | 0 | 0 | 0 | 0 | 14 733 | 13 846 | 887 |
| of which: receivables from fully consolidated subsidiaries | 13 506 | 26 | 0 | 0 | 0 | 13 532 | 0 | 0 | 0 | 0 | 0 | 0 | 13 532 | 13 826 | -294 |
| of which: receivables from not fully consolidated subsidiaries | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 20 | -19 |
| of which: non-consolidated jointly managed company based on quota | 1 200 | 0 | 0 | 0 | 0 | 1 200 | 0 | 0 | 0 | 0 | 0 | 0 | 1 200 | 0 | 1 200 |
| Receivables from companies linked by virtue of major participating interest | 47 | 4 | 1 | 0 | 30 | 82 | 31 | -1 | 0 | 0 | 0 | 30 | 52 | 45 | 7 |
| Receivables from other associated companies | 0 | 9 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 2 | 7 |
| Bills of exchange receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other receivables | 3303 | 16 | 8 | 80 | 105 | 3 512 | 89 | 6 | 0 | 2 | 1 | 92 | 3 420 | 4 119 | -699 |
| Total receivables: | 20 749 | 155 | 94 | 203 | 3 230 | 24 431 | 4 442 | 254 | -44 | 80 | 1 179 | 3 393 | 21 038 | 20 883 | 155 |

Table 16: Receivables and their impairment loss

The material change in receivables from related companies is explained in the section entitled II.1.1.9 The Company's long-term investments.

II.1.2.2.2 Receivables from related companies

Figures in MHUF

| Description | Fully consolidated subsidiary | Not fully consolidated subsidiary | Non-consolidated jointly managed company based on quota | Total |
|--------------------------------------|-------------------------------|-----------------------------------|---|---------------|
| Advances given for intangible assets | 0 | 0 | 0 | 0 |
| Advances given for capital projects | 113 | 0 | 0 | 113 |
| Long-term loans to related companies | 0 | 0 | 0 | 0 |
| Advances given for inventories | 0 | 0 | 0 | 0 |
| Receivables from related companies | 13 532 | 1 | 1 200 | 14 733 |
| Total: | 13 645 | 1 | 1 200 | 14 846 |

Table 17: Receivables from related companies

II.1.2.2.3 Reclassification of receivables and liabilities in the balance sheet

The following items have been reclassified in the balance sheet:

- HUF 7,741 million was reclassified from investment and development loans, and HUF 1,647 million from other long-term loans, to short-term loans, as loan repayments due in 2017.
- HUF 234 million was reclassified from long-term loans received to the short-term loans, as loan repayments due in 2017.
- HUF 82 million was reclassified from other long-term loans given, to other receivables, as loan repayments due in 2017.
- Liabilities towards employees totalling HUF 8 million were reclassified from other short-term liabilities to other receivables.
- Other receivables totalling HUF 1 million were reclassified to long-term loans given.
- HUF 1 million was reclassified from accounts receivable to other short-term liabilities, and HUF 39 from accounts payable to other receivables, while HUF 74 M was reclassified to trade creditors due to overpayments from suppliers.
- Loans provided through the cash pool system to MÁV FKG Kft. in the amount of HUF 3,285 million, to MÁV Vagon Kft. in the amount of HUF 517 million and to ZÁHONY-PORT Zrt. in the amount of HUF 159 million, were reclassified from short-term liabilities to receivables from related parties.
- Liabilities towards the central budget totalling HUF 2,844 M were reclassified from other short-term liabilities to other receivables.

II.1.2.3 Securities

II.1.2.3.1 Impairment on securities

MÁV Zrt does not have any securities held for trading.

II.1.3 Prepaid expenses/accrued income

| Figures in MHUF | | | |
|---|---------------|----------------|---------------|
| Item | Previous year | Reporting year | Difference |
| Accrued income | | | |
| Accrued income from completed but not invoiced services | 1,338 | 1,021 | -317 |
| Accrued cash pool interest (internal and external) | 9 | 2 | -7 |
| Accrued bank interest for the reporting period | 39 | 8 | -31 |
| Accrued late payment interest and penalties | 61 | 4 | -57 |
| Accrued dividend due | 1,428 | 0 | -1,428 |
| Other revenues | 136 | 80 | -56 |
| Accrued income, total: | 3,011 | 1,115 | -1,896 |
| Prepaid costs and expenses | | | |
| Expenses, other | 150 | 122 | -28 |
| Dismissal wage and severance pay | 38 | 34 | -4 |
| Prepaid unbilled expenses (credit) | 1,230 | 1,458 | 228 |
| Prepaid costs and expenses, total | 1,418 | 1,614 | 196 |
| Deferred expenses | | | |
| Unrealised FX loss on EUR 45.4 million loan | 224 | 0 | -224 |
| Unrealised FX loss on EUR 144.6 million loan | 3,406 | 2,557 | -849 |
| Unrealised FX loss on Eurofima contract 13 (Nr. 2649) | 836 | 0 | -836 |
| Deferred unrealised FX loss on EUR 141.6 million development loan | 3,497 | 2,777 | -720 |
| Deferred expenses, total | 7,963 | 5,334 | -2,629 |
| Total: | 12,392 | 8,063 | -4,329 |

Table 18: Prepaid expenses/accrued income

- The settlement of dividend to be withdrawn from the individual companies due to a change in the Accounting Act will take place in 2017.
- The decrease in accrued currency losses related to foreign currency loans results from a decrease in the volume of the loans and the exchange rate.

II.1.4 Equity

II.1.4.1 Changes in equity components

| Figures in MHUF | | | | | | | |
|---|--------------------|-----------------------------------|-----------------|-------------------|---------------------------|-----------------------|----------------|
| Descriptions | Registered capital | Subscribed but unpaid capital (-) | Capital reserve | Retained earnings | Non-distributable reserve | After-tax profit/loss | Equity |
| Opening balance in the reporting year | 22 000 | 0 | 119 155 | -19 449 | 3 674 | 33 700 | 159 080 |
| Transfer of after-tax profit/loss of previous year | 0 | 0 | 0 | 33 700 | 0 | -33 700 | 0 |
| Release of non-distributable reserves related to unrealised exchange losses | 0 | 0 | 0 | 1 371 | -1 371 | 0 | 0 |
| Development reserve released | 0 | 0 | 0 | 58 | -58 | | 0 |
| After-tax profit/loss in the reporting year | 0 | 0 | 0 | 0 | 0 | 12 035 | 12 035 |
| Asset settlement | 0 | 0 | -3 948 | 0 | 0 | 0 | -3 948 |
| Closing balance in the reporting year | 22 000 | 0 | 115 207 | 15 680 | 2 245 | 12 035 | 167 167 |

Table 19: Movements in equity

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 subscribed capital was increased by HUF 200,000. Registration of the capital increase 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, pursuant to chapter II.1.1.9, in his 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.

MÁV Zrt. has no convertible, or contingent convertible bonds.

II.1.4.2 Non-distributable reserves presented by purpose

Figures in MHUF

| Non-distributable reserve | Opening balance | Released in 2013 | Accounted in 2013 | Closing balance |
|--|-----------------|------------------|-------------------|-----------------|
| Difference between provisions for unrealised FX losses on FX loans and deferred expenses | 3,579 | 1,371 | 0 | 2,208 |
| Unexpensed part of R&D posted to allocated reserves | 37 | 0 | 0 | 37 |
| Development reserve | 58 | 58 | 0 | 0 |
| Total: | 3,674 | 1,429 | 0 | 2,245 |

Table 20: Non-distributable reserves presented by purpose

II.1.5 Provisions

The principles of provisioning

The provisioning principles applied by the Company are regulated in detail in the Company's accounting policy. The principles applied in the case of the most important legal titles are summarised in the following table:

| Legal title | Provisions |
|--|--|
| Liabilities related to employment termination | On the total amount of payment obligations for the following years, undertaken in existing contracts. |
| Bonuses due in the reporting year but not yet approved | On the sum of bonuses and contributions. |
| Obligations likely to be incurred in ongoing litigious proceedings (including interest and other incidental costs) | <p>If a payment obligation is likely and exceeds HUF 3 million.</p> <p>In the case of claims exceeding 1% of equity, provisions are only set aside if, based on a case-by-case assessment, it is likely or certain that a payment obligation will be incurred.</p> |
| Guarantee obligations | Every quarter, proportionately to the sales revenue in the given quarter, based on the proportion of the costs resulting from fulfilment of the guarantee obligations actually incurred in the reporting year to the part of the previous year's net sales revenue to which a guarantee obligation is related; in the case of individual or contracts or projects, on a case-by-case assessment. |
| Default interest | On interest, of the extent determined in the Civil Code, that has not been charged but relates to the period before the balance sheet date, based on a calculation. |
| On expected costs – in the case of demolition and maintenance costs | <p>If the expected cost is substantial, then based on a case-by-case assessment. Provisioning for the pro-rata portion of periodical recurring maintenance costs of assets created in the course of development, reconstruction and comprehensive renovation performed using EU funds, and serving to ensure a higher standard of service, is of particular importance at MÁV Zrt and is performed on the basis of the following formula:</p> $\text{For covering periodic maintenance costs} = \frac{\text{Time passed from the maintenance period until the turning date}}{\text{Length of maintenance period}} * \text{Estimated maintenance costs}$ <p>amount of provisions generated on the balance sheet</p> |
| Environmental protection | On the basis of an order by the specialist authority, or in the absence of such, data reporting based on a professional estimate. |
| Annuity obligations | On the basis of the claim asserted by the beneficiary, the interest and other incidental costs related to the reporting period. The awarded annuity is determined using the annuity calculation method; if necessary the provisions are re-estimated. |

The Company makes use of the opportunity provided for it in Section 33 (2) of the Accounting Act, and – in connection with capital investments and property rights – sets aside other provisions. The decision regarding the setting aside of other provisions related to working capital loans is always made on a case-by-case basis.

II.1.5.1 Provisions for expected liabilities

Figures in MHUF

| Provisions for liabilities | Opening balance | Released in the reporting year | Set aside in the reporting year | Closing balance |
|---|-----------------|--------------------------------|---------------------------------|-----------------|
| Liabilities related to employment termination | 1 355 | 910 | 422 | 867 |
| Environmental liability | 10 486 | 687 | 524 | 10 323 |
| Litigation | 2 397 | 1 367 | 283 | 1 313 |
| Provisions set aside for indemnity claims | 181 | 39 | 78 | 220 |
| Liabilities assumed from subsidiaries | 7 | 0 | 0 | 7 |
| Damage caused by chemical spill in the Ajka region | 4 | 0 | 0 | 4 |
| Working clothes and uniforms | 917 | 313 | 102 | 706 |
| Contribution payment liability | 7 320 | 795 | 515 | 7 040 |
| Late-payment interest | 339 | 321 | 114 | 132 |
| Provisions generated because of EU law infringement | 0 | 0 | 19 | 19 |
| Bonus payment liability | 711 | 408 | 457 | 760 |
| Provisions for other liabilities | 225 | 0 | 0 | 225 |
| Total: | 23 942 | 4 840 | 2 514 | 21 616 |

Table 21: Provisions set aside for expected liabilities

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

Pursuant to orders VFF/27095/2014-NFM and TPF/28503-2/2015-NFM issued by the Ministry of National Development, bonuses for 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 set aside for the unpaid part will remain until expiry of the limitation period under labour law. Provisions of HUF 457 million were set aside in respect of the 2016 performance.

Environmental protection provisions are presented in detail in the section entitled III.1.1. Environmental protection liabilities, in Table 56.

II.1.5.2 Provisions set aside for liabilities to related companies

Figures in MHUF

| Provisions set aside for liabilities to related companies | Opening balance | Released in the reporting year | Set aside in the reporting year | Closing balance |
|---|-----------------|--------------------------------|---------------------------------|-----------------|
| Provisions set aside for indemnity claims | 110 | 23 | 64 | 151 |
| Liabilities assumed from subsidiaries | 7 | 0 | 0 | 7 |
| Late-payment interest | 1 | 1 | 0 | 0 |
| Total: | 118 | 24 | 64 | 158 |

Table 22: Provisions set aside for expected liabilities to related companies

II.1.5.3 Provisions for future costs

The provisions set aside by MÁV Zrt. for expected, substantial and periodically recurring future costs that are likely or certain to be incurred, but the exact amount or the date of which is uncertain as of the balance sheet date (future costs), are summarised in the following table.

Figures in MHUF

| Provisions set aside for future costs | Opening balance | Released in the reporting year | Set aside in the reporting year | Closing balance |
|---|-----------------|--------------------------------|---------------------------------|-----------------|
| Provisions set aside for future costs | 927 | 65 | 0 | 862 |
| Provisions to cover key maintenance costs | 3 675 | 0 | 3 485 | 7 160 |
| Provisions to cover other maintenance costs | 1 848 | 1 032 | 55 | 871 |
| Total: | 6 450 | 1 097 | 3 540 | 8 893 |

Table 23: Provisions set aside for future costs

This year a review was held of the assets for which maintenance provisions had been set aside in previous years. Based on the review, provisions totalling HUF 1,032 in value were released due to the performance of works or the decommissioning of buildings.

There is a growing proportion of lines, stations and other elements of infrastructure within the railway network operated by MÁV Zrt. 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 were set aside in 2016.

II.1.5.4 Other provisions

II.1.5.4.1 Provisions for exchange rate losses

Figures in MHUF

| Description of Loan | Opening balance | Released in the reporting year | Set aside in the reporting year | Closing balance |
|---------------------|-----------------|--------------------------------|---------------------------------|-----------------|
| OTP (Talent) | 157 | 157 | 0 | 0 |
| CA-CIB | 1 956 | 307 | 0 | 1 649 |
| Eurofima 13 | 661 | 661 | 0 | 0 |
| Raiffeisen | 1 610 | 133 | 0 | 1 477 |
| Total: | 4 384 | 1 258 | 0 | 3 126 |

Table 24: Provisions for exchange rate losses

II.1.5.5 Development of provisions in the reporting year

Figures in MHUF

| Description | Provision for contingent liabilities | Provision for future costs | Other provisions | Total |
|--------------------------------------|--------------------------------------|----------------------------|------------------|---------------|
| Opening balance of provisions | 23 942 | 6 450 | 4 384 | 34 776 |
| Resolved nominal | 4 840 | 1 097 | 1 258 | 7 195 |
| Generated nominal | 2 514 | 3 540 | 0 | 6 054 |
| Closing balance of provisions | 21 616 | 8 893 | 3 126 | 33 635 |

Table 25: Changes in provisions

II.1.6 Liabilities

II.1.6.1 Subordinated liabilities

MÁV Zrt. does not have any subordinated liabilities.

II.1.6.2 Long-term liabilities

II.1.6.2.1 Long-term loans

Figures in MHUF

| Label of the source | Agreement dated at | Matures on | Government guarantee (no. of decree) | Secured by assets | Currency | Amount per agreement (millions, original currency) | Available facility | |
|----------------------------------|--------------------|------------|--------------------------------------|-------------------|----------|--|--------------------|-------------|
| | | | | | | | Million FX | Million HUF |
| Investment loans | | | | | | | | |
| EUROFIMA 11 d | 31.12.2003 | 17.12.2018 | 1036/2003 | yes | EUR | 8,06 | 8,057 | 2 506 |
| CA-CIB Consortium (30 Flirt) | 22.03.2006 | 16.06.2020 | - | yes | EUR | 144,60 | 44,009 | 13 688 |
| Raiffeisen Bank Zrt. (+30 Flirt) | 25.09.2007 | 28.11.2021 | - | yes | EUR | 141,60 | 60,162 | 18 712 |
| Total: | | | | | | | | 34 906 |
| Operational loans | | | | | | | | |
| MFB Zrt. HUF 7.0 bn | 27.12.2012 | 27.12.2017 | 1546/2012 | - | HUF | 7 000 | | 1 647 |
| Total: | | | | | | | | 1 647 |
| Grand total: | | | | | | | | 36 553 |

Note: HUF 7,741 million in investment loans, and HUF 1,647 million in other long-term loans was presented under short-term loans in the balance sheet.

Table 26: The Company's long-term credit facility

Figures in MHUF

| Description of the long-term facility | 2017 | 2018 | 2019 | 2020 and after | Total |
|--|--------------|---------------|--------------|----------------|---------------|
| Investment loans | | | | | |
| EUROFIMA 11 d | 0 | 2,506 | 0 | 0 | 2,506 |
| CA-CIB Consortium (30 Flirt) | 3,911 | 3,911 | 3,911 | 1,955 | 13,688 |
| Raiffeisen Bank Zrt. (+30 Flirt motor coaches) | 3,830 | 3,830 | 3,830 | 7,222 | 18,712 |
| Total | 7,741 | 10,247 | 7,741 | 9,177 | 34,906 |
| Operational loans | | | | | |
| MFB Zrt. HUF 7.0 bn | 1,647 | 0 | 0 | 0 | 1,647 |
| Total | 1,647 | 0 | 0 | 0 | 1,647 |
| Grand total | 9,388 | 10,247 | 7,741 | 9,177 | 36,553 |

Note: HUF 7,741 million in investment loans, and HUF 1,647 million in other long-term loans was presented under short-term loans in the balance sheet.

27 Table: Repayment schedule of the Company's long-term loans

II.1.6.2.2 Long-term loans and bond debts

Figures in MHUF

| | | | | | | | Figures in million HUF | |
|-------------------------------------|--------------------|------------|--------------------------------------|-------------------|----------|--|---------------------------------|-------------|
| Loan | Agreement dated at | Matures on | Government guarantee (no. of decree) | Secured by assets | Currency | Amount per agreement (millions, original currency) | Available facility (31/12/2016) | |
| | | | | | | | Million FX | Million HUF |
| Entrepreneurial loans | | | | | | | | |
| Central traffic coordination system | 10/08/2007 | 27/06/2019 | - | - | HUF | 1,870 | | 526 |
| Total: | | | | | | | | 526 |

Note: HUF 234 million in entrepreneurial loans were presented under short-term loans in the balance sheet.

28 Table: The Company's long-term loans

Figures in MHUF

| Description of the long-term facility | 2017 | 2018 | 2019 | 2020 and after | Total |
|--|------------|------------|-----------|----------------|------------|
| Entrepreneurial loans | | | | | |
| Central traffic coordination system in Szeged - PROLAN | 234 | 234 | 58 | 0 | 526 |
| Total | 234 | 234 | 58 | 0 | 526 |

Note: HUF 234 million in entrepreneurial loans was presented under short-term loans in the balance sheet.

29 Table: Repayment schedule of the Company's long-term loans

The Company has no bond debts.

II.1.6.2.3 Other long-term liabilities

| Figures in MHUF | | |
|--|----------------|----------------|
| Description | Previous year | Reporting year |
| Funding for managed state-owned assets | 827 475 | 979 318 |
| Change in liabilities due to merger | 127 | 0 |
| Other long-term liabilities | 357 | 474 |
| Other long-term liabilities in total: | 827 959 | 979 792 |

Table 30: Other long-term liabilities

II.1.6.2.4 Liabilities related to managed state-owned assets

| Figures in MHUF | | | |
|--|----------------|----------------|----------------|
| Liabilities associated with 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 |
| of which: - treasury investment invoices submitted to the treasury in the current year | - 21,954 | - 1,708 | 20,246 |
| - payments made by the treasury in the current year, | 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 | 96 |
| 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 31: Liabilities related to managed state-owned assets

Details of the liabilities related to the decrease in state-owned assets:

| Figures in MHUF | | | |
|---|---------------|---------------|------------|
| Compensation liability accounted from the date the amendment to the Act on State Property took effect (28 June 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 |
| Takeover in 2016 of NIF projects | 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 June 2013 | -12 | 29 | 41 |
| Ordinary amortisation recognised | 43,702 | 47,461 | 3,759 |
| Extraordinary depreciation | 4,272 | 12,395 | 8,123 |
| of which - Handover in 2016 of NIF projects | 0 | 9,619 | 9,619 |
| - From Investment and Scrapping of tangible assets | 4,272 | 2,781 | -1,496 |
| Extraordinary depreciation of investments related to managed state-owned assets | -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 June 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 32: Liabilities related to the decrease in managed state-owned assets

II.1.6.3 Short-term liabilities

II.1.6.3.1 Short-term credits and loans

The following year's repayment instalment of entrepreneurial loans (HUF 234 million) was reclassified to short-term loans. The part of long-term loans repayable within one year, totalling HUF 9,388 million, is stated under short-term loans.

II.1.6.3.2 Other short-term liabilities

Figures in MHUF

| Item | Previous year | Reporting year | Difference |
|--|---------------|----------------|---------------|
| Taxes payable | 4,510 | 3,828 | -875 |
| Liabilities to the treasury | 14,045 | 8,316 | -5,306 |
| <i>of which: liabilities due to reimbursement of expenses</i> | <i>12,681</i> | <i>7,473</i> | <i>-4,752</i> |
| Narrow gauge railway developments | 0 | 10,000 | 10,000 |
| Wages and salaries | 3,065 | 3,266 | 201 |
| Completed but not registered capital increase (see in section II.1.4.1.) | 0 | 1,978 | 1,978 |
| Other liabilities deducted from employees | 152 | 139 | -13 |
| Liabilities from claims for indemnity | 104 | 0 | -104 |
| Tender deposit | 193 | 1 | 0 |
| Late-payment interest payable | 4 | 2 | -2 |
| Security, deposit | 0 | 19 | |
| Competitive bid bond | 94 | 109 | 15 |
| Other liabilities | 31 | 43 | 12 |
| Other current liabilities, total | 22,198 | 27,701 | 5,906 |

Table 33: Composition of other short-term liabilities

In its resolution number 1803/2016 (XII.20.) the Government granted support, pursuant to Section 101/A of Government Decree 368/2011 (XII.31.) on the implementation of the act on public finance, for narrow-gauge railway development projects.

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 34: Composition of liabilities related to costs reimbursement

II.1.6.4 Liabilities to related companies

Figures in MHUF

| Description | Fully consolidated | Not fully consolidated subsidiary | Total |
|---|--------------------|-----------------------------------|---------------|
| Subordinated liabilities to related companies | 0 | 0 | 0 |
| Long-term liabilities to related companies | 0 | 0 | 0 |
| Current liabilities to related companies | 16 132 | 1 | 16 133 |
| Total: | 16 132 | 1 | 16 133 |

Table 35: Liabilities to related companies

II.1.7 Accrued expenses and deferred income

Figures in MHUF

| Description | Previous year | Reporting year | Difference |
|--|---------------|----------------|--------------|
| Prepaid income | | | |
| Unbilled income (credit) | 145 | 139 | -6 |
| Pre-billed income | 1 | 364 | 363 |
| Invitel Kft. other prepaid income | 9 444 | 9 155 | -289 |
| Other revenues | 323 | 230 | -93 |
| Prepaid income in total: | 9 913 | 9 888 | -25 |
| Accrued expenses | | | |
| Unbilled costs | 956 | 1 964 | 1 008 |
| Accrued incoming invoices to be approved | 64 | 82 | 18 |
| Other expenses | 9 | 0 | -9 |
| Accrued calculated unbilled utility charges related to 2011 | 19 | 0 | -19 |
| Accrued calculated unbilled utility charges related to 2012 | 5 | 0 | -5 |
| Accrued calculated unbilled utility charges related to 2015 | 390 | 0 | -390 |
| Accrued calculated unbilled utility charges related to 2016 | 0 | 172 | 172 |
| Interest | 38 | 16 | -22 |
| Accrued internal and external interest on Cash-pool - K&H Bank | 2 | 1 | -1 |
| Late-payment interest, penalty and damages due in the reporting period | 0 | 15 | 15 |
| Incentives and relevant costs | 0 | 88 | 88 |
| Accrual of costs and expenses in total: | 1 483 | 2 338 | 855 |
| Deferred income | | | |
| Fixed assets received free of charge and as gifts | 90 | 86 | -4 |
| Surplus of fixed assets | 623 | 585 | -38 |
| Cash received from the government | 10 442 | 10 272 | -170 |
| Phare aid for development | 440 | 411 | -29 |
| EU funds and government subsidies | 4 399 | 6 373 | 1 974 |
| Reimbursement for renovation - assets owned by MÁV | 3 116 | 8 536 | 5 420 |
| Amounts received from local governments and from businesses free of charge | 123 | 120 | -3 |
| Debts arising from asset acquisitions assumed by the government | 2 439 | 1 834 | -605 |
| Deferred income in total: | 21 672 | 28 217 | 6 545 |
| Total: | 33 068 | 40 443 | 7 375 |

Table 36: Change in accrued expenses and deferred income

Deferred income was recognised in 2016 in an amount of HUF 2,072 million in connection with subsidies received as a part of EU and other central programmes, and HUF 3,551 million in connection with the reimbursement of renovation costs. Proportionately to depreciation, and as a consequence of the derecognition of items not related to asset settlement, the release of HUF 1,000 million in deferred income was recognised.

II.1.8 Disclosures related to off balance sheet items

II.1.8.1 Borrowing and repayment of loans not disbursed by the balance sheet date

In 2016 MÁV Zrt concluded no credit agreements for which disbursement was delayed until 2017.

II.1.8.2 Hedging transactions

Financial market risks associated with MÁV Zrt.'s activity are an integral part of its business operations, and these risks were actively reduced through hedging transactions.

MÁV Zrt.'s 2016 foreign currency balance, expressed in both EUR and in HUF on an EUR basis, was a deficit of EUR 3,866 thousand, which was EUR 6,589 thousand less than the planned figure. The main factor underlying this discrepancy was the EUR 7,558 thousand in foreign currency income from the sale of real estate (the opportunity to execute the transaction arose after the plan had been made).

The total foreign currency deficit arising in euro was EUR 65,556 thousand, which also includes the foreign currency debt service related to the motor coaches that the Company invoices to MÁV START Zrt. in HUF as part of the rental fee.

The planned foreign currency deficit was hedged with EUR 52,046 thousand forward (of which EUR 1,160 thousand was closed), EUR 1,500 thousand swap, and EUR 516 thousand spot purchases. 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 (weighted average rate: 311.99 HUF/EUR).

No hedge transactions were concluded in 2016 for the risks associated with interest rate changes or commodity (e.g. gasoline) price changes.

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

Figures in MHUF

| Transaction type | | Effect on profit/loss | Effect on cash flow |
|-----------------------|----------------|-----------------------|---------------------|
| Clearing transactions | Forward | 3.1 | 3.1 |
| | Swap | -1.2 | -1.2 |
| | Option | 0 | 0 |
| | Total: | 1.9 | 1.9 |
| Delivery transactions | Forward | 35.5 | 35.5 |
| | Swap | 0 | 0 |
| | Option | 0 | 0 |
| | Total: | 35.5 | 35.5 |
| Grand total: | | 37.5 | 37.5 |
| of which: | Hedging | 37.5 | 37.5 |
| | Non-hedging | 0 | 0 |
| | Total | 37.5 | 37.5 |
| of which: | Stock exchange | 0 | 0 |
| | OTC | 37.5 | 37.5 |
| | Total | 37.5 | 37.5 |

*The profit and loss impact and the cash flow impact were identified based on the official central bank (MNB) rate prevailing at the date of maturity.

Table 37: Forward hedge transactions in 2016

II.1.8.3 Surety and guarantee contracts

Figures in MHUF

| Beneficiary company name | Type of guarantee | Contracting party | Start date | End date | Amount of guarantee in million HUF |
|------------------------------------|--|-------------------|------------|------------|------------------------------------|
| Bank guarantee | | | | | |
| National Tax and Customs Authority | excise guarantee | OTP Bank Nyrt. | 12/12/2015 | 11/12/2017 | 300 |
| National Transport Authority | accident | OTP Bank Nyrt. | 27/04/2009 | 31/12/2017 | 1,000 |
| Ministry of National Development | budgeted and for the use of the residual value for the purposes of the TEN-T project | OTP Bank Nyrt. | 26/10/2016 | 31/10/2017 | 1,182 |
| Bank guarantees, total: | | | | | 2,482 |

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

As at 31 December 2016 MÁV Zrt. had no contracts under which it assumed a payment guarantee.

II.1.8.4 Lien obligations

Figures in MHUF

| Loan description | Available facility as at 31 Dec. 2016 (million HUF) | Security |
|--|---|-------------------------------|
| EUROFIMA 11 | 2 506 | rolling stock |
| CA-CIB Consortium (30 Flirt financing) | 13 688 | 30 Flirt multiple-unit trains |
| Raiffeisen Bank Zrt. (+30 Flirt financing) | 18 712 | 30 Flirt multiple-unit trains |

Table 39: Development of lien obligations

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 million (0.7%) of the registered share capital of EUROFIMA, of which CHF 14.56 million (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 million 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 million 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 million 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 assessment of other encumbrances on properties and the rights to public utilities (electric cables, water and gas pipelines) and access rights, rights to place geodesic signs etc. started in the earlier years in line with relevant legislation. Cable and pipeline rights for the land beneath previously laid cables and pipelines is currently in progress.

There are several properties owned or managed by MÁV Zrt. in respect of which a charge has been registered on the grounds of long-term environmental damage. In the case of properties where such charge has been registered, the encumbrance will only be removed once remediation work have been successfully completed.

II.1.8.5 Expected amount of environmental protection and restoration obligations not recognised under liabilities

The Company has no protection and restoration obligations not recognised under liabilities.

II.1.8.6 Payment schedule of off-balance sheet interest and incidental costs

Figures in MHUF

| Description of source | 2017 | 2018 | 2019 | 2020 and after | Total |
|--|------------|------------|------------|----------------|------------|
| Investment loans | | | | | |
| EUROFIMA 11* | -2 | 8 | 0 | 0 | 6 |
| CA-CIB Consortium (30 Flirt) | 137 | 107 | 57 | 10 | 311 |
| Raiffeisen Bank Zrt. (+30 Flirt motor coaches) | 192 | 172 | 123 | 99 | 586 |
| Investment loans, total: | 327 | 287 | 180 | 109 | 903 |
| Operational loans | | | | | |
| MFB Zrt. HUF 7.0 bn | 42 | 0 | 0 | 0 | 42 |
| Operational loans, total: | 42 | 0 | 0 | 0 | 42 |
| Entrepreneurial loans | | | | | |
| Central traffic coordination system in Szeged - PROI | 14 | 9 | 1 | 0 | 24 |
| Entrepreneurial loans, total: | 14 | 9 | 1 | 0 | 24 |
| Grand total: | 383 | 296 | 181 | 109 | 969 |

*expected interest in 2017 is negative

Table 40: Payment schedule of off-balance sheet interest and incidental costs

II.1.8.7 Operating lease contracts in effect at the balance sheet date where the Company is the lessee

Figures in MHUF

| Contracting partner | Subject matter | Agreement dated at | Contract expiry | Contract amount (HUF/month) | Amount not recognised until the B/S date (million HUF) |
|-------------------------------|---|----------------------------------|----------------------|-----------------------------|--|
| Raiffeisen Real Property Fund | Budapest, Könyves K. 54-60 | 2009.02.28 | 2019.05.06 | 88 | 617 |
| Raiffeisen Real Property Fund | Real property lease contract | 2016.04.01 | 2017.02.28 | 3 | 5 |
| Porsche Lizing | Vehicle rent MÁV | 2011.10.03 | 2017.10.31 | 111 | 1 110 |
| Magyar Telekom Nyrt | number of mutual infrastructure service framework contract: 67103-743999/2004., | 2004.09.30 | Indefinite | 22 | n/a |
| MKB EuroLizing | Vehicle rent MÁV | 2012.02.06 | 2017.01.31 | 8 | 8 |
| FORSE Kft. | Availability of worker accommodation | 2012.04.07 | 2018.04.07 | 10 | 147 |
| Invitel Zrt. | Number of mutual infrastructure contract: IR/1089-05/2005., | 2005.06.26 | Indefinite | 4 | n/a |
| LeasePlan | Vehicle rent MÁV | 2004.12.27 | indefinite | 2 | n/a |
| Mercarius | Vehicle rent MÁV | 2015.12.01 | 2019.12.01 | 2 | 58 |
| MÁV Szolgáltató Központ | Vehicle rent MÁV | 2015.10.01 | indefinite | 2 | n/a |
| József Kovács sole trader | Vehicle rent MÁV | 2010.08.01 | indefinite | 3 | n/a |
| Merkantil | Vehicle rent MÁV | 2014.09.15 | indefinite | 3 | n/a |
| Other contracts | | 26 March 1969 multiple contracts | Definite/ Indefinite | 9 | 121 |
| Total | | | | 267 | 2 066 |

Table 41: Operating lease contracts in effect at the balance sheet date

II.2 Notes to the profit and loss account

The Company compiles a profit and loss account using the total cost method in accordance with Annex 2 of the Accounting Act.

The Company does not add extra line items to the profit and loss account template specified by law, and does not omit or merge any items therein.

In its notes to the annual financial statements the Company also discloses a profit and loss account prepared with the turnover cost method in accordance with Annex 3 of the Accounting Act.

II.2.1 Net sales revenues

II.2.1.1 Net sales revenues per activity

Figures in MHUF

| Activity | 2015 | | 2016 | | Change |
|---|----------------|------------------|----------------|------------------|---------------|
| | Amount | Distribution (%) | Amount | Distribution (%) | |
| Railtrack operations | 140,012 | 91.50 | 138,464 | 91.56 | -1,548 |
| Of which: Transport service lines and transport | 43,848 | 28.65 | 44,540 | 29.46 | 692 |
| Traction energy and fuel supply | 33,674 | 22.01 | 29,818 | 19.72 | -3,856 |
| Station use | 34,972 | 22.85 | 35,823 | 23.69 | 851 |
| Upper cables | 4,084 | 2.67 | 4,162 | 2.75 | 78 |
| Cargo car towing, arrangement | 6,639 | 4.34 | 6,110 | 4.04 | -529 |
| Property lease and management | 10,123 | 6.62 | 9,334 | 6.17 | -789 |
| Railway safety operations | 0 | 0.00 | 2,109 | 1.39 | 2,109 |
| Other rail operations services | 6,672 | 4.36 | 6,568 | 4.34 | -104 |
| Passenger transport | 100 | 0.07 | 103 | 0.07 | 3 |
| Other activities | 12,913 | 8.43 | 12,664 | 8.37 | -249 |
| Of which: Materials sold, inventory management | 1,169 | 0.76 | 145 | 0.10 | -1,024 |
| Rail vehicle lease | 8,489 | 5.55 | 9,197 | 6.08 | 708 |
| Property lease and management | 1,905 | 1.24 | 1,999 | 1.32 | 94 |
| Other services (central services, etc.) | 1,350 | 0.88 | 1,323 | 0.87 | -27 |
| Total: | 153,025 | 100.00 | 151,231 | 100.00 | -1,794 |

Table 42: Net sales revenues by main activity

Net revenue from sales fell by HUF 1,794 M overall in the reporting year, primarily due to the revenues from track operation (HUF -1,548 M). The revenues deriving from the sale of electrical energy and fuel for traction decreased substantially, since the volume and per-unit charges for these items also decreased in comparison with the base year.

MÁV Zrt. had a valid network access agreement with 46 entities with access rights on 31 December 2016. With respect to the distribution of accounted network access performance by each entity with access rights, we found that most of the revenues (90.07%) from network access charges are from MÁV-START Zrt. (which nearly completely covers the passenger rail transport segment) and from Rail Cargo Hungaria Zrt., which covers most of the rail cargo segment.

In 2016, railtrack operation revenues were recognised from two railway companies: MÁV-START Zrt. (HUF 102 038 million) and Rail Cargo Hungary Zrt. (HUF 16 795 million).

The revenues from track operation excluding traction fuel rose by HUF 2,308 M. Most of the change in the reporting year (HUF +2,109 M) can be attributed to the transfer of railway security activities to MÁV Zrt. due to the absorption of MÁV Létesítményüzemeltető és Vasútör Kft. The merger resulted in a new activity, namely the detailed surveying of the residential properties being purchased by the state asset management corporation Nemzeti Eszközkezelő Zrt. for the

State of Hungary, their periodical and regular on-site inspection, and the performance of conservation and renovation works, all of which generated sales revenue of HUF 992 million.

The drop in sales revenue from other activity was predominantly attributable to the transfer of inventory management, which affects a substantial proportion of general materials, to MÁV SZK Zrt. In 2016, as a consequence of the review, primarily general materials on inventory were sold (HUF 47 million) to the above mentioned company taking over the supply task, in connection with the change relating to the procurement and management of such materials. In addition to the above, HUF 73 million resulted from the sale of waste.

The above decrease was offset by the HUF 708 million increase in sales revenue from the multiple unit railcars leased to MÁV-START Zrt.

II.2.1.2 Export and import sales revenues

Figures in MHUF

| Country | 2015 | | | | | | 2016 | | | | | |
|------------------------------------|-----------------|--------------------|--------------|-----------------|-------------------|---------------|-----------------|--------------------|--------------|-----------------|-------------------|---------------|
| | Export of goods | Export of services | Total export | Import of goods | Imported services | Import, total | Export of goods | Export of services | Total export | Import of goods | Imported services | Import, total |
| Germany | 0 | 12 | 12 | 452 | 0 | 452 | 0 | 13 | 13 | 504 | 0 | 504 |
| Austria | 18 | 456 | 474 | 168 | 10 | 178 | 0 | 11 | 11 | 170 | 11 | 181 |
| Italy | 0 | 0 | 0 | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 9 | 9 |
| Slovakia | 345 | 861 | 1,206 | 0 | 5 | 5 | 0 | 1,454 | 1,454 | 9 | 1 | 10 |
| Czech Republic | 0 | 0 | 0 | 1,170 | 44 | 1,214 | 0 | 0 | 0 | 1,138 | 0 | 1,138 |
| Slovenia | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 |
| Poland | 0 | 0 | 0 | 49 | 0 | 49 | 0 | 1 | 1 | 62 | 0 | 62 |
| France | 0 | 5 | 5 | 0 | 68 | 68 | 0 | 2 | 2 | 0 | 49 | 49 |
| Belgium | 0 | 0 | 0 | 0 | 20 | 20 | 0 | 0 | 0 | 0 | 0 | 0 |
| Denmark | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Netherlands | 0 | 0 | 0 | 0 | 11 | 11 | 0 | 0 | 0 | 2 | 11 | 13 |
| Portugal | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Romania | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21 | 0 | 21 |
| Croatia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 77 | 0 | 77 |
| Total EU member states: | 363 | 1,334 | 1,697 | 1,839 | 167 | 2,006 | 0 | 1,481 | 1,481 | 1,983 | 85 | 2,068 |
| Serbia | 0 | 0 | 0 | 78 | 0 | 78 | 0 | 0 | 0 | 149 | 0 | 149 |
| Ukraine | 0 | 0 | 0 | 0 | 13 | 13 | 0 | 0 | 0 | 0 | 9 | 9 |
| Switzerland | 0 | 54 | 54 | 0 | 0 | 0 | 0 | 44 | 44 | 0 | 0 | 0 |
| Russia | 0 | 0 | 0 | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total non-EU member states: | 0 | 54 | 54 | 78 | 16 | 94 | 0 | 44 | 44 | 149 | 9 | 158 |
| Grand total: | 363 | 1,388 | 1,751 | 1,917 | 183 | 2,100 | 0 | 1,525 | 1,525 | 2,132 | 94 | 2,226 |

Table 43: Export and import

II.2.2 Analysis of costs by type

The Company's costs, and the cost of goods sold, and the value of sold (intermediated) services, developed as follows in 2016:

Figures in MHUF

| Description | 2015 | | 2016 | |
|--------------------------------|----------------|------------------|----------------|------------------|
| | Amount | Distribution (%) | Amount | Distribution (%) |
| Material expenses in total: | 106 434 | 45,78 | 99 479 | 41,20 |
| Payments to personnel | 73 925 | 31,80 | 85 890 | 35,57 |
| Depreciation expense in total: | 52 110 | 22,42 | 56 080 | 23,23 |
| Total: | 232 469 | 100,00 | 241 449 | 100,00 |

Table 44: Expenses

II.2.2.1 Material expenses

Figures in MHUF

| Description | Previous year | Percentage of the previous year's total costs | Reporting year | Percentage of the reporting year's total costs | Change |
|---|----------------|---|----------------|--|---------------|
| Material costs | | | | | |
| Electricity | 3 690 | 1,59 | 3 417 | 1,42 | -273 |
| Gas | 2 306 | 0,99 | 2 016 | 0,83 | -290 |
| Water and sewage | 378 | 0,16 | 374 | 0,15 | -4 |
| Fuel | 1 108 | 0,48 | 1 275 | 0,53 | 167 |
| Rail track materials | 9 398 | 4,04 | 9 098 | 3,77 | -300 |
| Clothes | 363 | 0,16 | 1 123 | 0,47 | 760 |
| Other materials | 1 449 | 0,62 | 2 391 | 0,98 | 942 |
| Material costs, total: | 18 692 | 8,04 | 19 694 | 8,15 | 1 002 |
| Value of services used | | | | | |
| Track maintenance | 11 351 | 4,88 | 11 435 | 4,74 | 84 |
| Traction, shunting | 3 391 | 1,46 | 3 563 | 1,48 | 172 |
| Track metering, cleaning, welding | 2 406 | 1,03 | 2 826 | 1,17 | 420 |
| Leased wagons and cars | 1 176 | 0,51 | 1 593 | 0,66 | 417 |
| Other railway services (wagon maintenance, cleaning, emergency service, ticket control, etc.) | 1 126 | 0,48 | 1 183 | 0,49 | 57 |
| Building operations and maintenance | 10 415 | 4,48 | 6 367 | 2,64 | -4 048 |
| Public utilities (sewage, district heating) | 722 | 0,31 | 792 | 0,33 | 70 |
| Property rental | 1 169 | 0,50 | 1 243 | 0,51 | 74 |
| Property utilisation services | 362 | 0,16 | 0 | 0,00 | -362 |
| IT services | 2 184 | 0,94 | 2 926 | 1,21 | 742 |
| Security services | 2 844 | 1,22 | 1 725 | 0,71 | -1 119 |
| Acquisition and stock management services | 3 968 | 1,71 | 3 342 | 1,38 | -626 |
| Postal and telephone charges | 315 | 0,14 | 323 | 0,13 | 8 |
| Specialist tender charges | 49 | 0,02 | 182 | 0,08 | 133 |
| Legal services | 100 | 0,04 | 140 | 0,06 | 40 |
| Damage mitigation and restoration | 850 | 0,37 | 725 | 0,30 | -125 |
| Other services used | 6 890 | 2,96 | 7 906 | 3,27 | 1 016 |
| Total value of services used | 49 318 | 21,21 | 46 271 | 19,16 | -3 047 |
| Value of other services used | | | | | |
| Administrative fees, duties | 907 | 0,39 | 895 | 0,37 | -12 |
| Banking charges | 217 | 0,09 | 220 | 0,09 | 3 |
| Insurance fees | 189 | 0,09 | 195 | 0,08 | 6 |
| Total value of other services used: | 1 313 | 0,57 | 1 310 | 0,54 | -3 |
| Cost of goods sold | 35 523 | 15,28 | 30 500 | 12,64 | -5 023 |
| Value of sold (intermediated) services | 1 588 | 0,68 | 1 704 | 0,71 | 116 |
| Material expenses in total: | 106 434 | 45,78 | 99 479 | 41,20 | -6 955 |

Table 45: Material expenses

The value of material expenses decreased by 6.53% in comparison to the previous year. The most significant material expenses in the reporting year continued to be re-sold traction electricity (19.83%) and traction diesel fuel (10.19%), railtrack maintenance, property management and maintenance services used (11.49 – 6.40%), as well as the proportion of railtrack specialist materials (9.15%).

Material costs decreased slightly in 2016, and the most significant item under this heading was the cost of railtrack specialist materials.

The most important items among services used in 2016 continued to be the costs of track maintenance, property management and maintenance, traction, shunting and the services procured from MÁV SZK Zrt (procurement and logistics, HR, IT and accounting services). The main factors contributing to the 6.18% decrease in the reporting year, relative to the base year, were the drop of 38.87% in property management and maintenance costs and 39.35% in security costs, which was due to the absorption of MÁV Létesítményüzemeltető és Vasútőr Kft.

Other services remained on a par with the base year. The most significant items in 2016 were the HUF 621 million fee payable to VPE Kft. in accordance with Government Decree 268/2009.(XII.1.) on the legal relationship between the organisation responsible for allocating railway capacity and the non-independent railtrack network, and the HUF 207 million bank commission and other costs paid to credit institutions.

The cost of goods sold decreased relative to the base period for the following reasons:

- The cost of traction fuel sold to railway companies decreased by HUF 1,596 million.
- The impact of the reduction in the per-unit charge for traction electricity was HUF 2,399 million.
- With respect to the general materials sold, the extent of the decrease relative to the base period was HUF 949 million, as the procurement and inventory management of these was outsourced to MÁV SZK Zrt.

II.2.2.2 Payments to personnel

| Figures in MHUF | | | | | |
|-------------------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|
| Item | 2015 | Percentage of 2015 total costs | 2016 | Percentage of 2016 total costs | Change |
| Wages and salaries | 50,651 | 21.79 | 58,709 | 24.31 | 8,058 |
| Other payments to personnel | 7,797 | 3.35 | 9,210 | 3.82 | 1,413 |
| Contributions on wages and salaries | 15,477 | 6.66 | 17,971 | 7.44 | 2,494 |
| Total payments to personnel: | 73,925 | 31.80 | 85,890 | 35.57 | 11,965 |

Table 46: Payments to personnel

Personnel expenses increased by HUF 11,965 M in comparison to the base year, as a consequence of the merger carried out on 31 December 2015 and the wage measures detailed in the following.

The wage agreement for 2016 was made on 23 February 2016. The agreement consisted of the following measures:

- Retroactively with effect from 1 January 2016 a 3.0% basic wage increase took place in respect of employees who are entitled to it under the agreement (those in job categories 6-17 earning HUF 350 thousand or less, gross),
- the extent of the employer's supplementary voluntary pension fund contribution, from 1 January 2016 is a total of 2.5% of the employee's basic wage (an increase of 0.5 percentage points).

In June, in the interest of motivating and retaining the workforce, a one-off incentive payment was made to non-management employees who had been left out of the wage increase in the reporting year.

In December, on the basis of a voluntary commitment on the part of the employer, a one-off payment of HUF 45 thousand gross was made to employees, not subject to the bonus system, who were included in the statistical headcount between 29 February 2016 and 1 December 2016.

Management of the payment of benefits due to employees in standby jobs, retroactively going back 3 years in connection with Section 101 (3) of the Labour Code, took place in two phases. In the meantime the government repealed the above section.

II.2.2.3 Depreciation expense

| Description | 2015 | Percentage of 2015 total costs | 2016 | Figures in MHUF | |
|--|---------------|--------------------------------|---------------|--------------------------------|--------------|
| | | | | Percentage of 2016 total costs | Change |
| Depreciation of managed state-owned assets | 43 702 | 18,80 | 47 460 | 19,66 | 3 758 |
| Depreciation of MÁV Zrt.'s assets | 8 408 | 3,62 | 8 620 | 3,57 | 212 |
| Depreciation expense total | 52 110 | 22,42 | 56 080 | 23,23 | 3 970 |

Table 47: Depreciation expense

A detailed presentation of depreciation is given in the section entitled II.1.1.6. Impact of the settlement of depreciation in the reporting year

II.2.3 Other gains and expenses

II.2.3.1 Other gains

| Description | 2015 | Distribution (%) | 2016 | Distribution (%) | Change |
|---|----------------|------------------|----------------|------------------|----------------|
| | | | | | |
| <i>Gain from tangible and intangible assets sold</i> | <i>1 301</i> | <i>1,05</i> | <i>2 621</i> | <i>2,26</i> | <i>1 320</i> |
| <i>Reversal of extraordinary depreciation on tangible and intangible assets</i> | <i>6</i> | <i>0,00</i> | <i>7</i> | <i>0,01</i> | <i>1</i> |
| <i>Reversal of impairment</i> | <i>0</i> | <i>0,00</i> | <i>0</i> | <i>0,00</i> | <i>0</i> |
| <i>Gain from receivables sold</i> | <i>1</i> | <i>0,00</i> | <i>1</i> | <i>0,00</i> | <i>0</i> |
| <i>Reversal of impairment on receivables</i> | <i>0</i> | <i>0,00</i> | <i>44</i> | <i>0,04</i> | <i>44</i> |
| <i>Amounts received in respect of receivables settled as lending loss</i> | <i>2</i> | <i>0,00</i> | <i>1</i> | <i>0,00</i> | <i>-1</i> |
| <i>Amounts received from discounted receivables</i> | <i>216</i> | <i>0,17</i> | <i>80</i> | <i>0,07</i> | <i>-136</i> |
| <i>Damages received</i> | <i>298</i> | <i>0,24</i> | <i>223</i> | <i>0,19</i> | <i>-75</i> |
| <i>Default interest received</i> | <i>-32</i> | <i>-0,03</i> | <i>104</i> | <i>0,09</i> | <i>136</i> |
| <i>Penalties received</i> | <i>332</i> | <i>0,27</i> | <i>269</i> | <i>0,23</i> | <i>-63</i> |
| <i>Release of provisions generated</i> | <i>4 950</i> | <i>4,00</i> | <i>7 195</i> | <i>6,21</i> | <i>2 245</i> |
| Of which: Release of provisions generated for expected liabilities | 3 845 | 3,11 | 4 840 | 4,18 | 995 |
| Release of provisions generated for future commitments | 598 | 0,48 | 1 097 | 0,95 | 499 |
| Release of provisions generated for unrealised FX losses | 507 | 0,41 | 1 258 | 1,09 | 751 |
| Release of other provisions | 0 | 0,00 | 0 | 0,00 | 0 |
| <i>Reversed deferred income due to costs and expenses reducing the operating profit</i> | <i>1 032</i> | <i>0,83</i> | <i>1 000</i> | <i>0,86</i> | <i>-32</i> |
| Of which: Reversal of deferred revenue from non-current assets identified as surplus and received free of charge | 102 | 0,08 | 34 | 0,03 | -68 |
| reversed deferred subsidy | 289 | 0,23 | 359 | 0,31 | 70 |
| Reversal of debt forgiven and accrued by the government | 628 | 0,51 | 594 | 0,51 | -34 |
| <i>Subsidies and awards received as compensation for costs and expenses</i> | <i>43 720</i> | <i>35,35</i> | <i>44 073</i> | <i>38,03</i> | <i>353</i> |
| Of which: for public services (rail track operations) | 41 896 | 33,87 | 42 519 | 36,68 | 623 |
| Subsidies received to cover costs and expenditures related to projects implemented from domestic funds | 17 | 0,01 | 13 | 0,01 | -4 |
| public works | 1 548 | 1,25 | 1 370 | 1,18 | -178 |
| <i>Difference (gain) between the value of assets contributed to equity as stated in the articles of association, and the book value of such assets*</i> | <i>0</i> | <i>0,00</i> | <i>0</i> | <i>0,00</i> | <i>0</i> |
| <i>Gain from assets received free of charge and from surplus assets*</i> | <i>12</i> | <i>0,01</i> | <i>21</i> | <i>0,02</i> | <i>9</i> |
| <i>Miscellaneous other income*</i> | <i>71 849</i> | <i>58,09</i> | <i>60 266</i> | <i>52,01</i> | <i>-11 583</i> |
| Of which: Waiver of compensation liability* | 47 770 | 38,62 | 60 052 | 51,81 | 12 282 |
| Forgiven and lapsed liabilities* | 0 | 0,00 | 9 | 0,01 | 9 |
| Assumed liabilities* | 23 714 | 19,17 | 0 | 0,00 | -23 714 |
| Total: | 123 687 | 100,00 | 115 905 | 100,00 | -7 646 |

* From the 2016 business year, in accordance with a change in the accounting act, the extraordinary profit/loss category was terminated. In the notes to the annual financial statements of 2015, the amount of revenue settled due to assets identified as surplus and received free of charge (HUF 12 M) was stated among extraordinary revenue, and the amount of waiver of compensation liability (HUF 47,770 M), forgiven and lapsed liabilities (HUF 0.4 M) and assumed liabilities (HUF 23,714 M) was stated as other extraordinary revenue. The reversal of impairment on long-term loans given (HUF 90 M) was stated among other revenues in the 2015 notes to the financial statements.

Table 48: Other gains

The change in other gains in 2016 was caused by the following material items:

- Under the heading of sale of intangible assets and tangible assets, HUF 1,320 M more gain was recognised in comparison to the base period. The bulk of the gain recognised under this heading (HUF 2,538 M) derives from the sale to TS Hungaria Kft. of the properties in Miskolc with title numbers 5079/7., 01441/2. and 5089/10.
- The growth in the release of provisions set aside for expected liabilities is primarily attributable to the reduction in provisions related to litigious cases (HUF + 1,078 M), as an agreement was made regarding the unpaid wages of employees in standby jobs, and the related payment was also made during the reporting year. This increase was partly offset by a decrease in the utilisation of provisions generated for the purpose of covering environmental protection obligations.
- In 2016 the release of provisions set aside for future expenses increased by HUF 499 M as a consequence of the impact of the following two items combined. This year a review was held of the provisions set aside in previous years for the maintenance of buildings. Based on the review, provisions totalling HUF 1,032 (HUF + 937 M) in value were released due to the performance of works or the decommissioning of buildings. Furthermore, only HUF 65 M (HUF -438 M) was utilised from the provisions set aside to cover the demolitions costs.
- The release in the reporting year of provisions set aside for unrealised currency losses exceeded the 2015 figure by HUF 751 M.
- The data relating to the setting aside and release of provisions is presented in the section entitled II.1.5.5. Development of provisions in the reporting year.
- HUF 623 M more in other gain was recognised under the title of operating costs reimbursements in 2016 than in the base year.
- In 2016, with a view to extending the public employment programme, 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 1,270 and 1,595 persons in the context of a national public employment programme. Of the above public employment subsidies and the public employment subsidies relating to the period from 9 March 2015 to 26 February 2016, a total of HUF 1,370 M was utilised and stated under other gains in the reporting year.
- In 2016, due to the discontinuation of the extraordinary gains category, the gains recognised under the titles of the waiver of the compensation liability (VPK), forgiven and lapsed liabilities and the assumption of liabilities were stated among the various 'other' gains. The most significant change in the reporting year was caused by the waiving of the compensation liability (HUF +12,282 M) and the change in liabilities taken over by the government (HUF -23,714 M).

II.2.3.2 Other expenses

Changes between the two periods are shown in the table below:

| Figures in MHUF | | | | | |
|--|---------------|------------------|---------------|------------------|--------------|
| Description | 2015 | Distribution (%) | 2016 | Distribution (%) | Change |
| <i>Cost of sold tangibles, projects and intangibles</i> | 399 | 2,14 | 893 | 3,78 | 494 |
| <i>Cost of scrapped or missing tangibles, projects and intangibles</i> | -154 | -0,82 | 225 | 0,95 | 379 |
| <i>Extraordinary depreciation of tangible and intangible assets</i> | 4 322 | 23,14 | 12 460 | 52,74 | 8 138 |
| <i>Impairment and scrapping of inventories</i> | 70 | 0,37 | 180 | 0,76 | 110 |
| <i>Inventory shortage</i> | 23 | 0,12 | 12 | 0,05 | -11 |
| <i>Impairment of receivables</i> | 502 | 2,69 | 254 | 1,08 | -248 |
| <i>Bad debts written off</i> | 11 | 0,06 | 32 | 0,14 | 21 |
| <i>Book value of receivables sold</i> | 0 | 0,00 | 0 | 0,00 | 0 |
| <i>Losses from damages</i> | 651 | 3,48 | 594 | 2,51 | -57 |
| <i>Late-payment penalty paid</i> | 56 | 0,30 | 278 | 1,18 | 222 |
| <i>Damages</i> | 130 | 0,70 | 24 | 0,10 | -106 |
| <i>Self-revision fee</i> | 16 | 0,09 | 7 | 0,03 | -9 |
| <i>Taxes and similar items</i> | 2 201 | 11,78 | 1 984 | 8,40 | -217 |
| Of which: Public utility tax | 858 | 4,59 | 835 | 3,53 | -23 |
| Property tax | 881 | 4,72 | 730 | 3,09 | -151 |
| Land tax | 38 | 0,20 | 11 | 0,05 | -27 |
| Innovation contribution | 358 | 1,92 | 310 | 1,31 | -48 |
| <i>Fines and penalties</i> | 25 | 0,13 | -6 | -0,03 | -31 |
| <i>Provisions</i> | 9 529 | 51,01 | 6 054 | 25,62 | -3 475 |
| Of which: Provision for contingent liabilities | 5 854 | 31,34 | 2 514 | 10,64 | -3 340 |
| Provisions for future costs | 3 675 | 19,67 | 3 540 | 14,98 | -135 |
| Provisions for unrealised FX losses | 0 | 0,00 | 0 | 0,00 | 0 |
| Other provisions | 0 | 0,00 | 0 | 0,00 | 0 |
| <i>Value of assets and services provided without compensation*</i> | 225 | 1,20 | 169 | 0,72 | -56 |
| <i>Various other expenses*</i> | 675 | 3,61 | 467 | 1,98 | -208 |
| Of which: Non-refundable housing grant to employees* | 2 | 0,01 | 3 | 0,01 | 1 |
| Forgiven receivables* | 2 | 0,01 | 1 | 0,00 | -1 |
| Assumed liabilities* | 0 | 0,00 | 221 | 0,94 | 221 |
| Permanently transferred liquid assets* | 0 | 0,00 | 1 | 0,00 | 1 |
| Total: | 18 681 | 100,00 | 23 627 | 100,00 | 4 946 |

* From the 2016 business year, in accordance with a change in the accounting act, the extraordinary profit/loss category was terminated. In the notes to the annual financial statements of 2015, the value of assets and services provided without compensation (HUF 225 M) was stated among extraordinary expenses, and the amount of non-refundable housing grants to employees (HUF 2 M) and of forgiven liabilities (HUF 2 M) was stated as other extraordinary expense. The impairment on long-term loans given was stated among other expenses in the 2015 notes to the financial statements.

Table 49: Other expenses

Material items of the two periods:

- The growth in other expenses recognised due to the sale of tangible assets, capital investments and intangible assets (HUF +494 million) is attributable primarily to the sale and purchase transaction executed with TS Hungaria Kft.
- In connection with the sale and purchase of capital investments concluded with NIF Zrt. in 2016, extraordinary depreciation of HUF 9,619 million was recognised in respect of the period between the commissioning and the actual acceptance of the assets, which is HUF 7,303 more than in the previous year. The reason for the change 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.
- Other expenses due to damages came in at approximately the same level as in 2015. The settlement method applied in 2016 is the same as that of the previous year, as the damage restoration activity performed by the outside contractor continued to be recognised among services used instead of other expenses, while activity performed in-house remained among the material costs and personnel expenses.
- The amount of other expenses related to provisioning was HUF 3,475 M lower than in the base year, primarily due to the reduction in provisions set aside to cover

environmental protection obligations (HUF -2,658). Additional data relating to the setting aside and release of provisions is presented in the section entitled II.1.5.5. Development of provisions in the reporting year.

- In 2016, due to the discontinuation of the extraordinary expenses category, non-refundable housing grants to employees, assumed liability and cash transferred were stated under the various other expenses. The most significant items among the various other expenses were the liabilities taken over from other businesses (HUF 221 million), and the assistance grants paid to the National Cultural Association for Railway Workers (HUF 47 million) and the Railway History Foundation (HUF 45 M).

II.2.4 Financial profit/loss

II.2.4.1 Income from financial transactions

Changes between the two periods are shown in the table below:

| Figures in MHUF | | | | | |
|--|--------------|------------------|--------------|------------------|---------------|
| Description | 2015 | Distribution (%) | 2016 | Distribution (%) | Change |
| <i>Dividend received (due)</i> | 2 282 | 64,81 | 707 | 50,11 | -1 575 |
| <i>Income and price gains from shareholdings</i> | 0 | 0,00 | 0 | 0,00 | 0 |
| <i>Income from and gains on financial investments (from securities and loans)</i> | 0 | 0,00 | 0 | 0,00 | 0 |
| <i>Other interest received (due) and similar income</i> | 516 | 14,65 | 323 | 22,89 | -193 |
| Of which: Interest on cash-pool account | 98 | 2,78 | 81 | 5,74 | -17 |
| Interest from other credit institutions | 389 | 11,05 | 225 | 15,95 | -164 |
| <i>Other financial income</i> | 723 | 20,54 | 381 | 27,00 | -342 |
| Of which: Exchange rate gain realised in relation to receivables and liabilities denominated in foreign currency | 184 | 5,23 | 111 | 7,87 | -73 |
| Exchange rate gain on forward transactions | 9 | 0,26 | 1 | 0,07 | -8 |
| FX gain on the year-end revaluation of receivables and liabilities | 515 | 14,63 | 233 | 16,51 | -282 |
| Total: | 3 521 | 100,00 | 1 411 | 100,00 | -2 110 |

Table 50: Income from financial transactions

The HUF 707 million stated under dividend received in the reporting year relates to the year 2015.

II.2.4.2 Expenses of financial transactions

Changes between the two periods are shown in the table below:

| Figures in MHUF | | | | | |
|--|--------------|------------------|---------------|------------------|---------------|
| Description | 2015 | Distribution (%) | 2016 | Distribution (%) | Change |
| <i>Interest payable and similar expenses</i> | 1 279 | 46,14 | 515 | -22,39 | -764 |
| Of which: interest paid to credit institutions | 1 029 | 37,12 | 469 | -20,39 | -560 |
| <i>Impairment on shareholdings, securities, bank deposits and long-term loans given*</i> | -732 | -26,41 | -5 502 | 239,22 | -4 770 |
| <i>Other financial expenditures</i> | 2 225 | 80,27 | 2 687 | -116,83 | 462 |
| Of which: Exchange rate loss realised in relation to receivables and liabilities denominated in foreign currency | 2 223 | 80,19 | 2 686 | -116,78 | 463 |
| Exchange rate loss on forward transactions | 2 | 0,07 | 1 | -0,04 | -1 |
| Price loss resulting from the year-end revaluation of receivables, liabilities | 0 | 0,00 | 0 | 0,00 | 0 |
| Total: | 2 772 | 100,00 | -2 300 | 100,00 | -5 072 |

* The impairment and the reversal of impairment on long-term loans given (HUF 90 M) were stated respectively among other expenses and other revenues in the 2015 notes to the financial statements.

Table 51: Expenses of financial transactions

Most important changes in the expenses of financial transactions:

In comparison to 2015, the amount of payable interest and interest-type expenses decreased in line with the drop in the volume of loan principal and, accordingly, the bases for calculation of the interest:

- The amount of interest paid in connection with development loans decreased by HUF 210 million, while the amount of interest payable on non-investment loans and to credit institutions on short-term loans decreased by HUF 350 million compared to 2016.
- Unlike in the base period, no interest was paid on bonds in the reporting year. The amount of interest paid on loans received from other businesses also decreased by HUF 54 million.

In contrast to the above, due to the unfavourable trends in exchange rates in previous years, the exchange rate loss recognised on the investment loans increased by HUF 450 M.

In the reporting year HUF 5,482 million in impairment on the shareholding in MÁV-START Zrt. was reversed, as the Company expects a persistently positive after-tax profit. No recognition of impairment took place in 2016.

II.2.5 Related party balances (revenues and expenditures)

Figures in MHUF

| Item | Fully consolidated | Not fully consolidated subsidiary | Total |
|--|--------------------|-----------------------------------|----------------|
| Revenues | | | |
| Net sales revenue | 117 000 | 234 | 117 234 |
| Other revenues | 142 | 6 | 148 |
| Revenues from financial transactions | 47 | 15 | 62 |
| Revenues in total: | 117 188 | 255 | 117 444 |
| Expenditures | | | |
| Material type expenses | 50 285 | 122 | 50 407 |
| Of which: Material costs | 2 334 | 0 | 2 334 |
| Value of services used | 24 417 | 8 | 24 425 |
| Value of other services used | 0 | 0 | 0 |
| Cost of goods sold | 22 118 | 114 | 22 232 |
| Value of sold (intermediated) services | 1 416 | 0 | 1 416 |
| Other expenditures | 200 | 2 | 202 |
| Financial expenses | -5 467 | 0 | -5 467 |
| Expenses in total: | 45 018 | 124 | 45 142 |

Table 52: Related party revenues and expenses

A MÁV Zrt. recognises the following in respect of its related parties:

- 43.73% of its revenues (of which: MÁV-START Zrt.: 42.16%, MÁV Szolgáltató Központ Zrt.: 0.98%, MÁV FKG Kft.: 0.33%),
- 37.37% of specified expenses (of which: MÁV-START Zrt.: 18.25%, MÁV Szolgáltató Központ Zrt.: 10.39%, MÁV FKG Kft.: 7.09%).

II.2.6 Items modifying the tax base used for calculating corporate tax

Figures in MHUF

| Description | Increasing | Decreasing | Change in tax base |
|---|---------------|----------------|--------------------|
| Pre-tax profit/loss | | | 12 035 |
| Adjustment due to provisions | 6 055 | 5 938 | 117 |
| Adjustment due to depreciation | 69 513 | 66 289 | 3 224 |
| Dividend received | | 707 | -707 |
| Tax deficit, fines and penalties | 12 | | 12 |
| Impairment of receivables / reversed | 352 | 124 | 228 |
| Forgiven debt | | | 0 |
| Interest difference with related parties | | | 0 |
| Lapsed receivable that cannot be enforced in court | 28 | | 28 |
| Subsidy, contribution given/received without the obligation of repayment, handover/receipt of amounts granted free of charge, handover/receipt of assets granted free of charge | 384 | | 384 |
| Expenses/revenues identified by tax audit or self-revision | 6 399 | 5 844 | 555 |
| Trainees and interns employed | | 48 | -48 |
| Further employment of trainees, interns and the unemployed | | 19 | -19 |
| Research and development | | | 0 |
| Price other than the arm's-length price used between affiliated companies | 11 | 7 | 4 |
| Donation | | 28 | -28 |
| Liability assumed or forgiven by the Hungarian State | | 60 052 | -60 052 |
| Renovation of historical monument | | 1 148 | -1 148 |
| Total: | 82 754 | 140 204 | -57 450 |
| Tax base | | | -45 415 |

Table 53: Items modifying the corporate tax base

The basis of the corporate tax calculation is the pre-tax profit or loss as adjusted for tax base increasing and reducing items.

At MÁV Zrt., the following significant items affected the pre-tax profit:

- the depreciation calculated based on the Corporate Tax Act significantly exceeds the ordinary depreciation recognised based on the Accounting Act;
- In accordance with Section 69/A (5) of Act CVI of 2007 on State Assets, the corporate tax base was reduced by the HUF 60,052 M compensation liability waived by the state (Section 29/A (3) of the Corporate Tax Act).

The tax authority (NAV) performed a comprehensive tax audit at the Company for each financial year up to 2012, with the exception of 2010. No comprehensive tax audit was conducted at the Company in the 2016 tax year.

The Company's management is not aware of any circumstances which might result in a significant liability for the Company during a subsequent tax audit.

MÁV Zrt. does not have any corporate tax liability as a combined result of its pre-tax profit/loss and the items adjusting it.

II.2.7 Profit and loss account prepared using the turnover cost method

Based on the Company's accounting policy, profit and loss accounts were prepared using both the total cost and the turnover cost methods. The Company's after-tax profit/loss is presented in the following table:

Figures in MHUF

| Line | Description | 2015 | 2016 | Difference |
|-------|---|----------------|----------------|----------------|
| 01. | Net domestic sales revenues | 151 274 | 149 706 | -1 568 |
| 02 | Net export sales revenues | 1 751 | 1 525 | -226 |
| I. | <i>Net sales revenues, total</i> | <i>153 025</i> | <i>151 231</i> | <i>-1 794</i> |
| 03 | Direct cost of sales | 151 801 | 162 738 | 10 937 |
| 04 | Cost of goods sold | 35 523 | 30 500 | -5 023 |
| 05. | Value of sold (intermediated) services | 1 588 | 1 704 | 116 |
| II. | <i>Direct costs of sales</i> | <i>188 912</i> | <i>194 942</i> | <i>6 030</i> |
| III. | <i>Gross profit on sales</i> | <i>-35 887</i> | <i>-43 711</i> | <i>-7 824</i> |
| 06 | Selling and distribution expenses | 1 | 2 | 1 |
| 07 | Administrative expenses | 15 318 | 19 625 | 4 307 |
| 08 | Other general expenses | 20 849 | 20 616 | -233 |
| IV. | <i>Indirect costs of sales</i> | <i>36 168</i> | <i>40 243</i> | <i>4 075</i> |
| V. | <i>Other revenues</i> | <i>123 687</i> | <i>115 905</i> | <i>-7 782</i> |
| VI. | <i>Other expenditures</i> | <i>18 681</i> | <i>23 627</i> | <i>4 946</i> |
| A. | Trading profit/(loss) | 32 951 | 8 324 | -24 627 |
| VII. | <i>Revenues from financial transactions</i> | 3 521 | 1 411 | -2 110 |
| VIII. | <i>Expenses of financial transactions</i> | 2 772 | -2 300 | -5 072 |
| B. | Financial profit/(loss) | 749 | 3 711 | 2 962 |
| C. | Pre-tax profit/loss | 33 700 | 12 035 | -21 665 |
| IX. | <i>Tax liability</i> | 0 | 0 | 0 |
| D. | After-tax profit/loss | 33 700 | 12 035 | -21 665 |

Table 54: Breakdown of after-tax profit/loss using the turnover cost method

II.3 Cash flow statement

Figures in MHUF

| Nr. | Item | 2015 | 2016 |
|---|--|----------------|----------------|
| I. | Change in cash from ordinary business activity (Operating cash-flow, 1-17) | 92 902 | 20 096 |
| 1. | Pre-tax profit/loss (±) | 33 700 | 12 035 |
| | Assumed liabilities | -23 548 | 0 |
| | deferral of interest related to bond issue | 84 | 0 |
| | amounts received free of charge | 0 | -4 |
| | amounts granted free of charge, expensed | 197 | 210 |
| | dividend received | -2 282 | -707 |
| | amount realised in excess of the book value of loan given | 0 | 0 |
| | deferred dividend | 1 428 | 0 |
| | profit/loss from changes in investments | -642 | 0 |
| | surplus non-current assets | -1 | 0 |
| | non-realised exchange rate difference on liquid assets | 0 | 0 |
| 2. | Previous years' profit/loss | 0 | 0 |
| 3. | Revaluation of loans and investments | -526 | -308 |
| 4. | Ordinary depreciation charge + | 52 110 | 56 080 |
| 4/a. | Depreciation charge on previous year | 0 | 0 |
| 5. | Recognised impairment, scrapping, shortage and reversal ± | 4 645 | 7 566 |
| 6. | Changes in provisions ± | 4 579 | -1 141 |
| 7. | Non-current asset disposals ± | -902 | -1 727 |
| 8. | Change in liabilities related to managed state-owned assets | -2 673 | -58 921 |
| 9. | Movements in creditors ± | -2 432 | 2 113 |
| 10. | Movements in other short-term liabilities ± | 6 364 | -408 |
| 11. | Movements in accruals ± | 4 894 | 1 290 |
| 11/a. | Released deferred income related to asset settlement | 72 | 92 |
| 11/b. | Accrued income associated with fixed assets received without compensation | 0 | 0 |
| 12. | Movements in debtors ± | 779 | -92 |
| 13. | Current asset movements (less debtors and liquid assets) ± | -5 141 | -311 |
| 14. | Movements in prepayments and accrued income ± | 21 939 | 4 329 |
| 15. | Corporate income tax payable - | 0 | 0 |
| 16. | Dividend and share payable - | 0 | 0 |
| 17. | Liquid assets assumed through merger as of balance sheet date | 258 | 0 |
| II. | Change in liquid assets from investing activities (Lines 18-21) | -52 249 | -34 647 |
| 18. | Non-current asset additions - | -54 404 | -37 975 |
| 19. | Non-current asset disposals + | 1 301 | 2 621 |
| 20. | Capital withdrawn from existing investment (subsidiary) | 0 | 0 |
| 21. | Dividend received + | 854 | 707 |
| III. | Change in cash from financial transactions (Financing cash-flow, lines 22-32) | -17 576 | 10 743 |
| 22. | Revenues from the issue of shares (capital addition) + | 0 | 1 978 |
| 23. | Proceeds from issue of bonds and debt securities + | 0 | 0 |
| 24. | Borrowings + | 0 | 0 |
| 25. | Repayment, cancellation and redemption of long-term loans and bank deposits + | 167 | 93 |
| 26. | Amounts received free of charge +* | 0 | 34 798 |
| 27. | Redemption of shares, capital reduction - | 0 | 0 |
| 28. | Bond redemption - | 0 | 0 |
| 29. | Loan repayment - | -17 574 | -25 872 |
| 30. | Long-term loans and bank deposits + | 0 | -39 |
| 31. | Amounts transferred free of charge - | -197 | -210 |
| 32. | Movements in payables to founders and in other long-term liabilities ± | 28 | -5 |
| IV. | Cash flow (I.+II.+III.) | 23 077 | -3 808 |
| 33. | Non-realised exchange rate difference on liquid assets | 0 | 0 |
| V. | Change in cash and cash equivalents (IV.+33.) | 23 077 | -3 808 |
| * In 2015, reimbursement for renovation was stated in operating cash flow | | | |

Table 55: Cash flow statement

II.4 Analysis of financial position, liquidity and profitability

Non-current assets ratio

$$\frac{\text{Non-current assets}}{\text{Total assets}} = \frac{1,241,669}{1,323,997} = 93.78\% \quad (\text{base: } 92.35 \%)$$

Coverage of fixed assets

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{167,167}{158,775} = 105.29\% \quad (\text{base: } 96.61 \%)$$

$$\frac{\text{Equity + State funds}}{\text{Tangible assets}} = \frac{1,148,351}{1,106,002} = 103.83\% \quad (\text{base: } 102.59 \%)$$

Coverage of fixed assets

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{167,167}{292,114} = 57.23\% \quad (\text{base: } 55.42 \%)$$

$$\frac{\text{Equity + State funds}}{\text{Non-current assets}} = \frac{1,148,351}{1,241,669} = 92.48\% \quad (\text{base: } 90.83 \%)$$

Current assets to non-current assets

$$\frac{\text{Current assets}}{\text{Non-current assets}} = \frac{74,265}{1,241,669} = 5.98\% \quad (\text{base: } 7.15 \%)$$

Value and composition of equity

Capitalisation

$$\frac{\text{Equity}}{\text{Total liabilities}} = \frac{167,167}{1,323,997} = 12.63\% \quad (\text{base: } 13.51 \%)$$

$$\frac{\text{Equity}}{\text{Total liabilities - State liability}} = \frac{167,167}{342,813} = 48.76\% \quad (\text{base: } 45.59 \%)$$

Gearing ratio

$$\frac{\text{Debt}}{\text{Equity}} = \frac{1,082,752}{167,167} = 647.71\% \quad (\text{base: } 597.58 \%)$$

$$\frac{\text{Total liabilities - State liability}}{\text{Equity}} = \frac{101,568}{167,167} = 60.76\% \quad (\text{base: } 76.71 \%)$$

Indebtedness ratio

$$\frac{\text{Debt}}{\text{Total liabilities}} = \frac{1,082,752}{1,323,997} = 81.78\% \quad (\text{base: } 80.73 \%)$$

Ratio of long-term liabilities

| | | | | | |
|---|---|-----------------------------------|---|--------|-----------------|
| $\frac{\text{Long-term liabilities}}{\text{Long-term liabilities} + \text{Equity}}$ | = | $\frac{1\,007\,249}{1\,174\,416}$ | = | 85,77% | (base: 84,47 %) |
| $\frac{\text{Long-term liabilities} - \text{State liabilities}}{\text{Long-term liabilities} - \text{State liabilities} + \text{Equity}}$ | = | $\frac{27\,931}{195\,098}$ | = | 14,32% | (base: 19,20 %) |

Equity increase ratio

| | | | | | |
|---|---|----------------------------|---|---------|------------------|
| $\frac{\text{Equity}}{\text{Registered capital}}$ | = | $\frac{167\,167}{22\,000}$ | = | 759,85% | (base: 723,09 %) |
|---|---|----------------------------|---|---------|------------------|

Non-current assets coverage

| | | | | | |
|---|---|--------------------------------|---|--------|-----------------|
| $\frac{\text{Equity}}{\text{Non-current assets}}$ | = | $\frac{167\,167}{1\,241\,669}$ | = | 13,46% | (base: 14,63 %) |
|---|---|--------------------------------|---|--------|-----------------|

Profitability indicators

| | | | | | | | |
|--|---|---|---|----------------------------|---|--------|------------------|
| <i>EBITDA (Operating profit/loss + depreciation)</i> | = | 8 324 | + | 56 080 | = | 64 404 | (base: 85 061)* |
| <i>EBITDA rate</i> | = | $\frac{\text{EBITDA}}{\text{Net sales revenue}}$ | = | $\frac{64\,404}{151\,231}$ | = | 42,59% | (base: 55,59 %)* |
| <i>Operational rate (ROS)</i> | = | $\frac{\text{Operating profit/loss}}{\text{Net sales revenue}}$ | = | $\frac{8\,324}{151\,231}$ | = | 5,50% | (base: 21,53 %)* |

*The basis 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.

Financial position

Working capital and liquidity

Net working capital

| | | | | | | | |
|--|---|--------|---|--------|---|--------|-----------------|
| $\text{Current assets} - \text{Current liabilities}$ | = | 74 265 | - | 75 503 | = | -1 238 | (base: -7 642) |
|--|---|--------|---|--------|---|--------|-----------------|

Liquidity ratio

| | | | | | |
|---|---|---------------------------|---|--------|-----------------|
| $\frac{\text{Current assets}}{\text{Short-term liabilities}}$ | = | $\frac{74\,265}{75\,503}$ | = | 98,36% | (base: 91,05 %) |
|---|---|---------------------------|---|--------|-----------------|

Quick ratio

| | | | | | |
|--|---|---------------------------|---|--------|-----------------|
| $\frac{\text{Current assets} - \text{Inventories}}{\text{Short-term liabilities}}$ | = | $\frac{64\,537}{75\,503}$ | = | 85,48% | (base: 79,89 %) |
|--|---|---------------------------|---|--------|-----------------|

Cash liquidity ratio

| | | | | | |
|--|---|---------------------------|---|--------|-----------------|
| $\frac{\text{Liquid assets}}{\text{Short-term liabilities}}$ | = | $\frac{43\,499}{75\,503}$ | = | 57,61% | (base: 55,42 %) |
|--|---|---------------------------|---|--------|-----------------|

II.5 Balance sheet and profit and loss account for items relating to previous years

The effect of errors identified in 2016 for previous years did not reach the thresholds specified in the accounting policy. Therefore, errors identified were not presented in a separate column but in profit/loss for the year.

III Supplementary notes

III.1 Environmental protection

III.1.1 Environmental protection liabilities

Figures in MHUF

| Legal title | Value of provisions | | | |
|---|---------------------|------------|------------|---------------|
| | 2015 | Released | Made | 2016 |
| Owing to illegal waste | 4,069 | 6 | 58 | 4,121 |
| Obligations arising from soil and groundwater contamination | 3,424 | 664 | 307 | 3,067 |
| 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 dead technological channel networks | 175 | 0 | 0 | 175 |
| Survey of dead channel networks, preparation of utility maps | 52 | 4 | 0 | 48 |
| Total liabilities: | 10,486 | 687 | 524 | 10,323 |

Table 56: Provisions relating to environmental protection

No non-distributable reserve was stated for environmental liabilities in 2016.

With respect to soil and groundwater contamination, during the year considerable provisions were released in connection with the restoration work at Istvántelek, since the value of the provisions originally set aside was higher than the currently expected amount of the expenses.

Figures in MHUF

| Description | Previous year | Reporting year |
|--------------------------------------|---------------|----------------|
| Environmental protection service fee | 304 | 510 |
| Administrative service fees | 14 | 9 |
| Waste management | 95 | 137 |
| Additional costs of treasury sales | 1 | 0,4 |
| Total | 414 | 656 |

Table 57: Environmental costs

III.1.2 Tangible assets used directly for environment protection

The tangible assets used directly for environment protection were reviewed in the course of the reporting year. The reporting-year and opening data given in the table are presented accordingly.

Figures in MHUF

| | Description | Real property and related intangible property rights | Technical equipment, machinery, vehicles | Other equipment, fittings, fixtures, vehicles | Capital projects, renovations | Total |
|-----|--|--|--|---|-------------------------------|-------|
| 1. | Gross value, opening balance | 8 755 | 407 | 0 | 0 | 9 162 |
| 2 | Increase in the reporting year | | | | | |
| 3 | Decrease in the reporting year | | | | | |
| 4 | Reclassification | | | | | |
| 5 | Gross, closing | 8 755 | 407 | 0 | 0 | 9 162 |
| 6 | Amortisation, opening | 1 742 | 296 | 0 | 0 | 2 038 |
| 7 | Ordinary amortisation in the reporting year | 345 | 45 | | | 390 |
| 8 | Extraordinary depreciation in the reporting year | | | | | |
| 9 | Extraordinary depreciation reversed | | | | | |
| 10 | Depreciation derecognised | | | | | |
| 11 | Other increase | | | | | |
| 12 | Other decrease | | | | | |
| 13 | Reclassification | | | | | |
| 14. | Amortisation, closing | 2 087 | 341 | 0 | 0 | 2 428 |
| 15 | Opening, net | 7 013 | 111 | 0 | 0 | 7 124 |
| 16 | Closing, net | 6 668 | 66 | 0 | 0 | 6 734 |

Table 58: Tangible assets used directly for environment protection

III.1.3 Value and quantity of hazardous waste

data in kg

| Waste identification code | Description | Controlling report MÁV 2016 | | | |
|---------------------------|---|-----------------------------|--------------------|------------------------|---------------------|
| | | Opening inventory (kg) | Amount gained (kg) | Closing inventory (kg) | Total provided (kg) |
| 060404 | Wastes containing mercury | 1 | 50 | 51 | 0 |
| 080111 | Waste paint and varnish containing organic solvents or other dangerous substances | 152 | 279 | 256 | 175 |
| 080317* | Waste toner (hazardous paint) | 1 107 | 2 266 | 1 856 | 1 517 |
| 120109 | Machining emulsions and solutions free of halogens | 0 | 5 | 0 | 5 |
| 120112* | Used wax and grease | 0 | 20 | 0 | 20 |
| 130205* | Non-chloride lubricants for engines and machines | 170 | 11 011 | 741 | 10 440 |
| 130307 | Mineral oil based, non-chloride insulation and heat transmission lubricants | 1 080 | 4 437 | 58 | 5 459 |
| 130502 | Sludge from oil/water separator | 7 045 | 13 015 | 0 | 20 060 |
| 130506* | Oil from oil/water separator | 113 | 0 | 11 | 102 |
| 130507* | Oily water from oil/water separator | 0 | 24 000 | 0 | 24 000 |
| 130508* | Mixed waste from oil/water separator | 0 | 7 560 | 0 | 7 560 |
| 130701* | Heating and diesel oil | 0 | 31 | 0 | 31 |
| 150110 | Packaging containing residues of or contaminated by dangerous substances | 1 860 | 7 113 | 3 153 | 5 820 |
| 150111* | Metallic packaging containing a dangerous solid porous matrix (e.g. asbestos) | 103 | 369 | 218 | 254 |
| 150202* | Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by hazardous substances | 8 909 | 12 781 | 8 105 | 13 585 |
| 160107* | Oil filters | 18 | 113 | 131 | 0 |
| 160213 | Equipment no longer in use | 71 | 480 | 315 | 236 |
| 160303* | Inorganic wastes containing dangerous substances | 46 | 28 | 38 | 36 |
| 160305 | Organic wastes containing dangerous substances | 283 | 414 | 447 | 250 |
| 160506 | Laboratory chemicals, consisting of or containing dangerous substances | 35 | 0 | 35 | 0 |
| 160601 | Lead batteries | 19 993 | 50 189 | 12 530 | 57 652 |
| 170204 | Glass, plastic and wood containing or contaminated with dangerous substances | 175 247 | 1 224 445 | 70 960 | 1 328 732 |
| 170410 | Cables containing oil, coal tar and other dangerous substances | 665 | 16 591 | 16 913 | 343 |
| 170503* | Soil and stones containing dangerous substances | 13 | 1 012 | 370 | 655 |
| 170901* | Construction and demolition wastes containing mercury | 7 | 0 | 0 | 7 |
| 180103 | Infectious waste | 0 | 11 | 11 | 0 |
| 200121* | Fluorescent light bulbs and other mercury-containing wastes | 640 | 85 | 76 | 649 |
| 200133* | Batteries and accumulators included in 16 06 01, 16 06 02 or 16 06 03 and unsorted batteries | 610 | 3 188 | 445 | 3 353 |
| 200135* | Discarded electrical and electronic equipment other than those mentioned in 20 01 21 and 20 01 23 containing hazardous components | 3 984 | 21 879 | 9 756 | 16 107 |
| Total | | 222 152 | 1 401 372 | 126 476 | 1 497 048 |

Table 59: Movements in the quantities of hazardous waste

III.2 Costs of research and development

| Description | Figures in MHUF | |
|--|-----------------|----------------|
| | Previous year | Reporting year |
| Research costs | 40 | 54 |
| Of which: basic research | 0 | 0 |
| applied research (Invoiced cost of R&D by third parties) | 40 | 46 |
| applied research (Cost incurred by own business) | 0 | 8 |
| Experimental development costs | 8 | 0 |
| Production development | 0 | 0 |
| Of which: capitalised | 0 | 0 |
| Product development | 8 | 0 |
| Of which: capitalised | 0 | 0 |
| Total: | 48 | 54 |

Table 60: R&D costs

III.3 Subsidies received

| Description | Previous year | | Reporting year | | Change |
|--|---------------|---------------|----------------|---------------|----------------|
| | Previous year | Distribution | Reporting year | Distribution | |
| Reimbursement for renovation | 25 226 | 26,94 | 31 811 | 42,44 | 6 585 |
| Other investment (target) subsidy | 28 392 | 30,32 | 2 726 | 3,64 | -25 666 |
| Operational compensation | 38 180 | 40,77 | 38 869 | 51,85 | 689 |
| Passenger transport social-policy ticket subsidy | 9 | 0,01 | 0 | 0,00 | -9 |
| Refunded excise tax | 10 | 0,01 | 0 | 0,00 | -10 |
| Support for public employment | 1 548 | 1,65 | 1 370 | 1,83 | -178 |
| Other subsidies | 276 | 0,29 | 183 | 0,24 | -93 |
| Total: | 93 641 | 100,00 | 74 959 | 100,00 | -18 682 |

Table 61: Subsidies recognised in the reporting year

In its resolution number 1803/2016 (XII.20.) on the provision of funds for special infrastructure development investments the Government granted HUF 10,000 million in support, under 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 stated under other short-term liabilities (II.1.6.3.2).

| Passenger transportation price subsidy per type of discount | Figures in MHUF | |
|---|-----------------|----------------|
| | Previous year | Reporting year |
| 50% discount | 10 | 0 |
| 90% discount | 2 | 0 |
| Total: | 12 | 0 |

Table 62: Use of ticket price subsidies

III.4 Average number of staff employed, payroll costs and other payments to personnel

Figures in MHUF

| Staff | Year 2015 | | | | 2016 | | | |
|---------------|---------------|-----------------------------|---------------|----------------|---------------|-----------------------------|---------------|----------------|
| | Wages | Other payments to personnel | Total | Distribution | Wages | Other payments to personnel | Total | Distribution |
| Blue collar | 37,074 | 5,699 | 42,773 | 73.18% | 42,368 | 6,632 | 49,000 | 72.14% |
| White collar | 13,400 | 2,060 | 15,460 | 26.45% | 16,071 | 2,515 | 18,586 | 27.36% |
| Inactive | 177 | 38 | 215 | 0.37% | 270 | 63 | 333 | 0.49% |
| Total: | 50,651 | 7,797 | 58,448 | 100.00% | 58,709 | 9,210 | 67,919 | 100.00% |

Table 63: The Company's personnel expenses (excluding contributions)

Figures in MHUF

| Legal title of wage-related contributions | 2015 | | 2016 | |
|--|---------------|----------------|---------------|----------------|
| | Amount | Distribution | Amount | Distribution |
| Cost of special training contribution calculated on the basis of personal basic wages and time-based wages | 482 | 3.11% | 526 | 2.93% |
| Cost of special training contribution calculated on the basis of other wage-type payments | 230 | 1.49% | 287 | 1.60% |
| % health care contribution | 1,013 | 6.55% | 1,264 | 7.03% |
| Rehabilitation contribution | 753 | 4.87% | 847 | 4.71% |
| 27% social contribution tax payable by the employer and calculated on the basis of personal basic wages and time-based wages | 8,175 | 52.82% | 8,911 | 49.59% |
| 27% social contribution tax payable by the employer and calculated on the basis of other wage-type payments | 4,824 | 31.17% | 6,136 | 34.14% |
| Total: | 15,477 | 100.00% | 17,971 | 100.00% |

Table 64: Wage-related contributions

| Description | Year 2015 | | | 2016 | | |
|----------------|-------------------------------|------------------|--------------------------------|-------------------------------|------------------|--------------------------------|
| | Average statistical headcount | Distribution (%) | of which: in public employment | Average statistical headcount | Distribution (%) | of which: in public employment |
| - blue collar | 12 587,6 | 73,5 | 1 316,9 | 13 740,8 | 72,5 | 1 168,5 |
| - white collar | 4 549,6 | 26,5 | 38,6 | 5 225,0 | 27,5 | 37,2 |
| Total: | 17 137,2 | 100,0 | 1 355,5 | 18 965,8 | 100,0 | 1 205,7 |

Table 65: Employee headcount

| Staff | Average pay (HUF/person/month) | | Average pay for the category (HUF/person/month) | |
|------------------|--------------------------------|----------------|---|----------------|
| | Year 2015 | 2016 | Year 2015 | 2016 |
| - blue collar | 205,297 | 217,751 | 149,682 | 152,958 |
| - white collar | 347,423 | 349,129 | 291,090 | 296,560 |
| Full-time | 242,973 | 253,855 | 187,168 | 192,421 |

Table 66: Average and category-based wages and salaries with employees employed under the public works programme

| Staff | Average pay (HUF/person/month) | | Average pay for the category (HUF/person/month) | |
|------------------|--------------------------------|----------------|---|----------------|
| | Year 2015 | 2016 | Year 2015 | 2016 |
| - blue collar | 221,073 | 231,387 | 157,696 | 159,773 |
| - white collar | 349,559 | 350,959 | 292,697 | 297,981 |
| Full-time | 257,697 | 266,231 | 196,231 | 200,047 |

Table 67: Average and category-based wages and salaries without employees employed under the public works programme

| Description | Year 2015 | Distribution (%) | of which: persons in public works programmes | 2016 | Distribution (%) | of which: persons in public works programmes |
|-------------------------|---------------|------------------|--|---------------|------------------|--|
| Full-time | 19 435 | 99,79 | 1 380 | 19 018 | 99,80 | 1 148 |
| - blue collar | 14 160 | 72,70 | 1 341 | 13 729 | 72,04 | 1 111 |
| - white collar | 5 275 | 27,09 | 39 | 5 289 | 27,76 | 37 |
| Part-time | 40 | 0,21 | 0 | 38 | 0,20 | 0 |
| - blue collar | 19 | 0,10 | 0 | 10 | 0,05 | 0 |
| - white collar | 21 | 0,11 | 0 | 28 | 0,15 | 0 |
| Employees, total | 19 475 | 100,0 | 1 380 | 19 056 | 100,0 | 1 148 |

Table 68: Closing headcount at the Company in the reporting year (number of persons)

III.5 Information about payments to senior officers and Supervisory Board members

III.5.1 Remuneration paid to senior officers and Supervisory Board members

Figures in MHUF

| Description | Year 2015 | 2016 | Change |
|-------------------|-----------|------------|-----------|
| Senior officers | 41 | 89 | 48 |
| Supervisory Board | 15 | 18 | 3 |
| Total: | 56 | 107 | 51 |

Table 69: Remuneration in the reporting year

III.5.2 Advances and loans disbursed to senior officers and Supervisory Board members, and guarantees assumed on their behalf

No loan was disbursed to or guarantees were assumed on behalf of Board and Supervisory Board members in 2016.

III.5.3 Pension payment liability to former officers, and Supervisory Board members of the Company

The Company has no pension liabilities to former Board and Supervisory Board members as at the balance sheet date.

III.6 The Company's investments

Figures in HUF

MÁV Hungarian State Railways Private Company Limited by Shares

| Internal code | Name | CHANGE | MÁV % (01/01/2016) | MÁV % (31/12/2016) | Date of foundation | Postal code | Registered office | Address | Registered capital 31/12/2016 | Registered capital MÁV 31/12/2016 | Registered capital GIR Opening 01/01/2016 -1619- | Accumulated impairment GIR Opening 01/01/2016 -1699- | Carrying amount GIR Opening 01/01/2016 -16- |
|---|---|----------|-----------------------|-----------------------|-----------------------|-------------|-------------------|--------------------------------|----------------------------------|---|---|--|--|
| 180 | MÁV-START Zrt. | 0,00% | 100,00% | 100,00% | 2007.01.11 | 1087 | Budapest | Könyves Kálmán körút 54-60. | 43 741 514 000 | 43 741 514 000 | 121 033 553 416 | -7 094 445 928 | 113 939 107 488 |
| 101 | MÁV FKG Kft. | 0,00% | 100,00% | 100,00% | 1993.12.31 | 5137 | Jászkisér | Jászladányi út 10. | 1 504 760 000 | 1 504 760 000 | 1 535 268 428 | 0 | 1 535 268 428 |
| 131 | MÁV KfV Kft. | 0,00% | 100,00% | 100,00% | 1996.09.01 | 1097 | Budapest | Péceli út 2. | 569 400 000 | 569 400 000 | 569 400 000 | 0 | 569 400 000 |
| 179 | ZÁHONY-PORT Zrt. | 0,00% | 100,00% | 100,00% | 2006.08.31 | 4625 | Záhony | Európa tér 12. | 10 000 000 | 10 000 000 | 975 617 000 | -590 891 000 | 384 726 000 |
| 138 | MÁV Szolgáltató Központ Zrt. | 0,00% | 99,63% | 99,63% | 1996.11.01 | 1087 | Budapest | Könyves Kálmán körút 54-60. | 801 000 000 | 798 000 000 | 1 423 332 417 | 0 | 1 423 332 417 |
| 020 | MÁV VAGON Kft. | 0,00% | 0,04% | 0,04% | 1992.12.30 | 8000 | Székesfehérvár | Takarodó utca 1. | 243 980 000 | 100 000 | 100 000 | 0 | 100 000 |
| Fully consolidated subsidiaries, total | | | | | | | | | 46 870 654 000 | 46 623 774 000 | 125 537 271 261 | -7 685 336 928 | 117 851 934 333 |
| 015 | MÁV NOSZTALGIA Kft. | 0,00% | 57,00% | 57,00% | 1992.12.30 | 1142 | Budapest | Tatai út 95. | 10 000 000 | 5 700 000 | 5 700 000 | 0 | 5 700 000 |
| Equity consolidated subsidiaries, total | | | | | | | | | 10 000 000 | 5 700 000 | 5 700 000 | 0 | 5 700 000 |
| 193 | Kínai-Magyar Vasúti Nonprofit Zrt. | 15,00% | 0,00% | 15,00% | 2016.10.28 | 1087 | Budapest | Könyves Kálmán körút 54-60. | 5 000 000 | 750 000 | 0 | 0 | 0 |
| Equity consolidated jointly managed companies, total | | | | | | | | | 5 000 000 | 750 000 | 0 | 0 | 0 |
| 027 | Dunakeszi Járműjavító Kft. | 0,00% | 25,10% | 25,10% | 1992.12.30 | 2120 | Dunakeszi | Állomás sétány 19. | 772 000 000 | 193 750 000 | 193 770 000 | 0 | 193 770 000 |
| 142 | MULTISZOLG'97 Hídmérleg Kft. | 0,00% | 25,00% | 25,00% | 1997.04.15 | 1081 | Budapest | Népszínház utca 21. IV. em. 1. | 61 280 000 | 15 320 000 | 15 320 000 | | 15 320 000 |
| 116 | MÁV-THERMIT Kft. | 0,00% | 35,00% | 35,00% | 1995.02.28 | 2030 | Érd | Tolmács utca 18. | 138 000 000 | 48 300 000 | 48 300 000 | 0 | 48 300 000 |
| 037 | VAMAV Kft. | 0,00% | 50,00% | 50,00% | 1991.11.26 | 3200 | Gyöngyös | Gyártelep utca 1. | 1 400 000 000 | 700 000 000 | 480 000 000 | 0 | 480 000 000 |
| 038 | EURO-METALL Kft. | 0,00% | 34,99% | 34,99% | 1991.01.23 | 1045 | Budapest | Elem utca 5-7. | 50 590 000 | 17 700 000 | 17 700 000 | 0 | 17 700 000 |
| Equity consolidated associated companies, total | | | | | | | | | 2 421 870 000 | 975 070 000 | 755 090 000 | 0 | 755 090 000 |
| 134 | MÁV Utasellátó Zrt. f.a. | 0,00% | 100,00% | 100,00% | 1996.12.01 | 1053 | Budapest | Veres Pálné utca 9. | 137 000 000 | 137 000 000 | 137 000 000 | -137 000 000 | 0 |
| 006 | MÁV HÍDÉPÍTŐ Kft. f.a. | -100,00% | 100,00% | 0,00% | 1992.08.01 | 1142 | Budapest | Mexikói út 71. | 0 | 0 | 600 000 000 | -600 000 000 | 0 |
| Subsidiaries treated as a shareholding in consolidation, total | | | | | | | | | 137 000 000 | 137 000 000 | 737 000 000 | -737 000 000 | 0 |
| 178 | HUNGRAIL Magyar Vasúti Egyesülés v.a. | -4,55% | 4,55% | 0,00% | 2006.03.24 | 1066 | Budapest | Teréz krt. 38. | 0 | 0 | 200 000 | 0 | 200 000 |
| 022 | MÁV VASJÁRMŰ Kft. f.a. | 0,00% | 25,01% | 25,01% | 1992.12.30 | 9700 | Szombathely | Szövő utca 85. | 88 890 000 | 22 230 000 | 158 000 000 | -158 000 000 | 0 |
| 165 | MÁV-REC Kft. | 0,00% | 49,00% | 49,00% | 2001.10.11 | 1097 | Budapest | Könyves Kálmán körút 16. | 50 000 000 | 24 500 000 | 50 500 000 | 0 | 50 500 000 |
| Associated companies treated as a shareholding in consolidation, total | | | | | | | | | 138 890 000 | 46 730 000 | 208 700 000 | -158 000 000 | 50 700 000 |
| 147 | Bureau Central de Clearing s.c.f.l. (BCC) | 0,00% | 1,36% | 1,36% | 1997.01.28 | 40-B-1060 | Bruxelles | Avenue de la Porte de Hal | 34 289 955 | 466 530 | 468 114 | 0 | 468 114 |
| 128 | Eurofima Societe Europeenne Pour Le Financement de Material Ferroviaire (Vasúti Gördülőanyag-finanszírozási Európai Zrt.) | 0,00% | 0,70% | 0,70% | 1992.06.01 | CH4001 | Basel | Rittergasse 20. | 752 466 000 000 | 5 267 262 000 | 2 288 833 747 | 0 | 2 288 833 747 |
| 120 | Vasútegészségügyi Nonprofit Közhasznú Kft. | 0,00% | 14,21% | 14,21% | 1997.07.31 | 1062 | Budapest | Podmaniczky utca 109. | 701 020 000 | 99 600 000 | 99 600 000 | 0 | 99 600 000 |
| 169 | HIT Rail B.V. (Informatikai Szolgáltató) | 0,00% | 9,52% | 9,52% | 2001.11.26 | 3511 ER | Utrecht | Laan van Puntenburg 100 | 423 298 220 | 40 314 116 | 68 203 485 | 0 | 68 203 485 |
| 172 | Normon-Tool Kft. | 0,00% | 0,04% | 0,04% | 2002.03.14 | 5600 | Békéscsaba | Ipari út 1. | 80 290 000 | 29 190 | 132 200 | 0 | 132 200 |
| Other companies treated as a shareholding in consolidation, total | | | | | | | | | 753 704 898 175 | 5 407 671 836 | 2 457 237 546 | 0 | 2 457 237 546 |
| Grand total: | | | | | | | | | 803 288 312 175 | 53 196 695 836 | 129 700 998 807 | -8 580 336 928 | 121 120 661 879 |

Table 70: Presentation of the Company's shareholdings, and opening portfolio

Figures in HUF

| Internal code | Name | Foundation 2016 -16111- | FX gain 31/12/2016 -16113- | Derecognition due to other decrease (liquidation, voluntary liquidation, merger) 2016 -16124- | FX loss 31/12/2016 -16123- | Registered capital 31/12/2016 -161- | Impairment 2016 -1691- | Other increase in impairment 2016 -1692- | Reversal of impairment, derecognition 2016 -1698- | Derecognition of impairment due to liquidation or voluntary liquidation 2016 -1695- | Accumulated impairment 31/12/2016 -169- | Carrying amount 31/12/2016 -16- |
|---|---|-------------------------------|----------------------------------|--|----------------------------------|---|------------------------------|---|---|---|--|---------------------------------------|
| 180 | MÁV-START Zrt. | | | | | 121,033,553,416 | | | 5,482,287,884 | | -1,612,158,044 | 119,421,395,372 |
| 101 | MÁV FKG Kft. | | | | | 1,535,268,428 | | | | | 0 | 1,535,268,428 |
| 131 | MÁV KfV Kft. | | | | | 569,400,000 | | | | | 0 | 569,400,000 |
| 179 | ZÁHONY-PORT Zrt. | | | | | 975,617,000 | | | | | -590,891,000 | 384,726,000 |
| 138 | MÁV Szolgáltató Központ Zrt. | | | | | 1,423,332,417 | | | | | 0 | 1,423,332,417 |
| 020 | MÁV VAGON Kft. | | | | | 100,000 | | | | | 0 | 100,000 |
| Fully consolidated subsidiaries, total | | 0 | 0 | 0 | 0 | 125,537,271,261 | 0 | 0 | 5,482,287,884 | 0 | -2,203,049,044 | 123,334,222,217 |
| 015 | MÁV NOSZTALGIA Kft. | | | | | 5,700,000 | | | | | 0 | 5,700,000 |
| Equity consolidated subsidiaries, total | | 0 | 0 | 0 | 0 | 5,700,000 | 0 | 0 | 0 | 0 | 0 | 5,700,000 |
| 193 | Kínai-Magyar Vasúti Nonprofit Zrt. | 750,000 | | | | 750,000 | | | | | 0 | 750,000 |
| Equity consolidated jointly managed companies, total | | 750,000 | 0 | 0 | 0 | 750,000 | 0 | 0 | 0 | 0 | 0 | 750,000 |
| 027 | Dunakeszi Járműjavító Kft. | | | | | 193,770,000 | | | | | 0 | 193,770,000 |
| 142 | MULTISZOLG'97 Hídmérleg Kft. | | | | | 15,320,000 | | | | | 0 | 15,320,000 |
| 116 | MÁV-THERMIT Kft. | | | | | 48,300,000 | | | | | 0 | 48,300,000 |
| 037 | VAMAV Kft. | | | | | 480,000,000 | | | | | 0 | 480,000,000 |
| 038 | EURO-METALL Kft. | | | | | 17,700,000 | | | | | 0 | 17,700,000 |
| Equity consolidated associated companies, total | | 0 | 0 | 0 | 0 | 755,090,000 | 0 | 0 | 0 | 0 | 0 | 755,090,000 |
| 134 | MÁV Utasellátó Zrt. f.a. | | | | | 137,000,000 | | | | | -137,000,000 | 0 |
| 006 | MÁV HÍDÉPÍTŐ Kft. f.a. | | | -600,000,000 | | 0 | | | | 600,000,000 | 0 | 0 |
| Subsidiaries treated as a shareholding in consolidation, total | | 0 | 0 | -600,000,000 | 0 | 137,000,000 | 0 | 0 | 0 | 600,000,000 | -137,000,000 | 0 |
| 178 | HUNGRAIL Magyar Vasúti Egyesülés v.a. | | | -200,000 | | 0 | | | | | 0 | 0 |
| 022 | MÁV VASJÁRMŰ Kft. f.a. | | | | | 158,000,000 | | | | | -158,000,000 | 0 |
| 165 | MÁV-REC Kft. | | | | | 50,500,000 | | | | | 0 | 50,500,000 |
| Associated companies treated as a shareholding in consolidation, total | | 0 | 0 | -200,000 | 0 | 208,500,000 | 0 | 0 | 0 | 0 | -158,000,000 | 50,500,000 |
| 147 | Bureau Central de Clearing s.c.f.l. (BCC) | | | | -3,139 | 464,975 | | | | | 0 | 464,975 |
| 128 | Eurofima Societe Europeenne Pour Le Financement de Material Ferroviaire (Vasúti Gördülőanyag-finanszírozási Európai Zrt.) | | 237,283 | | | 2,289,071,030 | | | | | 0 | 2,289,071,030 |
| 120 | Vasútegészségügyi Nonprofit Közhasznú Kft. | | | | | 99,600,000 | | | | | 0 | 99,600,000 |
| 169 | HIT Rail B.V. (Informatikai Szolgáltató) | | | | -457,420 | 67,746,065 | | | | | 0 | 67,746,065 |
| 172 | Normon-Tool Kft. | | | | | 132,200 | | | | | 0 | 132,200 |
| Other companies treated as a shareholding in consolidation, total | | 0 | 237,283 | 0 | -460,559 | 2,457,014,270 | 0 | 0 | 0 | 0 | 0 | 2,457,014,270 |
| Grand total: | | 750,000 | 237,283 | -600,200,000 | -460,559 | 129,101,325,531 | 0 | 0 | 5,482,287,884 | 600,000,000 | -2,498,049,044 | 126,603,276,487 |

Table 71: Changes to the Company's shareholdings in the reporting year

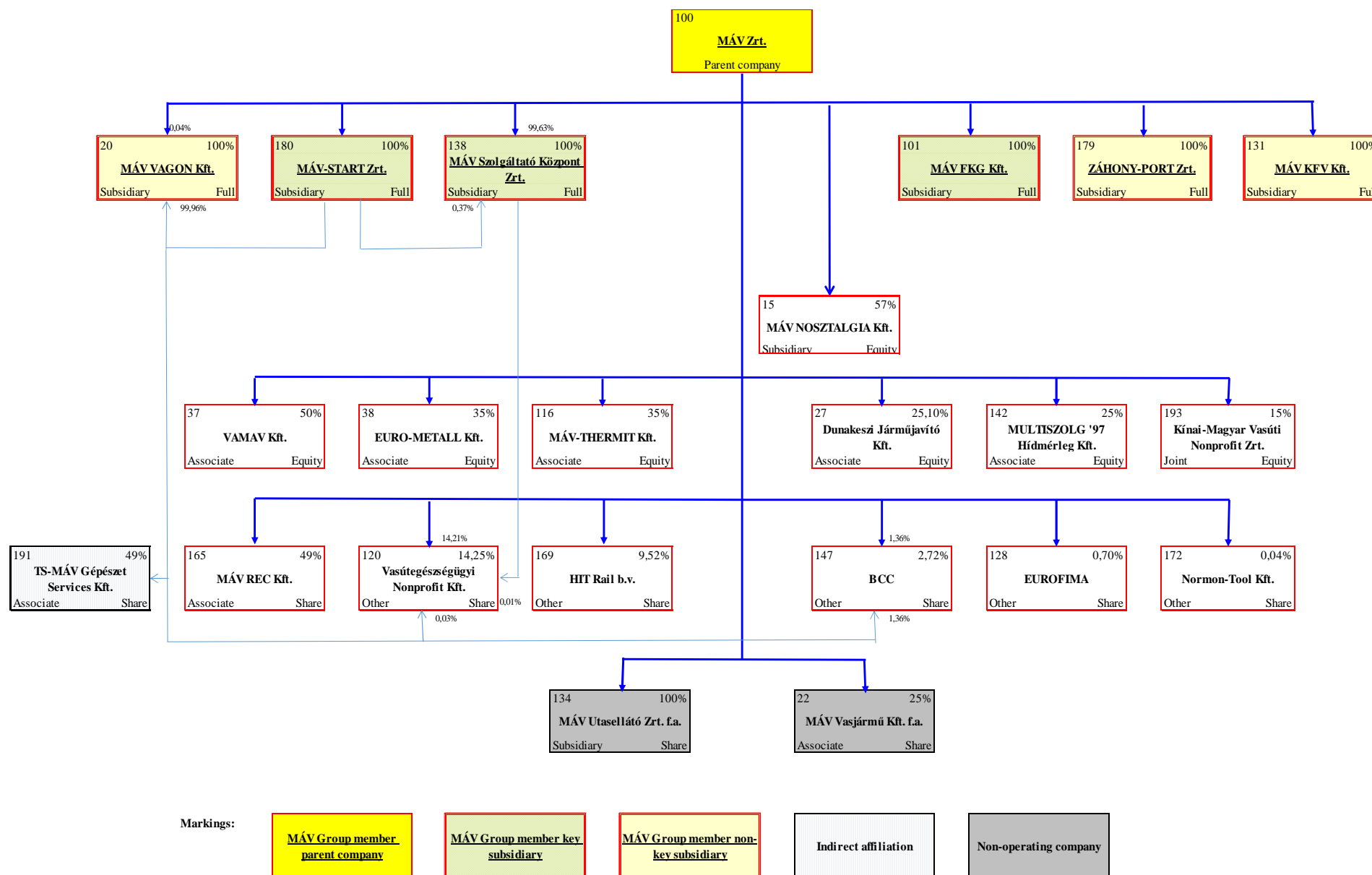


Table 72: MÁV Group's organisational structure on the balance sheet date

III.7 Exempted parent company's disclosures

The Company is not classed as an exempted parent company, and is required to prepare and publish consolidated financial statements.

III.8 Material transactions with related parties that were not made on an arm's-length basis

From the Company's perspective, we define related parties as undertakings that are classified as subsidiaries, joint ventures and affiliated companies – hereinafter referred to together as related companies – as defined in the Accounting Act, the members of senior management, the senior officers, and the close relatives thereof. For the purpose of defining related parties, we define senior management as the Company's chairman & CEO and deputy CEOs, and we define senior officers as the members of the Company's Board of Directors and Supervisory Board, and their close relatives.

Transactions between MÁV Zrt. and its related parties as defined in the Corporate Tax Act are conducted on an arm's length basis.

III.9 Permanent establishments abroad

The Company does not have any permanent establishments abroad

IV Annual report to the supervisory authority – Disclosures made under joint Ministry of the Economy and Transport and Ministry of Finance (GKM-PM) Decree 50/2007 on the accounting separation of railway transport activities within the railway company

In this section the Company fulfils its disclosure obligation set out in GKM-PM Decree 50/2007 (IV.26.) on the accounting separation of railway transport activities within the railway company, on the basis of the Decree and the Company's effective accounting separation policy.

The statutory principles of separation, and the change in the policy in the reporting year, are described in section I.2.

The activity statement to be presented in the report to the supervisory authority states amount in thousand HUF on the basis of the Decree, while the other statements containing monetary sums presents them in million HUF as stipulated in the Accounting Act.

The accounting separation of the individual activities at the Company takes place at general ledger level.

Based on the Decree, in 2016 the Company separated the following activities from each other:

- Railtrack operations (railtrack general ledger)
- Railway passenger transport (narrow-gauge regional passenger transport general ledger)
- Other activities (central general ledger)

IV.1 Railtrack operations

The balance sheet, profit and loss statement, cash flow statement and activity statement prepared on the basis of the railtrack GL are shown in the following tables:

Figures in MHUF

| Serial no. | | 2015.12.31 | 2016.12.31 | Change |
|-------------|---|----------------|------------------|----------------|
| A. | NON-CURRENT ASSETS (I.+II.+III.) | 862 316 | 1 015 889 | 153 573 |
| I. | INTANGIBLE ASSETS (I./ 1.+_7.) | 3 587 | 9 063 | 5 476 |
| 1. | Capitalised value of foundation and restructuring | 0 | 0 | 0 |
| 2. | Capitalised value of R&D | 37 | 37 | 0 |
| 3. | Intangible property rights | 1 761 | 5 740 | 3 979 |
| 3/a. | of which: Managed state-owned intangible property rights | 0 | 2 675 | 2 675 |
| 4. | Intellectual properties | 1 789 | 3 286 | 1 497 |
| 4/a. | of which: State owned intellectual property taken into asset management | 0 | 0 | 0 |
| 5. | Goodwill | 0 | 0 | 0 |
| 6. | Advances given for intangible assets | 0 | 0 | 0 |
| 7. | Value adjustment of intangible assets | 0 | 0 | 0 |
| II. | TANGIBLE ASSETS (II./ 1.+_7.) | 858 725 | 1 006 826 | 148 101 |
| 1. | Land and buildings and related intangible property rights | 742 540 | 847 555 | 105 015 |
| 1/a. | of which: Managed state-owned real estate properties and related intangible property rights | 704 740 | 813 705 | 108 965 |
| 2. | Technical equipment, machinery, vehicles | 86 277 | 129 586 | 43 309 |
| 2/a. | of which: Managed state-owned technical equipment, machinery and vehicles | 76 582 | 118 530 | 41 948 |
| 3. | Other fixtures, fittings and vehicles | 41 | 20 | -21 |
| 4. | Breeding stock | 0 | 0 | 0 |
| 5. | Capital projects, renovations | 27 070 | 25 756 | -1 314 |
| 5/a. | of which: Managed state-owned capital projects | 16 724 | 14 992 | -1 732 |
| 6. | Advances given for capital projects | 2 797 | 3 909 | 1 112 |
| 7. | Value adjustment of tangible assets | 0 | 0 | 0 |
| III. | FINANCIAL INVESTMENTS (III./ 1.+_10.) | 4 | 0 | -4 |
| 1. | Long-term investments in related companies | 0 | 0 | 0 |
| 2. | Long-term loans to related companies | 0 | 0 | 0 |
| 3. | Significant permanent shareholding | 0 | 0 | 0 |
| 4. | Long-term loans given to significant related parties | 0 | 0 | 0 |
| 5. | Other long-term investments | 0 | 0 | 0 |
| 6. | Long-term loans given to other related parties | 0 | 0 | 0 |
| 7. | Other long-term loans given | 4 | 0 | -4 |
| 8. | Long-term debt securities | 0 | 0 | 0 |
| 9. | Value adjustment of financial investments | 0 | 0 | 0 |
| 10. | Valuation difference of fixed financial assets | 0 | 0 | 0 |
| B. | Current assets (B./ I.+II.+III.+IV.+üet.) | 46 629 | 42 827 | -3 802 |
| I. | INVENTORIES (I./ 1.+_6.) | 9 451 | 9 714 | 263 |
| 1. | Raw materials | 8 366 | 9 390 | 1 024 |
| 1/a. | of which: Managed state-owned materials | 2 356 | 2 320 | -36 |
| 2. | Work in progress and semi-finished products | 4 | 2 | -2 |
| 2/a. | of which: Managed state-owned WIP and semi-finished products | 0 | 0 | 0 |
| 3. | Animals for breeding, fattening and other livestock | 0 | 0 | 0 |
| 4. | Finished products | 267 | 236 | -31 |
| 4/a. | of which: Managed state-owned finished products | 13 | 8 | -5 |
| 5. | Goods | 814 | 86 | -728 |
| 6. | Advances given for inventories | 0 | 0 | 0 |
| II. | RECEIVABLES (II./ 1.+_8.) | 10 150 | 11 586 | 1 436 |
| 1. | Receivables from the transportation of goods and from services (accounts receivable) | 2 766 | 2 722 | -44 |
| 2. | Receivables from related companies | 6 975 | 8 584 | 1 609 |
| 3. | Receivables from companies linked by virtue of major participating interests | 18 | 30 | 12 |
| 4. | Receivables from other associated companies | 2 | 9 | 7 |
| 5. | Bills of exchange receivable | 0 | 0 | 0 |
| 6. | Other receivables | 389 | 241 | -148 |
| 6/a. | of which: Receivables related to managed state-owned assets | 0 | 0 | 0 |
| 7. | Valuation difference of receivables | 0 | 0 | 0 |
| 8. | Positive valuation difference of derivative transactions | 0 | 0 | 0 |
| | Receivables from settlements with divisions | 0 | 0 | 0 |
| III. | SECURITIES (III./ 1.+_6.) | 0 | 0 | 0 |
| 1. | Investments in related companies | 0 | 0 | 0 |
| 2. | Significant shareholding | 0 | 0 | 0 |
| 3. | Other investments | 0 | 0 | 0 |
| 4. | Treasury shares, own quotas | 0 | 0 | 0 |
| 5. | Marketable debt securities | 0 | 0 | 0 |
| 6. | Valuation difference of securities | 0 | 0 | 0 |
| IV. | LIQUID ASSETS (IV./ 1.+2.) | 27 028 | 21 527 | -5 501 |
| 1. | Cash, cheques | 0 | 0 | 0 |
| 2. | Bank deposits | 27 028 | 21 527 | -5 501 |
| C. | PREPAID EXPENSES AND ACCRUED INCOME (C./ 1.+2.+3.) | 2 276 | 2 258 | -18 |
| 1. | Accrued income | 1 157 | 766 | -391 |
| 2. | Prepaid costs and expenses | 1 119 | 1 492 | 373 |
| 3. | Deferred expenses | 0 | 0 | 0 |
| | TOTAL ASSETS (A.+B.+C.) | 911 221 | 1 060 974 | 149 753 |

Table 73: Asset side of the balance sheet based on the railtrack GL

Figures in MHUF

| Serial no. | | 2015.12.31 | 2016.12.31 | Change |
|-------------|--|----------------|------------------|----------------|
| D. | Equity (D/ I+_ VII) | -55 581 | -57 983 | -2 402 |
| I. | SHARE CAPITAL | 5 688 | 5 688 | 0 |
| | of which: repurchased ownership share at nominal value | 0 | 0 | 0 |
| II. | SUBSCRIBED BUT UNPAID CAPITAL | 0 | 0 | 0 |
| III. | CAPITAL RESERVE | 22 905 | 18 957 | -3 948 |
| IV. | RETAINED EARNINGS | -102 643 | -84 211 | 18 432 |
| V. | NON-DISTRIBUTABLE RESERVE | 95 | 37 | -58 |
| VI. | VALUATION RESERVE | 0 | 0 | 0 |
| 1. | Valuation reserve for value adjustment | 0 | 0 | 0 |
| 2. | Valuation reserve for fair value | 0 | 0 | 0 |
| VII. | AFTER-TAX PROFIT/LOSS | 18 374 | 1 546 | -16 828 |
| E. | Provisions (E/ 1+2+3) | 18 189 | 19 860 | 1 671 |
| 1. | Provision for expected liabilities | 11 739 | 11 022 | -717 |
| 2. | Provision for future expenses | 6 450 | 8 838 | 2 388 |
| 3. | Other provisions | 0 | 0 | 0 |
| F. | LIABILITIES (F/ I+II+III.) | 918 197 | 1 060 997 | 142 800 |
| I. | SUBORDINATED LIABILITIES (F.I/ 1+2+3+4) | 0 | 0 | 0 |
| 1. | Subordinated liabilities to related companies | 0 | 0 | 0 |
| 2. | Subordinated liabilities to significant related parties | 0 | 0 | 0 |
| 3. | Subordinated liabilities to other related parties | 0 | 0 | 0 |
| 4. | Subordinated liabilities to other entities | 0 | 0 | 0 |
| II. | LONG-TERM LIABILITIES (F.II/ 1+_ 8) | 828 320 | 979 937 | 151 617 |
| 1. | Long-term borrowings | 526 | 292 | -234 |
| 2. | Convertible and contingent convertible bonds | 0 | 0 | 0 |
| 3. | Debts from issue of bonds | 0 | 0 | 0 |
| 4. | Investment and development credits | 0 | 0 | 0 |
| 5. | Other long-term credits | 0 | 0 | 0 |
| 6. | Long-term liabilities to related companies | 0 | 0 | 0 |
| 7. | Long-term liabilities to significant related parties | 0 | 0 | 0 |
| 8. | Long-term liabilities to other related parties | 0 | 0 | 0 |
| 9. | Other long-term liabilities | 827 794 | 979 645 | 151 851 |
| 9./a | of which: Liabilities related to managed state-owned assets | 827 475 | 979 318 | 151 843 |
| III. | SHORT-TERM LIABILITIES (F.III/ 1+_ 10+üet) | 89 877 | 81 060 | -8 817 |
| 1. | Short-term borrowings | 686 | 234 | -452 |
| 1/a | of which: convertible bonds | 0 | 0 | 0 |
| 2. | Short-term loans | 1 908 | 0 | -1 908 |
| 3. | Advances received from customer | 13 | 18 | 5 |
| 4. | Liabilities from the transportation of goods and from services (account) | 15 043 | 18 290 | 3 247 |
| 5. | Bills of exchange payable | 0 | 0 | 0 |
| 6. | Current liabilities to related companies | 14 546 | 13 087 | -1 459 |
| 7. | Short-term liabilities to significant related parties | 438 | 433 | -5 |
| 8. | Short-term liabilities to other related parties | 21 | 22 | 1 |
| 9. | Other short-term liabilities | 18 598 | 12 412 | -6 186 |
| 9./a | of which: Liabilities related to managed state-owned assets | 1 124 | 665 | -459 |
| 10. | Valuation difference of liabilities | 0 | 0 | 0 |
| 11. | Negative valuation difference of derivative transactions | 0 | 0 | 0 |
| | Debts from settlements with divisions | 38 624 | 36 564 | -2 060 |
| G. | Accrued expenses and deferred income (G/ 1+2+3) | 30 416 | 38 100 | 7 684 |
| 1. | Prepaid income | 9 529 | 9 485 | -44 |
| 2. | Accrued expenses | 1 389 | 1 973 | 584 |
| 3. | Deferred income | 19 498 | 26 642 | 7 144 |
| | TOTAL LIABILITIES (D.+E.+F.+G.) | 911 221 | 1 060 974 | 149 753 |

Table 74: Liabilities side of the balance sheet based on the railtrack GL

| Figures in MHUF | | | | |
|-----------------|--|----------------|----------------|----------------|
| Line | Description | 2015.12.31 | 2016.12.31 | Change |
| .01. | Net domestic sales revenues | 138 266 | 136 941 | -1 325 |
| .02. | Net export sales revenues | 1 746 | 1 523 | -223 |
| I. | Net sales revenues (01+02) | 140 012 | 138 464 | -1 548 |
| I/A 1. | Internal revenues from passenger transport (595,1;597,1) | 0 | 0 | 0 |
| I/A 2. | Internal revenues from engineering services (595,2;597,2) | 0 | 0 | 0 |
| I/A 3. | Internal revenues from central services (595,3;595,5;597,3;597,5) | 16 153 | 0 | -16 153 |
| I/A 4. | Internal revenues from rail track services (595,4;597,4) | 398 | 412 | 14 |
| I/A 5. | Revenues from direct internal services (593,2) | 24 | 72 | 48 |
| I/A 6. | Revenue from central control (597,9) | 0 | 23 | 23 |
| I/A. | Total internal revenue settled: | 16 575 | 507 | -16 068 |
| .03. | Change in self-manufactured inventories | -783 | -34 | 749 |
| .04. | Capitalised value of self-manufactured assets | 7 190 | 6 253 | -937 |
| II. | Capitalised value of own performance (03+04) | 6 407 | 6 219 | -188 |
| III. | Other revenues | 112 677 | 108 630 | -4 047 |
| | of which: impairment reversed (962,1-962,2) | 6 | 39 | 33 |
| | Total operating yields: | 275 671 | 253 820 | -21 851 |
| .05. | Material costs | 17 817 | 19 626 | 1 809 |
| .06. | Value of services used | 46 403 | 44 322 | -2 081 |
| .07. | Value of other services used | 1 085 | 1 120 | 35 |
| .08. | Cost of goods sold | 34 448 | 30 430 | -4 018 |
| .09. | Value of sold (intermediated) services | 317 | 288 | -29 |
| IV. | Material expenditures (05+06+07+08+09) | 100 070 | 95 786 | -4 284 |
| IV/A 1. | Internal costs of passenger transport (594,1;596,1) | 0 | 0 | 0 |
| IV/A 2. | Internal costs of engineering services (594,2;596,2;598) | 0 | 0 | 0 |
| IV/A 3. | Internal costs of central services (594,3;594,5;596,3;596,5) | 15 692 | 0 | -15 692 |
| IV/A 4. | Internal costs of rail track services (594,4;596,4) | 3 597 | 0 | -3 597 |
| IV/A 5. | Costs of direct internal services (593,1) | 26 | 502 | 476 |
| IV/A 6. | Costs of central administration and property management (596,9) | 3 608 | 1 312 | -2 296 |
| IV/A | Total internal expenditures settled: | 22 923 | 1 814 | -21 109 |
| .10. | Wages | 49 328 | 57 614 | 8 286 |
| .11. | Other payments to personnel | 7 527 | 8 756 | 1 229 |
| .12. | Wage-related contributions | 15 015 | 17 523 | 2 508 |
| V. | Payments to personnel (10.+11.+12.) | 71 870 | 83 893 | 12 023 |
| VI. | Depreciation | 46 657 | 50 682 | 4 025 |
| VII. | Other expenditures | 15 343 | 20 128 | 4 785 |
| | of which: impairment | 4 388 | 13 015 | 8 627 |
| | Total operating expenses: | 256 863 | 252 303 | -4 560 |
| A. | BUSINESS PROFIT/LOSS (I.+I/A+II.+III.-IV.-IV/A-V-VI-VII) | 18 808 | 1 517 | -17 291 |
| .13. | Dividends, profit share received | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .14. | Gain on sale of investments | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .15. | Revenues from and gains on financial investments (from securities and loans) | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .16. | Other interest received (due) and similar income | 98 | 80 | -18 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .17. | Other financial revenues | 17 | 35 | 18 |
| | Of which: valuation difference | 0 | 0 | 0 |
| VIII. | Income from financial transactions (13+14+15+16+17) | 115 | 115 | 0 |
| .18. | Expenses of and losses on investments | 0 | 0 | 0 |
| | 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 | 383 | 75 | -308 |
| | Of which: provided to related companies | 0 | 0 | 0 |
| .21. | Impairment of investments, long-term loans given, securities and bank deposits | 0 | 0 | 0 |
| .22. | Other expenses of financial transactions | 166 | 11 | -155 |
| | Of which: valuation difference | 0 | 0 | 0 |
| IX. | Financial expenses (18.+19.+20.+21.+22.) | 549 | 86 | -463 |
| B. | FINANCIAL PROFIT/LOSS (VIII-IX) | -434 | 29 | 463 |
| C. | PRE-TAX PROFIT/LOSS (±A±B) | 18 374 | 1 546 | -16 828 |
| X. | TAX LIABILITY | 0 | 0 | 0 |
| D. | PROFIT OR LOSS AFTER TAX (±C-X) | 18 374 | 1 546 | -16 828 |

Table 75: Profit and loss statement based on the railtrack GL

Figures in MHUF

| Nr. | Description | 2015 | 2016. |
|---|--|----------------|----------------|
| I. | Change in cash from ordinary business activity (Operating cash-flow, 1-17) | 74 787 | 5 578 |
| 1. | Pre-tax profit/loss (±) | 18 374 | 1 546 |
| | Assumed liabilities | -16 422 | 0 |
| | deferral of interest related to assumed liability | 25 | 0 |
| | amounts received free of charge | 0 | -4 |
| | amounts granted free of charge, expensed | 17 | 27 |
| | dividend received | 0 | 0 |
| | amount realised in excess of the book value of loan given | 0 | 0 |
| | deferred dividend | 0 | 0 |
| | profit/loss from changes in investments | 0 | 0 |
| | surplus non-current assets | -1 | 0 |
| | non-realised exchange rate difference on liquid assets | 0 | 0 |
| 2. | Previous years' profit/loss | 0 | 0 |
| 3. | Revaluation of loans and investments | 0 | 0 |
| 4. | Ordinary depreciation charge + | 46 657 | 50 682 |
| 4/a. | Depreciation charge on previous year | 0 | 0 |
| 5. | Recognised impairment, scrapping, shortage and reversal ± | 4 382 | 12 976 |
| 6. | Changes in provisions ± | 5 048 | 1 671 |
| 7. | Non-current asset disposals ± | 6 | -26 |
| 8. | Change in liabilities related to managed state-owned assets | -2 673 | -58 921 |
| 9. | Movements in creditors ± | 6 | 3 247 |
| 10. | Movements in other short-term liabilities ± | 15 084 | -2 405 |
| 10/a. | Movements in balance of business line operations | -2 538 | -3 262 |
| 11. | Movements in accruals ± | 7 194 | 1 602 |
| 11/a. | Released deferred income related to asset settlement | 66 | 89 |
| 11/b. | Accrued income associated with fixed assets received without compensation | 0 | 0 |
| 12. | Movements in debtors ± | 77 | -37 |
| 13. | Current asset movements (less debtors and liquid assets) ± | -2 326 | -1 625 |
| 14. | Movements in prepayments and accrued income ± | 1 553 | 18 |
| 15. | Corporate income tax payable - | 0 | 0 |
| 16. | Dividend and share payable - | 0 | 0 |
| 17. | Liquid assets assumed through merger as of balance sheet date | 258 | 0 |
| II. | Change in liquid assets from investing activities (Lines 18-21) | -53 560 | -35 246 |
| 18. | Non-current asset additions - | -53 597 | -35 278 |
| 19. | Non-current asset disposals + | 37 | 32 |
| 20. | Capital withdrawn from existing investment (subsidiary) | 0 | 0 |
| 21. | Dividend received + | 0 | 0 |
| III. | Change in cash from financial transactions (Financing cash-flow, lines 22-32) | -2 808 | 24 167 |
| 22. | Revenues from the issue of shares (capital addition) + | 0 | 1 978 |
| 23. | Proceeds from issue of bonds and debt securities + | 0 | 0 |
| 24. | Borrowings + | 0 | 0 |
| 25. | Repayment, cancellation and redemption of long-term loans and bank deposits + | 0 | 0 |
| 26. | Amounts received free of charge +* | 0 | 24 798 |
| 27. | Redemption of shares, capital reduction - | 0 | 0 |
| 28. | Bond redemption - | 0 | 0 |
| 29. | Loan repayment - | -2 846 | -2 594 |
| 30. | Long-term loans and bank deposits + | 0 | 0 |
| 31. | Amounts transferred free of charge - | -17 | -27 |
| 32. | Movements in payables to founders and in other long-term liabilities ± | 55 | 12 |
| IV. | Cash flow (I.+II.+III.) | 18 419 | -5 501 |
| 33. | Non-realised exchange rate difference on liquid assets | 0 | 0 |
| V. | Change in cash and cash equivalents (IV.+33.) | 18 419 | -5 501 |
| * In 2015, reimbursement for renovation was stated in operating cash flow | | | |

Table 76: Cash flow statement based on the railtrack GL

The profit and loss account of railtrack operations is shown in the table below (in THUF):

Figures in THUF

| <i>Line</i> | <i>Description</i> | <i>Base year 2015</i> | <i>Reporting year 2016</i> |
|-------------|---------------------------------------|---------------------------|--------------------------------|
| 1 | Net sales revenue | 140 012 476 | 138 463 759 |
| | of which: fee revenue | 140 012 476 | 138 463 759 |
| | of which: ticket-price subsidies | 0 | 0 |
| | paid by government | 0 | 0 |
| 2 | Internal revenues | 16 574 381 | 507 366 |
| 3 | Capitalised value of own performance | 6 406 774 | 6 219 614 |
| 4 | Other income | 48 320 106 | 108 629 540 |
| | of which: government compensation | 38 180 229 | 38 869 437 |
| | of which: government subsidy | 5 562 044 | 5 386 111 |
| 5 | OPERATING GAINS TOTAL | 211 313 737 | 253 820 279 |
| 6 | Material expenses | 100 069 642 | 95 785 616 |
| | of which: infrastructure charge | 0 | 0 |
| 7 | Internal expenses | 22 922 439 | 1 814 474 |
| | of which: network access | 3 597 206 | 0 |
| | of which: traction | 0 | 0 |
| | of which: other railway services | 25 920 | 502 610 |
| | of which: central services | 15 691 722 | 0 |
| | of which: central control | 3 607 591 | 1 311 864 |
| 8 | Payments to personnel | 71 870 093 | 83 893 047 |
| 9 | Depreciation charge | 46 656 980 | 50 681 555 |
| 10 | Other expenditure | 15 175 938 | 20 128 214 |
| 11 | OPERATING EXPENSES TOTAL | 256 695 093 | 252 302 906 |
| 12 | OPERATING PROFIT | -45 381 356 | 1 517 373 |
| 13 | Financial gains | 114 456 | 114 727 |
| 14 | Financial expenses | 548 852 | 85 863 |
| 15 | FINANCIAL LOSS | -434 396 | 28 864 |
| 16 | Extraordinary revenues | 64 357 260 | 0 |
| | of which: government subsidy | 16 585 886 | 0 |
| 17 | Extraordinary expenses | 167 843 | 0 |
| 18 | PROFIT ON EXTRAORDINARY EVENTS | 64 189 417 | 0 |
| 19 | Tax liability | 0 | -28 |
| 20 | AFTER-TAX PROFIT/LOSS | 18 373 665 | 1 546 265 |

Table 77: P&L of the railtrack operations division

Significant events in the reporting period:

A predominant part of net sales in 2016 includes railtrack access revenues, which are presented separately from traction electricity and fuel sold:

| Figures in HUF bn | | | |
|--|--------------|--------------|-------------|
| Purchaser | Year 2015 | Year 2016 | Difference |
| Network access net of traction electricity and fuel | | | |
| MÁV-START Zrt. | 72.3 | 73.7 | 1.4 |
| Rail Cargo Hungary Zrt. | 12.1 | 11.9 | -0.2 |
| Other railway companies | 6.7 | 6.7 | 0.0 |
| Traction electricity | | | |
| MÁV-START Zrt. | 14.5 | 12.6 | -1.9 |
| Rail Cargo Hungary Zrt. | 4.6 | 4.2 | -0.4 |
| Other railway companies | 3.0 | 2.8 | -0.2 |
| Traction fuel | | | |
| MÁV-START Zrt. | 10.0 | 9.2 | -0.8 |
| Other railway companies | 1.6 | 1.0 | -0.6 |
| Total | 124.8 | 122.1 | -2.7 |

Table 78: Revenues from track access charges

Revenues from the sale of traction electricity decreased because the volume of traction electricity sold and the per-unit electricity charge both decreased relative to the base period (base average price: 25.7 HUF/kWh, actual average price: 23.0 HUF/kWh). The fall in revenues from the sale of traction fuel was partly due to the 8.02% decline in the per-unit charge for the use of traction fuel (base: 262 HUF/l, actual average price: 241 HUF/l).

As a result of the above factors, net revenue from sales decreased by HUF 1.6 billion.

The HUF 16.1 billion decrease in internal revenues results from a change in the Separation Policy. Within the separable activities, the booking of direct internal costs and revenues of services provided and settled between general ledger units takes place on a net basis, in order to avoid the unnecessary accumulation of costs and revenues within the division. Internal costs decreased by the same extent as internal revenues. The most significant item among internal revenues was the network access fee for the narrow-gauge regional railways calculated on a prime cost basis (HUF 0.4 billion), which was compensated by assistance recognised as an internal expense.

Capitalised value of own performance was on a par with the base period.

According to the activity statement on railtrack operations, other revenues grew by HUF 60 billion in the reporting year.

- The growth is due to the fact that the statement structure prescribed by joint GKM-PM Decree 50/2007. (IV.26.) continues to include the extraordinary revenue category, which in the base period was predominantly comprised of a HUF 47.8 billion compensation liability and HUF 16.6 billion in liabilities taken over by the government. Against this, the compensation liability waiver (VPK) was stated in the reporting year, in the amount of HUF 60.1 billion. The above item was stated as extraordinary revenue in 2015. An additional HUF 12.3 billion increase is attributable to the extraordinary depreciation of tangible and intangible assets. No liabilities assumed by the government were accounted for in the reporting year.
- For the purpose of extending the public employment programme, a new contract was concluded with the relevant authority, effective from 7 March 2016 until 28 February 2017, under which MÁV Zrt. agreed to employ an average staff of 1,270 persons in March, and 1,595 persons in the following month, in jobs related to the maintenance of green spaces and

the cleaning of station facilities. In 2016 state aid of HUF 1.4 billion was accounted for in the context of the public employment programme, which is HUF 0.2 billion less than in the base year.

- The utilisation of provisions in 2016 amounted to HUF 3.5 billion, the most significant components of this being the utilisation of provisions made for severance pay liabilities (HUF 0.9 billion), the utilisation of provisions for working clothes and uniforms (HUF 0.3 billion), the utilisation of provisions for other liabilities related to litigation (HUF 0.7 billion), the utilisation of provisions for maintenance costs (HUF 1.0 billion), and the utilisation of provisions for unpaid bonuses (HUF 0.2 billion).
- The recognised operating costs reimbursement in 2016 was on a par with the base year, at HUF 38.9 billion.
- Reasonable profit, on the basis of the 2015 settlement, was HUF 3.6 billion.

The 2016 costs reimbursement clause of the Railtrack Operation Agreement was signed on 23 March 2016, based on which the costs reimbursement disbursed in 2016 was HUF 69,121.4 million. Of this, HUF 44,030 million comprised the operating and HUF 25,091.4 million the renovation costs reimbursement.

The actual costs reimbursement used to compensate the operating loss, and the utilisation of the costs reimbursement available for renovation to maintain track operation assets in their existing state in 2016 are 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 79: Composition of costs reimbursement

The decrease in material expenses relative to the base period is 4.28%.

| Figures in HUF bn | | | |
|--|--------------|-------------|-------------|
| Description | Year 2015 | Year 2016 | Difference |
| Material costs | 17,8 | 19,6 | 1,8 |
| Value of services used | 46,4 | 44,3 | -2,1 |
| Value of other services used | 1,1 | 1,1 | 0,0 |
| Cost of goods sold | 34,4 | 30,4 | -4,0 |
| Value of sold (intermediated) services | 0,3 | 0,3 | 0,0 |
| Material expenses in total: | 100,0 | 95,7 | -4,3 |

Table 80: Composition of material expenses

- The most significant factors relating to material costs are the costs of specialist materials provided for track refurbishment and maintenance works at HUF 9.1 billion, and the energy,

gas, water and sewage fees, as well as transport and heating fuel costs, totalling HUF 7.0 billion.

- The costs of services used decreased by 4.49% in 2016 in comparison to the base year. The individual components of this grew slightly, but the increase was offset by the decrease of HUF 3.9 billion in the costs of building management, maintenance, utilisation and rental services and HUF 1.1 billion in the costs of security services, which resulted from the absorption of MÁV LV Kft., and by the HUF 0.5 billion fall in the costs of procurement and inventory management services obtained from MÁV SZK.
- The cost of goods sold decreased relative to the base period, the most significant item being the HUF 10.1 billion material expense related to the sale of traction gasoline (HUF -1.6 billion), and the HUF 19.7 billion material expense related to the re-sold traction and pre-heating/pre-cooling electricity (HUF -2.4 billion).
- The cost of services sold (intermediated) was on a par with the base period.

Internal expenses derive from the distribution of MÁV Zrt's central management costs (HUF 1.3 billion). Due to the organisational changes, the value of these fell in comparison to the base period, as from 1 January 2016 the asset management unit is stated directly among the revenues and expenses of railtrack operations. The aforementioned internal assistance provided for passenger transport on the Children's Railway was HUF 0.4 billion.

Personnel expenses increased by HUF 12 M in comparison to the base year, as a consequence of the merger carried out on 31 December 2015, the increase in staff numbers and the payments made in connection with standby jobs.

As well as the carried-over and reporting-year impact of the scrapping and devaluations related to capital investments, the extent of the depreciation is also influenced by the capitalisation of the new installations. The increase relative to the base period is a result of the inclusion of the capital projects managed by NIF Zrt. in the portfolio. Due to the waiving of the compensation liability, this is offset by a matching growth in other revenues.

Of the annual depreciation charge, HUF 47.4 billion was recognised on managed, state-owned assets.

The value of other expenses increased relative to the base year. The most significant component of this growth was the HUF 7.3 billion in extraordinary depreciation recognised on the period between the commissioning of NIF-developed assets and the actual acceptance thereof, the HUF 0.9 billion in extraordinary depreciation on state-owned tangible assets, and the HUF 0.4 billion in provisions set aside for bonus payment obligations.

The growth was moderated by the HUF 3.1 billion decrease, relative to the base year, in the provisions set aside for expected liabilities, the most significant component of this being the HUF 2.7 billion drop in provisions set aside for environmental obligations. Provisions for obligations related to work clothes, outfits and uniforms, and for other liabilities related to litigation, also fell short of the base-year figure, by HUF 0.3 billion and HUF 0.6 billion respectively.

Provisions of HUF 3.5 billion were set aside in 2016 for maintenance costs.

Financial expenses in the reporting period are essentially only comprised of the interest payable on liquidity loans and entrepreneurial loans, which is continuously decreasing in line with the reduction in the loan principal.

In summary, it can be concluded that the operation of the railtrack network, in itself, was loss-making. The HUF 1.5 billion profit comprised the state costs reimbursement received to

compensate for costs not covered by revenues, the waived compensation liabilities, and the HUF 3.6 billion reasonable profit for 2015 approved in the reporting year, reduced by the HUF 2.1 billion retroactive award of 3 years' back pay to employees in standby jobs.

The revenues received from related parties and the costs and expenses payable to them in connection with railtrack operations activity are presented, for each related party, in the table below:

Figures in MHUF

| Related company | Revenues | | | Costs and expenses | | | Total |
|------------------------------------|-------------------|---------------------------|----------------|---------------------------------|----------------------------------|--------------------------|---------------|
| | Net sales revenue | Financial and other gains | Total revenues | Material and personnel expenses | Other and financial expenditures | Total costs and expenses | |
| 015 - MÁV NOSZTALGIA Kft. | 220 | 0 | 220 | 121 | 0 | 121 | 99 |
| 020 - MÁV VAGON Kft. | 98 | 0 | 98 | 351 | 0 | 351 | -253 |
| 101 - MÁV FKG KFT | 811 | 11 | 822 | 8 564 | 4 | 8 568 | -7 746 |
| 131 - MÁV KfV Kft. | 79 | 0 | 79 | 1 264 | 0 | 1 264 | -1 185 |
| 138 - MÁV Szolgáltató Központ Zrt. | 1 914 | 20 | 1 934 | 12 237 | 7 | 12 244 | -10 310 |
| 179 - ZÁHONY-PORT Zrt. | 263 | 0 | 263 | 208 | 0 | 208 | 55 |
| 180 - MÁV-START Zrt. | 102 037 | 30 | 102 067 | 26 076 | 215 | 26 291 | 75 776 |
| Total | 105 422 | 61 | 105 483 | 48 821 | 226 | 49 047 | 56 436 |

Table 81: Related party balances (revenues and expenditures) related to railtrack operations

The effect of the asset settlement and the related compensation for 2016 is presented in the following table:

Figures in MHUF

| Item | Reduction is asset value resulting from asset settlement (A) | Capital reserve correction resulting from separation (B) | Change in capital reserve resulting from asset settlement (C=A+B) | Settlement of registered capital increase resulting from compensation for asset settlement (D) | Increase of capital reserve resulting from compensation for asset settlement (E) | Total compensation for asset settlement (F=D+E=C) |
|---|--|--|---|--|--|---|
| VÜNSZ III Györgyterlő asset transfer in 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| Release of revenue deferred because of VÜNSZ III Györgyterlő asset handover in 2016 | 0 | | | | | |
| NIF asset transfer (VÜSZ IV) in 2016 | 1,926 | 832 | 2,712 | 0 | 2,712 | 2,712 |
| Release of revenue deferred because of NIF asset handover (VÜSZ IV) in 2016 | -46 | | | | | |
| NIF asset transfer (VÜSZ V) in 2016 | 902 | 352 | 1,211 | 0 | 1,211 | 1,211 |
| Release of revenue deferred because of NIF asset handover (VÜSZ V) in 2016 | -44 | | | | | |
| VÜNSZ VI Eger 2016 | 2 | -2 | 0 | 0 | 0 | 0 |
| Release of deferred income due to VÜNSZ VI Eger handover in 2016 | 0 | | | | | |
| Total: | 2,740 | 1,182 | 3,923 | 0 | 3,923 | 3,923 |

Table 82: Effect of the asset settlement on the railtrack operations GL

IV.2 Regional passenger transport

The balance sheet, the profit and loss account, the cash flow statement and the activity statement for regional passenger transport are presented in the following tables:

Figures in MHUF

| Serial no. | | 2015.12.31 | 2016.12.31 | Change |
|-------------|--|------------|---------------|---------------|
| A. | NON-CURRENT ASSETS (I.+II.+III.) | 139 | 128 | -11 |
| I. | INTANGIBLE ASSETS (I./ 1.+_7.) | 0 | 0 | 0 |
| 1. | Capitalised value of foundation and restructuring | 0 | 0 | 0 |
| 2. | Capitalised value of R&D | 0 | 0 | 0 |
| 3 | Intangible property rights | 0 | 0 | 0 |
| 3/a | of which: Managed state-owned intangible property rights | 0 | 0 | 0 |
| 4. | Intellectual properties | 0 | 0 | 0 |
| 4/a. | of which: State owned intellectual property taken into asset management | 0 | 0 | 0 |
| 5. | Goodwill | 0 | 0 | 0 |
| 6 | Advances given for intangible assets | 0 | 0 | 0 |
| 7. | Value adjustment of intangible assets | 0 | 0 | 0 |
| II. | TANGIBLE ASSETS (II./ 1.+_7.) | 139 | 128 | -11 |
| 1. | Land and buildings and related intangible property rights | 0 | 0 | 0 |
| 1/a | property rights | 0 | 0 | 0 |
| 2. | Technical equipment, machinery, vehicles | 138 | 128 | -10 |
| 2/a | of which: Managed state-owned technical equipment, machinery and vehicles | 0 | 0 | 0 |
| 3. | Other fixtures, fittings and vehicles | 0 | 0 | 0 |
| 4 | Breeding stock | 0 | 0 | 0 |
| 5 | Capital projects, renovations | 1 | 0 | -1 |
| 5/a. | of which: Managed state-owned capital projects | 0 | 0 | 0 |
| 6. | Advances given for capital projects | 0 | 0 | 0 |
| 7 | Value adjustment of tangible assets | 0 | 0 | 0 |
| III. | FINANCIAL INVESTMENTS (III./ 1.+_10.) | 0 | 0 | 0 |
| 1. | Long-term investments in related companies | 0 | 0 | 0 |
| 2. | Long-term loans to related companies | 0 | 0 | 0 |
| 3. | Significant permanent shareholding | 0 | 0 | 0 |
| 4. | Long-term loans given to significant related parties | 0 | 0 | 0 |
| 5. | Other long-term investments | 0 | 0 | 0 |
| 6. | Long-term loans given to other related parties | 0 | 0 | 0 |
| 7. | Other long-term loans given | 0 | 0 | 0 |
| 8. | Long-term debt securities | 0 | 0 | 0 |
| 9. | Value adjustment of financial investments | 0 | 0 | 0 |
| 10. | Valuation difference of fixed financial assets | 0 | 0 | 0 |
| B. | Current assets (B./ I.+II.+III.+IV.+üiet.) | 2 | 10 004 | 10 002 |
| I. | INVENTORIES (I./ 1.+_6.) | 0 | 0 | 0 |
| 1. | Raw materials | 0 | 0 | 0 |
| 1/a | of which: Managed state-owned materials | 0 | 0 | 0 |
| 2. | Work in progress and semi-finished products | 0 | 0 | 0 |
| 2/a | of which: Managed state-owned WIP and semi-finished products | 0 | 0 | 0 |
| 3. | Animals for breeding, fattening and other livestock | 0 | 0 | 0 |
| 4. | Finished products | 0 | 0 | 0 |
| 4/a. | of which: Managed state-owned finished products | 0 | 0 | 0 |
| 5. | Goods | 0 | 0 | 0 |
| 6 | Advances given for inventories | 0 | 0 | 0 |
| II. | RECEIVABLES (II./ 1.+_8.) | 1 | 0 | -1 |
| 1. | Receivables from the transportation of goods and from services (accounts receivable) | 0 | 0 | 0 |
| 2 | Receivables from related companies | 0 | 0 | 0 |
| 3. | Receivables from companies linked by virtue of major participating interests | 0 | 0 | 0 |
| 4. | Receivables from other associated companies | 0 | 0 | 0 |
| 5. | Bills of exchange receivable | 0 | 0 | 0 |
| 6. | Other receivables | 1 | 0 | -1 |
| 6/a. | of which: Receivables related to managed state-owned assets | 0 | 0 | 0 |
| 7. | Valuation difference of receivables | 0 | 0 | 0 |
| 8. | Positive valuation difference of derivative transactions | 0 | 0 | 0 |
| | Receivables from settlements with divisions | 0 | 0 | 0 |
| III. | SECURITIES (III./ 1.+_6.) | 0 | 0 | 0 |
| 1. | Investments in related companies | 0 | 0 | 0 |
| 2. | Significant shareholding | 0 | 0 | 0 |
| 3. | Other investments | 0 | 0 | 0 |
| 4. | Treasury shares, own quotas | 0 | 0 | 0 |
| 5. | Debt securities held for sale | 0 | 0 | 0 |
| 6. | Valuation difference of securities | 0 | 0 | 0 |
| IV. | LIQUID ASSETS (IV./ 1.+2.) | 1 | 10 004 | 10 003 |
| 1. | Cash in hand, cheques | 0 | 1 | 1 |
| 2 | Bank deposits | 1 | 10 003 | 10 002 |
| C. | PREPAID EXPENSES AND ACCRUED INCOME (C./ 1.+2.+3.) | 1 | 2 | 1 |
| 1. | Accrued income | 0 | 0 | 0 |
| 2. | Prepaid costs and expenses | 1 | 2 | 1 |
| 3. | Deferred expenses | 0 | 0 | 0 |
| | TOTAL ASSETS (A.+B.+C.) | 142 | 10 134 | 9 992 |

Table 83: Assets in the balance sheet based on the regional passenger transport GL

| | | Figures in MHUF | | |
|-------------|--|-----------------|---------------|---------------|
| Serial no. | | 2015.12.31 | 2016.12.31 | Change |
| D. | Equity (D/ I+ VII) | 134 | -26 | -160 |
| I. | SHARE CAPITAL | 0 | 0 | 0 |
| | of which: repurchased ownership share at nominal value | 0 | 0 | 0 |
| II. | SUBSCRIBED BUT UNPAID CAPITAL | 0 | 0 | 0 |
| III. | CAPITAL RESERVE | 0 | 0 | 0 |
| IV. | RETAINED EARNINGS | -3 390 | 134 | 3 524 |
| V. | NON-DISTRIBUTABLE RESERVE | 0 | 0 | 0 |
| VI. | VALUATION RESERVE | 0 | 0 | 0 |
| 1. | Valuation reserve for value adjustment | 0 | 0 | 0 |
| 2. | Valuation reserve for fair value | 0 | 0 | 0 |
| VII. | AFTER-TAX PROFIT/LOSS | 3 524 | -160 | -3 684 |
| E. | Provisions (E/ 1+2+3) | 0 | 55 | 55 |
| 1. | Provision for contingent liabilities | 0 | 0 | 0 |
| 2. | Provision for future expenses | 0 | 55 | 55 |
| 3. | Other provisions | 0 | 0 | 0 |
| F. | LIABILITIES (F/ I+II+III.) | 8 | 10 085 | 10 077 |
| I. | SUBORDINATED LIABILITIES (F.I/ 1+2+3+4) | 0 | 0 | 0 |
| 1. | Subordinated liabilities to related companies | 0 | 0 | 0 |
| 2. | Subordinated liabilities to significant related parties | 0 | 0 | 0 |
| 3. | Subordinated liabilities to other related parties | 0 | 0 | 0 |
| 4. | Subordinated liabilities to other entities | 0 | 0 | 0 |
| II. | LONG-TERM LIABILITIES (F.II/ 1+ 8) | 0 | 0 | 0 |
| 1. | Long-term borrowings | 0 | 0 | 0 |
| 2. | Convertible and contingent convertible bonds | 0 | 0 | 0 |
| 3. | Debts from issue of bonds | 0 | 0 | 0 |
| 4. | Investment and development credits | 0 | 0 | 0 |
| 5. | Other long-term credits | 0 | 0 | 0 |
| 6. | Long-term liabilities to related companies | 0 | 0 | 0 |
| 7. | Long-term liabilities to significant related parties | 0 | 0 | 0 |
| 8. | Long-term liabilities to other related parties | 0 | 0 | 0 |
| 9. | Other long-term liabilities | 0 | 0 | 0 |
| 9./a | of which: Liabilities related to managed state-owned assets | 0 | 0 | 0 |
| III. | SHORT-TERM LIABILITIES (F.III/ 1+ 10+üet) | 8 | 10 085 | 10 077 |
| 1. | Short-term borrowings | 0 | 0 | 0 |
| 1/a | of which: convertible bonds | 0 | 0 | 0 |
| 2. | Short-term loans | 0 | 0 | 0 |
| 3. | Advances received from customer | 0 | 0 | 0 |
| 4. | Liabilities from the transportation of goods and from services (accoun | 3 | 7 | 4 |
| 5. | Bills of exchange payable | 0 | 0 | 0 |
| 6. | Current liabilities to related companies | 1 | 7 | 6 |
| 7. | Short-term liabilities to significant related parties | 0 | 0 | 0 |
| 8. | Short-term liabilities to other related parties | 0 | 0 | 0 |
| 9. | Other short-term liabilities | 4 | 10 004 | 10 000 |
| 9./a | of which: Liabilities related to managed state-owned assets | 0 | 0 | 0 |
| 10. | Valuation difference of liabilities | 0 | 0 | 0 |
| 11. | Negative valuation difference of derivative transactions | 0 | 0 | 0 |
| | Debts from settlements with divisions | 0 | 67 | 67 |
| G. | Accrued expenses and deferred income (G./ 1+2+3) | 0 | 20 | 20 |
| 1. | Prepaid income | 0 | 0 | 0 |
| 2. | Accrued expenses | 0 | 20 | 20 |
| 3. | Deferred income | 0 | 0 | 0 |
| | TOTAL LIABILITIES (D.+E.+F.+G.) | 142 | 10 134 | 9 992 |

Table 84: Equity and liabilities side of the balance sheet based on the regional passenger transport GL

Figures in MHUF

| Line | Description | 2015.12.31 | 2016.12.31 | Change |
|--------------|--|--------------|-------------|---------------|
| .01. | Net domestic sales revenues | 100 | 103 | 3 |
| .02. | Net export sales revenues | 0 | 0 | 0 |
| I. | Net sales revenues (01+02) | 100 | 103 | 3 |
| I/A 1. | Internal revenues from passenger transport (595,1;597,1) | 0 | 0 | 0 |
| I/A 2. | Internal revenues from engineering services (595,2;597,2) | 0 | 0 | 0 |
| I/A 3. | Internal revenues from central services (595,3;595,5;597,3;597,5) | 290 | 0 | -290 |
| I/A 4. | Internal revenues from rail track services (595,4;597,4) | 3 597 | 0 | -3 597 |
| I/A 5. | Revenues from direct internal services (593,2) | 0 | 401 | 401 |
| I/A 6. | Revenue from central control (597,9) | 93 | 0 | -93 |
| I/A. | Total internal revenue settled: | 3 980 | 401 | -3 579 |
| .03. | Change in self-manufactured inventories | 0 | 0 | 0 |
| .04. | Capitalised value of self-manufactured assets | 0 | 0 | 0 |
| II. | Capitalised value of own performance (03+04) | 0 | 0 | 0 |
| III. | Other revenues | 21 | 5 | -16 |
| | of which: impairment reversed (962,1-962,2) | 0 | 0 | 0 |
| | Total operating yields: | 4 101 | 509 | -3 592 |
| .05. | Material costs | 25 | 33 | 8 |
| .06. | Value of services used | 61 | 87 | 26 |
| .07. | Value of other services used | 1 | 1 | 0 |
| .08. | Cost of goods sold | 0 | 0 | 0 |
| .09. | Value of sold (intermediated) services | 0 | 0 | 0 |
| IV. | Material expenditures (05+06+07+08+09) | 87 | 121 | 34 |
| IV/A 1. | Internal costs of passenger transport (594,1;596,1) | 0 | 0 | 0 |
| IV/A 2. | Internal costs of engineering services (594,2;596,2;598) | 0 | 0 | 0 |
| IV/A 3. | Internal costs of central services (594,3;594,5;596,3;596,5) | 1 | 0 | -1 |
| IV/A 4. | Internal costs of rail track services (594,4;596,4) | 398 | 401 | 3 |
| IV/A 5. | Costs of direct internal services (593,1) | 0 | 1 | 1 |
| IV/A 6. | Costs of central administration and property management (596,9) | 2 | 2 | 0 |
| IV/A. | Total internal expenditures settled: | 401 | 404 | 3 |
| .10. | Wages | 54 | 55 | 1 |
| .11. | Other payments to personnel | 4 | 4 | 0 |
| .12. | Wage-related contributions | 15 | 15 | 0 |
| V. | Payments to personnel (10.+11.+12.) | 73 | 74 | 1 |
| VI. | Depreciation | 16 | 15 | -1 |
| VII. | Other expenditures | 0 | 55 | 55 |
| | of which: impairment (862) | 0 | 0 | 0 |
| | Total operating expenses: | 577 | 669 | 92 |
| A. | BUSINESS PROFIT/LOSS (I.+I/A+II.+III.-IV.-IV/A.-V.-VI.-VII) | 3 524 | -160 | -3 684 |
| .13. | Dividends, profit share received | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .14. | Gain on sale of investments | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .15. | Revenues from and gains on financial investments (from securities and loans) | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .16. | Other interest received (due) and similar income | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .17. | Other financial revenues | 0 | 0 | 0 |
| | Of which: valuation difference | 0 | 0 | 0 |
| VIII. | Income from financial transactions (13+14+15+16+17) | 0 | 0 | 0 |
| .18. | Expenses of and losses on investments | 0 | 0 | 0 |
| | 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 | 0 | 0 | 0 |
| | Of which: provided to related companies | 0 | 0 | 0 |
| .21. | Impairment of investments, long-term loans given, securities and bank deposits | 0 | 0 | 0 |
| .22. | Other expenses of financial transactions | 0 | 0 | 0 |
| | Of which: valuation difference | 0 | 0 | 0 |
| IX. | Financial expenses (18.+19.+20.+21.+22.) | 0 | 0 | 0 |
| B. | FINANCIAL PROFIT/LOSS (VIII-IX) | 0 | 0 | 0 |
| C. | PRE-TAX PROFIT/LOSS (±A±B) | 3 524 | -160 | -3 684 |
| X. | TAX LIABILITY | 0 | 0 | 0 |
| D. | PROFIT OR LOSS AFTER TAX (±C-X) | 3 524 | -160 | -3 684 |

Table 85: Profit and loss statement based on the regional passenger transport GL

| | | Figures in MHUF | |
|-------------|--|-----------------|---------------|
| Nr. | Description | 2015 | 2016. |
| I. | Change in cash from ordinary business activity (Operating cash-flow, 1-17) | -19 | 7 |
| 1. | Pre-tax profit/loss (±) | 3 524 | -160 |
| | Assumed liabilities | 0 | 0 |
| | deferral of interest related to assumed liability | 0 | 0 |
| | amounts received free of charge | 0 | 0 |
| | amounts granted free of charge, expensed | 0 | 0 |
| | dividend received | 0 | 0 |
| | amount realised in excess of the book value of loan given | 0 | 0 |
| | deferred dividend | 0 | 0 |
| | profit/loss from changes in investments | 0 | 0 |
| | surplus non-current assets | 0 | 0 |
| | non-realised exchange rate difference on liquid assets | 0 | 0 |
| 2. | Previous years' profit/loss | 0 | 0 |
| 3. | Revaluation of loans and investments | 0 | 0 |
| 4. | Ordinary depreciation charge + | 16 | 15 |
| 4/a. | Depreciation charge on previous year | 0 | 0 |
| 5. | Recognised impairment, scrapping, shortage and reversal ± | 0 | 0 |
| 6. | Changes in provisions ± | 0 | 55 |
| 7. | Non-current asset disposals ± | -21 | 0 |
| 8. | Change in liabilities related to managed state-owned assets | 0 | 0 |
| 9. | Movements in creditors ± | -1 | 4 |
| 10. | Movements in other short-term liabilities ± | 3 | 7 |
| 10/a. | Movements in balance of business line operations | -3 541 | 67 |
| 11. | Movements in accruals ± | 0 | 20 |
| 11/a. | Released deferred income related to asset settlement | 0 | 0 |
| 11/b. | Accrued income associated with fixed assets received without compensation | 0 | 0 |
| 12. | Movements in debtors ± | 0 | 0 |
| 13. | Current asset movements (less debtors and liquid assets) ± | 0 | 0 |
| 14. | Movements in prepayments and accrued income ± | 1 | -1 |
| 15. | Corporate income tax payable - | 0 | 0 |
| 16. | Dividend and share payable - | 0 | 0 |
| 17. | Liquid assets assumed through merger as of balance sheet date | 0 | 0 |
| II. | Change in liquid assets from investing activities (Lines 18-21) | 19 | -4 |
| 18. | Non-current asset additions - | -2 | -4 |
| 19. | Non-current asset disposals + | 21 | 0 |
| 20. | Capital withdrawn from existing investment (subsidiary) | 0 | 0 |
| 21. | Dividend received + | 0 | 0 |
| III. | Change in cash from financial transactions (Financing cash-flow, lines 22-32) | 0 | 10 000 |
| 22. | Revenues from the issue of shares (capital addition) + | 0 | 0 |
| 23. | Proceeds from issue of bonds and debt securities + | 0 | 0 |
| 24. | Borrowings + | 0 | 0 |
| 25. | Repayment, cancellation and redemption of long-term loans and bank deposits + | 0 | 0 |
| 26. | Amounts received free of charge + | 0 | 10 000 |
| 27. | Redemption of shares, capital reduction - | 0 | 0 |
| 28. | Bond redemption - | 0 | 0 |
| 29. | Loan repayment - | 0 | 0 |
| 30. | Long-term loans and bank deposits + | 0 | 0 |
| 31. | Amounts transferred free of charge - | 0 | 0 |
| 32. | Movements in payables to founders and in other long-term liabilities ± | 0 | 0 |
| IV. | Cash flow (I.+II.+III.) | 0 | 10 003 |
| 33. | Non-realised exchange rate difference on liquid assets | 0 | 0 |
| V. | Change in cash and cash equivalents (IV.+33.) | 0 | 10 003 |

Table 86: Cash flow statement based on the regional passenger transport GL

The activity statement of the regional passenger transport activity is presented below:

| Figures in THUF | | | |
|-----------------|---------------------------------------|-------------------|------------------------|
| Line | Item | Base year 2015 | Reporting year 2016 |
| 1 | Net sales revenue | 100 269 | 102 846 |
| | of which: fee revenue | 90 838 | 102 846 |
| | of which: ticket-price subsidies | 9 431 | 0 |
| | paid by government | 0 | 0 |
| 2 | Internal revenues | 3 980 092 | 400 868 |
| 3 | Capitalised value of own performance | 0 | 0 |
| 4 | Other income | 21 305 | 5 136 |
| | of which: government compensation | 0 | 0 |
| | of which: government subsidy | 0 | 0 |
| 5 | OPERATING GAINS TOTAL | 4 101 665 | 508 850 |
| 6 | Material expenses | 87 536 | 121 120 |
| | of which: infrastructure charge | 0 | 0 |
| 7 | Internal expenses | 401 174 | 403 822 |
| | of which: network access | 397 591 | 400 868 |
| | of which: traction | 0 | 0 |
| | of which: other railway services | 0 | 476 |
| | of which: central services | 1 755 | 1 819 |
| | of which: central control | 1 827 | 659 |
| 8 | Payments to personnel | 72 810 | 73 889 |
| 9 | Depreciation charge | 15 574 | 15 765 |
| 10 | Other expenditure | 381 | 55 011 |
| 11 | OPERATING EXPENSES TOTAL | 577 475 | 669 607 |
| 12 | OPERATING PROFIT | 3 524 191 | -160 757 |
| 13 | Financial gains | 0 | 106 |
| 14 | Financial expenses | 0 | 0 |
| 15 | FINANCIAL LOSS | 0 | 106 |
| 16 | Extraordinary revenues | 0 | 0 |
| | of which: government subsidy | 0 | 0 |
| 17 | Extraordinary expenses | 0 | 0 |
| 18 | PROFIT ON EXTRAORDINARY EVENTS | 0 | 0 |
| 19 | Tax liability | 0 | 0 |
| 20 | AFTER-TAX PROFIT/LOSS | 3 524 191 | -160 651 |

Table 87: Activity statement of the regional passenger transport activity

MÁV Zrt's passenger transport services changed in the base schedule period of 2015/2016 and in the current schedule period of 2016/2017 as follows:

MÁV Zrt. only performs actual regional passenger transport services on the Children's Railway, which is a scheduled service but has not been classified as a public service since the timetable change of 13 December 2009.

The regional passenger transport activity performed in 2016 was, in itself, loss-making as the sales revenue did not cover the costs.

The railtrack operation service provided for the passenger transport performed on the Children's Railway is not classified as an open access service, but under the Railtrack Operation

Agreement, provision of the railtrack operation service is compulsory. The network access accounted for at prime cost, however, was not covered by the sales revenue from the passenger transport not classified as a public service.

Due to the above the restructuring of the operating conditions for the Children's Railway, commenced in the previous year, continued in 2016 (of the internally settled services not financially settled in the base year, the internal liabilities accumulated in the 2007-2015 period were waived in an amount of HUF 4 billion, and in the reporting year the fee for railtrack internal services was compensated by Railtrack with internal assistance of HUF 0.4 billion. Based on the Railtrack Operation Agreement, the railtrack costs related to the railtrack operation service and the expenses related to the provided assistance, are classed as justified costs.

The separation of records stipulated in the Decree is ensured under the present methodology by the settlement of the railtrack operation services as internal performance, with compensation for the internal performances provided in the form of assistance.

Operating yields decreased substantially (HUF -3.6 billion) in the reporting year, which was due to a combination of three factors. Net revenue from sales increased, and other revenues decreased by HUF 16 million due to the absence of the sale of tangible assets. Due to the waiving of internal liabilities, internal revenue of HUF 3,980 million was recognised in the base year, and HUF 401 million (as internal assistance) in the reporting year.

Business expenses show a 15.95% increase in comparison to the base period.

A significant portion of the costs resulted from the accounting of internal services, the largest item of which was the internal railtrack charge (which rose by 0.82% relative to the base period). This cost (HUF 0.4 billion) was offset by internal operating assistance.

Material expenses rose by 38.37% relative to the base period, primarily due to the scheduled maintenance of tractive and hauled vehicles. The scheduled refurbishment and maintenance of the assets that are essential for the continued operation of the Children's Railway.

Personnel expenses rose by 1.48% relative to the base period.

The sum of the depreciation charge and other expenses was on a par with the base-period figure.

In 2016, in accordance with the requirements set out in the accounting policy, provisions of HUF 55 million were set aside for the major repair works on 8 sightseeing coaches scheduled for the years 2017-2019.

The condition of the rolling stock developed as follows in the reporting year:

- Out of 6 diesel locomotives, 5 were fit for unlimited use in daily operations and 1 locomotive was permanently unfit for service.
- The procedure for the main inspection of 4 narrow-gauge coaches, launched in the spring of 2014, was completed; the contract signing took place in 2015. An additional 4 coaches were included in the main inspection; these are used by the Children's Railway on a daily basis all year round. The return of the first two coaches following performance of the works is expected to take place in May 2017.
- A procedure was initiated for the signing of an agreement relating to performance of the heating modernisation works at the shunting yard.
- The work relating to the inspection, maintenance and comprehensive overhaul of the track structure, control hut, electrical and drive system of the turntable, originally installed and commissioned in Hűvösvölgy in 1954, was completed.

The Government, in its resolution number 1803/2016 (XII.20.) on the provision of funds for special infrastructure development investments, granted HUF 10 billion in support for narrow-gauge railway developments under Section 101/A of Government Decree 368/2011 (XII.31.) on implementation of the act on public finance.

Traction operations indicators are presented in the following table:

| Item | 2015 | | 2016 | |
|--------------------|----------|---------------|----------|---------------|
| | train km | no. of trains | train km | no. of trains |
| Children's Railway | 66 864 | 5 970 | 70 950 | 6 334 |

Table 88: Children's Railway - traction operations indicators

The number of paying passengers on the Children's Railway rose by 15.74% relative to the base year, while gross revenues from fares showed growth of 2.57%.

The growth is attributable to the following causes: the number of passengers travelling with a full price ticket increased by 16.01% compared to the previous year, and the number of those travelling with a concession ticket rose by 15.09%. Thus the increase in the number of paying passengers was accompanied by an increase in the net revenue from sales.

The passenger volume of the nostalgia trains rose almost six-fold compared to the base year.

The number of passengers under the age of 6 years who travel free of charge took place through the use of registration tickets again in 2016. The number of these was 31 thousand in the base year, and 33 thousand in the reporting year, or 11.15% of the number of paying passengers.

The revenues received from related parties and the costs and expenses payable to them in connection with passenger transport are presented, for each related party, in the table below:

Figures in MHUF

| Related company | Revenues | | | Costs and expenses | | | Total |
|------------------------------------|-------------------|------------------------------|----------------|---------------------------------|----------------------------------|--------------------------|------------|
| | Net sales revenue | Financial and other revenues | Total revenues | Material and personnel expenses | Other and financial expenditures | Total costs and expenses | |
| 020 - MÁV VAGON Kft. | 0 | 0 | 0 | 17 | 0 | 17 | -17 |
| 138 - MÁV Szolgáltató Központ Zrt. | 0 | 0 | 0 | 19 | 0 | 19 | -19 |
| 180 - MÁV-START Zrt. | 0 | 0 | 0 | 11 | 0 | 11 | -11 |
| Total | 0 | 0 | 0 | 47 | 0 | 47 | -47 |

Table 89: Related party balances related to regional public passenger transport services

IV.3 Other activity

The balance sheet, the profit and loss statement, the cash flow statement and the activity statement of the central administration and services are presented in the following tables:

Figures in MHUF

| Serial no. | | 2015.12.31 | 2016.12.31 | Change |
|-------------|---|----------------|----------------|----------------|
| A. | NON-CURRENT ASSETS (I.+II.+III.) | 224 992 | 225 652 | 660 |
| I. | INTANGIBLE ASSETS (I./ 1.+ 7.) | 10 | 0 | -10 |
| 1. | Capitalised value of foundation and restructuring | 0 | 0 | 0 |
| 2. | Capitalised value of R&D | 0 | 0 | 0 |
| 3. | Intangible property rights | 1 | 0 | -1 |
| 3/a. | of which: Managed state-owned intangible property rights | 0 | 0 | 0 |
| 4. | Intellectual properties | 9 | 0 | -9 |
| 4/a. | of which: State owned intellectual property taken into asset management | 0 | 0 | 0 |
| 5. | Goodwill | 0 | 0 | 0 |
| 6. | Advances given for intangible assets | 0 | 0 | 0 |
| 7. | Value adjustment of intangible assets | 0 | 0 | 0 |
| II. | TANGIBLE ASSETS (II./ 1.+ 7.) | 103 842 | 99 048 | -4 794 |
| 1. | Land and buildings and related intangible property rights | 19 127 | 19 604 | 477 |
| 1/a. | of which: Managed state-owned real estate properties and related intangible property rights | 0 | 0 | 0 |
| 2. | Technical equipment, machinery, vehicles | 84 606 | 79 370 | -5 236 |
| 2/a. | of which: Managed state-owned technical equipment, machinery and vehicles | 0 | 0 | 0 |
| 3. | Other fixtures, fittings and vehicles | 1 | 1 | 0 |
| 4. | Breeding stock | 0 | 0 | 0 |
| 5. | Capital projects, renovations | 57 | 22 | -35 |
| 5/a. | of which: Managed state-owned capital projects | 0 | 0 | 0 |
| 6. | Advances given for capital projects | 51 | 51 | 0 |
| 7. | Value adjustment of tangible assets | 0 | 0 | 0 |
| III. | FINANCIAL INVESTMENTS (III./ 1.+ 10.) | 121 140 | 126 604 | 5 464 |
| 1. | Long-term investments in related companies | 118 664 | 123 341 | 4 677 |
| 2. | Long-term loans to related companies | 0 | 0 | 0 |
| 3. | Significant permanent shareholding | 0 | 805 | 805 |
| 4. | Long-term loans given to significant related parties | 0 | 0 | 0 |
| 5. | Other long-term investments | 2 457 | 2 457 | 0 |
| 6. | Long-term loans given to other related parties | 0 | 0 | 0 |
| 7. | Other long-term loans given | 19 | 1 | -18 |
| 8. | Long-term debt securities | 0 | 0 | 0 |
| 9. | Value adjustment of financial investments | 0 | 0 | 0 |
| 10. | Valuation difference of fixed financial assets | 0 | 0 | 0 |
| B. | Current assets (B./ I.+II.+III.+IV.+üet.) | 69 711 | 58 065 | -11 646 |
| I. | INVENTORIES (I./ 1.+ 6.) | 77 | 14 | -63 |
| 1. | Raw materials | 66 | 13 | -53 |
| 1/a. | of which: Managed state-owned materials | 0 | 0 | 0 |
| 2. | Work in progress and semi-finished products | 0 | 0 | 0 |
| 2/a. | of which: Managed state-owned WIP and semi-finished products | 0 | 0 | 0 |
| 3. | Animals for breeding, fattening and other livestock | 0 | 0 | 0 |
| 4. | Finished products | 0 | 0 | 0 |
| 4/a. | of which: Managed state-owned finished products | 0 | 0 | 0 |
| 5. | Goods | 11 | 1 | -10 |
| 6. | Advances given for inventories | 0 | 0 | 0 |
| II. | RECEIVABLES (II./ 1.+ 8.) | 49 356 | 46 083 | -3 273 |
| 1. | Receivables from the transportation of goods and from services (accounts receivable) | 105 | 102 | -3 |
| 2. | Receivables from related companies | 6 871 | 6 149 | -722 |
| 3. | Receivables from companies linked by virtue of major participating interests | 27 | 22 | -5 |
| 4. | Receivables from other associated companies | 0 | 0 | 0 |
| 5. | Bills of exchange receivable | 0 | 0 | 0 |
| 6. | Other receivables | 3 729 | 3 179 | -550 |
| 6/a. | of which: Receivables related to managed state-owned assets | 0 | 0 | 0 |
| 7. | Valuation difference of receivables | 0 | 0 | 0 |
| 8. | Positive valuation difference of derivative transactions | 0 | 0 | 0 |
| | Receivables from settlements with divisions | 38 624 | 36 631 | -1 993 |
| III. | SECURITIES (III./ 1.+ 6.) | 0 | 0 | 0 |
| 1. | Investments in related companies | 0 | 0 | 0 |
| 2. | Significant shareholding | 0 | 0 | 0 |
| 3. | Other investments | 0 | 0 | 0 |
| 4. | Treasury shares, own quotas | 0 | 0 | 0 |
| 5. | Debt securities held for sale | 0 | 0 | 0 |
| 6. | Valuation difference of securities | 0 | 0 | 0 |
| IV. | LIQUID ASSETS (IV./ 1.+2.) | 20 278 | 11 968 | -8 310 |
| 1. | Cash in hand, cheques | 4 | 5 | 1 |
| 2. | Bank deposits | 20 274 | 11 963 | -8 311 |
| C. | PREPAID EXPENSES AND ACCRUED INCOME (C./ 1.+2.+3.) | 10 115 | 5 803 | -4 312 |
| 1. | Accrued income | 1 854 | 349 | -1 505 |
| 2. | Prepaid costs and expenses | 298 | 120 | -178 |
| 3. | Deferred expenses | 7 963 | 5 334 | -2 629 |
| | TOTAL ASSETS (A.+B.+C.) | 304 818 | 289 520 | -15 298 |

Table 90: Asset side of the balance sheet for other activities

| Figures in MHUF | | | | |
|-----------------|--|----------------|----------------|----------------|
| Serial no. | | 2015.12.31 | 2016.12.31 | Change |
| D. | Equity (D/ L+_VII) | 214 527 | 225 176 | 10 649 |
| I. | SHARE CAPITAL | 16 312 | 16 312 | 0 |
| | of which: repurchased ownership share at nominal value | 0 | 0 | 0 |
| II. | SUBSCRIBED BUT UNPAID CAPITAL | 0 | 0 | 0 |
| III. | CAPITAL RESERVE | 96 250 | 96 250 | 0 |
| IV. | RETAINED EARNINGS | 86 584 | 99 757 | 13 173 |
| V. | NON-DISTRIBUTABLE RESERVE | 3 579 | 2 208 | -1 371 |
| VI. | VALUATION RESERVE | 0 | 0 | 0 |
| 1. | Valuation reserve for value adjustment | 0 | 0 | 0 |
| 2. | Valuation reserve for fair value | 0 | 0 | 0 |
| VII. | AFTER-TAX PROFIT/LOSS | 11 802 | 10 649 | -1 153 |
| E. | Provisions (E/ 1+2+3) | 16 587 | 13 720 | -2 867 |
| 1. | Provision for contingent liabilities | 12 203 | 10 594 | -1 609 |
| 2. | Provision for future expenses | 0 | 0 | 0 |
| 3. | Other provisions | 4 384 | 3 126 | -1 258 |
| F. | LIABILITIES (F/ L+II+III.) | 71 052 | 48 301 | -22 751 |
| I. | SUBORDINATED LIABILITIES (F.I/ 1+2+3+4) | 0 | 0 | 0 |
| 1. | Subordinated liabilities to related companies | 0 | 0 | 0 |
| 2. | Subordinated liabilities to significant related parties | 0 | 0 | 0 |
| 3. | Subordinated liabilities to other related parties | 0 | 0 | 0 |
| 4. | Subordinated liabilities to other entities | 0 | 0 | 0 |
| II. | LONG-TERM LIABILITIES (F.II/ 1+_8) | 36 953 | 27 312 | -9 641 |
| 1. | Long-term borrowings | 0 | 0 | 0 |
| 2. | Convertible and contingent convertible bonds | 0 | 0 | 0 |
| 3. | Debts from issue of bonds | 0 | 0 | 0 |
| 4. | Investment and development credits | 35 141 | 27 165 | -7 976 |
| 5. | Other long-term credits | 1 647 | 0 | -1 647 |
| 6. | Long-term liabilities to related companies | 0 | 0 | 0 |
| 7. | Long-term liabilities to significant related parties | 0 | 0 | 0 |
| 8. | Long-term liabilities to other related parties | 0 | 0 | 0 |
| 9. | Other long-term liabilities | 165 | 147 | -18 |
| 9./a | of which: Liabilities related to managed state-owned assets | 0 | 0 | 0 |
| III. | SHORT-TERM LIABILITIES (F.III/ 1+_10+üiet) | 34 099 | 20 989 | -13 110 |
| 1. | Short-term borrowings | 0 | 0 | 0 |
| 1/a | of which: convertible bonds | 0 | 0 | 0 |
| 2. | Short-term loans | 23 351 | 9 388 | -13 963 |
| 3. | Advances received from customer | 44 | 27 | -17 |
| 4. | Liabilities from the transportation of goods and from services (account) | 4 300 | 3 162 | -1 138 |
| 5. | Bills of exchange payable | 0 | 0 | 0 |
| 6. | Current liabilities to related companies | 2 807 | 3 039 | 232 |
| 7. | Short-term liabilities to significant related parties | 1 | 88 | 87 |
| 8. | Short-term liabilities to other related parties | 0 | 0 | 0 |
| 9. | Other short-term liabilities | 3 596 | 5 285 | 1 689 |
| 9./a | of which: Liabilities related to managed state-owned assets | 0 | 1 201 | 1 201 |
| 10. | Valuation difference of liabilities | 0 | 0 | 0 |
| 11. | Negative valuation difference of derivative transactions | 0 | 0 | 0 |
| | Debts from settlements with divisions | 0 | 0 | 0 |
| G. | Accrued expenses and deferred income (G./ 1+2+3) | 2 652 | 2 323 | -329 |
| 1. | Prepaid income | 384 | 403 | 19 |
| 2. | Accrued expenses | 94 | 345 | 251 |
| 3. | Deferred income | 2 174 | 1 575 | -599 |
| | TOTAL LIABILITIES (D.+E.+F.+G.) | 304 818 | 289 520 | -15 298 |

Table 91: Equity and liabilities side of the balance sheet for other activities

Figures in MHUF

| Line | Description | 2015.12.31 | 2016.12.31 | Change |
|--------------|--|---------------|---------------|---------------|
| .01. | Net domestic sales revenues | 12 908 | 12 662 | -246 |
| .02. | Net export sales revenues | 5 | 2 | -3 |
| I. | Net sales revenues (01+02) | 12 913 | 12 664 | -249 |
| I/A 1. | Internal revenues from passenger transport (595,1;597,1) | 0 | 0 | 0 |
| I/A 2. | Internal revenues from engineering services (595,2;597,2) | 0 | 0 | 0 |
| I/A 3. | Internal revenues from central services (595,3;595,5;597,3;597,5) | 0 | 0 | 0 |
| I/A 4. | Internal revenues from rail track services (595,4;597,4) | 0 | 0 | 0 |
| I/A 5. | Revenues from direct internal services (593,2) | 1 | 33 | 32 |
| I/A 6. | Revenue from central control (597,9) | 3 610 | 1 312 | -2 298 |
| I/A. | Total internal revenue settled: | 3 611 | 1 345 | -2 266 |
| .03. | Change in self-manufactured inventories | 912 | 0 | -912 |
| .04. | Capitalised value of self-manufactured assets | 70 | 45 | -25 |
| II. | Capitalised value of own performance (03+04) | 982 | 45 | -937 |
| III. | Other revenues | 10 988 | 7 270 | -3 718 |
| | of which: impairment reversed (962,1-962,2) | 90 | 12 | -78 |
| | Total operating yields: | 28 494 | 21 324 | -7 170 |
| .05. | Material costs | 850 | 35 | -815 |
| .06. | Value of services used | 2 854 | 1 862 | -992 |
| .07. | Value of other services used | 227 | 189 | -38 |
| .08. | Cost of goods sold | 1 075 | 70 | -1 005 |
| .09. | Value of sold (intermediated) services | 1 271 | 1 416 | 145 |
| IV. | Material expenditures (05+06+07+08+09) | 6 277 | 3 572 | -2 705 |
| IV/A 1. | Internal costs of passenger transport (594,1;596,1) | 0 | 0 | 0 |
| IV/A 2. | Internal costs of engineering services (594,2;596,2;598) | 0 | 0 | 0 |
| IV/A 3. | Internal costs of central services (594,3;594,5;596,3;596,5) | 750 | 0 | -750 |
| IV/A 4. | Internal costs of rail track services (594,4;596,4) | 0 | 11 | 11 |
| IV/A 5. | Costs of direct internal services (593,1) | -1 | 3 | 4 |
| IV/A 6. | Costs of central administration and property management (596,9) | 93 | 21 | -72 |
| IV/A. | Total internal expenditures settled: | 842 | 35 | -807 |
| .10. | Wages | 1 269 | 1 040 | -229 |
| .11. | Other payments to personnel | 266 | 450 | 184 |
| .12. | Wage-related contributions | 447 | 433 | -14 |
| V. | Payments to personnel (10.+11.+12.) | 1 982 | 1 923 | -59 |
| VI. | Depreciation | 5 437 | 5 383 | -54 |
| VII. | Other expenditures | 3 337 | 3 444 | 107 |
| | of which: impairment (-862) | 352 | 104 | -248 |
| | Total operating expenses: | 17 875 | 14 357 | -3 518 |
| A. | BUSINESS PROFIT/LOSS (I.+I/A+II.+III.-IV-IV/A-V-VI-VII) | 10 619 | 6 967 | -3 652 |
| .13. | Dividends, profit share received | 2 282 | 707 | -1 575 |
| | Of which: received from related companies | 1 428 | 15 | -1 413 |
| .14. | Gain on sale of investments | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .15. | Revenues from and gains on financial investments (from securities and loans) | 0 | 0 | 0 |
| | Of which: received from related companies | 0 | 0 | 0 |
| .16. | Other interest received (due) and similar income | 418 | 243 | -175 |
| | Of which: received from related companies | 53 | 46 | -7 |
| .17. | Other financial revenues | 706 | 346 | -360 |
| | Of which: valuation difference | 0 | 0 | 0 |
| VIII. | Income from financial transactions (13+14+15+16+17) | 3 406 | 1 296 | -2 110 |
| .18. | Expenses of and losses on investments | 0 | 0 | 0 |
| | 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 | 896 | 440 | -456 |
| | Of which: provided to related companies | 21 | 15 | -6 |
| .21. | Impairment of investments, long-term loans given, securities and bank deposits | -732 | -5 502 | -4 770 |
| .22. | Other expenses of financial transactions | 2 059 | 2 676 | 617 |
| | Of which: valuation difference | 0 | 0 | 0 |
| IX. | Financial expenses (18.+19.+20.+21.+22.) | 2 223 | -2 386 | -4 609 |
| B. | FINANCIAL PROFIT/LOSS (VIII-IX) | 1 183 | 3 682 | 2 499 |
| C. | PRE-TAX PROFIT/LOSS (±A±B) | 11 802 | 10 649 | -1 153 |
| X. | TAX LIABILITY | 0 | 0 | 0 |
| D. | PROFIT OR LOSS AFTER TAX (±C-X) | 11 802 | 10 649 | -1 153 |

Table 92: Profit and loss statement of other activities

Figures in MHUF

| Nr. | Description | 2015 | 2016. |
|-------------|--|----------------|----------------|
| I. | Change in cash from ordinary business activity (Operating cash-flow, 1-17) | 18 134 | 14 511 |
| 1. | Pre-tax profit/loss (±) | 11 802 | 10 649 |
| | Assumed liabilities | -7 125 | 0 |
| | deferral of interest related to assumed liability | 59 | 0 |
| | amounts received free of charge | 0 | 0 |
| | amounts granted free of charge, expensed | 180 | 183 |
| | dividend received | -2 282 | -707 |
| | amount realised in excess of the book value of loan given | 0 | 0 |
| | deferred dividend | 1 428 | 0 |
| | profit/loss from changes in investments | -642 | 0 |
| | surplus non-current assets | 0 | 0 |
| | non-realised exchange rate difference on liquid assets | 0 | 0 |
| 2. | Previous years' profit/loss | 0 | 0 |
| 3. | Revaluation of loans and investments | -526 | -308 |
| 4. | Ordinary depreciation charge + | 5 437 | 5 383 |
| 4/a. | Depreciation charge on previous year | 0 | 0 |
| 5. | Recognised impairment, scrapping, shortage and reversal ± | 263 | -5 410 |
| 6. | Changes in provisions ± | -469 | -2 867 |
| 7. | Non-current asset disposals ± | -887 | -1 701 |
| 8. | Change in liabilities related to managed state-owned assets | 0 | 0 |
| 9. | Movements in creditors ± | -2 437 | -1 138 |
| 10. | Movements in other short-term liabilities ± | -8 723 | 1 990 |
| 10/a. | Movements in balance of business line operations | 0 | 3 195 |
| 11. | Movements in accruals ± | -2 299 | -332 |
| 11/a. | Released deferred income related to asset settlement | 6 | 3 |
| 11/b. | Accrued income associated with fixed assets received without compensation | 0 | 0 |
| 12. | Movements in debtors ± | 701 | -55 |
| 13. | Current asset movements (less debtors and liquid assets) ± | 3 263 | 1 314 |
| 14. | Movements in prepayments and accrued income ± | 20 385 | 4 312 |
| 15. | Corporate income tax payable - | 0 | 0 |
| 16. | Dividend and share payable - | 0 | 0 |
| 17. | Liquid assets assumed through merger as of balance sheet date | 0 | 0 |
| II. | Change in liquid assets from investing activities (Lines 18-21) | 1 291 | 603 |
| 18. | Non-current asset additions - | -2 806 | -2 693 |
| 19. | Non-current asset disposals + | 3 243 | 2 589 |
| 20. | Capital withdrawn from existing investment (subsidiary) | 0 | 0 |
| 21. | Dividend received + | 854 | 707 |
| III. | Change in cash from financial transactions (Financing cash-flow, lines 22-32) | -14 767 | -23 424 |
| 22. | Revenues from the issue of shares (capital addition) + | 0 | 0 |
| 23. | Proceeds from issue of bonds and debt securities + | 0 | 0 |
| 24. | Borrowings + | 0 | 0 |
| 25. | Repayment, cancellation and redemption of long-term loans and bank deposits + | 167 | 93 |
| 26. | Amounts received free of charge + | 0 | 0 |
| 27. | Redemption of shares, capital reduction - | 0 | 0 |
| 28. | Bond redemption - | 0 | 0 |
| 29. | Loan repayment - | -14 727 | -23 278 |
| 30. | Long-term loans and bank deposits + | 0 | -39 |
| 31. | Amounts transferred free of charge - | -180 | -183 |
| 32. | Change in liabilities towards the owners and in other long term liabilities | -27 | -17 |
| IV. | Cash flow (I.+II.+III.) | 4 658 | -8 310 |
| 33. | Non-realised exchange rate difference on liquid assets | 0 | 0 |
| V. | Change in cash and cash equivalents (IV.+33.) | 4 658 | -8 310 |

Table 93: Cash-flow statement of other activities (based on the Central general ledger)

The activity statement of other activities is presented below:

| | | Figures in THUF | |
|-------------|---------------------------------------|---------------------------|--------------------------------|
| <i>Line</i> | <i>Description</i> | <i>Base year 2015</i> | <i>Reporting year 2016</i> |
| 1 | Net sales revenue | 12 912 635 | 12 663 974 |
| | of which: fee revenue | 12 912 635 | 12 663 974 |
| | of which: ticket-price subsidies | 0 | 0 |
| | paid by government | 0 | 0 |
| 2 | Internal revenues | 3 611 280 | 1 344 835 |
| 3 | Capitalised value of own performance | 982 371 | 44 998 |
| 4 | Other income | 3 938 773 | 7 270 014 |
| | of which: government compensation | 0 | 0 |
| | of which: government subsidy | 644 960 | 609 440 |
| 5 | OPERATING GAINS TOTAL | 21 445 059 | 21 323 821 |
| 6 | Material expenses | 6 276 848 | 3 572 075 |
| | of which: infrastructure charge | 0 | 0 |
| 7 | Internal expenses | 842 139 | 34 772 |
| | of which: network access | 0 | 0 |
| | of which: traction | 0 | 0 |
| | of which: other railway services | -984 | 2 698 |
| | of which: central services | 749 729 | 32 074 |
| | of which: central control | 93 394 | 0 |
| 8 | Payments to personnel | 1 982 159 | 1 923 147 |
| 9 | Depreciation charge | 5 437 249 | 5 383 285 |
| 10 | Other expenditure | 3 276 179 | 3 443 831 |
| 11 | OPERATING EXPENSES TOTAL | 17 814 573 | 14 357 110 |
| 12 | OPERATING PROFIT | 3 630 486 | 6 966 711 |
| 13 | Financial gains | 3 405 913 | 1 296 608 |
| 14 | Financial expenses | 2 313 429 | -2 385 859 |
| 15 | FINANCIAL LOSS | 1 092 484 | 3 682 467 |
| 16 | Extraordinary revenues | 7 140 266 | 0 |
| | of which: government subsidy | 7 128 454 | 0 |
| 17 | Extraordinary expenses | 61 082 | 0 |
| 18 | PROFIT ON EXTRAORDINARY EVENTS | 7 079 185 | 0 |
| 19 | Tax liability | 0 | 0 |
| 20 | AFTER-TAX PROFIT/LOSS | 11 802 154 | 10 649 178 |

Table 94: Other activities

The most significant items of other activity performed by MÁV Zrt. are company and group governance, the leasing out of rolling stock, utilisation of land and properties, the sale of inventories and other services.

MÁV Zrt's other activities generated a profit. The decrease relative to the previous year's profit was due partly to the HUF 3.7 billion fall in operating expenses, which was slightly less than the drop in operating yields, and partly to the increase in the profit from financial transactions (HUF +2.6 billion), which was effectively a consequence of the change in the rules on dividend payment and the increase in reversed impairment on shareholdings, securities and bank deposits, relative to the base year.

The main components of the net sales revenue are as follows:

| Activity | Figures in HUF bn | |
|---|-------------------|-------------|
| | Year 2015 | Year 2016 |
| Materials sold, inventory management | 1.2 | 0.2 |
| Rail vehicle lease | 8.5 | 9.2 |
| Property lease and management | 1.9 | 2.0 |
| Other services (human, training, accounting and other central services) | 1.3 | 1.3 |
| Total | 12.9 | 12.7 |

Table 95: Main components of net sales revenue from other activities

The most significant factors in the decrease was the HUF 1 billion drop in revenue from material sales and inventory management services. The fall was partly offset by the HUF 0.7 billion growth in revenue from the leasing out of rolling stock.

The cause of the decline in materials sales and inventory management revenues was the outsourcing of most of the procurement and inventory management of general materials to MÁV SZK Zrt. In 2016 primarily general materials on inventory were sold (HUF 47 M) to the above mentioned company taking over the supply task, in connection with the change relating to the procurement and management of such materials. In addition to the above, HUF 73 million resulted from the sale of waste.

The sales revenue from the multiple-unit trains leased to MÁV-START Zrt. rose by HUF 0.7 billion due to a change in the prime cost serving as the basis for calculation of the leasing fees. The main components of the prime cost changed as follows: exchange rate loss realised due to the servicing of loans rose by HUF 1.3 billion, while the paid loan interest and the ordinary depreciation of the leased-out multiple-unit trains decreased by HUF 0.5 billion and HUF 0.1 billion respectively.

The revenue from property letting, which includes the pass-through utility fees and the revenue from operation, was on a par with the base period. In 2016 the letting and operation of properties generated sales revenue of HUF 2 billion.

The most significant components of net sales revenue from other services are: the pass-through maintenance costs and insurance premiums for the multiple-unit trains leased by MÁV-START Zrt (HUF 1 billion), and the license and technology fee paid by VAMAV Vasúti Berendezések Kft. (HUF 0.1 billion).

Internal revenues per activity:

| Internal activity | Figures in HUF bn | |
|------------------------|-------------------|------------|
| | Year 2015 | Year 2016 |
| Central administration | 3.6 | 1.3 |
| Total | 3.6 | 1.3 |

Table 96: Internal revenues per activity

The internal revenue from other activities was down from 2015. The decrease in revenue from services provided internally was caused by the absence of internal revenue related to central management activity, as a result of the organisational changes. With effect from 1 January 2016 asset management activity, in terms of organisational structure, became a part of railtrack operations. In the reporting year, within the separable activities, direct internal costs and

revenues of services provided and settled between general ledger units must be accounted for on a net basis, in order to avoid the accumulation of costs and revenues within the division.

The most significant other gains items in the reporting period were:

- the revenue from the sale of own intangible assets was HUF 2.6 billion (HUF +1.3 billion) in 2016;
- the utilisation of provisions in 2016 was HUF 3.7 billion, of which HUF 0.6 billion was released from the provisions set aside for litigious cases (HUF +0.3 billion), and HUF 0.8 billion from the provisions set aside for annuity payment liabilities (HUF +0.3 billion);
- following the review of environmental protection tasks to be performed, provisions of HUF 0.5 billion were released in the reporting year, and HUF 0.1 billion in the base year;
- the utilisation of provisions for unrealised exchange losses on investment loans was HUF 1.3 billion in 2016;
- gains from amounts released from accrued debts forgiven by government in line with the depreciation of the underlying leased-out railcars: HUF 0.5 billion in both the reporting year and the base year, stated as extraordinary gain in the base year.

Material expenses decreased relative to the base year. The most significant items in 2016:

- The recognised material costs are lower than in the base year, due to the specialised railtrack materials used.
- The value of services used decreased in comparison to the base period. The decline was due to property utilisation costs, as this activity came to be performed by MÁV Zrt. itself following the absorption of MÁV Létesítményüzemeltető és Vasútőr Kft. Property rental expenses also decreased by HUF 0.1 billion. Of the services that were outsourced to MÁV SZK Zrt., the cost of accounting services dropped by HUF 0.4 billion.
- The most significant items among services used in the reporting year: rent on properties HUF 0.7 billion, facility management HUF 0.3 billion, and procurement and inventory management services HUF 0.2 billion.
- The HUF 1 billion drop in the cost of goods sold compared to the base year resulted from the outsourcing of the management of general materials to MÁV Szolgáltató Központ Zrt.

Internal expenses related to other activities in 2016 mainly derived from the use of central management services, which decreased in comparison to the base period due to the organisational changes already described.

The decrease in payments to personnel is essentially attributable to organisational changes and the related payments to personnel. The impact of the headcount reduction was moderated by the wage increase carried out in the reporting year.

The cost of the depreciation charge related to other activities was related predominantly to the depreciation of the rolling stock, which was at the same level as in the base year.

The most significant items among other expenses were the expense recognised due to the derecognition of own tangible assets sold (HUF +0.5 billion), as well as the default interest paid by inland partners and the assumed liabilities (HUF +0.2 billion and HUF 0.2 billion respectively); but the provisions set aside for litigious cases decreased relative to the base year (HUF -0.3 billion) and the impairment in receivables also decreased (HUF -0.2 billion).

The HUF 707 million stated under dividend received in the reporting year relates to the year 2015. In 2016 dividend revenue originated from the companies VAMAV Vasúti Berendezések Kft. (HUF 595 million), MÁV-THERMIT Kft. (HUF 94 million), MÁV NOSZTALGIA Kft. (HUF 15 million) and HIT Rail b.v. (HUF 3 million).

Additional components of the decrease: interest and interest-type income received (HUF -0.2 billion) and the exchange rate gain resulting from the year-end revaluation of receivables and liabilities (HUF -0.3 billion).

Among the financial expenses recognised under other activities in 2016, in the reporting year HUF 5.5 billion in impairment on the shareholding in MÁV-START Zrt. was reversed, as the Company expects a persistently positive after-tax profit. In contrast to the base year, no impairment was recognised in the reporting year. Of the expenses of financial transactions, HUF 0.4 billion was interest paid on investment, operating and other loans, while HUF 2.7 billion was the exchange rate loss related to the servicing of the investment loans.

In the case of other activities, the revenues received from related parties, and the costs incurred in connection with them, are presented in the table below separately for each related party:

Figures in MHUF

| Related company | Revenues | | | Costs and expenses | | | Total |
|------------------------------------|-------------------|------------------------------|----------------|---------------------------------|----------------------------------|--------------------------|---------------|
| | Net sales revenue | Financial and other revenues | Total revenues | Material and personnel expenses | Other and financial expenditures | Total costs and expenses | |
| 015 - MÁV NOSZTALGIA Kft. | 14 | 21 | 35 | 2 | 2 | 4 | 31 |
| 020 - MÁV VAGON Kft. | 2 | 2 | 4 | 0 | 0 | 0 | 4 |
| 101 - MÁV FKG KFT | 47 | 27 | 74 | 3 | 0 | 3 | 71 |
| 131 - MÁV KfV Kft. | 1 | 0 | 1 | 6 | 2 | 8 | -7 |
| 138 - MÁV Szolgáltató Központ Zrt. | 673 | 16 | 689 | 455 | 2 | 457 | 232 |
| 179 - ZÁHONY-PORT Zrt. | 1 | 1 | 2 | 1 | 0 | 1 | 1 |
| 180 - MÁV-START Zrt. | 11,073 | 82 | 11,155 | 1,242 | -5,497 | -4,255 | 15,410 |
| Total | 11,811 | 149 | 11,960 | 1,709 | -5,491 | -3,782 | 15,742 |

Table 97: Related party balances (revenues and expenditures) related to other activities

The effect of the asset settlement and the related compensation in 2016 is presented in the following table:

Figures in MHUF

| Description | Reduction in asset value resulting from asset settlement (A) | Capital reserve correction resulting from separation (B) | Change in capital reserve resulting from asset settlement (C=A+B) | Settlement of registered capital increase resulting from compensation for asset settlement (D) | Increase of capital reserve resulting from compensation for asset settlement (E) | Total compensation for asset settlement (F=D+E=C) |
|--|--|--|---|--|--|---|
| VÜNSZ III Györgyarló asset transfer in 2016 | 0 | | | | | |
| Release of revenue deferred because of VÜNSZ III Györgyarló asset handover in 2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| NIF asset transfer (VÜSZ IV) in 2016 | 835 | | | | | |
| Release of revenue deferred because of NIF asset handover (VÜSZ IV) in 2016 | -3 | -832 | 0 | 0 | 0 | 0 |
| NIF asset transfer (VÜSZ V) in 2016 | 352 | | | | | |
| Release of revenue deferred because of NIF asset handover (VÜSZ V) in 2016 | 0 | -352 | 0 | 0 | 0 | 0 |
| VÜNSZ VI Eger 2016 | 23 | | | | | |
| Release of deferred income due to VÜNSZ VI Eger handover in 2016 | 0 | 2 | 25 | 0 | 25 | 25 |
| Total: | 1 207 | -1 182 | 25 | 0 | 25 | 25 |

Table 98: Effect of the asset settlement on the central GL

IV.4 Other disclosures relating to the separation of activities

The average annual statistical headcount (number of persons) by activity in the reporting year is shown in the table below:

| Activity | Headcount (persons) |
|-----------------------|---------------------|
| Railtrack operations | 18,838 |
| Passenger transport | 9 |
| Other activities | 120 |
| MÁV Zrt. total | 18,967 |

Table 99: Average annual statistical headcount by activity in the reporting year

Subsidies used for operations broken down by title are presented in the table below:

Figures in MHUF

| Other subsidies accounted as revenues | | | | |
|--|----------------------|---------------------|------------------|----------------|
| Description | Rail track operation | Passenger transport | Other activities | MÁV Zrt. Total |
| Public service cost compensation | 38 869 | 0 | 0 | 38 869 |
| Public service cost reimbursement - reasonable profit | 3 650 | 0 | 0 | 3 650 |
| Allowances used for own assets | 275 | 0 | 83 | 358 |
| Subsidies received to cover costs and expenditures related to projects implemented from domestic funds | 7 | 0 | 6 | 13 |
| Phare aid used | 8 | 0 | 2 | 10 |
| Support for public employment | 1 370 | 0 | 0 | 1 370 |
| Subsidies received to cover the costs and expenses of the Budapest-Belgrade rail project | 30 | 0 | 0 | 30 |
| IKOP subsidies received to cover costs | 122 | 0 | 0 | 122 |
| Other subsidies received as coverage for costs | 19 | 0 | 0 | 19 |
| Total government subsidies | 44 350 | 0 | 91 | 44 441 |
| Investment subsidies (state and EU) | | | | |
| Description | Rail track operation | Passenger transport | Other activities | MÁV Zrt. Total |
| Use of reimbursement for renovation related to treasury assets, funds | 21 242 | 0 | 0 | 21 242 |
| Use of reimbursement for renovation of assets owned by MÁV | 3 551 | 0 | 0 | 3 551 |
| Use of the reimbursement residual | 7 018 | 0 | 0 | 7 018 |
| Refurbishment of railway bridges and steel structures | 394 | 0 | 0 | 394 |
| Development of Budapest-Belgrade railtrack | 61 | 0 | 0 | 61 |
| Service level improvement on railtrack no. 80 | 314 | 0 | 0 | 314 |
| Development of public transport in the Balaton region project (DDOP progr.) | 66 | 0 | 0 | 66 |
| KÖZOP subsidy for the implementation of MÁV Zrt. Traffic safety projects (preparatory project) | 4 | 0 | 0 | 4 |
| KÖZOP/IKOP subsidy for the implementation of MÁV Zrt. Traffic safety projects | 135 | 0 | 0 | 135 |
| Electrification of railway line 2 Rákosszentmiklósi | 5 | 0 | 0 | 5 |
| KÖZOP/IKOP subsidy for the implementation of "MÁV Zrt. Station development and integrated customer service development programme at 26 locations" | 675 | 0 | 0 | 675 |
| Renovation of right track Nagyút-Mezőkeresztes-Mezőnyárád (KÖZOP/IKOP) | 161 | 0 | 0 | 161 |
| IKOP preparatory project 2014 | -6 | 0 | 0 | -6 |
| Reinforcement of the Balatonkenese - Balatonakaratya elevated shore wall (Reducing the danger of collapse and slippage of the shore walls) (KDOP progr.) | 7 | 0 | 0 | 7 |
| Creation of the Child Victims of the Holocaust Memorial - European Educational Center | 159 | 0 | 0 | 159 |
| Consolidation of infrastructure and rolling stock maintenance SW and IT application (INKA) (KÖZOP) | 751 | 0 | 0 | 751 |
| Investment subsidies in total | 34 537 | 0 | 0 | 34 537 |

Table 100: Subsidies used for operations by title

Accumulations due to the per-activity breakdown are presented in the table below:

Figures in MHUF

| Activities to which expenses and revenues of internal services are allocated | Internal services | | | | | | Total |
|--|----------------------|-------------|------------------|-------------|----------------------|---------------|----------|
| | Rail track operation | | Other activities | | | | |
| | | | Central services | | Corporate governance | | |
| | cost | income | cost | income | cost | income | |
| Rail track operation | 0 | -412 | 430 | 0 | 1 289 | 0 | 1 307 |
| Regional passenger transport | 401 | 0 | 0 | -400 | 2 | 0 | 3 |
| Other activities | 11 | 0 | 0 | -30 | 0 | -1 291 | -1 310 |
| Total: | 412 | -412 | 430 | -430 | 1 291 | -1 291 | 0 |

Table 101: Accumulation due to the per-activity breakdown

The columns refer to internal services (broken down by type), while the rows refer to the separable activities that use the internal services. The values displayed in the table show the net profit/loss achieved by the separable activities in relation to the individual service types. (Negative figures represent an internal profit, and positive figures an internal loss.) The internal losses and internal profits match each other (the total line shows a value of 0, and the profits and losses for each respective service are of the same amount). The figures in the Total column show the balance of the internal profits and internal losses of the separated activities (net impact of the interest services on the division's profit/loss).

The railtrack operation and regional passenger transport activity shows an internal loss overall (positive value in the total column).

Other activities (central services and corporate governance) show an internal profit overall (negative value in the total column).

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