



**Malév Ltd.  
Annual Report 2007**



---

<b>1. SUMMARY .....</b>	<b>3</b>
<b>2. MALÉV LTD. IN BRIEF .....</b>	<b>5</b>
<b>3. SENIOR OFFICERS OF THE COMPANY .....</b>	<b>6</b>
<b>4. MACROECONOMIC ENVIRONMENT .....</b>	<b>8</b>
<b>5. OPERATIONS .....</b>	<b>8</b>
5.2. SCHEDULED PASSENGER TRAFFIC .....	8
5.3 CHARTER ACTIVITIES .....	9
5.4 WET LEASE .....	10
5.5 CARGO AND MAIL SERVICE, CARGO HANDLING .....	10
<b>6. FLEET .....</b>	<b>10</b>
<b>7. HUMAN RESOURCES .....</b>	<b>11</b>
<b>8. MALÉV Ltd. BALANCE SHEET, INCOME STATEMENT.....</b>	<b>12</b>

## 1. Summary

For the first time in many years, the company closed 2007 with a profit of HUF 703 million. The income statement for 2007 shows that while maintaining flight performance at a fixed level, material-type expenditures were reduced by about HUF 9 billion, as a result of which there was an improvement of HUF 7 billion, approximately 44%, on Malév's core activities compared to the previous year. The profit and loss statement compiled in compliance with the Accounting Act shows a loss of HUF 14.7 billion on business activities. The primary reason for this weakening against the base year figure was non-recurring items, for instance depreciation on the CRJ aircraft.

The year 2007 witnessed a further strengthening in competition between traditional and low-cost airlines in Europe. Total seat capacity offered by airlines operating out of Budapest dropped by 1%, whereas scheduled turnover grew 5.7% against 2006. A total of 7.806 million passengers travelling on scheduled services passed through Budapest Ferihegy airport in the year.

Available seat kilometres offered by Malév grew 1.9% compared to the previous year. Turnover increased to a greater extent (5.3%) than the expansion in available capacity, resulting in the average load factor of Malév aircraft climbing 2 percentage points (to 68%) against the previous year's figure.

In 2007, Malév operated a scheduled network similar to that of 2006, with the emphasis on east-west connections in four waves. The Bangkok connection operated throughout the entire year. A second Madrid frequency was added from the start of the winter timetable period. The Bologna flight was closed down in February due to weak performance. From November, Malév temporarily suspended its North Atlantic services and leased out its B767 aircraft in a financially more advantageous (wet lease) construction.

2007 saw extremely important **milestones** reached in the life of Malév: in the course of the year the airline was **privatized** and it joined the **oneworld airline alliance**.

### Privatization

The call for bids published by the Hungarian Privatization and State Holding Company (ÁPV Zrt.) in 2006, which stretched into 2007, finally resulted in the announcement that Hungarian company AirBridge had won the Malév privatization tender.

After finalizing the technicalities of the privatization contract, on 23 February 2007 the Board of Directors of ÁPV Zrt. authorized the chief executive officer of the privatization company and the representative of AirBridge to sign the contract for a 99.95% stake in Malév.

New owner AirBridge carried out a HUF 5 billion capital increase in Malév (involving Vnyeseconombank - VEB), which after registration by the Court of Registry was transferred into the equity capital of the company on 11 July 2007. This raised the Malév registered capital by HUF 100 million, and Malév capital reserve by HUF 4.9 billion. VEB underwrote guarantees on all privatization commitments.

### oneworld

The accession of Malév into **oneworld** in April 2007 was a turning point in the life of Malév. **oneworld** membership resulted in an immediate increase in traffic on the Malév network. The common **oneworld** frequent flyer programme providing Malév passengers with far more attractive benefits and products is yet another important return on membership. Thanks to Malév's membership of **oneworld**, customers of the airline can access some 700 destinations in around 150 countries using the near 2500 aircraft operated by member airlines, and all this with just a single air ticket and convenient, smooth connections.

### reMAke

The reMAke programme designed to improve the profitability of Malév was launched on 30 July 2007. By lifting revenues and cutting costs, the company has targeted an improvement on profits of HUF 25 billion at the end of the three-year programme.

Drawing on international experiences, the senior management of the company defined the aims

of the programme and the results achievable in the different sections of the company. Ten teams worked on the detailed planning of the various campaigns set out in the programme. Seventy members of staff were directly involved in the work, which resulted in nearly 500 proposals for increasing revenues and reducing expenditures. These ideas and reports were reviewed and approved by senior management. In many cases, decisions were reached on the immediate implementation of proposals, while in other cases the introduction demands a longer timeframe. In every instance, line management is responsible for implementation.

By the end of the year, organizational units of the company – with the help of the teams – had completed the launch of 126 schemes. The combined impact of revenue generation and cost cutting achieved through completed projects boosted the results of the Malév group by HUF 2.2 billion in 2007, and they will result in an improvement of HUF 6.4 billion in 2008 against 2007.

Péter Leonov  
CEO

## 2. MALÉV LTD. IN BRIEF

On the basis of the ruling of the Court of Registry dated 11 July 2007, the airline's full new title in Hungarian is **Malév Magyar Légiközlekedési Zártkörűen Működő Részvénytársaság**, in abbreviated form **Malév Zrt.** (in English, Malév Ltd. or Malév Hungarian Airlines).

Malév Ltd. (hereinafter: Malév, or the company) is the national airline of the Republic of Hungary.

The core activities of Malév are passenger and cargo air transport, and ticketing activities conducted for other airlines. The service activities of the company extend across Europe, the Middle East, the Far East, North Africa and North America.

Malév, as the legal successor of the Hungarian Airline Company formed in 1954, has operated in joint stock company form since 1 July 1992. The company was initially privatized in the first half of 1993, when the majority shareholder ÁVÜ (the predecessor of the Hungarian Privatization and State Holding Company ÁPV Rt.) was joined by Italian national carrier Alitalia holding a 30% stake and Simest investment corporation with a 5% stake in Malév. Under the terms of a contract signed in 1997, the shares in Italian ownership were purchased by Air Invest Kft., a company set up by MKB Bank and OTP Bank. In 1999, ÁPV Rt. bought the shares held by Air Invest Kft., thereby increasing the ownership share in Malév of the state holding company to 96.843%.

In a government decree passed in 2001, ÁPV Rt. increased Malév's registered capital by HUF 9.2 billion, thereby raising its ownership share to 97.923%.

In order to realign the equity position of Malév, ÁPV Rt. injected a further HUF 7 billion into the company in 2003. Initially, an extraordinary general assembly of Malév lowered the company's registered capital from HUF 11,692,308,000 to HUF 117,913,000, then raised it and issued 338,208,692 new ordinary shares, each with a nominal value of HUF 10, to give a total nominal value of HUF 3,382,087,000 against payment of HUF 7,000,000,000 at subscription. Once the capital position of Malév had been settled, the ownership stake of ÁPV Rt. in the Hungarian airline exceeded 99%.

The call for bids published by the Hungarian Privatization and State Holding Company (ÁPV Zrt.) in 2006, which stretched into 2007, finally resulted in the announcement that AirBridge Zrt. had won the Malév privatization tender.

After finalizing the technicalities of the privatization contract, on 23 February 2007 the Board of Directors of ÁPV Zrt. authorized the chief executive officer of the privatization company and the representative of AirBridge to sign the contract for a 99.95% stake in Malév Zrt.

Hungarian-registered AirBridge Zrt. private limited company was founded by a majority of Hungarian private individuals together with Boris Abramovich with the purpose of participating in the privatization of Malév.

New owner AirBridge carried out a HUF 5.033 billion (€22 million) capital increase in Malév, which after registration by the Court of Registry was transferred into the equity capital of the company on 11 July 2007. This raised the Malév registered capital by HUF 100 million, and Malév capital reserve by HUF 4.933 billion. VEB underwrote guarantees on all privatization commitments.

Malév registered office: 1097 Budapest, Könyves Kálmán krt. 12-14.

### 3. SENIOR OFFICERS OF THE COMPANY

Members of the managing bodies of Malév Ltd.

Body	Name	Start of mandate	End of mandate	
Board of Directors	Péter Hónig, chairman	11 February 2005	24 April 2007	
	Dr. Zoltán Bodnár	11 February 2005	24 April 2007	
	Dr. Gábor Galla	11 February 2005	24 April 2007	
	Dr. János Gönci	11 February 2005	29 February 2008	
	György Erik Haris	11 February 2005	24 April 2007	
	Péter Krauth	11 February 2005	24 April 2007	
	Dr. Péter Sinkovits	30 September 2005	-	
	László Pál	11 February 2005	24 April 2007	
	József Thuma	17 December 2004	24 April 2007	
	Dr. Gábor Sólyom	17 December 2004	-	
	Boris Abramovich, chairman	25 April 2007	-	
	Alexander Abramovich	25 April 2007	-	
	Péter Leonov	25 April 2007	-	
	Andrei Sapelin	24 May 2007	-	
	Yuri Surkov	24 May 2007	-	
	Kálmán Kiss	25 April 2007	-	
	Gábor Csobánczy	25 April 2007	-	
	Alexander Tikhomirov	25 April 2007	24 May 2007	
	Supervisory Board	Erzsébet Szombati- Szalóki, chair	30 May 2003	23 May 2007
		Péter Endrődy	30 May 2003	23 May 2007
Gábor Csobánczy		30 September 2005	23 May 2007	
Dr. László Szlávnits		30 May 2003	23 May 2007	
Dr. József Goldfárth		30 May 2003	23 May 2007	
Dr. András Gálszécsy		30 May 2003	23 May 2007	
Attila Csorba		30 May 2003	23 May 2007	
Mrs. Adolf Kozek		30 May 2003	23 May 2007	
György Háy		30 May 2003	23 May 2007	
Magdolna Költő, chair		25 April 2007	-	
Anatoly Ballo		25 April 2007	-	
German Nyegomedyanov		25 April 2007	-	
Dr. Ritter, Marianna		25 April 2007	-	
Barna Sarkadi Nagy		25 April 2007	-	
Sergei Lykov		23 May 2007	-	
Mihály Balla		23 May 2007	-	
Gyula Dobor		23 May 2007	-	
Mrs. István Kazatsay		23 May 2007	-	

## Senior executives of Malév Ltd.:

Office	Name	Start of mandate	End of mandate
Chief Executive Officer	Dr. János Gönci	12 February 2005	12 July 2007
	Lloyd Paxton	13 July 2007	13 September 2007
	Péter Leonov	14 September 2007	-
Chief Operational Officer	Péter Krauth	15 July 2005	30 November 2007
	Géza Fehérváry	1 December 2007	-
Chief Strategy and Commercial Officer	András Zboray	15 July 2005	23 October 2007
	Anikó Kanyó-Nemes	24 October 2007	31 December 2007
Chief Financial Officer	Edit Katalin Szülek-Somodi	1 June 2006	31 May 2007
	Piotr Ikanovicz	1 June 2007	-
Chief Infrastructure and Portfolio Officer	Zoltán Mester	4 September 2007	-

Malév Ltd. appointed auditor: Pricewaterhouse Coopers Kft.

Representative of the appointed auditor: Éva Barsi

#### 4. MACROECONOMIC ENVIRONMENT

In 2007, the EUR/USD cross rate increased from 1.3 (January) to 1.456 (December) while the forint strengthened considerably against both currencies compared to the base year. Due to the differing structure of revenues and costs, at the level of business activities fluctuations in exchange rates resulted in an improvement of HUF 1.9 billion compared to the previous year.

There was a strong upward movement in the annual average price of fuel compared to 2006. The FOB-ROTT price, which has a considerable impact on market prices, rose from USD 636.6/ton to USD 686.31/ton, although in December it stood above USD 900/ton.

##### Key indicators of the Hungarian economy, 2006 and 2007

Item	2006. Fact	2007 Fact	Change 2007 / 2006
Annual inflation (%)	3,9	8,0	205,1%
Hungarian GDP growth (%)	3,9	1,3	33,3%
Industrial output (%)	10,1	8,1	80,2%
Rise in gross average income (%)	8,1	8,0	98,8%
FOB-ROTT kerosene price (USD/ton)	636,6	686,3	107,8%
Average HUF/USD exchange rate	210,39	183,63	87,3%
Average HUF/EUR exchange rate	264,14	251,31	95,1%

#### 5. OPERATIONS

##### 5.1 Operating environment

Total scheduled available seat capacity at Ferihegy was 11.5 million in 2007, representing a decline of about 1% on the previous year. Low-cost carriers rationalized their route networks and cut available capacity by 8% (2.5% of this was as a result of the withdrawal from the Hungarian market of Sky Europe from the start of the winter 2007 timetable). Traditional airlines reacted to this move by further increasing their capacity.

During 2007, the capacity-side structure of Malév remained basically the same considering the restricted market on the Malév route network, although the picture was more favourable on the passenger turnover side with average growth of 3%. Low-cost airlines took a 23% slice of the market. Due to the contraction of no frills carriers, Malév's average annual share of passenger traffic measured across the entire network increased from 45.1% to 46.6%.

##### 5.2. Scheduled passenger traffic

In 2007, Malév carried 3.127 million revenue passengers on its scheduled flights, 5.3% more than in the previous year, and the revenue passenger kilometre indicator rose accordingly, by 5%. Malév launched the same number of flights in 2007 as in 2006, although due to changes in the network composition the available seat kilometre indicator increased by 2%. Therefore, the annual average load factor across the entire network increased from 66% to 68% in 2007.

54% of passengers travelled in the *West European region*, where year on year the number of passengers was up 6% despite the fact that there was no change in the number of flights launched. As a consequence, the load factor in this region climbed 3.5%. This figure covers significant growth on several routes such as Gothenburg, Paris and London-Gatwick. Malév closed the Bologna service in February 2007.

The company registered its greatest growth in passenger numbers (7%) in the *East European region*. This increase was based on a rise in available seat kilometres of a similar order, largely as a result of the rotation of larger capacity aircraft.

In the *Mediterranean region* an increase of 4% in the number of flights generated 5% growth in passenger numbers, and in the final analysis the load factor improved by 2 percentage points. As regards passenger turnover growth, the Tel Aviv and Istanbul routes were particularly outstanding. However, the greatest increase was recorded on the Beirut line since during the summer in the base year – as a consequence of the temporary halt on flights during the Lebanon crisis – traffic was diverted to the Damascus route.

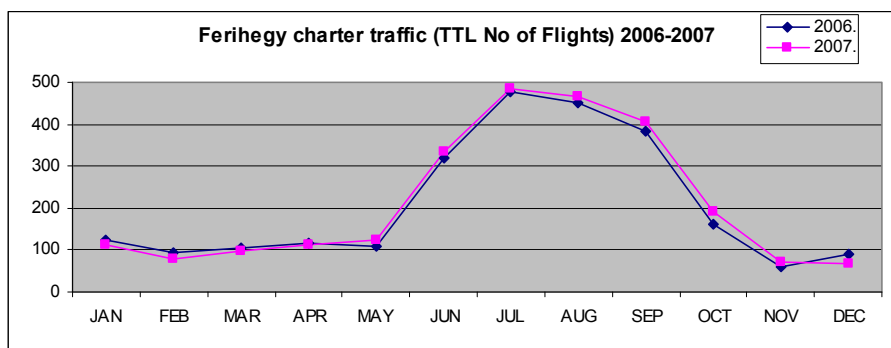
The greatest changes in 2007 – from both capacity and commercial aspects – affected *long-haul* flights (Beijing, Bangkok, New York and Toronto). In April 2007, available capacity increased when the B767-200 was exchanged for a B767-300 configured to carry 229 passengers. On the Beijing route – operated by Hainan Airlines in both years – the code-share agreement was superseded by a free sale arrangement in June 2007, from which time passengers no longer qualified as Malév passengers. This decision was taken in order to improve the margin since it also allowed savings to be made on the cost side of seat rentals. Timetable rescheduling affected the Bangkok route, which contrary to the previous year operated all year round in 2007. From November 2007, the New York and Toronto flights were temporarily suspended following the leasing to Oman Air of the aircraft in a Malév ACMI contract, which gave the company a far higher margin than operating North Atlantic scheduled flights in the winter. To sum up, the 3% increase in passenger numbers on *long-haul* was based on capacity increase of a similar order, which when combined finally resulted in a drop in the average load factor of 1 percentage point.

The performance of so-called “non-Budapest” flights of *Seventh Freedom* (the right to carry traffic from one state to another state without going through the home country) launched in 2005 did not come up to expectations, which is why in 2006 the company closed down these routes with the exception of the Stuttgart–Sármellék connection. In 2007, Malév operated 30 services on this route during the summer timetable, with an average load factor of 59%.

Over the year as a whole the company carried 116,000 “business” (C class) passengers, 23% up on the previous year. The proportion of C passengers to all passengers was 3.7%, an increase of half a percentage point on the figure for 2006. The greatest level of growth in business passengers was registered on the Brussels and Prague routes.

### 5.3 Charter activities

The Hungarian charter market is affected by strong seasonality, the season itself is short, with 75% of flights operating between June and September.



The disadvantages of intense seasonality in 2007 posed Malév with a serious challenge since a part of the seat capacity in the peak summer months was invested elsewhere (from 2006, the company used the originally three B737-800 aircraft dedicated for charter business primarily on scheduled routes, or provided one aircraft on ACMI basis to a foreign partner). On the other

hand, the restriction on summer capacity in the composition of flights made it possible to retain those services offering a greater margin, and in the final analysis, and at an annual level, this resulted in a higher margin.

There were 6% more charter flights in 2007 than in the previous year, but despite this block hours fell 4%. Charter activities generated revenue of HUF 5.487 billion, HUF 170 million (3%) up on the base year.

#### 5.4 Wet lease

The collapse in prices on the traditional charter market in 2006 forced the company into signing a wet lease contract for one of the aircraft formerly exclusively used in charter (B737-800) to Livingston Air for 6 months. Due to the success of this cooperation deal, Livingston negotiated a lease on one aircraft for a longer period in 2007. Following this, a B767-300 was leased out to Oman Air in November-December (this deal continued into May 2008).

#### 5.5 Cargo and mail service, cargo handling

In the course of 2007, due to the company's rotation policy which deprioritized cargo and mail services, as well as gradually narrowing cargo opportunities in the European Union and the temporary suspension of long-haul flights representing the main source of revenue for cargo, Malév revenue declined against the base year. Changes in exchange rates, unfavourable from the aspect of revenue, also had a negative impact on margins. In scheduled traffic, in the European Union, the principal market in the Malév network, capacity dumping and a decline in cargo volumes were characteristic of the EU – and even more so following the accession of Romania and Bulgaria – due to deregulation of road haulage. From the point of view of cargo services, the direct long-haul routes – New York and Toronto – are of particular importance, and their temporary suspension had a serious impact on the business. Despite these negative events – resulting in a fall of 9% in terms of delivered cargo tons – revenue remained at the 2006 level.

### 6. FLEET

In 2007 the company operated four aircraft types to conduct its core activities: three Boeing 767-200/300 aircraft, 18 Boeing 737-600/700/800 aircraft, five Fokker 70s and four CRJ200 aircraft.

The company brought one Boeing 767-300A (HALHC) into service in the middle of April. One of the Boeing 767-200s (HALHA) was operated until the end of the summer timetable and then returned in December, so that by the end of the year there were two wide-bodied aircraft in the Malév fleet, the same number as at the beginning of the year.

The company sold one of its own CRJ aircraft and in December withdrew it from service. As a result, the number of own aircraft and aircraft operated in dry-lease form was 28 on 31 December, one fewer than on 1 January.

Type	Average nr. of A/C		Daily utilization (hrs/A/C)	
	2006	2007	2006	2007
	Actual	Actual	Actual	Actual
B736	6,00	6,00	9,27	9,30
B73G	7,00	7,00	9,26	9,11
B738	5,00	5,00	8,57	8,65
B762	2,00	1,93	13,45	11,91
B763	0,00	0,76	0,00	10,96
F70	5,00	5,00	8,84	8,57
CRJ-200	4,00	3,96	8,12	8,22
<b>OWN AND DRY LEASE TOTAL</b>	<b>29,00</b>	<b>29,65</b>	<b>9,20</b>	<b>9,09</b>
EMBRAER-120	0,00	0,11	0,00	3,42
SAAB-2000	1,10	1,00	5,97	6,39
SAAB-340	0,90	0,89	4,06	5,00
<b>WET LEASE TOTAL</b>	<b>2,00</b>	<b>2,00</b>	<b>5,11</b>	<b>5,61</b>
<b>TOTAL</b>	<b>31,00</b>	<b>31,65</b>	<b>8,94</b>	<b>8,87</b>

## 7. HUMAN RESOURCES

### Differences in closing headcount in 2006 and 2007

Headcount by form of employment	31 Dec. 2006 closing headcount	31 Dec. 2007 closing headcount	2007/2006 difference (FTE)	2007/2006 change
Malév Zrt. full time	1,618	1,513	-105	94%
Malév Zrt. part time	25	21	-4	85%
Employed for av. of less than 60 hrs a month	1	1	0	100%
ABC Kft. full and part-timers	3	0	-3	0%
MUSZ Kft. full and part-timers	272	0	-272	0%
TRENKWALDER Kft. full and part-timers	0	251	251	-
<b>Malév Zrt., ABC, MUSZ, TRENKWALDER Kft. total</b>	<b>1,918</b>	<b>1,785</b>	<b>-133</b>	<b>93%</b>
<b>With other legal rights vis-a-vis Malév Zrt.</b>	<b>186</b>	<b>183</b>	<b>-3</b>	<b>98%</b>

The closing headcount in 2007 was 7% (133 persons) lower than the figure in 2006. The main reason for this decline was the continuation throughout 2007 of the policy of a freeze on hiring new staff, originally introduced in 2005.

## 8. MALÉV Ltd. BALANCE SHEET, INCOME STATEMENT

No.	BALANCE SHEET (Assets) (‘000 HUF)	Dec. 31. 2006	Dec. 31. 2007	%
1	2	4	5	6
<b>A.</b>	<b>Fixed assets</b>	<b>42 079 883</b>	<b>33 649 243</b>	<b>79,97%</b>
<b>I.</b>	<b>Intangible assets</b>	<b>1 481 615</b>	<b>924 122</b>	<b>62,37%</b>
1	Capitalized value of formation/reorganization expenses	244 436	165 060	67,53%
2	Capitalized value of research and development			-
3	Concessions, licenses and similar rights	525 482	382 829	72,85%
4	Trade-marks, patents and similar assets	711 432	375 978	52,85%
5	Goodwill			-
6	Advances and prepayments on intangible assets			-
7	Adjusted value of intangible assets	265	255	96,23%
<b>II.</b>	<b>Tangible assets</b>	<b>23 419 721</b>	<b>16 116 449</b>	<b>68,82%</b>
1	Land and buildings and rights to immovables	1 154 272	825 092	71,48%
2	Plant and machinery, vehicles	19 508 653	13 569 128	69,55%
3	Other equipment, fixtures and fittings, vehicles	764 066	552 799	72,35%
4	Breeding stock			-
5	Assets in course of construction	163 523	95 366	58,32%
6	Payments on account			-
7	Adjusted value of tangible assets	1 829 207	1 074 064	58,72%
<b>III.</b>	<b>Financial investments</b>	<b>17 178 547</b>	<b>16 608 672</b>	<b>96,68%</b>
1	Long-term participations in affiliated undertakings	7 836 462	4 728 494	60,34%
2	Long-term credit to affiliated undertakings			-
3	Other long-term participations	198 900	198 900	100,00%
4	Long-term loan to independent undertakings			-
5	Other long-term loans	33 352	19 682	59,01%
6	Securities signifying a long-term creditor relationship	165 025	142 400	86,29%
7	Adjusted value of financial investments	8 944 808	11 519 196	128,78%
<b>B.</b>	<b>B. Current assets</b>	<b>25 923 921</b>	<b>28 244 057</b>	<b>108,95%</b>
<b>I.</b>	<b>Inventories</b>	<b>206 613</b>	<b>107 166</b>	<b>51,87%</b>
1	Raw materials and consumables	203 115	103 593	51,00%
2	Work in progress, intermediate and semi-finished products			-
3	Animals for breeding and fattening and other livestock			-
4	Finished products			-
5	Goods	3 444	3 573	103,75%
6	Advances and prepayments	54		
<b>II.</b>	<b>Receivables</b>	<b>21 792 121</b>	<b>24 700 332</b>	<b>113,35%</b>
1	Trade debtors	8 985 080	11 624 030	129,37%
2	Receivables from affiliated undertakings	7 514 988	10 416 199	138,61%
3	Receivables from independent undertakings			-
4	Bills receivable			-
5	Other receivables	5 292 053	2 660 103	50,27%
<b>III.</b>	<b>Securities</b>	<b>15 466</b>	<b>13 138</b>	<b>84,95%</b>
1	Participations in affiliated undertakings			-
2	Other participations			-
3	Own shares and own partnership shares			-
4	Securities signifying a creditor relationship for trading purposes	15 466	13 138	84,95%
<b>IV.</b>	<b>Liquid assets</b>	<b>3 909 721</b>	<b>3 423 421</b>	<b>87,56%</b>
1	Cash, checks	128 369	162 467	126,56%
2	Bank deposits	3 781 352	3 260 954	86,24%
<b>C.</b>	<b>Accrued and deferred assets</b>	<b>1 367 624</b>	<b>1 111 800</b>	<b>81,29%</b>
1	Accrued income	322 930	315 761	97,78%
2	Accrued expenses	1 044 694	796 039	76,20%
3	Deferred expenses			-
	<b>Total assets</b>	<b>69 371 428</b>	<b>63 005 100</b>	<b>90,82%</b>

<b>BALANCE SHEET (Liabilities)</b>				
No.	('000 HUF)	Dec. 31. 2006	Dec. 31. 2007	Index
1	2	4	5	6
<b>D.</b>	<b>Shareholders' equity</b>	<b>-5 073 208</b>	<b>2 482 308</b>	<b>-</b>
<b>I.</b>	<b>Subscribed capital</b>	<b>3 500 000</b>	<b>3 600 000</b>	<b>102,86%</b>
	including: ownership shares repurchased at face value			-
<b>II.</b>	<b>Subscribed capital unpaid (-)</b>			-
<b>III.</b>	<b>Capital reserve</b>	<b>17 578 197</b>	<b>22 511 197</b>	<b>128,06%</b>
<b>IV.</b>	<b>Accumulated profit reserve</b>	<b>-26 317 534</b>	<b>-37 090 744</b>	<b>-</b>
<b>V.</b>	<b>Tied-up reserve</b>	<b>244 436</b>	<b>165 060</b>	<b>67,53%</b>
<b>VI.</b>	<b>Revaluation reserve</b>	<b>10 774 280</b>	<b>12 593 515</b>	<b>116,88%</b>
<b>VII.</b>	<b>Profit or loss for the year</b>	<b>-10 852 587</b>	<b>703 280</b>	<b>-</b>
<b>E.</b>	<b>Provisions</b>	<b>1 373 168</b>	<b>1 705 161</b>	<b>124,18%</b>
1	Provisions for forward liabilities	1 302 888	1 705 161	130,88%
2	Provisions for forward expenses	70 280		
3	Other provisions			-
<b>F.</b>	<b>Liabilities</b>	<b>71 353 242</b>	<b>57 061 084</b>	<b>79,97%</b>
<b>I.</b>	<b>Subordinated liabilities</b>	<b>19 174 800</b>		
1	Subordinated liabilities to affiliated undertakings			-
2	Subordinated liabilities to independent undertakings			-
3	Subordinated liabilities to other economic entities	19 174 800		
<b>II.</b>	<b>Long-term liabilities</b>	<b>10 787 028</b>	<b>4 561 587</b>	<b>42,29%</b>
1	Long-term loans			-
2	Convertible bonds			-
3	Debts on issue of bonds			-
4	Investment and development credits	10 701 439		
5	Other long-term credits			-
6	Long-term liabilities to affiliated undertakings		4 560 300	-
7	Long-term liabilities to independent undertakings			-
8	Other long-term liabilities	85 589	1 287	1,50%
<b>III.</b>	<b>Current liabilities</b>	<b>41 391 414</b>	<b>52 499 497</b>	<b>126,84%</b>
1	Short-term bank loans	2 508 024	4 144 221	165,24%
	- including: Convertible bonds			-
2	Other short-term loans	1 365 466	8 394 768	614,79%
3	Advances received from customers	519 035	685 571	132,09%
4	Accounts payable	18 881 907	14 955 239	79,20%
5	Bills payable			-
6	Short-term debts to related parties	5 319 733	7 171 728	134,81%
7	Short-term liabilities to independent undertakings			-
8	Other short-term liabilities	12 797 249	17 147 970	134,00%
<b>G.</b>	<b>Accrued and deferred liabilities</b>	<b>1 718 226</b>	<b>1 756 547</b>	<b>102,23%</b>
1	Deferred income	328 780	55 053	16,74%
2	Deferred expenses	1 380 932	1 694 229	122,69%
3	Accrued income	8 514	7 265	85,33%
	<b>Total liabilities</b>	<b>69 371 428</b>	<b>63 005 100</b>	<b>90,82%</b>

**INCOME STATEMENT TYPE " A" (HUF '000)**  
(total cost)

No.	Profit and Loss ( '000 HUF)	2006	2007	Index
1	2	4	5	6
1.	Net domestic sales	33 421 990	33 880 147	101,37%
2.	Net external sales	89 708 921	88 184 787	98,30%
<b>I.</b>	<b>Total sales (revenues) (01+02)</b>	<b>123 130 911</b>	<b>122 064 934</b>	<b>99,13%</b>
3.	Variations in self-manufactured stocks	0	0	-
4.	Own work capitalized	89 806	6 033	6,72%
<b>II.</b>	<b>Own performance capitalized (+03+04)</b>	<b>89 806</b>	<b>6 033</b>	<b>6,72%</b>
<b>III.</b>	<b>Other income</b>	<b>13 979 195</b>	<b>11 921 188</b>	<b>85,28%</b>
	including: loss in value marked back	299 443	41 601	13,89%
5.	Raw materials and consumables	32 163 106	29 858 610	92,83%
6.	Contracted services	80 947 537	77 890 780	96,22%
7.	Other service activities	2 028 145	1 528 440	75,36%
8.	Original cost of goods sold	2 136 262	272 830	12,77%
9.	Value of services sold (intermediated)	3 933 852	2 646 517	67,28%
<b>IV.</b>	<b>Material costs (05+06+07+08+09)</b>	<b>121 208 901</b>	<b>112 197 177</b>	<b>92,57%</b>
10.	Wages and salaries	7 537 679	7 799 572	103,47%
11.	Other employee benefits	8 021 846	7 561 700	94,26%
12.	Contributions on wages and salaries	3 802 498	3 842 917	101,06%
<b>V.</b>	<b>Staff costs (10+11+12)</b>	<b>19 362 023</b>	<b>19 204 189</b>	<b>99,18%</b>
<b>VI.</b>	<b>Depreciation</b>	<b>3 643 494</b>	<b>4 053 346</b>	<b>111,25%</b>
<b>VII.</b>	<b>Other operating charges</b>	<b>5 384 080</b>	<b>13 217 581</b>	<b>245,49%</b>
	including: loss in value	1 487 576	5 109 921	343,51%
<b>A.</b>	<b>Income from operations (I+II+III-IV-V-VI-VII)</b>	<b>-12 398 586</b>	<b>-14 680 138</b>	<b>118,40%</b>
13.	Dividends and profit-sharing (received or due)	3 047 152	65 412	2,15%
	including: from affiliated undertakings	3 037 020	53 066	1,75%
14.	Capital gains on investments	0	0	-
	including: from affiliated undertakings	0	0	-
15.	Interest and capital gains on financial investments	9 943	11 620	116,86%
	including: from affiliated undertakings	0	0	-
16.	Other interest and similar income (received or due)	369 432	667 068	180,57%
	including: from affiliated undertakings	310 985	562 854	180,99%
17.	Other income from financial transactions	9 200 328	8 451 599	91,86%
<b>VIII.</b>	<b>Income from financial transactions (13+14+15+16+17)</b>	<b>12 626 856</b>	<b>9 195 699</b>	<b>72,83%</b>
18.	Losses on financial investments	0	0	-
	including: to affiliated undertakings	0	0	-
19.	Interest payable and similar charges	1 410 412	2 195 780	155,68%
	including: to affiliated undertakings	21 027	575 226	2735,64%
20.	Losses on shares, securities and bank deposits	0	0	-
	including: to affiliated undertakings	0	0	-
21.	Other expenses on financial transactions	9 425 516	7 478 644	79,34%
<b>IX.</b>	<b>Expenses on financial transactions (18+19+20+21)</b>	<b>10 835 928</b>	<b>9 674 424</b>	<b>89,28%</b>
<b>B.</b>	<b>Profit or loss from financial transactions (VIII-IX)</b>	<b>1 790 928</b>	<b>-478 725</b>	<b>-</b>
<b>C.</b>	<b>Profit or loss of ordinary activities (+A+B)</b>	<b>-10 607 658</b>	<b>-15 158 862</b>	<b>142,90%</b>
<b>X.</b>	<b>Extraordinary income</b>	<b>568</b>	<b>16 314 526</b>	<b>2873770,21%</b>
<b>XI.</b>	<b>Extraordinary expenses</b>	<b>245 497</b>	<b>452 385</b>	<b>184,27%</b>
<b>D.</b>	<b>Extraordinary profit or loss (X-XI)</b>	<b>-244 929</b>	<b>15 862 142</b>	<b>-</b>
<b>E.</b>	<b>Income before taxes (+C+D)</b>	<b>-10 852 587</b>	<b>703 280</b>	<b>-6,48%</b>
<b>XII.</b>	<b>Tax payable</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>F.</b>	<b>Profit after taxes (+E-XII)</b>	<b>-10 852 587</b>	<b>703 280</b>	<b>-6,48%</b>
22.	Profit reserves used for dividends and profit-sharing	0	0	-
23.	Dividends and profit-sharing paid (payable)	0	0	-
<b>G.</b>	<b>Profit or loss for the year (+F+22-23)</b>	<b>-10 852 587</b>	<b>703 280</b>	<b>-6,48%</b>