FINANCIAL STATEMENTS

for the year ended December 31, 2022

in accordance with International Financial Reporting Standards (IFRS)

HUNGAROCONTROL
FINANCIAL STATEMENTS
DECEMBER 31, 2022

CONTENTS

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholder of HungaroControl Zrt.

Opinion

We have audited the accompanying 2022 financial statements of HungaroControl Zrt. ("the Company"), which comprise the statement of financial position as at 31 December 2022 - showing a balance sheet total of HUF 81,334,824 thousand and a total comprehensive income for the year of HUF 22,286,226 thousand -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs").

Basis for opinion

We conducted our audit in accordance with International Auditing Standards. 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 applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matters and restriction on use

The Company has prepared another set of annual financial statements as at 31 December 2022 in accordance with the Hungarian Accounting Law and we have issued a separate report on those financial statements on 28 April 2023.

The Company has prepared the financial statements for the purpose to comply with the Regulation (EC) No 550/2004 of the European Parliament and of the Council of 10 March 2004. Our auditor's report should not be used for any other purposes.

Building a better working world

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, 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 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 International Auditing Standards 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 International Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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 achieves fair presentation.

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, 31 May 2023

(The original Hungarian language version has been signed.)

Dr. Hruby Attila
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Dr. Hruby Attila
Registered auditor
Chamber membership No.: 007118

HUNGAROCONTROL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

amounts in thHUF

Description	Notes	December 31, 2022	December 31, 2021
Intangible assets	**11**	15 654 948	12 205 543
Property, plant and equipment	**12**	28 059 541	26 090 250
Investments in joint ventures	**9**	73 028	58 953
Long term securities	**14.3**	2 464 592	2 448 962
Other long term assets	**14.1**	678 790	634 973
Deferred tax asset	**10**	971 559	782 358
Non-current assets		**47 902 458**	**42 221 039**
Inventories	**13**	28 613	37 160
Trade receivables	**14.2**	9 883 078	4 685 979
Other current assets	**14.2**	6 148 327	3 489 129
Current tax receivable	**10**	0	62 300
Short term securities	**14.3**	44 503	0
Other financial assets	**14.3**	6 811 447	313 553
Cash and cash equivalents	**14.3**	10 516 398	6 879 834
Current assets		**33 432 366**	**15 467 955**
TOTAL ASSETS		**81 334 824**	**57 688 994**
Share capital	**1.1**	20 201 600	20 201 600
Reserves		29 140 809	7 654 583
Shareholder's equity		**49 342 409**	**27 856 183**
Long term provisions	**15**	6 711	6 711
Long term employee benefits	**16**	4 578 584	3 143 607
Other long term liabilities	**14.4**	12 330 298	14 773 945
Non-current liabilities		**16 915 593**	**17 924 263**
Trade payables	**14.5**	4 465 370	2 558 662
Short term provisions	**15**	759 716	729 174
Short term employee benefits	**16**	3 716 271	2 605 424
Current tax liability	**10**	2 012 101	0
Other short-term liabilities	**14.5**	4 123 364	6 015 288
Current liabilities		**15 076 822**	**11 908 548**
TOTAL LIABILITIES		**31 992 415**	**29 832 811**
TOTAL EQUITY & LIABILITIES		**81 334 824**	**57 688 994**

The accompanying notes form an integral part of the financial statements.

HUNGAROCONTROL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

amounts in thHUF

Description	Notes	2022	2021
Revenue from air navigation services	5	60 072 549	21 845 148
Other revenue	5	306 821	109 992
Revenue		**60 379 370**	**21 955 140**
Personnel expense	6.1	20 909 162	17 427 161
Operating expense	6.2	10 222 023	8 418 865
Depreciation, depletion, amortization and impairment	11, 12	6 291 912	6 254 584
Other income / expense (-)	7	-300 063	672 756
Operating expense		**37 723 160**	**31 427 854**
OPERATING PROFIT		**22 656 210**	**-9 472 714**
Financial income / expense (-)	8	1 617 566	-856 644
Profit from financial activities		**1 617 566**	**-856 644**
Share from profit / loss of joint venture	9	13 888	2 770
PROFIT BEFORE TAX		**24 287 664**	**-10 326 588**
Income tax expense	10	2 323 219	276 045
PROFIT FOR THE YEAR		**21 964 445**	**-10 602 633**
Attributable to equity holder of the parent		**21 964 445**	**-10 602 633**
OTHER COMPREHENSIVE INCOME			
Items reclassified subsequently to Comprehensive income			
Gain / loss (-) on cash flow hedges	14.7	321 781	-39 574
Less tax effect		0	0
Items that will not be reclassified subsequently to Comprehensive income			
Actuarial gain / loss (-)		0	0
Less tax effect		0	0
Other comprehensive income, net of tax		**321 781**	**-39 574**
TOTAL COMPREHENSIVE INCOME		**22 286 226**	**-10 642 207**
Attributable to equity holder of the parent		**22 286 226**	**-10 642 207**

The accompanying notes form an integral part of the financial statements.

HUNGAROCONTROL
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

amounts in thHUF

Description	Notes	Share capital	Retained earnings*	Valuation reserve**	Total reserves	Total shareholder's equity
Opening balance at 1 January, 2021		**20 201 600**	**18 358 780**	**138 010**	**18 496 790**	**38 698 390**
Translation reserve		0	0	0	**0**	**0**
Transactions recognised in other comprehensive income	**10, 16, 14.7**	0	0	-39 574	**-39 574**	**-39 574**
Profit for 2021		0	-10 602 633	0	**-10 602 633**	**-10 602 633**
Total comprehensive income		**0**	**-10 602 633**	**-39 574**	**-10 642 207**	**-10 642 207**
Dividends* **			-200 000		**-200 000**	**-200 000**
Closing balance, 31 December, 2021		**20 201 600**	**7 556 147**	**98 436**	**7 654 583**	**27 856 183**
Translation reserve		0	0	0	**0**	**0**
Transactions recognised in other comprehensive income	**10, 16, 14.7**	0	0	321 781	**321 781**	**321 781**
Profit for 2022		0	21 964 445	0	**21 964 445**	**21 964 445**
Total comprehensive income		**0**	**21 964 445**	**321 781**	**22 286 226**	**22 286 226**
Dividends* **			-800 000		**-800 000**	**-800 000**
Closing balance, 31 December, 2022		**20 201 600**	**28 720 592**	**420 217**	**29 140 809**	**49 342 409**

** Retained earnings include accumulated net profit or loss less dividends paid.*
*** The change in the fair value attributable to the effective portion of cash flow hedges is recognized in other comprehensive income as hedge reserve. At the closing of the transaction, the change in fair value recognized in other comprehensive income has been transferred to the appropriate line in the comprehensive income statement.*
**** The amount of dividend per share is HUF 3 960 in 2022 (HUF 990 in 2021).*

The accompanying notes form an integral part of the financial statements.

HUNGAROCONTROL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

amounts in thHUF

Description	Notes	2022	2021
OPERATING ACTIVITIES			
Profit before tax		**24 287 664**	**-10 326 588**
Depreciation and amortization	**11, 12**	6 266 595	6 241 027
(Gain)/Loss on sale of property, plant & equipment	**11, 12**	-8 706	-32 603
Impairment/Scrapping/Transfer free of charge/Subsadisation of Fixed Assets	**11, 12**	25 023	-106 203
Short-term lease payments, payments for leases of low-value assets	**6.2**	35 585	11 795
Impairment/Scrapping of Inventory	**13**	7 426	7 426
Increase/ (decrease) in provisions	**15**	30 542	480 448
Interest income	**14.3, 14.6**	-2 590 565	-169 335
Increase in provision for bad debts	**14.2**	303 416	-52 152
Share of (income) from joint ventures	**9**	-13 888	-2 770
Unrealized foreign exchange (gains)/losses	**14.7**	239 762	-32 440
(Gains)/losses from other non-cash transactions	**14.3, 14.6**	32 872	52 768
Total profit before tax		**4 328 062**	**6 397 961**
Changes in working capital			
(Increase)/ decrease in Accounts receivable and other current assets	**14.2**	-7 428 252	-959 779
(Increase)/ decrease in Inventory	**13**	1 121	970
Increase/ (decrease) in Accounts payable, long term liabilities and accruals	**14.5**	2 933 484	2 625 952
Income taxes paid	**10**	-438 019	-438 073
Total changes in working capital		**-4 931 666**	**1 229 070**
Net cash from operating activities		**23 684 060**	**-2 699 557**
INVESTING ACTIVITES			
Purchase tangible assets and intangibles	**11, 12**	-10 438 845	-5 902 800
Proceeds on disposal of property, plant & equipment	**7**	10 004	319 863
(Purchase)/ sale of financial assets	**14.3**	-6 563 557	11 392 360
Dividend received	**9**	0	0
Interest received	**14.3, 14.6**	2 535 832	177 807
Net cash used in investing activities		**-14 456 566**	**5 987 230**
FINANCING ACTIVITIES			
Cash payments for the principal portion of the lease liability	**14.4, 14.5**	-3 781 726	-725 335
Drawdown of borrowings	**14.7**	15 018 734	0
Repayment of borrowings	**14.7**	-15 018 734	0
Interest paid	**8**	-991 568	-1 077 077
Dividend paid	**14.5**	-800 000	0
Net cash used in financing activities		**-5 573 294**	**-1 802 412**
Increase/(decrease) in cash and cash equivalents		**3 654 200**	**1 485 261**
Cash and cash equivalents at beginning of year		6 879 834	5 393 091
Exchange rate loss on cash and cash equivalents		-17 636	1 482
Cash and cash equivalents at end of year	**14.3**	**10 516 398**	**6 879 834**

The accompanying notes form an integral part of the financial statements.

1. General information

1.1. Company background

HungaroControl is the organization appointed by law to provide air navigation services in the Hungarian airspace and training for air traffic controllers and flight information officers. Based on the request of the North Atlantic Council HungaroControl, on behalf of the Hungarian State, also acts as a technical enabler for the provision of certain air navigation services in the upper airspace of Kosovo. As an integrated civil air navigation service provider, its mission is to deliver safe and reliable air navigation services in an efficient, environmentally aware, customer-focused and unbiased manner in the designated airspaces: in en-route traffic in the Hungarian airspace and in the upper airspace over Kosovo, as well as at the Budapest Liszt Ferenc International Airport. Mandatory activities of the Company are laid down in Act XCVII of 1995 on Air Traffic.

HungaroControl Hungarian Air Navigation Services Private Limited Company (the 'Company' or 'HungaroControl') was established on November 22, 2006. The share capital (authorized and fully paid) of the Company is HUF 20,201,600 thousand, comprising 20,200 Series "A" stocks of HUF 1,000,000 face value each and 16 Series "B" stocks of HUF 100,000 face value each. The registration number of the Company is Cg. 01-10-045570. Registered seat of the Company is H-1185 Budapest, Igló u. 33-35., Hungary. Webpage: https://www.hungarocontrol.hu.

1.2. Governance

HungaroControl is 100% owned by the N7 Holding National Defence Industrial Innovation Plc. The N7 Holding Hungarian State has direct ownership over the National Defence Industrial Innovation Plc. and thereby has indirect ownership over HungaroControl Plc.
The Company is directed by the Board of Directors.
The operations of the Company are supervised by the Supervisory Board composed of six members: four representatives of the Owner and two representatives of the Employees.

2. Accounting policies

This part describes the basis of the financial statements preparation and the applied accounting policy. The specific accounting policies, critical estimates and assumptions are presented in the relevant notes.

2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union.

The financial statements are prepared under the historical cost convention on going concern basis. The financial statements are presented in thousands Hungarian Forints (HUF) as this is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand except when otherwise indicated.

2.2. Foreign currency translations

Functional and presentation currency:

Items presented in the financial statements of the Company is measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’), which is the Hungarian Forint (HUF). The financial statements are presented in thousands of HUF.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions or the date of measurement. Foreign exchange gains and losses resulting from the settlement of such transactions and on the year-end revaluation of financial assets and liabilities held in foreign exchange are recognized in the statement of comprehensive income.

3. Significant accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the disclosed amounts of assets, liabilities, income and expenses. The estimates and assumptions are outlined in detail in the notes below. Actual results may differ from these estimates.

4. Adaption of new and modified, but not yet effective standards

Standards and interpretations issued but not yet effective in the European Union up to the date of approval of the financial statements are listed below. The Company intends to adopt these standards and interpretations when they become effective.

- Amendments to IAS 1 ‘Presentation of Financial Statements’: Classification of Liabilities as Current or Non-current – effective from 1 January 2023. The amendment is not expected to have a material impact on the Financial Statements of the Company.
- Amendments to IFRS 16 ‘Leases’: Measurement of Lease Liabilitiy in a Sale and Leaseback transaction– effective from 1 January 2024. The amendment is not expected to have a material impact on the Financial Statements of the Company.

Standards, amendments and interpretations endorsed in the European Union are listed below:

- Amendments to IFRS 17 'Insurance Contracts': Initial application of IFRS 17 and IFRS 9 – Comparative informations – effective from 1 January 2023. The amendment has no impact on the Financial Statements of the Company.
- Amendments to IAS 12 'Income Taxes': Deferred Tax related to assets and liabilities arising from a single transaction – effective from 1 January 2023. The amendment will not have a material impact on the Financial Statements of the Company.
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2': Disclosure of accounting policies – effective from 1 January 2023. The amendment is not expected to have a material impact on the Financial Statement of the Company.
- Amendments to IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors': Definition of accounting estimates – effective from 1 January 2023. The amendment is not expected to have a material impact on the Financial Statement of the Company.

5. Income

Accounting policies:

Revenue from Contracts with Customers:

The Company applies IFRS 15 Standard for recognising revenues.

In accordance with IFRS 15 revenue is recognised as income arising in the course of the Company's ordinary activities. Revenue from contracts with customers is identified in accordance with the five-step model of the standard:

1. Identification of contract
2. Identification of performance obligations
3. Determination of transaction price
4. Allocation of price to performance obligations
5. Recognition of revenue

The Company recognises revenue when it has satisfied the performance obligation by delivering the promised service (or goods) to the customer. The service (or goods) is considered to be delivered when the buyer obtains control over that. The Company specifies for each performance obligation whether it is to be satisfied continuously (over a period of time) or at a specific time.
The following accounting treatments are affected by the application of IFRS 15.

Cost of flights exempted from charges:

The cost of exempted flights are presented in line 'Revenue from air navigation services' since the customers of air navigation services are airspace users, irrespective of the financial settlement of these services (the payments are performed by defined Ministries). In 2022 the amount of HUF 354,153 thousand (of which HUF 377,431 thousand is presented as a receivable and HUF 23,278 thousand as a payable amount to OMSZ) is presented as 'Cost of exempted flights' in line 'Revenue from air navigation services'. The amount of Receivables is presented in 'Other current assets' and 'Other long term assets' as shown in Note 14.1 and 14.2. The cost of exempted flights is settled approximately in two years, so the related financing component is adjusted by applying a discount rate.

Sale of constructions performed on state owned property:

Based on related regulations, the constructions performed by the Company on the state owned property are sold to Hungarian National Asset Management Inc., in this way they become part of state property. The sale of the developments are not part of the Company's ordinary activities under IFRS 15, that is why the amounts are not recognised as sales revenue.

Other revenues not meeting presentation requirements:

In accordance with the contract if it is not probable that the Company will collect the consideration to which it is entitled in change for goods or services that is transferred to the customers, the revenue cannot be recorded. The Company has some service contracts on the basis of which revenue amounts can not be presented, therefore related allowances are neither recorded.

Revenue from air navigation services:

Air navigation services are billed and the revenues are earned by the Company based on a HUF unit rate determined on the basis of pre-budgeted costs and planned annual traffic taking into account the actual chargeable service units.
Air traffic charges are determined by the number of service units calculated by using a formula with the maximum take off weight of the air plane, and in the case on en-route services - the distance factor.

The Company has three main revenue segments: navigation services provided to the overflight traffic ('En Route') over Hungary, terminal air navigation services in the approach area of Liszt Ferenc International Airport, and navigation in the upper airspace of Kosovo. From 2015 both the Hungarian En Route and terminal services were provided within the framework of the performance scheme. From 2015 only the costs of air navigation in Kosovo upper airspace had been settled under the full cost recovery scheme.

In the Hungarian En Route and in the terminal segment, within the framework of performance plan scheme, 'reference periods' are set for determining unit prices (for 5 years); for which periods performance plans should be prepared including the costs and traffic expected in the reference period. This will be used by the Company as a basis to calculate the annual unit rates, based on which the revenues will be realized. The performance scheme transfers part of the cost- and traffic risks on air navigation service providers. Revenue adjustments due to traffic risk sharing, inflation adjustments, uncontrollable costs do not have an immediate impact on the Company's revenues as the differences will be reflected in the new unit rates charged to airspace users in later aviation years.

Based on the EU Regulation No. 317/2019, the Company and the airspace users bear together any traffic risk in the En Route and terminal segments during the third reference period effective between 2020-2024 due to the traffic risk sharing mechanism. As required by the EU Regulation No. 1627/2020 on the COVID-19 pandemic, new performance plan was submitted on 1 October 2021 for the period of 2020-2024. In 13 April 2022 the European Commission adopted the revised performance plan. The Commission Decision on adoption was published in the Official Journal of the European Union in 18 May 2022 as No. (EU) 2022/775. In the performance plan the planned traffic for years 2020-2021 was the actual traffic, therefore there was no traffic risk in years 2020 and 2021. However, there was a significant deviation in traffic. Most of the additional revenue due to the traffic surplus of 2022 should be reimbursed to users in 2024, but the remaining part of the surplus has a positive impact on the profit of the Company.

In the Kosovo segment operating in a full cost recovery scheme the unit rates are determined by using forecasted service units and relating costs estimated previously. The actual number of service units and actual costs might differ from the planned ones which differences are then compensated via an adjustment mechanism; as a main rule the under- or overrecoveries of the particular year ‘n’ is adjusted in the calculation of the charging rate of ‘n+2’. The Kosovo airspace is part of the common Serbia-Montenegro-KFOR En Route charging zone. All the costs and income relating to the provision of the service are included in the cost base of Serbia-Montenegro-KFOR in alignment with the principles of the EUROCONTROL En Route charges system.

Sale of goods:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenues from service provision:

amounts in thHUF

Revenue	2022	2021
Revenue from air navigation services - en route segment	49 403 127	17 754 111
Revenue from air navigation services - terminal segment	8 596 809	2 946 033
Revenue from air navigation services - Kosovo segment	2 880 924	1 246 905
Cash-flow hedge accounting reserve booked to revenues	-808 311	-101 901
Total revenue from air navigation services	**60 072 549**	**21 845 148**
Other revenue - foreign	110 580	58 849
Other revenue - domestic	196 241	51 143
Total other revenue	**306 821**	**109 992**
Total revenue	**60 379 370**	**21 955 140**

Analysis of revenue changes:

The costs of air navigation services are recovered under the performance scheme.
Within the framework of performance scheme, ‘reference periods’ are set for determining the expected unit prices and relevant costs for 5 years.
This will be used by the Company as a basis to calculate the annual unit prices, based on which the revenues will be realized.
However, the actual turnover and costs differ from the planned ones each year, which results – according to the performance scheme rules – to under- or overrecoveries. These deviations are settled via an adjustment mechanism. As a main rule the under- or overrecoveries of the particular year ‘n’ is adjusted in the calculation of the charging rate for the period of ‘n+2’.

Analysis of revenue change between 2022-2021:

The amount of revenue for 2022 is HUF 60,379,370 thousand while it was HUF 21,955,140 thousand for 2021.
The revenue variance between 2022 and 2021 comes from the following main items:

amounts in thHUF

Deviation of the Revenue	
Revenue for 2022	**60 379 370**
Change of overrecoveries of n-2 year to underrecoveries in the applicable unit rate resulting in revenue increase in 2022	9 288 819
Lower determined cost of the applicable unit rate resulting in revenue decrease in 2022	-10 751 723
Increase of traffic resulting in significant revenue increase in 2022	39 340 464
Other	546 669
Revenue for 2021	**21 955 140**

The increase in revenue in 2022 compared to 2021 are due to the following main reasons:

- HUF 9,288,819 thousand represents the difference between an overrecovery in 2021 and an underrecovery in 2022. Overrecovery reduced the revenue for 2021 by HUF 8,595,807 thousand, while underrecovery increased the revenue for 2022 by 693,012 thousand (according to the adjustment mechanism described above).
- HUF -10,751,723 thousand represents a revenue decrease due to the difference in determined costs, which were the basis of applicable unit rates and also the revenues. The determined cost was HUF 57,037,508 thousand in 2021, and HUF 46,285,785 thousand in 2022.
- HUF 39,294,451 thousand represent a revenue increase due to the increased traffic in all segments. In 2021 the revenue was lower than the recoverable amount by HUF 26,188,663 thousand due to the lower than planned traffic, while in 2022 HUF 13,105,788 thousand revenue was earned on top of the planned amount.The vast majority of the latter amount is reimbursable to the airspace users in the amount of HUF 11,324,917 thousand.

Revenues from air navigation services:

The main activity of the Company is to provide air navigation services, 99.5% of the revenue derives from air traffic charges in 2022 (99.5% in 2021).

In 2022 81% of revenues from air navigation services derives from navigation of overflight traffic (En Route) over Hungary (81% in 2021), 14% derives from terminal air navigation services at Liszt Ferenc International Airport (13% in 2021), and 5% derives from the navigation of air traffic in the upper airspace over Kosovo (6% in 2021).

The performance obligations of providing air navigation services are fulfilled continuously and therefore revenues are recognised over a period of time. The value of revenues from air navigation services is modified by the foreign exchange result of cash flow hedge transactions concluded for hedging of foreign exchange risk on revenues.

On average, more than 90% of the revenue from air navigation services – for a given flight month- is settled in the last half of second month following the flight month, managed by EUROCONTROL's Central Route Charges Office (CRCO).

Development of air traffic

Hungary's total traffic in 2022 has exceeded the 2019 traffic level, mainly due to the unprecedented level of overflights. Since 2019 was the last year not affected by the pandemic, we also consider it as a reference year, and therefore in our statements we compare the non-financial data not only to the previous year but also to the level of the reference year. Based on our data extracted from our own ATM system, the total of 947,194 aircraft handled by HungaroControl Air Traffic Services in 2022 in Hungarian controlled and uncontrolled airspace represents an increase of 0.26% compared to 2019. The 2022 traffic represents a 76% increase compared to the previous year.

According to CRCO data, the number of movements in controlled airspace was 923,558, of which 825,464 were overflights and 98,094 were terminal movements. The figure is 105% of 2019, which represents an 82% increase in traffic compared to 2021. As our revenue is booked based on CRCO data, CRCO data will be presented in the further analysis.

HungaroControl's traffic performance in 2022, like that of other European ANSPs, was significantly affected by the war in Ukraine. At the beginning of the year, due to the negative impact of the pandemic COVID-19, traffic was still significantly behind the 2019 level, but after the outbreak of the war on 24 February, airlines started to avoid the closed Ukrainian airspace in westerly direction, which resulted in an overnight increase in the number of flights over Hungarian airspace.

This increase was further exacerbated when, as part of the sanctions measures imposed by the European Union and various countries, and as a result of the Russian response to these measures, the overwhelming majority of airlines were banned from entering Russian airspace with flights to destinations in the Far East, and instead entered Hungarian airspace.

Since April, Hungarian overflight traffic has already exceeded 2019 levels, so much so that by the end of the year we had the strongest overflight traffic ever recorded in every month.

In contrast to the overflying traffic, the traffic at Budapest Liszt Ferenc International Airport is still below the 2019 level and the total of 98,000 arrivals/departures in 2022 is practically the same as in 2016. In contrast to overflights, the war had a rather negative impact on Budapest Liszt Ferenc Airport traffic in 2022. As a result of the sanctions, air traffic between Hungary and cities in Ukraine and Russia has practically stopped. This was partly compensated by the opening of new flights by airlines based in Budapest due to the huge demand for travel after COVID. However, unfavourable economic conditions have curbed demand, with Budapest Airport's annual traffic in 2022 down by almost 20 per cent compared to 2019.

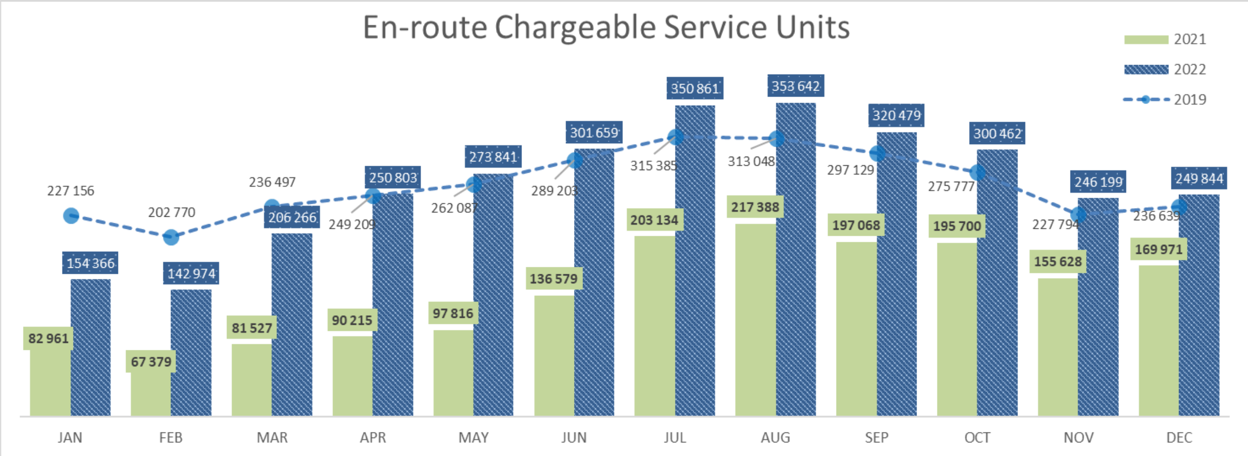
Under an agreement between NATO and the Hungarian state, HungaroControl has been managing civil air traffic over Kosovo (KFOR sector) since 2014. The boom in traffic after the COVID-19 outbreak and of course the war in Ukraine also had an impact on the KFOR sector's traffic, which reached record levels in 2022. On an annual basis, the number of aircraft handled in the KFOR sector (144,247) was 101% of the 2019 level, and 52% above the 2021 level.

Development of Chargeable Service Units

The revenues of HungaroControl Plc. (en-route, terminal fees) are only indirectly determined by the number of the movements. The indicator directly generating revenue is the so-called Service Unit (SU). Its value depends on the maximum take off weight of the aircraft in the terminal segment, and depends on the maximum take off weight of the aircraft and the distance flown between the entry and exit point of the aircraft in the en-route segment.

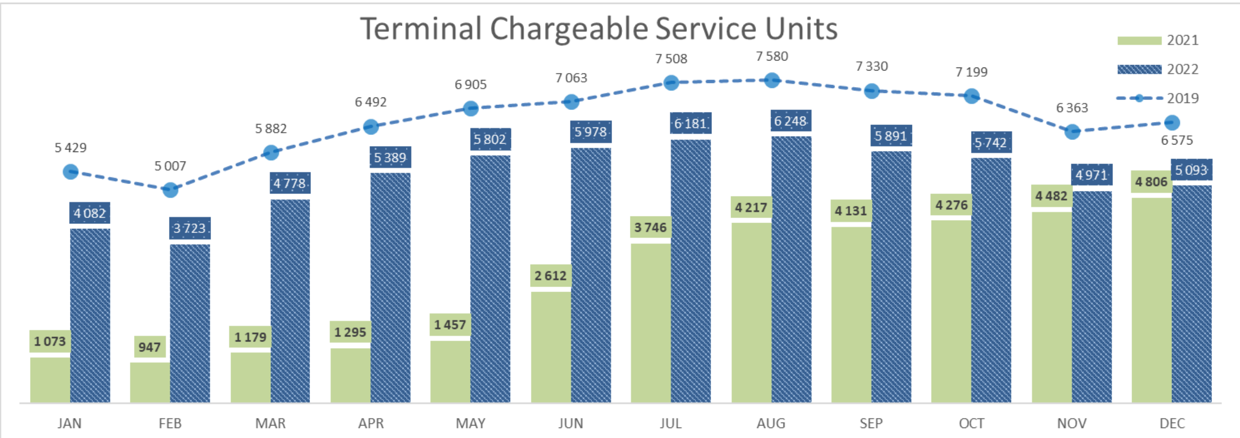
En Route Chargeable Service Units

In 2022, the total number of en-route service units exceeded the 2019 level for the first time since the pandemic (+1%) and was 84% higher than the previous year. In 2022, the total number of en-route service units was 3,184,085, of which 32,689 (1%) were in the exempted category. The total number of en-route chargeable service units forming the basis of revenue was 3,151,396 SU. This is 101% of 2019, an increase of 86% compared to 2021.



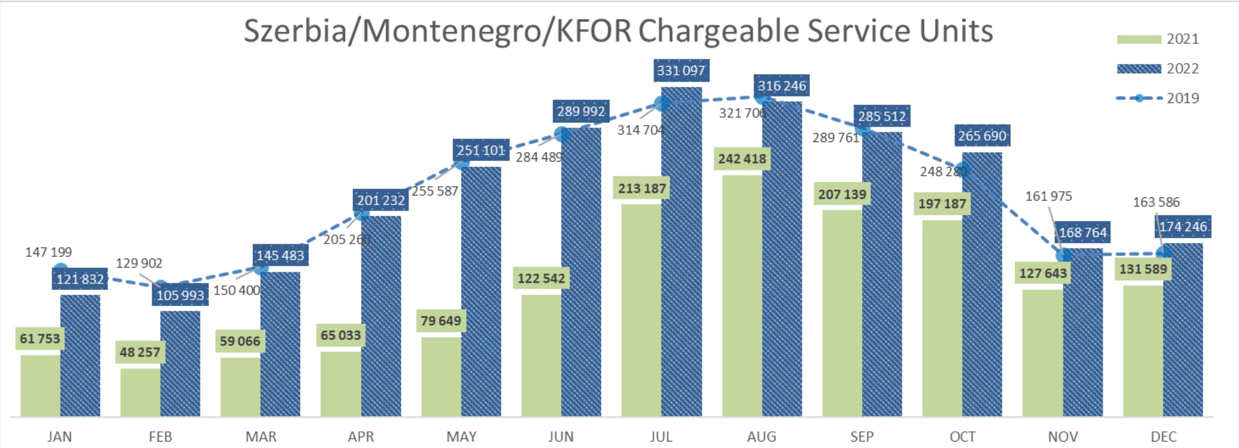
Terminal Chargeable Service Units

In 2022, the number of terminal service units was 85% higher than in the previous year, but still only 81% of 2019, due to the reasons described above regarding number of movements. In 2022, the number of service units in the terminal business was 64,463, of which 584 units (0.9%) were in the exempted category. The number of chargeable terminal service units that formed the basis of revenue was 63,879 SU. This is 81% of 2019 traffic, representing an 87% increase compared to 2021.



Kosovo Chargeable Service Units

The service provided in the upper airspace over Kosovo is accounted on the basis of the common charging zone established with Serbia and Montenegro. Therefore, when analysing service units for the Kosovo service, the traffic of the whole charging zone has to be examined. Chargeable service units for the total charging zone represent a 71% increase compared to 2021, which is 99% of the traffic in the reference year (2019).



Effect of hedge transaction on sales revenue:

A certain portion of the Company's revenues from the provision of air navigation services denominated in foreign currencies is covered by cash flow hedge transactions. The reclassification from equity to comprehensive income as a reclassification adjustment of the effective amount that are used to hedge foreign currency cash flows are included in sales revenue together with the foreign exchange gains/losses realized on trade receivable at the recognition date of trade receivables .

The amount included in revenue as reclassification adjustment from equity is a loss of HUF 808,311 thousand in 2022.The total loss for 2021 was HUF 101,901 thousand.

Further information on cash flow hedges is included in the Notes 14.6 and 14.7. b).

No operations were discontinued, all revenue is derived from continuing operations.

6. Operating expenses

Accounting policies:

If specific standards do not regulate, operating expenses are charged when they incur, or in the period with which they are associated. When a given transaction is under the scope of specific IFRS, the transaction is accounted for in line with those regulations.

In the followings the operating expenses are presented by category.

6.1. Breakdown of personnel expenses

amounts in thHUF

Personnel expenses	2022	2021
Wages and salaries	15 588 775	13 560 330
Social security	2 281 611	2 345 235
Other personnel expenses	1 596 873	1 272 463
Pension expenses and expenses from other long term benefits*	1 441 903	249 133
Personnel expenses	**20 909 162**	**17 427 161**

** Further information is disclosed under Note 16.*

Staff numbers for HungaroControl – closing figures:

Number of staff employed	2022	2021
Division of air traffic services	361	352
Division of communications, navigation and surveillance	41	35
Division of meteorological services	0	18
Division of technical development services	84	103
Support division*	273	256
Closing number of staff employed	**759**	**764**

** Support division: IT, legal, finance and HR, security and safety, business development, compliance and internal audit.*

Average number of employees of the Company was 723.5 in 2022 (2021: 743.9).

6.2. Components of Operating expenses

amounts in thHUF

Operating expenses	2022	2021
Energy costs	415 865	274 740
Other materials used	179 530	118 620
Cost of materials consumed	**595 395**	**393 360**
Eurocontrol member fees	1 621 953	1 581 905
Software maintenance fees	1 415 063	1 152 950
Fees of liability insurance	1 131 833	1 124 296
Fees paid for authorities	1 025 103	608 319
Trainings expenditure	954 094	199 863
Maintenance fees	672 279	597 353
Online service charges, charges for data transmission	611 693	592 598
Various other expenditures	573 372	1 056 240
Safeguarding services	402 934	375 874
Cost of advertisement and marketing campaigns	373 546	183 697
Expenditure on consultancy and fees of expert	313 592	274 292
Travel and other costs incurred on missions abroad	242 967	34 619
Charges paid for waste disposal and similar services	147 087	147 901
Real estate rental fees	56 955	21 099
Rental fees of fixed assets	38 028	18 395
Cost of meteorological services consumed	24 229	23 754
Other rental fees	20 392	15 599
Lease payment on state owned assets*	1 508	16 751
Other expenditures	**9 626 628**	**8 025 505**
Included: Short-term lease related expenditures	23 070	116
Included: Low-value asset lease related expenditures (excluding short-term leases)	12 515	11 679
Total Operating expenses	**10 222 023**	**8 418 865**

** In September 2007, the Company signed an asset management agreement with the authority responsible for national property (Treasury Property Directorate legal predecessor of Hungarian National Property Management Inc.). According to the agreement, the Company acquired asset management rights over state owned land, buildings, structures and related property rights. The Company represents this contract based on IFRS 16 Standard as right-of-use assets and lease liabilities. The expenses above are not in relation to any right-of-use assets. The leasing fee is derived from the market value of the asset.*

Accounting policies for leasing:

The Company applies IFRS 16 'Leases' Standard. Based on the requirements the Company recognises the lease contracts as right-of-use assets and lease liabilities in its Financial Statements, applying the exemption of short-term leases and exemption of leases for which the underlying asset is of low value (recognition exemptions).Lease payments associated with recognition exemptions (leases with a lease term of 12 months or less and leases with low-value underlying assets) are recognised as expenses on a straight-line basis or on another systematic basis over the lease term.

7. Other income (expense)

Accounting policies:

Government grants:
Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When an **operative grant** relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When a **development grant** relates to an asset, the Company applies the deferred income method, where the fair value of grant is credited to a deferred income account and is released to the comprehensive income statement over the expected useful life of the relevant asset.

amounts in thHUF

Other income and expense	**2022**	**2021**
Deferred development grants released	366 632	593 442
Operative grants related to expenses	238 931	160 130
Other various income items	237 769	81 387
Interest and other charges received on late payment	14 830	28 366
Liabilities waived	2	0
Release of bad debt provisions*	0	52 152
Total Other income	**858 164**	**915 477**
Reimbursement of expenses payable to Ministries	641 825	7 470
Allowances charged on bad debts*	303 387	0
Expenses from charity activities and sponsorship	111 791	168 279
Building tax	52 431	52 431
Other various expense items	48 764	14 541
Written value of bad debts	29	0
Total Other expense	**1 158 227**	**242 721**
Total Other income / (expense)	**-300 063**	**672 756**

** Balances of allowances charged on bad debts are disclosed under Note 14.2.*

The Company received both development grants relating to assets and operative grants relating to expenses. Grants relating to expenses are typically received for activities carried out within the SESAR (Single European Sky ATM Research) programme. Further information in connection with grants are available at https://www.hungarocontrol.hu/eu-tamogatasok.
In case of Unmanned Traffic Management (UTM) the Company received both government and EU grants. The amount of the government grant is HUF 120 million (for the development of website and mobile application to support the use of unmanned aerial vehicles). Details of the EU funding are available at the link above. The purpose of the grants is to demonstrate and validate air traffic control services (e.g. registration, identification, virtual geo-fencing, dynamic airspace management, flight approval, etc.) in relation to unmanned aerial vehicles. It also aims to develop new procedures and tools that will allow ATC to fully integrate IFR RPAS with aviation and to demonstrate and validate the exchange of UTM data through a single SWIM platform. The developed website is available at: https://mydronespace.hu

The following table includes the Statement of Financial Position items from grants not closed at the date of Statement of Financial Position. The balance includes the income to the extent expenses have been occurred. Regarding with these expenses the Company can prove that relevant requirements are going to be satisfied and the amounts are expected to be granted. These amounts are accounted for as income to the extent of the prefinancing received, above that against short term receivables in the Statement of Financial Position.

amounts in thHUF

Balances of ongoing government grants	December 31, 2022	December 31, 2021
Accrued income	266 262	439 621
Advance payment received	1 507 930	696 566

The following table shows the balances of deferred government grants related to assets and the movements thereon. The amounts released to income in the relevant business years are summarized in the table below:

amounts in thHUF

Movements of government grants	2022	2021
Balances at January 1st	**1 638 948**	**799 030**
EU grants newly introduced during the year	121 770	1 433 360
Release of deferred grants	-366 632	-593 442
Balances at December 31st	**1 394 086**	**1 638 948**
Due in one year	292 872	345 482
Due over one year	1 101 214	1 293 466

8. Financial result

Accounting policies:

In accordance with IFRS, the effects of financial income and financial expenses are presented on a net basis. The financial result includes gains and losses on the valuation of financial instruments and the effects of the valuation of monetary assets.

Interest income:

Interest income is recognized on a time proportion basis using the effective interest method. Interest income is included in financial results in the statement of comprehensive income.

Interest expense:

The Company has overdrafts and revolving credit facilities. Due to the specific nature of the loans – where no predetermined repayment schedule can be established, which forms the basis for accounting using the effective interest method – the Company has accounted for the interest paid on the amounts drawn down during the year in line with the bank statements as an interest expense.

Other financial income and expenses:

Accounting policies relevant to financial instruments and leases are presented in Note 14. Details of long-term exployee liabilities are provided in Note 16.

amounts in thHUF

Financial results	**2022 (+) gain (-) loss**	**2021 (+) gain (-) loss**
Interest received and exchange difference on deposits and government bonds	1 417 800	105 178
Interest recognised in comprehensive income and included in financial results (swap points received)*	1 167 387	74 587
Foreign exchange difference realised	143 796	121 465
Ineffective part of cash flow hedges included in financial results (loss)/gain*	92 411	-78 996
Ineffective part of fair value hedges included in financial results (loss)/gain*	27 883	-21 927
Unwinding of discounts on other items	22 008	-808
Interest on lease liabilities***	-837 274	-1 077 077
Foreign exchange difference on year end revaluation	-239 762	25 299
Interest paid on borrowings****	-154 294	0
Unwinding of discounts on long term employee benefits**	-22 389	-4 365
Total results of financial activities	**1 617 566**	**-856 644**

** Hedges are disclosed under Note 14.6 and Note 14.7 b)*
*** Long term benefits are disclosed under Note 16.*
**** Lease liabilities are disclosed under Note 14.4.*
***** The amount of the overdraft and revolving credit taken out during the year was repaid by the Company by the end of the year.*

9. Investments in joint ventures

Accounting policies:

The Company presents its joint ventures using the equity method. Under the equity method, the investment in the associate is carried at cost plus post acquisition changes in the Company's share of net assets. Investments in associates and joint ventures are assessed to determine whether there is any objective evidence of impairment. If there is evidence of impairment the recoverable amount of the investment is determined to identify any impairment loss to be recognised. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

This financial statements include the data of HungaroControl and its joint ventures - Entry Point Central Ltd. (EPC Ltd.) and FABCE Aviation Services Ltd. (FABCE Ltd.) – calculated using the equity method.

EPC Ltd. was founded to provide training for air navigation personnel. EPC Ltd. is incorporated in Hungary and keeps its books in Hungarian Forints. The EPC Ltd. is jointly controlled with the Swedish Entry Point North AB and owns 51% of the registered capital whereas HungaroControl owns 49%. The major governing policies are formed based on unanimous decisions of the quota holders. An exception is the appointment of the managing director where HungaroControl has priority quota. Based on this arrangement EPC Ltd. is considered to be a joint venture and presented in the financial statement using equity method. The table below shows the details of EPC Ltd.:

Joint venture	Date of foundation	Registered capital (in thHUF)	Ownership
Entry Point Central Ltd.	May 26, 2011	3 000	HungaroControl 49%

FABCE Ltd. was founded by the members of the Functional Airspace Block of Central Europe (FABCE) with the participation of the ANSPs of Austria, the Czech Republic, Croatia, Hungary, Slovakia and Slovenia. FABCE Ltd. is responsible for the support of the implementation of the FABCE programme and for the professional management of various regional air navigation projects. FABCE Ltd. is jointly controlled by its members. FABCE Ltd. is incorporated in Slovenia and keeps its books in EUR and according to the IFRS. The following table presents the data of FABCE Ltd.:

Joint venture	Date of foundation	Registered capital (in EUR)	Ownership
FABCE Aviation Services Ltd.	October 17, 2014	36 000	HungaroControl 16,67%

Balances at the year ends were the following in case of investments in joint ventures :

amounts in thHUF

Investments	EPC Ltd.	FABCE Ltd.	Total
Value January 1, 2021	**54 295**	**1 864**	**56 159**
Share from profit/loss for 2021	2 749	22	2 771
Dividend received	0	0	0
Other corrections	0	23	23
Value December 31, 2021	**57 044**	**1 909**	**58 953**
Share from profit/loss for 2022	13 886	2	13 888
Dividend received	0	0	0
Other corrections	0	187	187
Value December 31, 2022	**70 930**	**2 098**	**73 028**

Investment in EPC Ltd.

The assets and liabilities, income and expenses of EPC Ltd. and the Company's share thereof as at December 31, 2022 and 2021, are as follows:

amounts in thHUF

EPC Ltd.'s Statement of Financial Position	December 31, 2022	December 31, 2021
Non-current assets	5 326	217
Current assets	179 342	129 301
Non-current liabilities	0	0
Current liabilities	39 912	13 102
Equity	**144 756**	**116 416**

amounts in thHUF

EPC Ltd.'s Statement of Comprehensive Income	2022	2021
Revenue	837 487	67 385
Operating expenses	824 366	62 413
Financial income	18 022	988
Profit before taxes	**31 143**	**5 960**
Income tax expense	2 803	351
Profit for the year	**28 340**	**5 609**

amounts in thHUF

The Company's share of the profit of EPC Ltd.	
Profit of previous years	364 036
Profit for the year 2022	28 340
Total profit accumulated	392 376
Share from the realised profit (49%)	**192 264**
Impairment recognised on investment	0
Share from the results accumulated	**192 264**
Dividend received	-127 704
Initial cost of investment	6 370
Investment value at the end of the reporting period	**70 930**

The initial cost of the investment was HUF 6,370 thousand when acquired - which together with the accumulated profit above resulted in an investment value of HUF 70,930 thousand at the end of 2022 (2021: HUF 57,044 thousand). The gain included in the 'Share from profit / loss of joint venture' line of the comprehensive income for the financial year 2022 is HUF 13,886 thousand (2021: HUF 2,749 thousand) regarding EPC Ltd. In 2022 dividend was not received from EPC Ltd. (in 2021 EPC Ltd. did not pay dividend).

EPC Ltd. had no contingent liabilities or capital commitments at the year ends presented. EPC Ltd. being a joint venture of HungaroControl Plc. does not have any risks or exposures that would be disclosed according to IFRS 12.20 requirements.

Investment in FABCE Ltd.

FABCE Ltd. is the other joint venture of the Company. The total share capital of the joint venture is EUR 36,000.

amounts in thHUF

FABCE Ltd.'s Statement of Financial Position	December 31, 2022	December 31, 2021
Non-current assets	522	184
Current assets	103 154	79 807
Non-current liabilities	0	0
Current liabilities	67 591	46 735
Equity	**36 085**	**33 256**

amounts in thHUF

FABCE Ltd.'s Statement of Comprehensive Income	2 022	2 021
Revenue	190 188	176 023
Other operating income	1	-1
Operating expenses	190 036	175 842
Financial income	-22	-36
Profit before taxes	**131**	**144**
Income tax expense	118	15
Profit for the year	**13**	**129**

amounts in thHUF

The Company's share of the result of FABCE Ltd.	
Profit of previous years	-1 833
Profit for the year 2022	13
Total profit accumulated	-1 820
Share from the realised profit (16.67%)	**-303**
Impairment recognised on investment	0
Share from the results accumulated	**-303**
Initial cost of investment	1 835
Revaluation of foreign operation	566
Investment value at the end of the reporting period	**2 098**

10. Income taxes

Accounting policies:

The Company classified the following taxes as income taxes: corporate income tax, local business tax and innovation contribution.

Corporate income tax and innovation contribution are payable to the National Tax and Customs Administration, and local business tax is payable to the responsible local governments. The basis of the corporate income tax is the taxable entities' accounting profit adjusted for non-deductible and non-taxable items. The basis of the local business tax and innovation contribution is the taxable entities' revenue reduced by cost of materials, cost of goods sold and cost of services transmitted.

Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the date of Statement of Financial Position and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax is charged or credited in the statement of comprehensive income on the line of Income tax expense, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognized to the extent of the probability that future taxable profit (or reversing deferred tax liabilities) are available against which the temporary differences can be utilized. The value of deferred tax assets is reviewed at each Statement of Financial Position date and modified to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is also provided on taxable temporary differences arising on the joint venture, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Critical accounting estimates and judgements:

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Differences may arise between the actual results and assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded.

Receivables and liabilities from income taxes:

Income tax receivables and liabilities by categories:

amounts in thHUF

Income taxes	December 31, 2022	December 31, 2021
Corporate tax	0	6 050
Local business tax	0	51 652
Innovation contribution	0	4 598
Current tax receivable	**0**	**62 300**
Corporate tax	1 110 887	0
Local business tax	759 292	0
Innovation contribution	141 922	0
Current tax liability	**2 012 101**	**0**

Income tax expense:

Current income tax and deferred tax expenses:

amounts in thHUF

Income tax expense	2022	2021
Current tax	2 525 072	498 778
Adjustments in respect of prior year	-12 652	-526
Deferred tax	-189 201	-222 207
Total income tax expense	**2 323 219**	**276 045**

The effective income tax rate varied from the statutory income tax rate due to the following items:

amounts in thHUF

Effective income tax rate	2022	2021
Profit on ordinary activities before tax	**24 287 664**	**-10 326 588**
Tax on profit on ordinary activities at standard rate (9%)	2 198 542	-928 881
Other income taxes corrected with the effect of corporate income tax rate	1 262 971	452 959
Total tax charge	**3 461 513**	**-475 922**
Unrecognised deferred tax asset on negative tax base	0	719 692
Permanent differences	-1 125 642	33 893
Tax effect of prior year adjustments	-12 652	-526
Other tax effect	0	-1 092
Tax charge for year at an effective tax rate	**2 323 219**	**276 045**
Effective tax rate	**10%**	**-3%**

The effective tax rate is largely influenced by the local business and innovation contribution expense, which is calculated on a gross margin basis.

Deferred tax asset and liabilities:

The following are the major deferred tax assets and liabilities recognized by the Company, and movements thereon during the current and prior reporting periods:

amounts in thHUF

Reason for differences between tax rules and accounting treatment under IFRS	Balance at December 31, 2022	Credit/ (charge) to equity	Credit/ (charge) to income	Balance at December 31, 2021
Accelerated tax depreciation	-103 231	0	45 846	-149 077
Valuation reserve of securities	-157	0	6	-163
Provisions not included in tax base	683 822	0	108 338	575 484
Debt allowances not included in tax base	99 541	0	6 628	92 913
Differences between tax base and carrying amount of assets discounted	7 471	0	4 493	2 978
Valuation difference of fixed assets not yet capitalized	0	0	-3 949	3 949
Differences regarding state owned assets	283 322	0	24 371	258 951
Right-of-use assets related to other lease contracts	8 466	0	-1 960	10 426
Government grants revenues which are included in tax base in the next financial year	-7 675	0	5 428	-13 103
Total deferred tax asset (+) /liability (-)	**971 559**	**0**	**189 201**	**782 358**

amounts in thHUF

Reason for differences between tax rules and accounting treatment under IFRS	Balance at December 31, 2021	Credit/ (charge) to equity	Credit/ (charge) to income	Balance at December 31, 2020
Accelerated tax depreciation	-149 077	0	51 426	-200 503
Valuation reserve of securities	-163	0	-149	-14
Provisions not included in tax base	575 484	0	112 004	463 480
Debt allowances not included in tax base	92 913	0	23 954	68 959
Differences between tax base and carrying amount of assets discounted	2 978	0	2 602	376
Valuation difference of fixed assets not yet capitalized	3 949	0	-547	4 496
Differences regarding state owned assets	258 951	0	44 805	214 146
Right-of-use assets related to other lease contracts	10 426	0	-16	10 442
Government grants revenues which are included in tax base in the next financial year	-13 103	0	-11 872	-1 231
Total deferred tax asset (+) /liability (-)	**782 358**	**0**	**222 207**	**560 151**

Deferred tax assets and liabilities have been offset as the Company has legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority ('NAV') on the same entity.

The corporate income tax rate applicable in Hungary is 9%. Corporate income tax rate applied for deferred tax calculation is based on the estimated assessable tax base and tax payable for the relevant years.

Local business tax and innovation contribution are recognized as deductible expenses in the corporate income tax base. No temporary differences arose in respect of these taxes hence they do not have any effect on deferred taxes and rates determined. Local business tax rate on its tax base (gross profit) is 2%, whereas the rate of the innovation contribution 0.3% on the same tax base.

Deferred taxes were calculated with income tax rate of 9% in 2022 and in 2021 as well.

From the balance above HUF 270,205 thousand deferred tax asset is expected to be reversed in one year, HUF 701,354 thousand deferred tax asset is expected to be reversed in 5 years.

The Company has a positive tax base again in 2022, so the amount of the unrecognised deferred tax asset calculated on the negative tax base presented in prior years is zero in 2022 (it had deferred tax loss in 2021).

11. Intangible assets

Accounting policies:

Intangible assets are measured initially at cost. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

The Company has elected not to apply IFRS 16 ‘Leases’ Standard for the leases of intangible assets.

Critical accounting estimates and judgements:

The amortization period and the amortization method are reviewed annually at each financial year-end.

Typical amortization rules are stated as follows:

Type of asset	Amortization
Licenses purchased for core activity	16.67% - 20%
Licenses purchased for other activities	33%
Software purchased for core activity	20%
Software purchased for other activities	33%

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

The table shows movements of intangible assets:

amounts in thHUF

Intangible assets	Property rights	Software	Work in progress	Total
Net value at January 01, 2021	**5 586 457**	**41 371**	**6 168 943**	**11 796 771**
Gross value:				
January 01, 2021	30 244 672	364 051	6 168 943	36 777 666
Additions	0	0	3 093 175	3 093 175
Capitalization	6 763 635	187 637	-6 951 272	0
Disposals	-177 314	-84 258	-863	-262 435
December 31, 2021	**36 830 993**	**467 430**	**2 309 983**	**39 608 406**
Accumulated amortisation:				
January 01, 2021	24 658 215	322 680	0	24 980 895
Additional amortisation	2 617 696	26 536	0	2 644 232
Additional impairment loss	0	0	863	863
Disposal of accumulated amortisation	-138 006	-84 258	0	-222 264
Disposal of accumulated impairment loss	0	0	-863	-863
December 31, 2021	**27 137 905**	**264 958**	**0**	**27 402 863**
Net value at December 31, 2021	**9 693 088**	**202 472**	**2 309 983**	**12 205 543**
Gross value:				
January 01, 2022	36 830 993	467 430	2 309 983	39 608 406
Previous year's correction	129 218	-129 218	0	0
Additions	0	0	6 104 417	6 104 417
Capitalization	1 074 702	36 439	-1 111 141	0
Disposals	-15 763	-70 429	-21 852	-108 044
December 31, 2022	**38 019 150**	**304 222**	**7 281 407**	**45 604 779**
Accumulated amortisation:				
January 01, 2022	27 137 905	264 958	0	27 402 863
Previous year's correction	129 218	-129 218	0	0
Additional amortisation	2 594 542	38 618	0	2 633 160
Additional impairment loss	0	0	21 852	21 852
Disposal of accumulated amortisation	-15 763	-70 429	0	-86 192
Disposal of accumulated impairment loss	0	0	-21 852	-21 852
December 31, 2022	**29 845 902**	**103 929**	**0**	**29 949 831**
Net value at December 31, 2022	**8 173 248**	**200 293**	**7 281 407**	**15 654 948**

The intangible assets are free of all liens, claims and encumbrances. Carrying amounts of intangible assets are reviewed by the Company on a yearly basis.
The Company does not have any intangible assets with indefinite useful lives to be managed in accordance with IFRS.

The Company capitalizes the costs of experimental development in accordance with IAS 38, in the value of the direct costs of the experimental development started but not completed by the date of Statement of Financial Position of the business year – that is expected to be recovered in the future. The most significant increase in property rights was the activation of MATIAS Build 13 air traffic control system in the amount of HUF 1,920 million and the Modular Integrated Remote Tower (mirTWR) system in the amount of HUF 1,621 million in the year.

12. Property, plant and equipment

Accounting policies:

Property, plant and equipment are stated at historical cost less accumulated depreciation, and accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Changes in estimates thereof adjust the carrying amount of assets. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead costs, are normally charged to comprehensive income statement in the period in which the costs are incurred.
Depreciation is charged using the straight-line method over the estimated useful lives of the assets.

The Company recognises right-of-use assets and lease liabilities in its Financial Statements under IFRS 16 ‘Leases’ Standard regarding lease contracts, applying the exemption of short-term leases and exemption of leases for which undelying asset is low of value (recognition exemptions).

Right-of -use assets are measured at cost at the lease commencement date, the value comprises the following items:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee, and
- an estimate of costs to dismantle and remove the underlying asset, to restore the site or restore the asset required by the terms and conditions of the lease, unless the cots are incurred to produce inventories.

After the commencement date right-of-use assets are measured applying the cost model:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability.

The depreciation requirements in IAS 16 ‘Property, Plant and Equipment’ Standard is applied in depreciating right-of-use assets. Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term.

IAS 36 ‘Impairment of Assets’ Standard is applied to account for any impairment loss identified regarding to the right-of-use assets.

Critical accounting estimates and judgements:

The determination of the useful life of property, plant and equipment is based on experience with similar assets and expected technological developments.
The residual value, useful life and the depreciation method are reviewed annually at each financial year-end.

Typical depreciation rules are stated as follows:

Type of asset	Depreciation
Buildings	2.5%
Other structures	2.5%
Investment on leased property	6.0%
Production machinery and equipment	14.5%
Computer hardware	33.0%
Vehicles	20%
Furniture	10%

Depreciation is not accounted for Lands and Assets under constructions.

The Company applies the component measurement, i.e. it examines whether an asset contains a significant component that has a useful life that differs from the useful life of the other parts of the asset. In such a case, the Company recognizes depreciation separately for the significant component in accordance with IAS 16.43.

The method of impairment review and impairment recognition is consistent with the method described in Note 11.

No borrowing costs were recognised as part of the initial cost in 2022 and in 2021.

The table shows movements of property, plant and equipment, which includes the movements of right-of-use assets regarding leased items separately:

amounts in thHUF

Property, plant and equipment	Land and buildings	Technical equipment	Other equipment	Work in progress	Total
Net value at January 1, 2021	**17 477 103**	**4 502 461**	**3 185 651**	**2 045 730**	**27 210 945**
Gross value:					
Property, plant and equipment owned by Company	**5 942 839**	**17 182 423**	**8 581 155**	**524 016**	**32 230 433**
January 1, 2021	5 463 032	15 189 463	8 071 833	2 045 730	30 770 058
Additions	0	0	0	2 565 504	2 565 504
Capitalization	605 932	2 719 751	756 604	-4 082 287	0
Disposals	-126 125	-726 791	-247 282	-4 931	-1 105 129
Property, plant and equipment leased by Company	**15 794 570**	**52 504**	**230 521**	**0**	**16 077 595**
January 1, 2021	15 683 250	52 351	228 349	0	15 963 950
Additions	198 950	153	34 435	0	233 538
Disposals	-87 630	0	-32 263	0	-119 893
Gross value at December 31, 2021	**21 737 409**	**17 234 927**	**8 811 676**	**524 016**	**48 308 028**
Accumulated depreciation:					
Property, plant and equipment owned by Company	**1 887 016**	**11 455 426**	**5 773 030**	**0**	**19 115 472**
January 1, 2021	1 747 086	10 709 097	4 968 029	0	17 424 212
Additional depreciation	258 946	1 231 992	1 044 648	0	2 535 586
Additional impairment loss	762	49	6 952	4 931	12 694
Disposal of accumulated depreciation	-119 016	-485 663	-239 647	0	-844 326
Disposal of accumulated impairment loss	-762	-49	-6 952	-4 931	-12 694
Property, plant and equipment leased by Company	**2 866 949**	**45 421**	**189 936**	**0**	**3 102 306**
January 1, 2021	1 922 093	30 256	146 502	0	2 098 851
Additional depreciation	974 031	15 165	72 013	0	1 061 209
Disposal of accumulated depreciation	-29 175	0	-28 579	0	-57 754
Accumulated depreciation at December 31, 2021	**4 753 965**	**11 500 847**	**5 962 966**	**0**	**22 217 778**
Net value at December 31,2021	**16 983 444**	**5 734 080**	**2 848 710**	**524 016**	**26 090 250**

amounts in thHUF

Property, plant and equipment	Land and buildings	Technical equipment	Other equipment	Work in progress	Total
Net value at January 1, 2022	**16 983 444**	**5 734 080**	**2 848 710**	**524 016**	**26 090 250**
Gross value:					
Property, plant and equipment owned by Company	**6 106 120**	**17 502 900**	**10 128 894**	**2 914 655**	**36 652 569**
January 1, 2022	5 942 839	17 182 423	8 581 155	524 016	32 230 433
Additions	0	0	0	5 235 558	5 235 558
Capitalization	174 031	967 688	1 700 092	-2 843 939	-2 128
Disposals	-10 750	-647 211	-152 353	-980	-811 294
Property, plant and equipment leased by Company	**13 465 105**	**2 024 771**	**157 036**	**0**	**15 646 912**
January 1, 2022	15 794 570	52 504	230 521	0	16 077 595
Additions	682 207	1 974 499	148 865	0	2 805 571
Disposals	-3 011 672	-2 232	-222 350	0	-3 236 254
Gross value at December 31, 2022	**19 571 225**	**19 527 671**	**10 285 930**	**2 914 655**	**52 299 481**
Accumulated depreciation:					
Property, plant and equipment owned by Company	**2 163 097**	**12 029 795**	**6 730 526**	**0**	**20 923 418**
January 1, 2022	1 887 016	11 455 426	5 773 030	0	19 115 472
Additional depreciation	286 105	1 220 579	1 107 791	0	2 614 475
Additional impairment loss	725	1 001	759	980	3 465
Disposal of accumulated depreciation	-10 024	-646 210	-150 295	0	-806 529
Disposal of accumulated impairment loss	-725	-1 001	-759	-980	-3 465
Property, plant and equipment leased by Company	**3 133 411**	**148 530**	**34 581**	**0**	**3 316 522**
January 1, 2022	2 866 949	45 421	189 936	0	3 102 306
Additional depreciation	866 339	104 829	47 792	0	1 018 960
Disposal of accumulated depreciation	-599 877	-1 720	-203 147	0	-804 744
Accumulated depreciation at December 31, 2022	**5 296 508**	**12 178 325**	**6 765 107**	**0**	**24 239 940**
Net value at December 31,2022	**14 274 717**	**7 349 346**	**3 520 823**	**2 914 655**	**28 059 541**

Leased assets are required for the uninterrupted operation of the Company.

The most significant amount (appr. 79%) in the value of right-of-use assets recognised by the Company consists of asset management rights over state owned properties. The assets are intended to be used until the end of the properties' useful lives with lease terms between 10 and 35 years. The asset management rights over state owned properties were revalued at the beginning of the reference period on the basis of the revised residual cash flows and cost of capital, which resulted in a decrease in the value of the right-of-use assets.

The rest of the value of right-of-use assets consists of leased cars (typically with lease terms of remaining 3 years), leased equipments and premises at the area of Budapest Liszt Ferenc International Airport (with lease terms of 5 to 15 years), leases of other equipments and premises. On the territory of Budapest Liszt Ferenc International Airport a 15 years long lease of an optical cable ring started in 2022.

The Hungarian Meteorological Service (OMSZ) hereinafter performs the meteorological activity in the area of Budapest Liszt Ferenc International Airport as an independent budgetary institute, therefore all leased equipments and premises are returned and are derecognised in the financial statements at 31 December 2021, that were used exclusively by OMSZ or were shared with HungaroControl. As of January 1, 2022, additional premises were returned or shared with the OMSZ, so the amounts of the relevant right of use assets were modified.

The above assets are free of all liens, claims and encumbrances.
The Company conducts annual reviews of the carrying values of its property, plant, equipment.

13. Inventories

Accounting policies:

Inventories are valued at the lower of cost and net realizable value, after provision for slow-moving and obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of making the sale. Cost of purchased goods is determined primarily on the basis of weighted average cost. Unrealizable inventory is fully written off. Items such as spare parts, stand-by equipment and servicing equipment are recognized by the Company in inventories and are carried through the statement of comprehensive income upon use. However, certain significant spare parts, stand-by equipment and servicing equipment meet the definition of property, plant and equipment if they are expected to be used during more than one period.

The Company exercises judgment, with the involvement of technical departments, to determine if a spare part qualifies as inventory or an item of property, plant and equipment. Specifically, spare parts of radar equipment qualify as long term assets and therefore are capitalized in the Statement of Financial Position.

Balances at the year ends occurred as follows:

amounts in thHUF

Inventories	December 31, 2022	December 31, 2021
Spare parts	10 827	11 819
Other materials	17 786	25 341
Inventories	**28 613**	**37 160**

Inventory balance at the end of 2022 includes an impairment loss amounting of HUF 7,426 thousand (2021: HUF 7,426 thousand). No previously recognized impairment loss was released for the years presented.

14. Financial instruments, capital and financial risk management

Accounting policies:

For recognition and measurement of financial instruments IFRS 9 Standard is applied.

Financial assets:

At initial recognition financial assets are classified on the basis of the objective of the business model and the contractual cash flow characteristics. The business models are the following:

Debt instruments “Held To Collect” (HTC)
The objective is to hold financial assets to collect contractual cash flows.

Debt instruments “Held To Sell” (HTS)
The objective is both collecting contractual cash flows and sale of the financial asset.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given for the item. If it differs from the fair value of the financial instrument, the cost is the fair value of the financial instrument at the settlement date.
On the basis of business model and contractual cash flows the classification of financial instruments according to IFRS 9 Standard is the following:

Financial assets measured at amortised cost (AC)
Financial assets measured at amortised cost are held in order to collect contractual cash flows (HTC) and the cash flows contain solely payments of principal and interest on the principal amount outstanding. The financial assets are recognised initially at fair value. Subsequently they are carried at amortised cost, which is initial amount less principal payments and any allowance for impairment. Amortised costs are calculated by effective interest method.

Financial assets measured at fair value through other comprehensive income (FVTOCI)
Financial assets measured at fair value through other comprehensive income are held in order to both collect contractual cash flows and sale (HTS) and the cash flows contain solely payments of principal and interest. The financial assets are recognised initially at fair value adjusted by transaction costs that are directly attributable to the acquisition. Any change in fair value at subsequent measurement are designated in other comprehensive income, any allowance for impairment is recognised in profit or loss.

Financial assets measured at fair value through profit or loss (FVTPL)
Financial asset shall be measured at fair value through comprehensive income unless it is measured at AC or FVTOCI. However at initial recognition the Company can make an irrevocable election for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI. Any change in fair value at subsequent measurement are recognised in comprehensive income; if fair value turns into negative the financial assets must be recognised among liabilities.

The Company recognises among financial instruments the following items:

- long term deposits and short term deposits with a maturity of more than 90 days,
- long term securities and short therm securities with a maturity of more than 90 days (government bonds, discount treasury bills)
- trade receivables,
- derivative financial instruments designated as hedging instruments,
- other non-current and current assets (Exempted flights, Extended guarantees and Constructions performed on state owned assets, and receivables from Eurocontrol arising from TNC settlements)
- cash and cash equivalents (including bank deposits and securities with a maturity of less than 90 days).

Financial liabilities:

Financial liabilities can be categorised as follows:

Financial liabilities measured at fair value through profit or loss (FVTPL)
Financial liabilities are held to sale or at initial recognition are irrevocably designated at fair value at profit or loss, because they eliminate or significantly reduce a measurement or recognition inconsistency. Any change in fair value are recognised in comprehensive income at subsequent measurement.

Financial liabilities measured at amortised cost (AC)
All financial liabilities shall be measured at amortised cost except for financial liabilities measured at FVTPL.

Subsequent measurement of financial instruments:

Fair value measurement
For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market prices at the close of business on the date of Statement of Financial Position without any deduction for transaction costs. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Derecognition of financial assets
Derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the Company neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognises its retained interest in the asset and a liability for the amounts it may have to pay.

Impairment of financial assets
The financial asset or the group of financial assets are reviewed for impairment at each Statement of Financial Position date. Impairment losses on financial assets are presented in line ‘Impairment’ in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the

comprehensive income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Company recognises as financial liabilities the following items:

- trade payables,
- derivative financial instruments designated as hedges,
- bank loans,
- other long-term and short-term liabilities (including liabilities related to leases and grants received).

The Company applies the following credit qualification method for expected credit loss assessment based on the 'expected credit loss' (ECL) model described IFRS 9 Standard:

Stage	Credit quality	Amount of expected credit loss
Stage 1	Financial instruments at initial recognition	12-month expected credit losses
Stage 2	Financial instruments that have significant increase in credit risk	Lifetime expected credit loss
Stage 3	Modified financial assets	Lifetime expected credit loss
	Purchased or originated credit-impaired financial assets	Lifetime expected credit loss

All financial instruments are qualified as Stage 1 at initial recognition. The financial instrument will be qualified as Stage 2, if a significant increase in credit risk is determined since initial recognition. The Company determines the significant increase in credit risk after considering the reasonable and supportable information that is relevant and available without undue costs. If the instrument is considered to be in default, it falls under Stage 3. Lifetime expected credit loss is measured in case of 'purchased or originated credit-impaired' (POCI) financial assets.

Default occurs when the financial asset is more than 90 days past due. If information becomes available that demonstrates that another default definition is more appropriate, the Company considers its presumption about default criterion.

A financial asset qualifies as credit –impaired when information is observed by the Company that estimated future cash flows of the financial asset are not expected to be received.
The ECL model under IFRS 9 applies to financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets under IFRS 15, financial guarantee contracts and financial lease receivables.

The Company applies lifetime expected credit loss measurement for trade receivables by using a provision matrix which is described in Note 14.2.
As an exception to the general model, the Company measures 12-month expected credit loss for securities and fixed deposits based on low credit risk (detailed in Note 14.3).

Cash flow hedges

The Company concludes cash flow hedge contracts in order to hedge foreign currency risk from foreign currency cash flows. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.
Hedges which meet the strict criteria for hedge accounting are accounted for as follows: cash flow hedges is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the comprehensive income statement. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized in the statement of comprehensive income as financial income or expense.

Amounts taken to other comprehensive income are transferred to the statement of comprehensive income when the hedged transaction affects the comprehensive income, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a nonfinancial asset or liability, the amounts previously taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the statement of comprehensive income.

14.1. Other long term assets

Receivables for cost of flights exempted from charges (further on: exempted flights) from the Hungarian State are recognised as short term and long term assets and are credited to revenue from air navigation services (Note 5.). The term of payment is two years, as defined in a government decree. These balances are discounted by yields of government bonds with two years maturity. The interest income on discounting recognized for 2022 was HUF 22,920 thousand (2021: HUF 2,831 thousand).

Outstanding balances of receivables from exempted flights, extended warranty on assets and receivables from construction performed on state owned assets are presented among non-current assets. The balances due are broken down:

amounts in thHUF

Other long term assets	December 31, 2022	December 31, 2021
Exempted flights		
Ministry of Defence	859 544	1 095 710
Ministry of Construction and Transport*	68 592	63 709
Ministry of Foreign Affairs	25 960	32 677
Total exempted flights	**954 096**	**1 192 096**
Due in one year	576 664	602 572
Due over one year	377 432	589 524
Extended warranty	**18 488**	**19 224**
Due in one year	72	983
Due over one year	18 416	18 241
Constructions performed on state owned assets	**422 365**	**335 564**
Due in one year	139 424	308 356
Due over one year	282 942	27 208
Total due in one year	**716 159**	**911 911**
Total due over one year	**678 790**	**634 973**

** It took over the tasks in relation to transport from the previous tasks of Ministry of Technology and Industry (legal predecessor Ministry for Innovation and Technology).*

HUF 638,351 thousand of the total outstanding balance of Receivables from exempted flights was settled in 2022 (2021: HUF 315,515 thousand). Additional balance established for 2022 was HUF 377,432 thousand (2021: HUF 589,524 thousand).

In addition, the long-term part of the warranty extension purchased regarding intangible assets and fixed assets is presented in this financial statement line with the amount of HUF 18,416 thousand in 2022 (2021: HUF 18,241 thousand). This warranty extension cannot be accounted in the cost of assets.

The constructions performed on state owned assets are transferred to MNV Plc after the completion, that is why in 2022 HUF 139,424 thousand is presented in line ‘Other short term assets’ (in 2021: HUF 308,356 thousand), and HUF 282,942 thousand is presented in line ‘ Other long term assets’ (in 2021: HUF 27,208 thousand). The significant decrease in the short-term part is due to the settlement of the investments constructed in 2019-2020 with MNV Plc., while the increase in the long-term part is due to new investments constructed in 2022.

14.2. Trade receivables and other current assets

Accounting policies:

Trade and other receivables are recognized initially at fair value based on IFRS 15 and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established in the amount of lifetime expected credit loss calculated by a provision matrix based on IFRS 9.

Trade receivables can be sorted into the following four groups for which the default rates are reviewed by the Company on a yearly basis:

<u>En Route segment:</u> Trade receivables from air space users are managed, collected and enforced by Central Route Charges Office (‘CRCO’) of EUROCONTROL. Based on the qualification of EUROCONTOL users are classified in categories of active and inactive. The Company makes a provision of 100% for inactive users and determines the default rates for each ageing group regarding active users. Default rates of the provision matrix are based on historical information. The default rates are calculated as the average of last three years’ historical rates in case of each default category.The Company computes the amounts of the default categories with given default rates from which realizes the allowances for impairment.

<u>TNC segment:</u> Allowance for provision is determined by the same methodology as applied in En Route segment.

<u>Kosovo segment:</u> Allowance for provision is determined by the same methodology as applied in En Route segment.

<u>Exempted flights:</u> The amount of trade receivables from the Hungarian State is settled approximately in two years. The Company recognises the discounted amount of receivables in case of exempted flights taking into account the time value of the money.

The allowance for provision is recognised when there is objective evidence about the significant increase in credit risk of the partner and the Company will not be able to collect all amounts due according to the underlying arrangement.
Due to invoicing policy, average outstanding balance of receivables equals to two months sales turnover.

<u>Classification of assets as non-current and current in the financial statements</u>

The Company classifies an asset as current when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

amounts in thHUF

Receivables	December 31, 2022	December 31, 2021
Trade receivables	11 364 653	5 782 056
Intercompany receivable	10 622	0
Allowances	-1 492 197	-1 096 077
Total	**9 883 078**	**4 685 979**

The increase in trade receivables is due to the significant increase in the number of service units (SU) of the payable traffic compared to the previous year and the increase in the annual unit rates used for invoicing. The increase was slightly offset by the change in euro exchange rate used for the year-end valuation, which was lower in the vast majority of cases compared to the exchange rate used for invoicing.

Allowance for doubtful debts was the following:

amounts in thHUF

Allowance for doubtful debts	2022	2021
Balance at the beginning of the year	1 096 077	1 136 109
Increase in allowances	355 312	73 201
Decrease in allowances	-51 958	-126 377
Foreign exchange movement in the year	92 766	13 144
Balance at end of the year	**1 492 197**	**1 096 077**

Ageing of the trade receivable balances:

amounts in thHUF

December 31, 2022	Total	En-route business	Terminal business	Kosovo business	Other domestic	Other foreign
Not overdue	9 081 213	7 407 230	1 245 887	373 152	24 627	30 317
Under 1 months	594 129	556 383	4 060	33 686	0	0
Overdue, between 1 -3 months	338 014	304 348	4 032	21 729	7 813	92
Overdue, between 3-6 months	99 362	92 138	2 827	4 397	0	0
Overdue, between 6-12 months	74 023	67 385	5 875	760	3	0
Overdue, over 12 months	530 582	411 771	104 243	13 339	1 229	0
Insolvent	657 952	587 962	40 054	29 936	0	0
Total	**11 375 275**	**9 427 217**	**1 406 978**	**476 999**	**33 672**	**30 409**

amounts in thHUF

December 31, 2021	Total	En-route business	Terminal business	Kosovo business	Other domestic	Other foreign
Not overdue	4 544 525	3 477 399	761 025	213 664	65 869	26 568
Under 1 months	132 934	121 406	1 084	10 296	148	0
Overdue, between 1 -3 months	37 561	35 234	831	1 496	0	0
Overdue, between 3-6 months	4 003	3 080	543	375	5	0
Overdue, between 6-12 months	12 658	10 899	718	1 038	3	0
Overdue, over 12 months	447 303	346 928	88 934	10 214	1 229	-2
Insolvent	603 072	532 353	41 477	29 242	0	0
Total	**5 782 056**	**4 527 299**	**894 612**	**266 325**	**67 254**	**26 566**

Aged balances of allowances based on IFRS 9 Standard:

amounts in thHUF

December 31, 2022	Total	En-route business	Terminal business	Kosovo business	Other domestic	Other foreign
Not overdue	47 773	43 677	1 410	2 686	0	0
Under 1 months	53 846	42 569	8 058	3 219	0	0
Overdue, between 1 -3 months	90 764	80 259	1 295	9 118	0	92
Overdue, between 3-6 months	56 854	52 676	1 102	3 076	0	0
Overdue, between 6-12 months	59 571	56 537	2 388	646	0	0
Overdue, over 12 months	525 437	408 329	102 703	13 176	1 229	0
Insolvent	657 952	587 962	40 054	29 936	0	0
Total	**1 492 197**	**1 272 009**	**157 010**	**61 857**	**1 229**	**92**

amounts in thHUF

December 31, 2021	Total	En-route business	Terminal business	Kosovo business	Other domestic	Other foreign
Not overdue	16 553	13 819	1 008	1 726	0	0
Under 1 months	10 448	9 281	171	996	0	0
Overdue, between 1 -3 months	13 273	12 703	-203	773	0	0
Overdue, between 3-6 months	1 678	1 367	69	242	0	0
Overdue, between 6-12 months	8 937	7 962	247	728	0	0
Overdue, over 12 months	442 116	344 658	87 461	9 997	0	0
Insolvent	603 072	532 353	41 477	29 242	0	0
Total	**1 096 077**	**922 143**	**130 230**	**43 704**	**0**	**0**

Balances of other current assets at the end of the reporting periods occurred as follows:

amounts in thHUF

Other current assets	December 31, 2022	December 31, 2021
Short term receivables from exempted flights*	576 664	602 572
Value added tax	1 515 798	759 035
Changes in fair value of cash-flow hedges (gain)	997 922	192 032
Receivable from Eurocontrol - TNC sales	222 583	17 191
Other receivables**	803 774	524 752
Receivable from investments on state owned assets	139 424	308 356
Bad debt allowances	-1 311	-1 279
Amounts receivable from pension funds and voluntary pension funds	61 567	0
Total other receivables	**4 316 421**	**2 402 659**
Accrued interest income on deposits fixed	60 364	8 943
Other income accrued	8 115	1 042
Total accrued income	**68 479**	**9 985**
Services prepaid	1 763 427	1 076 485
Total prepaid expenses	**1 763 427**	**1 076 485**
Other current assets	**6 148 327**	**3 489 129**

** For further information on Receivables from exempted flights refer to Note 14.1.*
*** Other receivables contain Advances given in the amount of HUF 500,325 thousand in 2021 (HUF 35,062 thousand in 2021).*

The line ‘Services prepaid’ includes expenses, which are billed in the reporting period, however effect future reporting periods. Such expenses are, among others, on-line services, software-support, insurance fees and membership fees.

14.3. Cash and cash equivalents, other financial assets

Cash is carried at cost in the financial statements. Cash denominated in foreign currency is revalued at the end of the reporting period. The exchange rate used by the Company is the closing rate of the Hungarian National Bank (MNB) at the Statement of Financial Position date, unrealised gains and losses are recognised in the financial result.
The following items are classified as cash and cash equivalents:

- Cash: Cash, cheques and currency held in the cash desk.
- Bank deposits: The Company’s bank accounts held in local and foreign currency, and short-term deposits. Bank overdrafts are not part of cash, they are recognised as short-term loans among liabilities.
- Cash equivalents: In practice, these are securities with a maturity not longer than 3 months from the date of purchase and have a minimal risk of value fluctuations (e.g. discount treasury bills). The credit risk of bank balances is measured by the Company through a risk review of the investment partner banks.

Balances of cash and cash equivalents at year ends are as follows:

amounts in thHUF

Cash and cash equivalents	December 31, 2022	December 31, 2021
Cash on hand	**0**	**1 335**
Current accounts HUF	307 428	1 082 993
Current accounts in foreign currency (EUR)	955 970	433 791
Fixed deposits HUF - under 3 months	9 253 000	5 361 715
Cash at banks	**10 516 398**	**6 878 499**
Cash and cash equivalents	**10 516 398**	**6 879 834**

The Company decided not to operate a cash desk from 1 January 2023, that is why the cash on hand balance was deposited in the bank account at the end of 2022.

Balances of invested financial assets, securities and other financial assets at year ends are as follows:

amounts in thHUF

Other financial items	December 31, 2022	December 31, 2021
Financial assets held to maturity (government securities) with maturity over 1 year	2 464 592	2 448 962
Long term securities	**2 464 592**	**2 448 962**
Financial assets held to maturity (government securities) with maturity above 1 year	44 503	0
Short term securities	**44 503**	**0**
Fixed deposits HUF - under 1 year over 3 months	6 811 447	313 553
Other financial assets	**6 811 447**	**313 553**

Long term bank deposits are considered to have low credit risk, the loss allowance regarding instruments are measured at an amount equal to 12-month expected credit loss. The investment banks of the Company are determined with regard to specific conditions detailed in Note 14.7 b). Based on historical information the Company considers the expected credit loss for fixed deposits as 0% and no loss allowance is recognized. The rate of expected credit loss is reviewed regularly by the Company and will be adjusted if information becomes available about any expected credit loss increase.

All of the securities are measured at amortised cost under IFRS 9 Standard .

The Company made separate investments in connection with the obligations included in the Air Controller Career Agreement (ACCA) and performs annual reviews and adjustments on the necessary accounts. The maturity structure of the investments are adjusted to the expected settlement date of the undertaken obligations. The table below shows the investments regarding Air Controller Career Agreement:

amounts in thHUF

Investment of Air Controller Career Agreement (ACCA)	December 31, 2022	December 31, 2021
ACCA - Financial assets held to maturity (government securities) with maturity over 1 year	2 464 592	2 400 491
ACCA - Financial assets held to maturity (government securities) with maturity within 1 year	44 503	0
ACCA - Fixed deposits HUF - under 1 year over 3 months	0	303 000
ACCA - Cash and cash equivalents	753 385	93 718
Total	**3 262 480**	**2 797 209**

Detailed information about Air Controller Career Agreement are disclosed under Note 16.

14.4. Other long term liabilities

Accounting policy:

Lease liabilities:

Based on the requirements of IFRS 16 ‘Leases’ Standard applied by the Company, the lease contracts are recognised as right-of-use assets and lease liabilities in the Financial Statements (in Other long-term and short-term liabilities), applying the exemption of short-term leases and exemption of leases for which undelying asset is low of value (recognition exemptions). Right-of-use assets are presented separately in tangible assets, it is detailed in Chapter 12.

Based on guidance of IFRS 16.9 a contract contains a lease, if:

- the contract identifies the asset(s)
- the contract conveys the right to control the use of an identified asset for a period of time
- in exchange for consideration.

For a contract that contains more lease components, the consideration in the contract has to be allocated to each lease component on the basis of their relative stand-alone price. The Company allocated the consideration of the lease contracts to components according to the requirements.
For a contract that contains lease components and one or more non-lease components (e.g. maintenance, recharged utility expenses), the consideration has to be allocated on the basis of stand-alone price of lease components and the aggregate the stand-alone price of non-lease components. The aggregated price of non-lease components are expensed to the Statement of Comprehensive Income accordingly.
The Company elected the practical expedient allowed under IFRS 16.5 only regarding lease of vehicles. Under this practical expedient the Company do not separate non-lease components from lease components, instead accounts for the non-lease components as part of the lease component.

The Company determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

At the commencement date the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the incremental borrowing rate (regarding the right-of-use of state owned assets the Company applies a discount factor that equals the cost of capital, regarding other right-of-use assets the zero coupon rates are used derived from the yield curve of government bonds).

At commencement date, lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects exercising an option to terminate the lease.

After the commencement date, the lease liability is measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Balances of Other long term liabilities at the Statement of Financial Position dates presented were as follows:

amounts in thHUF

Other long term liabilities	**December 31, 2022**	**December 31, 2021**
EU grants received - long term part*	1 101 214	1 293 466
Lease liabilities - long-term part**	11 181 664	13 444 755
Long term liabilities payable to joint venture	5 307	0
Other long term liabilities	42 113	35 724
Other long term liabilities	**12 330 298**	**14 773 945**

** Short-term liabilities relating to EU grants are disclosed under Note 14.5.*
*** Short-term part of Lease liabilities based on IFRS 16 Standard are disclosed under Note 14.5.*

The most significant part of lease liabilities (approximately 94% of liabilities) recognised by the Company under IFRS 16 Standard is represented by the asset management rights of state owned properties.

Lease liabilities of state owned properties are discounted by the related cost of capital used in the calculation of the asset management fee. The cost of capital is determined in the Hungarian Performance Plan validated by the EU and calculated according to the relevant EU Regulation (No. 317/2019). The cost of capital is calculated by a method determined in CAPM (Capital Asset Pricing Model). The cost of capital is set for the actual performance period covering 5 years. For the succeeding periods it is recalculated.
The lease fees of the state owned assets qualify as variable lease payments, because they are determined by a particular method specified in the asset management contract. Due to the yearly modification of lease fees the lease liabilities are also recalculated on a yearly basis.

Lease liabilities that are not associated with state owned assets, are discounted by the yield of government bond denominated in HUF as publicated with the nearest maturity to the lease term.

The Company is not committed to any lease agreement not yet commenced at the preparation date of the Financial Statements.The Company is not exposed to additional extension or termination options that are not included in the measurement of lease liabilities, and does not own agreements that contain residual value guarantee exposure.

14.5. Trade payables and other short term liabilities

Accounting policy:

The trade payables and other short-term liabilities are presented at amortised cost.

Other short-term liabilities include, inter alia, the following items:
- Liabilities to central and local government,
- Grant advances received,
- Liabilities to employees (non-financial instrument),
- Liabilities to pensions, mutual- and health funds (non-financial instrument),
- Other liabilities to banks,
- Other liabilities not specified,
- Liabilities arising from income taxes are recognized in a separate Statement of Financial Position line (non-financial instrument),
- Short-term part of lease liabilities presented in accordance with IFRS 16.

Items that qualify as non-financial instruments are not subject to disclosure requirements of IFRS 7.

Classification of liabilities as non-current and current in the financial statements

The Company classifies a liability as current when:
- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all other liabilities as non-current.

Presentation of ageing of payables is as follows at the year ends:

amounts in thHUF

Ageing of trade payables	December 31, 2022	December 31, 2021
Not due	3 949 091	2 549 548
Overdue, within 1 year	514 242	7 077
Overdue, between 1 - 5 years	2 037	2 037
Total trade payables	**4 465 370**	**2 558 662**

The Company settles trade payables within the payment term, and had no material overdue payables as of December 31, 2022 and 2021.

amounts in thHUF

Trade payables	December 31, 2022	December 31, 2021
Trade payables - domestic	2 257 698	1 565 841
Trade payables - foreign	2 114 562	901 484
Intercompany payables	93 110	91 337
Total trade payables	**4 465 370**	**2 558 662**

The Company decided to fully separate all the balances of intercompany payables and to disclose them as intercompany payables.
The intercompany transactions are presented in Note 17.

Balances of other short term liabilities at the dates presented were as follows:

amounts in thHUF

Other short-term liabilities	December 31, 2022	December 31, 2021
EU grants - advance payment received*	1 507 930	696 566
Liabilities to parent company	1 200 000	1 200 000
Lease liabilities - short-term part***	572 800	1 698 989
Short term other liabilities towards various authorities	255 134	150 076
Changes in fair value of hedges (loss)**	96 773	112 497
Liabilities from social security	93 504	129 951
Personal income tax payable on behalf of the employees	61 533	167 217
Other short term liabilities	37 478	40 690
Liabilities arising on search and rescue operations	0	1 288 172
Amounts payable to pension funds and voluntary pension funds	0	98 444
Liability from enterprise licensing agreement	0	78 408
Total other payables	**3 825 152**	**5 661 010**
EU grants received - short term part*	292 872	345 482
Other deferred income	1 396	1 054
Total deferred income	**294 268**	**346 536**
Services, goods delivered but not invoiced till the year end	3 944	7 742
Total accrued expenses	**3 944**	**7 742**
Other short-term liabilities	**4 123 364**	**6 015 288**

** Long-term liabilities relating to EU grants are disclosed under Note 14.4.*
*** Changes in fair value of cash-flow hedges are disclosed under Notes 14.6 and 14.7.*
****Long-term part relating to Lease liabilities are disclosed under Notes 14.4.*

In 2022 the ‘Liabilities to parent company’ line includes the dividend approved on the basis of the 2019 and 2020 financial statements, the financial settlement will be decided later by the parties.

The liabilities arising from search and rescue operations are settled.

14.6. Hedges

The fair value of open transactions designated as hedge with a corresponding adjustment of the fair valuation reserve in other comprehensive income were as follows:

amounts in thHUF

Fair value of derivative financial instruments	December 31, 2022	December 31, 2021
Other current assets		
Derivative financial instruments in designated hedge accounting relationships		
Hedges - positive fair value	**997 922**	**192 032**
Other current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Hedges - negative fair value	**96 773**	**112 497**

The expected foreign currency cash flows carrying significant exchange rate risks are hedged with forward currency exchange contracts. Fair value change of open forward contracts is recognized in the Statement of Financial Position among other short term receivables or liabilities.

14.7. Financial risk management

Financial risk management aims to limit these risks through ongoing operational and finance activities.
The Statement of Financial Position included comprises the following categories of financial assets and liabilities for the dates presented:

a) Fair value of financial instruments:

Financial assets:

amounts in thHUF

Financial assets	Financial assets at amortised costs	Derivative financial instruments	Total carrying amount	Total fair value	Difference
Other long term assets	678 790	0	678 790	678 790	0
Trade receivables	9 883 078	0	9 883 078	9 883 078	0
Derivative financial instruments in designated hedge accounting relationships	0	997 922	997 922	997 922	0
Fixed deposits HUF - under 1 year over 3 months	6 811 447	0	6 811 447	6 811 447	0
Government securities with maturity above 3 months	2 509 095	0	2 509 095	1 224 384	1 284 711
Other current assets excluding taxes, prepayments and accrued income, receivables from employees	938 671	0	938 671	938 671	0
Cash and cash equivalents	10 516 398	0	10 516 398	10 516 398	0
Total as per December 31, 2022	**31 337 479**	**997 922**	**32 335 401**	**31 050 690**	**1 284 711**

amounts in thHUF

Financial assets	Financial assets at amortised costs	Derivative financial instruments	Total carrying amount	Total fair value	Difference
Other long term assets	634 973	0	634 973	634 973	0
Trade receivables	4 685 979	0	4 685 979	4 685 979	0
Derivative financial instruments in designated hedge accounting relationships	0	192 032	192 032	192 032	0
Fixed deposits HUF - under 1 year over 3 months	313 553	0	313 553	313 553	0
Government securities with maturity above 3 months	2 448 962	0	2 448 962	1 796 540	652 422
Other current assets excluding taxes, prepayments and accrued income, receivables from employees	928 119	0	928 119	928 119	0
Cash and cash equivalents	6 879 834	0	6 879 834	6 879 834	0
Total as per December 31, 2021	**15 891 420**	**192 032**	**16 083 452**	**15 431 030**	**652 422**

The Company presents financial assets on a settlement date basis for each category.
The financial assets are free of all liens, claims and encumbrances.

Financial liabilities:

amounts in thHUF

Financial liabilities	Financial liabilities at amortised cost	Derivative financial instruments	Total carrying amount	Total fair value	Difference
Other long term liabilities	47 420	0	47 420	47 420	0
Trade payables	4 465 370	0	4 465 370	4 465 370	0
Derivative financial instruments in designated hedge accounting relationships	0	96 773	96 773	96 773	0
Other short-term liabilities excluding taxes, payables to employees, accruals and deferred income	37 478	0	37 478	37 478	0
Total as per December 31, 2022	**4 550 268**	**96 773**	**4 647 041**	**4 647 041**	**0**
Other long term liabilities	35 724	0	35 724	35 724	0
Trade payables	2 558 662	0	2 558 662	2 558 662	0
Derivative financial instruments in designated hedge accounting relationships	0	112 497	112 497	112 497	0
Other short-term liabilities excluding taxes, payables to employees, accruals and deferred income	40 688	0	40 688	40 688	0
Total as per December 31, 2021	**2 635 074**	**112 497**	**2 747 571**	**2 747 571**	**0**

Government grants, taxes, accruals and prepayments are presented under Note 14.5.

The book values of trade receivables dereased by impairment charged and trade payables approximate to their fair values due to their short maturities.

Cash and cash equivalents, fixed deposits, discount treasury bills with a maturity less than 3 month, other currents assets and other short term liabilities have short term maturities, therefore their carrying amount approximate to their fair values at the Statement of Financial Position dates presented.

Other long term financial assets:
Other long term assets owed by government authorities were described under Note 14.1 in detail. For discounted cash flow method the Company used risk free interest rate (zero coupon rates derived from the yield curve of government bonds as published by the Government Debt Management Agency, webpage: www.akk.hu).

Other long term liabilities:
The book value of intercompany payable as disclosed under Note 17 approximates its fair value. The balance as of December 31, 2022 mainly contains the obligations from retention warranty of trade payable balances. The fair value of the obligations is determined with discounted cash flow techniques using data as introduced below.

The fair value of forward exchange contracts:
The fair value of forward exchange contracts represents the unrealized gain or loss on revaluation of the contracts to year end exchange rates and is expected to be realized within one year. The fair values used are the mark-to market values calculated by the partner banks.

Changes in liabilities due to financing activities

amounts in thHUF

	January 1, 2022	Cash flow from Financing activities	New Leases	Foreign exchange movement	Other	December 31, 2022
Short term loans	0	-154 294	0	0	154 294	0
Lease liabilities - short-term part	1 698 989	-4 619 000	2 085 360	0	1 407 451	572 800
Lease liabilities - long-term part	13 444 755	0	720 211	36 624	-3 019 926	11 181 664
Dividend payable	1 200 000	-800 000	0	0	800 000	1 200 000
Other liabilities from non-financing activities	4 445 489	0	0	0	-946 291	3 499 198
Total	**20 789 233**	**-5 573 294**	**2 805 571**	**36 624**	**-1 604 472**	**16 453 662**
Other long term liabilities	14 773 945					12 330 298
Other short-term liabilities	6 015 288					4 123 364
Statement of Financial Position	**20 789 233**					**16 453 662**
Net cash used in financing activities		**-5 573 294**				

** The Other category includes interest charges, lease derecognition, and reclassification items that do not involve cash flow.*

amounts in thHUF

	January 1, 2021	Cash flow from Financing activities	New Leases	Foreign exchange movement	Other	December 31, 2021
Short term loans	0	0	0	0	0	0
Lease liabilities - short-term part	1 490 050	-1 802 412	21 009	0	1 990 342	1 698 989
Lease liabilities - long-term part	14 011 307	0	212 529	7 143	-786 224	13 444 755
Dividend payable	1 000 000	0	0	0	200 000	1 200 000
Other liabilities from non-financing activities	3 663 425	0	0	0	782 064	4 445 489
Total	**20 164 782**	**-1 802 412**	**233 538**	**7 143**	**2 186 182**	**20 789 233**
Other long term liabilities	15 319 126					14 773 945
Other short-term liabilities	4 845 656					6 015 288
Statement of Financial Position	**20 164 782**					**20 789 233**
Net cash used in financing activities		**-1 802 412**				

** The Other category includes interest charges, lease derecognition, and reclassification items that do not involve cash flow.*

Fair value hierarchy

The fair values used can be grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs

for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets measured at amortised cost and most of the financial liabilities has been identified by using Level 3 information and discounted cash flow valuation techniques if applicable. The estimated cash flow streams are based on the contractual terms, whereas the discounts rates are the risk-free, before tax rates (zero coupon rates derived from the yield curve of government bonds). The financial instruments denominated in foreign currencies are revalued by using the foreign exchange rate issued by the Central Bank of Hungary.

The Company does not possess any financial assets or liabilities measured at fair value where fair values were identified based on Level 3 information.
HungaroControl has instruments valued at Level 2 – valuation derived from market prices. The fair values used for valuation of derivative financial instruments and government securities are identical to the mark-to-market valuations received from the banks at each month end.

There were not any transfers between Level 1 and Level 2 in case of financial instruments that are measured at fair value.

b) Financial risk management

The Company monitors and manages financial risks relating to its operations. The Company has clear policies and operating parameters. The Supervisory Board provides oversight of the Company. The Treasury function does not operate as a profit centre and the undertaking of speculative transactions is not permitted. The principal financial risks arising from the Company's activities include market risk (including currency risk, interest rate risk and inflation risk), credit risk and liquidity risk.

Market risk:

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and inflation rates. There is a special risk arising from the provision of air navigation services. These risks and the methods they are managed by are explained below.

Foreign currency risk management

The Company's principal exposure to foreign currency transaction risk is in relation to its foreign currency revenues and expenditures.

Revenue from air navigation services account for 99.5% of the Company's turnover. In the Hungarian En Route and terminal navigation segments – operated in the framework of the performance scheme – foreign exchange risk is borne by the service providers, thus, borne by the Company. Fees for air navigation services are set in Hungarian Forint, but are billed and collected in Euro. The conversion rate used is the average of the daily closing Reuters-rates for the month prior to the billing period ('n-1'). To mitigate the risk of movements in exchange rates between the date of determining the unit charges (average rate of 'n-1') and the date on which the funds are remitted ('n+2') to HungaroControl, foreign currency forward contracts are concluded. The Company hedges its expected cash flow from sales revenue of the Hungarian en-route and terminal segments based on hedging limits set in its foreign currency risk hedging policy.

In respect of air navigation services provided in Kosovo airspace the charges are set in Serbian dinar. These revenue streams are not hedged but as these represent a relatively small portion of revenue (2022: 5%, 2021: 6%) do not represent a significant foreign exchange exposure. Furthermore, in the Kosovo segments, due to the full cost recovery mechanism the risk arising on changes of foreign exchange rates can be transferred onto the airlines, since exchange differences are included in the respective cost bases.

The Company also hedges the foreign exchange risks arising from foreign currency cash expenditures related to significant firm commitments, and also foreign currency cash flows posing other significant risks. For these foreign currency cash flows, the hedging period is a maximum of 18 months that is adjusted to the Company's planning cycle.

The amount of trade receivables denominated in foreign currency exceeds the amount of trade payables denominated in foreign currency. The carrying amount of the Company 's monetary assets and monetary liabilities denominated in foreign currency were as follows:

Currency	FX rates at year-end		Assets (in foreign currency)		Assets (in thHUF)	
	2022, December	2021, December	2022, December	2021, December	2022, December	2021, December
EUR	400.25	369.00	26 953 846	14 823 869	10 788 277	5 470 007
USD	375.68	325.71	735	608	276	198

Currency	FX rates at year-end		Liabilites (in foreign currency)		Liabilites (in thHUF)	
	2022, December	2021, December	2022, December	2021, December	2022, December	2021, December
EUR	400.25	369.00	8 798 484	4 245 415	3 521 593	1 566 558
USD	375.68	325.71	731 183	11 970	274 691	3 899

Foreign currency assets include cash- and cash equivalents, trade receivables and other short term receivables. Liabilities presented comprised of trade payables and other short term liability items.

Forward foreign exchange contracts

The Company concludes forward contracts to hedge its significant foreign currency risk from expected cash flows. The Company designated these forward contracts as cash flow hedges. With the hedging transactions the Company aims to secure the HUF value of its firm commitments.

EUR forward sale contracts to hedge revenues expire within 4 months, while EUR and USD forward purchase contracts to hedge trade payables expire within a maximum 18 months.

The following contracts were outstanding at year end:

amounts in thHUF

December 31, 2022	Revenue hedge (EUR sold)	Expenditure hedge (EUR bought)	Expenditure hedge (USD bought)	Total
Currency	**EUR**	**EUR**	**USD**	
Currency amount	-30 806 070	22 326 432	2 094 215	
HUF amount	-13 074 381	8 964 096	812 731	**-3 297 554**
Fair value of open forward contracts at year end				
Valuation reserve (expected Gain /(Loss))	-46 527	384 567	14 459	**352 499**
Ineffective part included in Comprehensive Income	182 457	-20 710	0	**161 747**
Effective part included in Other Comprehensive Income	169 881	0	0	**169 881**
Effective part included in cost of assets	0	50 154	0	**50 154**
Interest income from swap points included in line item financial income	166 868	0	0	**166 868**
Total	**472 679**	**414 011**	**14 459**	**901 149**

amounts in thHUF

December 31, 2021	Revenue hedge (EUR sold)	Expenditure hedge (EUR bought)	Expenditure hedge (USD bought)	Total
Currency	**EUR**	**EUR**	**USD**	
Currency amount	-17 809 226	21 954 089	1 738 440	
HUF amount	-6 549 815	8 154 382	540 811	**2 145 378**
Fair value of open forward contracts at year end				
Valuation reserve (expected Gain /(Loss))	18 156	109 966	32 447	**160 569**
Ineffective part included in Comprehensive Income	-41 633	-1 930	0	**-43 563**
Effective part included in Other Comprehensive Income	-55 910	0	0	**-55 910**
Effective part included in cost of assets	0	9 258	0	**9 258**
Interest income from swap points included in line item financial income	9 181	0	0	**9 181**
Total	**-70 206**	**117 294**	**32 447**	**79 535**

All of the above forecast transactions hedged are expected to occur. In connection with these forward contracts the amount deferred in equity will be realized in the statement of comprehensive income when the hedged transaction has an impact on the result.

The following amounts were recognized in the statement of comprehensive income for the financial years 2022 and 2021:

amounts in thHUF

Amounts recognised in statement of comprehensive income in relation to derivative financial instruments	**December 31, 2022**	**December 31, 2021**
Amount that was removed from equity and recognised in sales balance (loss)/gain	-808 311	-101 901
Ineffective part of cash flow hedges included in financial results (loss)/gain	92 411	-78 996
Ineffective part of fair value hedges included in financial results (loss)/gain	27 883	-21 927
Interest recognised in Comprehensive Income and included in financial results (swap points received)	1 167 387	74 587
Total gain/(loss) on cash flow hedge transactions	**479 370**	**-128 237**
Fair value change of open cash flow forward contracts at year end included in other comprehensive income (fair value reserve at year end)	452 440	130 659
Total result of cash flow hedges included in equity balance	**931 810**	**2 422**

At year end the gain charged to other comprehensive income was HUF 321,781 thousand in 2022, while it was HUF 39,574 thousand loss in 2021.

Foreign currency sensitivity analysis

The Company has the most significant exposure to EUR in relation to revenue and trade receivables balances as this is the billing currency. Thus, the sensitivity analysis is focused on this currency.

The following table details the Company's sensitivity to a 3% increase or decrease in the value of HUF against EUR. The Company considered movements in EUR over the last five years and concluded that 3% is the sensitivity rate that represents a reasonably possible change and benchmark in EUR-rates against HUF. A positive number below indicates an increase in profit and equity and a negative number a reduction in profit and equity. There would be an equal and opposite impact on profit and equity if EUR devalues by 3% against HUF.

The sensitivity analysis for Statement of Financial Position items includes foreign currency cash balances, trade receivables, trade payables, other short term liabilities, receivables denominated in EUR and foreign exchange forward contracts, and adjusts their translation at the period end for a 3% change in EUR rate. We disclose the effect on the statement of comprehensive income and equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at that date.

amounts in thHUF

	EUR/HUF	Assets (+) Increase in profit (-) Reduction in profit	Liabilites (+) Increase in profit (-) Reduction in profit	Impact on profit and equity (+) Increase in profit (-) Reduction in profit	Impact on equity (%)
2022					
103%	412.26	323 648	-105 648	218 001	0.7%
100%	400.25	0	0	0	
97%	388.24	-323 648	105 648	-218 001	-0.7%
2021					
103%	380.07	164 100	-46 997	117 103	1.5%
100%	369.00	0	0	0	
97%	357.93	-164 100	46 997	-117 103	-1.5%

Without derivative contracts a 3% devaluation in HUF against EUR would cause a 0.7% increase in the fair value of the net position of items denominated in EUR i.e. in retained earnings and the financial results in 2022 (the same figure is 1.5% as well regarding 2021) – supposing that all other factors remain unchanged. This means that the exposure of the Company against EUR is not significant and financial results are moderately sensitive for the change in HUF/EUR rates.
A similar examination using 5% change in rates would result in a 1.2% change in retained earnings for 2022, and 2.6% for 2021.

Same assumptions as introduced above would result in the following fair value changes in the value of derivative contracts open at the year end.

amounts in thHUF

	EUR/HUF	Effect on profit for the year (+) Increase in profit (-) Reduction in profit	Effect on equity balance (+) Increase in profit (-) Reduction in profit
2022			
103%	412.26	-240 081	138 240
100%	400.25	0	0
97%	388.24	240 081	-138 240
2021			
103%	380.07	-58 719	104 603
100%	369.00	0	0
97%	357.93	58 719	-104 603

The following table represents the results of an assumed devaluation and appreciation of trade receivables balance off-set by the hedge reserve balance at year end using the same assumptions for both of the balances.

amounts in thHUF

	EUR/HUF	Trade receivables	Impact on profit and equity (+) Increase in profit (-) Reduction in profit	Impact on equity with hedging reserve (+) Increase in profit (-) Reduction in profit
2022				
103%	412.26	10 115 770	294 634	193 642
100%	400.25	9 821 136	0	0
97%	388.24	9 526 501	-294 635	-193 643
2021				
103%	380.07	4 734 166	137 888	1 732
100%	369.00	4 596 278	0	0
97%	357.93	4 458 389	-137 889	-1 733

Year-end revaluation

The results of year end revaluation of items in the Statement of Financial Position were as follows: HUF 239.762 thousand loss at the end of 2022 (2021: HUF 32,440 thousand gain).

Interest rate risk management

Interest rate risk from interest bearing assets and liabilities

The Company invested a significant part of the funds not required for short-term financing in fixed interest rate bank deposits, discount treasury bills and government bonds.

The main aim of the Company is to assure its liquidity; investment of free cash to obtain yields is a secondary objective only. Therefore the possible investment options are limited to fixed bank deposits in HUF or EUR discount treasury bills and government bonds issued by the Hungarian State, or financial instruments issued by the Central Bank of Hungary. Hence the exposure of the Company towards changes in interest rates via financial assets owned is practically very limited.

The Company intends to invest into bank deposits with institutions holding a high long-term minimum credit rating. The credit rating of discount treasury bills and government bonds issued or guaranteed by the Hungarian State are the same as the credit rating of the country which was placed by Standard & Poor's at BBB- (investment grade category) in January 2023. The level of fixed deposits hold in one financial institution is limited to a maximum of 30% of total cash and cash equivalents at the time, when an investment decision is made. The 30% limit alters to 50% when the total volume of cash and cash equivalents does not reach a HUF 6 billion threshold.

The risk exposure of the Company is determined as the follows: fixed bank deposits 100%, except the deposits at investment banks with specific liquidity reasons and with an original maturity less than 5 working days (including the cash balance held on current accounts, i.e. not tied up) where a 0% risk weight is used. In relation to the forward contracts, a risk weight of 10% is used by projecting it on the nominal value (the HUF part of the currency pairs to be delivered) of the foreign exchange derivatives. Regarding the government securities held on securities account at various investment partners a 50% weight risk has been determined.

The balances of deposits were as follows:

Annual Interest rate	2022 Amounts	2021 Amounts
HUF-deposits held	thHUF	thHUF
2% - 3%	0	303 000
< 15%	4 600 000	0
15% - 16%	8 970 000	0
16% - 17%	2 483 000	0
Total	**16 053 000**	**303 000**
EUR-deposits held	EUR	EUR
< 0.5%	28 600	28 600
Total	**28 600**	**28 600**

The interest rate increase in the banking market was significant in 2022.

The Company has overdraft facility agreements with three commercial banks in a total amount of HUF 10 billion, maturing in January 2023 concluded on variable-rate terms (1 month BUBOR + interest rate premium). Furthermore the Company concluded revolving working capital credit agreements with two commercial banks mostly with fixed interest rate conditions in the total amount of HUF 17.5 billion, maturing at the end of 2025. The contracts will ensure the financing of the Company at a favourable and predictable cost level until at least the end of 2025.

In case of variable-rate overdraft contracts, interest rate spreads of 3%-4% at the beginning of the year increased to a range of 14%-17% by the end of the year due to interest rate increases in the banking market during 2022. The overdraft facility was drawn down on an ad hoc basis to finance operational payments, which overdrafts were held for only 1-7 days, therefore the increased interest rate spreads did not result in significant additional interest expense for the Company.

Other sources of interest rate risks

The Company is mainly exposed to changes in interest rates through its Kosovo segment and the revenue thereof where full cost recovery mechanism is applied. The profit of this segment is mostly dependent on the cost of equity (return on capital tied up), the calculation of which is based on the yield of risk-free 10-year government bonds and is included in the cost base reimbursed by the airlines.
In respect of the En Route and terminal businesses the performance scheme allows to include a risk premium above the risk free rate when calculating cost of equity included in the cost base. The expected return was determined partly in advance for the period of 2020-2024. Therefore, although changes in interest rates within this period might differ from the real cost of equity, they cannot affect the profit of the segment. However, because it is not allowed to include interest bearing assets in the net asset balance which is used to calculate cost of equity, the investment activity of the Company effects the profitability of the segment. In this manner, after the submission of adopted performance plan, the Company would be exposed to a significant interest rate risk, if it holds large amount of interest bearing assets. This kind of risk is not

considered significant according to the financing potential (involving external sources of finance). However related conditions of the external source of finance determine what kind of interest rate risk will arise.

Inflation rate risk management

The risk of changes in inflation rate is borne partly by airlines according to the performance scheme (En Route and terminal segments). Inflationary differences can not be transferred to airlines if they relate to depreciation, cost of capital or costs payable for authorities as part of the cost base. The Kosovo segment operates in full cost recovery scheme where all the cost risk (including inflation risk as well) is transferred on to the airlines, however, only in the long term can be collected after two years (in the year 'n+2') through the charges.
The Company intends to manage inflation risk by adjusting the highest possible level of costs to inflation. For this reason the Company introduced a system where payroll costs, being the most significant cost item, are adjusted with inflation. Airspace users bear significant risk of inflation in En Route and terminal segments in 2022 due to the 17.8 percentage point excess between the actual and planned inflation, which will be recovered in the 2024 unit rates.

The Company does not hold any financial assets or liabilities in its books where a possible change in inflation rate would alter their value and could have significant effect on equity and on the statement of comprehensive income.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk arises from the risk of default by customers on settlement of trade receivables and from the risk of a failure of a financial institution in which funds are invested for return or held for trading purposes or with whom derivative contracts are entered into.
In the Kosovo segment the financial effect of the risk that a counterparty will default on its contractual obligation is reduced practically to zero by the fact that the bad debt allowances are allowed to be included in the cost base (hence can be probated through charges) under the full cost recovery mechanism.

Within the performance scheme in the En Route and the terminal segments the Company bears the risk of non-payment of customers, that may become significant due to COVID-19 pandemic and the ukrainian war. Despite state rescue programs many airlines got into difficulties due to the COVID-19 pandemic extremely weighting the aviation sector. However, in view of the specific rules due to the pandemic, only those bankruptcies represent a real risk that were not known during the preparation of the new performance plan which has to be submitted by October 2021.

The bank perception of the Company is favourable which is also shown by the result of the revolving current asset loan limit tender. The renewal of the current account limit is under progress and the current account limits are available until the end of 2025. The banks are committed to reserve the current account limit, therefore there will be no risk of renewal before the expiration.

Maturity of receivables and bad debt allowances charged are disclosed under Note 14.2. The tables presented there give a summary about the credit risk profile of the Company arising on default by customers on settlement of trade receivables.

The management believes that the Company is not highly dependent on any of its customers.

Liquidity risk management

The Company manages liquidity by maintaining adequate cash reserves and by monitoring actual and forecast cash flows and ensuring funding is diversified by source and maturity and available at competitive cost.

Liquidity risk is mainly influenced by the traffic: if traffic fails to produce the expected level it might cause underfunding in the relevant business year. This, however, can be collected in Kosovo segment after two years (period ‘n+2’) through the charges, therefore in this line of business the Company does not bear any substantive traffic risk - it may have liquidity risk though.
In the En Route and terminal segments the performance scheme allows a maximum of 4.4% traffic risk in terms of the revenue, this however in a gradual manner: up to ±0 - 2% change in traffic compared to the planned value, the full effect of traffic change has to be borne by the Company, whereas between 2% -10% change in traffic compared to the planned value only 30% of the difference above 2% points has to be borne by the Company. Above 10%, all of the additional effect will be taken by airlines. The actual traffic exceeding the planned amount increases the profitability of the Company. In cases the actual traffic would not reach the assumed level, it would decrease profitability, however compensating this effect the Company is entitled to charge a higher cost of equity.

Notwithstanding this, the immediate liquidity effect of the traffic change has to be managed by the Company, since the part borne by the airlines can be probated after two years first.

Based on the EU Regulation No. 1627/2020 through a different process, underrecoveries - as a result of decreased revenue in 2020 and in 2021 - are not collected in the period ’n+2’, but are allocated equally into 5 years started in 2023. In contrast, the substantional amount of the overrecoveries - as a result of intense air traffic in 2018 and 2019 - which resulted high cash balances at the Company, must be taken into account in the charges in the year ’n+2’.

Under the performance scheme larger than planned cost generally cannot be passed on to users. It can be passed on to airlines in the very limited cases of uncontrollable costs, but the validation varies by cost types and it can be charged to users in the year ‘n+2’ or after the end of the actual reference period. During the year 2022 the difference in investment costs was registered as uncontrollable cost, but during the whole reference period – which is the base of the reporting for this item - this difference is expected to decrease.

The operation of HungaroControl Plc. is marked by a stable liquidity position in 2022.

Risks in providing air navigation services

According to the first section of paragraph No.69 of Act XCVII of 1995 (regarding services provided in Hungary) and according to the Act CCXLVIII of 2013, furthermore according to the paragraph No. 3 of the Government Decree No. 510/2013 (regarding services provided in Kosovo) HungaroControl is required to establish a liability insurance in order to be entitled to provide air traffic control services. The Company met this criteria in each year presented.

Maturity profile of financial liabilities

The table below summarizes the maturity profile of non-derivative financial liabilities based on contractual undiscounted payments as of December 31, 2022 and 2021.The table has been drawn up based on the earliest date on which the Company can be required to repay.

amounts in thHUF

Ageing of financial liabilities	Overdue	Due within one year	Due between 1-5 years	Due over 5 years	Total
December 31, 2022					
Trade payables	516 279	3 949 091	0	0	4 465 370
Lease liabilities	2 623	1 284 083	5 628 231	13 815 630	20 730 567
Other liabilities	0	37 478	0	0	37 478
Other long term liabilities	0	0	42 113	5 307	47 420
Total	**518 902**	**5 270 652**	**5 670 344**	**13 820 937**	**25 280 835**
December 31, 2021					
Trade payables	9 114	2 549 548	0	0	2 558 662
Lease liabilities	985 560	1 746 498	6 674 479	18 381 540	27 788 077
Other liabilities	1 613	40 688	0	0	42 301
Other long term liabilities	0	0	35 724	0	35 724
Total	**996 287**	**4 336 734**	**6 710 203**	**18 381 540**	**30 424 764**

In 2021, the amount of overdue lease liabilities contained the asset management fee for the second half-year of 2021 against Hungarian National Asset Management Inc. regarding managed state owned assets, which liability is settled in 2022.

15. Provisions

Accounting policies:

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will occur in order to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the date of Statement of Financial Position.

Critical accounting estimates and judgements:

Provisions in general are highly judgmental, especially in case of legal disputes. The Company assesses the probability of an adverse event as a result of a past event and if the probability of an outflow of economic benefits is evaluated to be more probable than not, i.e. its probability is greater than 50%, the Company provides for the amount of the estimated liability.

Total balances at year end are as follows:

amounts in thHUF

Provisions	Other provision	Total
Long-term provisions	6 711	6 711
Short-term provisions	729 174	729 174
Total as per December 31, 2021	**735 885**	**735 885**
Long-term provisions	6 711	6 711
Short-term provisions	759 716	759 716
Total as per December 31, 2022	**766 427**	**766 427**

The following table shows the movements in long term provisions:

amounts in thHUF

Long-term	Other provision	Total
Balance as of January 1, 2021	**255 437**	**255 437**
Reclassification between long-term and short-term categories	-248 726	-248 726
Balance as of December 31, 2021	**6 711**	**6 711**
Balance as of December 31, 2022	**6 711**	**6 711**

Movements in short term provisions are shown in the following table:

amounts in thHUF

Short-term	Other provision	Total
Balance as of January 1, 2021	**0**	**0**
Additional provisions created	479 429	479 429
Reclassification between long-term and short-term categories	248 726	248 726
Discount on provision	1 019	1 019
Balance as of December 31, 2021	**729 174**	**729 174**
Additional provisions created	495 673	495 673
Discount on provision	255	255
Utilized during the year	-465 386	-465 386
Balance as of December 31, 2022	**759 716**	**759 716**

The other provisions include liabilities where present obligations have arisen as a result of past events, the payments are probable and the amounts can be estimated reliably.
‘Other provisions’ include provisions for the following items:

- Provision for solidarity contribution (due to the war in Ukraine, EUROCONTROL Member States decided in 2022 to provide a non-refundable subsidy to the Ukrainian and Moldovan air navigation service providers and to support Polish and Baltic air navigation service providers to address liquidity problems caused by traffic diversion. Based on information available at the reporting date, the Hungarian State intends to make the Hungarian contribution through HungaroControl Plc. at the expense of the Company’s assets),
- Provision for FAB CE subsidy reimbursement (the subsidy received for the costs of the FAB CE FRA simulation should be returned to the FAB members to avoid multiple funding),
- Provision for public administration fees and supervisory license fees,
- Provision for penalties for failure to meet the contractual minimum value of energy services.

The ‘Other privisions’ recognised are short-term, that is why discounting is not applied. They are settled in cash within one year, at the same time the provision is released.
The long-term part of Other provisions has remained unchanged (2022: HUF 6,711 thousand, 2021: HUF 6,711 thousand). In addition, new provisions were made in 2022 which are expected to be settled in 2023, so they are presented also in the Other short-term provisions (HUF 759,716 thousand as at 31 December 2022 and HUF 729,174 thousand as at 31 December 2021).

Long term provisions are discounted using a risk free, pre-tax discount rate derived from government bond yields.

16. Employee benefits

Accounting policies:

Career plans:

As long term employee benefits the Company operated a ‘Defined Benefit Plan’ by the end of 2013. From December 31, 2013, the Company decided to replace it by a ‘Career plan’.

The Company operates a Career plan as a long term pension scheme regulated by the agreements ‘HungaroControl Career Plan’ and the ‘Air Controller Career Agreement’. A defined part of the Career plan are invested in retirement related financial instruments. Amounts regulated by the Air Controller Career Agreement are invested in a separate financial instrument, that will be only available for the air-navigation personnel after concluding their air controller position.The contributions regarding the air controllers are invested into a separate fund in 2020 according to the agreement which defines the instrument, and the closing balance was paid into that. The conversion between the schemes has been closed regarding the non-air navigation personnel as well, the payments from the closing balance of the previous scheme are fulfilled as planned. Actuarial gains and losses in other comprehensive income at transition was transferred to profit reserves.

In the Career plans within the framework of ‘HungaroControl Career Plan’ laid down by the Collective Agreement signed on 31 December 2013 and the ‘Air Controller Career Agreement’ signed on the same date, liabilities and expenses are recognized in the period in which the employee completed the services that give entitlement to the benefits from the state pension plan or from private and voluntary pension plans. With respect to these plans, the employer has assumed an obligation to make systematic contributions towards the employee's future retirement benefit but is not responsible for the future yields on the contributions made. The liabilities from Career plans are presented among other long term employee benefit plans.

Other long term employee benefit plans:

Except for the recognition of actuarial gains and losses, the initial and subsequent measurement of other long-term employee benefit plans is the same as the initial and subsequent measurement of post-employment benefit plans. Actuarial gains and losses are recognised in the statement of comprehensive income when they occur.

No specific contributions are made by the companies into a separate fund. The related future obligations should be determined in line with assumptions for inflation and wage increases, in addition to other demographical effects (such as mortality). The cash flows estimated on the basis of the previous assumptions are then discounted to the present value of the benefits and are presented in the Company's annual financial statements as a liability. Employees accumulate their entitlement from the beginning of the entitlement period until the date of payment. As a result, the liabilities need to be assessed only with respect to the period already served.

As provided in the 2013 amendment of paragraph No. 132 of the Act CCV of 2012 on the legal status of defence forces, the jubilee benefits of military service personnel commanded to do service at the Company, are to be borne by the Company, therefore a long term liability has been established and classified as past service cost.

The Company assigned long term benefit arrangements with the representative labour parties as an acknowledgement for 2018 year's performance and as a response to labour market trends. The timing of the settlements will be determined by the finalisation of the signature procedure so provision was recognised regarding these certain future engagements. This obligation now only applies to air traffic controllers.

The employee benefits according to IAS 19 Employee benefits presented under this note has been accounted for by using the evaluation of an independent, qualified actuary.

amounts in thHUF

Employee benefits	December 31, 2022	December 31, 2021
Long term employee benefits	4 578 584	3 143 607
Short term employee benefits	3 716 271	2 605 424
Total employee benefits	**8 294 855**	**5 749 031**

Long term employee benefits

Long term employee benefits include a long term liabilities from 'post-employment benefits' and 'other long term employee benefits'. The short term liabilities from these benefits are presented among 'Short term employee benefits'.

Total net present value of both long and short term liabilities from 'post-employment benefits' (career plan and termination benefits) and 'other long term employment benefits' is the following:

amounts in thHUF

Employee benefits	Termination benefits	Other employee benefits	Other short term employee benefits	Total
Present value at January 1, 2021	**266 323**	**3 354 193**	**1 411 179**	**5 031 695**
Past service cost	-8 423	-953	0	**-9 376**
Current service cost	199 061	524 152	1 875 018	**2 598 231**
Interest costs	337	4 028	0	**4 365**
Used during the year	-163 401	-124 153	-1 411 179	**-1 698 733**
Change in discount rates	-7 886	-78 030	0	**-85 916**
Net actuarial (gains)/losses	-48 055	-43 180	0	**-91 235**
Present value at December 31, 2021	**237 956**	**3 636 057**	**1 875 018**	**5 749 031**
Past service cost	0	977 844	0	**977 844**
Current service cost	329 480	536 728	2 956 549	**3 822 757**
Interest costs	4 023	18 366	0	**22 389**
Used during the year	-58 456	-147 715	-1 875 018	**-2 081 189**
Change in discount rates	-19 812	-109 260	0	**-129 072**
Net actuarial (gains)/losses	-94 751	27 846	0	**-66 905**
Present value at December 31, 2022	**398 440**	**4 939 866**	**2 956 549**	**8 294 855**
Short term part				3 716 271
Long term part				4 578 584

The following table summarizes the main financial and actuarial variables and assumptions based on which the amount of the above liability balances were determined:

amounts in thHUF

Financial and actuarial variables and assumptions	December 31, 2022	December 31, 2021
Actual exit and death probability versus estimated	-72 289	-46 896
Effect of changes in discount rate	-129 072	-85 916
Changes in expected salary increase	108 564	-62 158
Changes in the amount of expected settlements	-126 628	-57 880
Other	23 448	75 699
Total	**-195 977**	**-177 151**
Included in other comprehensive income	0	0
Included in comprehensive income statement	-195 977	-177 151

The actuarial gain included in the balance arose on those parts of the obligation, however to a lesser extent only, where the period of service is not yet fulfilled by the employees. According to the Collective Agreement signed, new non-air navigation employees in the scheme have to work 5 years till they are fully authorized members. In their case the actuarial gain/loss includes impacts like increase of salaries expected differently or the difference between the estimated and actual impact of exit and death. Actuarial gain arose on one hand due to the reverse of expected settlements in the amount of HUF 126,628 thousand. The reason of this change is that some of the air –navigation employees will be retired on a different date as it was previously planned. In 2022 the amount of Actuarial gains/losses line shows a gain result.

Actuarial gains and losses are charged to comprehensive income, since the Company takes the obligation to pay defined contribution to employees' future pension, but does not take any commitment to ensure future benefits.

Actuarial gains and losses arising from changes in financial assumptions

Discount rates: the Company used the zero coupon discount rates published by Government Debt Management Agency as per 31 December 2022. Longer term discount rates have only been used in relation to the occupational accidents balance and the jubilee benefits for the military service personnel commanded to the Company (Other long term employee benefits).
Short term discount rate used for scheme liabilities in 2022 was 13% regarding balances due within 1 year, in 2021 balances within 1 year the discount rate was near 3.2%.
Among all the actuarial assumptions the change in discount rates has significant impact on the net present value of the liability balance. From 2020 to 2021 the year end value of the obligations decreased by HUF 85,916 thousand, since between 2021 and 2022 the year-end balance decreased by HUF 129,072 thousand.

Actuarial gains and losses arising from changes in demographic assumptions

Actual versus estimated exit probability: exit assumptions for 2022 have been determined based on historical data for the last 10 years, taking into account the fact that there is a detectable relationship between the length of time worked at the Company and the probability of leaving. These are presented below broken down by categories of personnel (averages):

- 2022: Non-air navigational employees: 5.9%, air navigational employees: 0.3%.
- 2021: Non-air navigational employees: 5.7%, air navigational employees: 0.3%.

Mortality index: mortality indices used are derived from the statistics published by the Central Statistical Office assuming the mortality rate equal to 50% of the population mortality rate, with one in ten deaths being considered as work place accidents taking into account actual historical data of the Company from the last years.

Increase in salaries: wage increase assumption was used in one hand for occupational accidents, the amount of expected payments of this benefit element is affected only to a small extent by the assumptions. In addition we used wage increase assumptions for the anniversary bonuses of military personnel based on data available until 2027. After 2027 we assumed a wage increase of 3% in line with the long-term inflation target of the Central Bank.

The Company does not expect any reasonable possible change in the actuarial assumptions which would materially affect the year end balances of the liabilities hence there is no need to disclose sensitivity analyses regarding the main actuarial assumptions used.

Short term employee benefits

Short term employee benefits comprise the following items:

amounts in thHUF

Short term employee benefits	December 31, 2022	December 31, 2021
Short term part of post employment benefits and other long term employee benefits	759 721	730 407
Salaries payable for December	846 592	753 730
Bonuses payable on a short-term basis	128 251	25 969
Short-term compensated absences	143 791	14 811
Payables regarding performance and financial target achievements	1 213 661	725 528
Payables regarding security and traffic related targets	621 511	0
Other	2 744	354 979
Total	**3 716 271**	**2 605 424**

17. Related party disclosure

Transactions with related parties:

Transactions with the Hungarian State and with other state controlled entities:

As the Company applies the exemption provided in IAS 24.25, balances with the Hungarian State and with other state controlled entities do not have to be disclosed fully.

However, owing to the exemption, the Company is required to make the following disclosures regarding partners which can be considered to be influential from the Company' perspective:

Governmental bodies appointed by law to settle the costs of flights exempted from air navigation charges are the Ministry of Construction and Transport, Ministry of Defence and Ministry of Foreign Affairs.
Cost of flights exempted from charges and settled with the Hungarian State are recognized as short term and long term assets and are credited into revenues from air navigation services – refer to Notes 5., 14.1 and 14.2.
The total amounts of reimbursement claims for flights exempted from charges were as follows:

amounts in thHUF

Exempted flights	Balance as per, December 31, 2022	Balance paid off	Credited to Financial income	Credited to Revenue	Balance as per, January 1, 2022
Ministry of Defence	**859 544**	576 160	19 817	320 177	**1 095 710**
Ministry of Construction and Transport*	**68 592**	27 756	1 343	31 296	**63 709**
Ministry of Foreign Affairs	**25 960**	34 436	1 760	25 959	**32 677**
Total	**954 096**	**638 352**	**22 920**	**377 432**	**1 192 096**

Exempted flights	Balance as per, December 31, 2021	Balance paid off	Credited to Financial income	Credited to Revenue	Balance as per, January 1, 2021
Ministry of Defence	**1 095 710**	276 388	2 553	520 833	**848 712**
Ministry for Innovation and Technology**	**63 709**	15 874	123	36 014	**43 446**
Ministry of Foreign Affairs	**32 677**	23 253	155	32 677	**23 098**
Total	**1 192 096**	**315 515**	**2 831**	**589 524**	**915 256**

** It took over the tasks in relation to transport from the previous tasks of Ministry of Technology and Industry (legal predecessor Ministry for Innovation and Technology).*
*** Its legal successor is the Ministry of Technology and Industry.*

Dividend is payable to the Hungarian State based on the 2019 financial statements in the amount of HUF 1,000,000 thousand approved in 2020, and HUF 200,000 thousand based on the 2020 financial statements approved in 2021.

Governmental organizations from whom the Company purchases services, leases assets from, has other obligations to pay to, or sale products and provide services are presented below.

The following government bodies have no direct control over the Company or reversed, however, the management of the Company considers these transactions to be **significant** in terms of size and are disclosed to regulatory authorities and also reported to senior management hence are disclosed hereinafter.

In September 2007, the Company signed an asset management agreement with the authority responsible for national property (Treasury Property Directorate legal predecessor of **Hungarian National Asset Management Inc**.). According to the agreement, the Company acquired asset management rights over state owned land, buildings, structures and related property rights. The Company classifies the contract as leases under IFRS 16 ‘Leases’ Standard. Right-of-use assets and lease liabilities in the Financial Statements are presented according to the requirements. According to the agreement the Company is obliged to keep the assets at their original nominal value by restoring, replacing and improving them counterbalancing the loss in usage values. The liability to keep the state owned assets at their original nominal value (‘replacement obligation’) was disclosed at the beginning among long term liabilities. The related regulation was amended with an effective date of 28 June 2013 resulting in the release of the replacement obligation. The accumulated replacement obligation was settled by agreements signed, thus the value of current year construction and renovation on state owned assets is accounted for among receivables.

amounts in thHUF

Related parties	Services used	2022	2021
Hungarian National Asset Management Inc.	Asset management fee payable according to an asset management agreement over state owned land and buildings	1 449 581	1 567 059
	- Of which Lease fee	1 448 074	1 550 308
Ministry of Construction and Transport	Supervisory fee payable of air navigation services over Hungary	900 619	742 700
	Supervisory fee payable of air navigation services over Kosovo	119 724	100 000
	Air navigation service related administration fees payable	15 410	215 386
	Other payable license fees	4 530	7 870

Further transactions considered to be **significant** in terms of size:

amounts in thHUF

Related parties	Services used	2022	2021
MVM Next Energiakereskedő Plc.*	Electricity expenses	0	148 162
	Gas expenses	84 258	39 979
Hungarian Meteorological Service (OMSZ)	Purchase of meteorological data	24 229	23 768
Digital Government Agency	Public procurement procedure fee	26 548	22 514
Directorate General of Public Procurement	Lease of properties	8 129	8 129
National Waste Management Coordination and Asset Management Plc.	Waste collection services used	3 863	4 202
Ministry of Defence	Lease of properties	1 811	1 811
MFK Hungarian Development Center Nonprofit Ltd.**	Lease of properties	1 384	5 477

** The electricity service is provided by a non-affiliated company.*
*** The leased property was returned during the year.*

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. In 2022 and in 2021 no provisions have been made for doubtful debts in respect of amounts owed by related parties.

There were not any events or transactions occurred in the years presented which ones the management considers to be outside the normal day-to-day business operation or which were carried out on non-market terms.

Transactions with the partner having direct control over the Company:

amounts in thHUF

Transactions with N7 Holding Plc.	31 December 2022	31 December 2021
Amounts presented in Statement of Comprehensive Income*		
Sales of IT services	-9 579	0
Sales of intermediated travel services	-1 706	0
Cost of intermediated travel services	1 706	0
Amounts presented in Statement of Financial Position**		
Amounts owed by parent company	10 541	0

** Revenues (-)/Expenses (+)*
*** Receivables (+)/Liabilities (-)*

Transactions with joint ventures:

EPC Ltd. provides the training of air navigation personnel for the Company, and provides language courses. Sales revenues from EPC Ltd. include office rentals, training room rentals and revenues for management services. Short term liabilities are fully settled at the year end.
During 2022, the training of air controllers has reached its pre-pandemic level.

The transactions with EPC Ltd. are disclosed fully:

amounts in thHUF

Transactions with EPC	December 31, 2022	December 31, 2021
Amounts presented in Statement of Comprehensive Income		
Sales of management services	-13 012	0
Purchases of training services	802 674	59 257
Amounts presented in Statement of Financial Position		
Amounts owed by related parties	81	0
Amounts owed to related parties - long term	-5 307	0
Amounts owed to related parties - short term	-294	-2 435

** Revenues (-)/Expenses (+)*
*** Receivables (+)/Liabilities (-)*

Transactions with FABCE Aviation Services, Ltd. include purchase of professional support and management services (2022: HUF 41,268 thousand, 2021: HUF 27,096 thousand).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. In 2022 and in 2021 no provisions have been made for doubtful debts in respect of amounts owed by joint ventures.

No events or transactions occurred in the years presented which the management considers to be outside the normal course of the business operation or which were carried out on non-market terms.

Remuneration of the Supervisory Board, compensation of key management personnel:

The remuneration of key management personnel of the Company is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Financial year 2022

amounts in thHUF

Remuneration of key personnel	Short-term employee benefits	Other long-term benefits	Termination benefits
Remuneration of Board of Directors	46 196	0	0
Remuneration of the Supervisory Board	96 752	2 645	0
Remuneration of Chief Executive Officer and Directors of the Company*	308 639	4 457	16 674
Total	**451 587**	**7 102**	**16 674**

** The amount includes in total HUF 18,204 thousand bonus expenses.*

Financial year 2021

amounts in thHUF

Remuneration of key personnel	Short-term employee benefits	Other long-term benefits	Termination benefits
Remuneration of Board of Directors	29 523	0	0
Remuneration of the Supervisory Board	69 605	0	0
Remuneration of Chief Executive Officer and Directors of the Company*	291 785	0	0
Total	**390 913**	**0**	**0**

** The amount includes in total HUF 38,557 thousand bonus expenses.*

Key management personnel include the Chief Executive Officer, the Directors of the Company, the members of the Board of Directors and the members of the Supervisory Board.

No loans or advance payments were granted to the members of the Supervisory Board and Board of Directors or the key management personnel, and the Company did not undertake guarantees in their names.

18. Commitments, contingencies

Under- and overrecovery balances from air navigation services

Under- and overrecovery balances in Kosovo segment:
According to the special mechanism of the system, for charging zones applying full cost recovery method, like the Serbia-Montenegro-KFOR charging zone, the difference between income and chargeable costs for year ‘n’ resulted in underrecovery or over-recovery balances. Over- and underrecoveries are calculated as a difference between charges billed to users, other income and actual chargeable costs. Underrecovery or overrecovery balances are settled through the “adjustment mechanism”, when balances of year ’n’ are carried over to year ‘n+2’ (earliest) and taken into account in the calculation of the chargeable unit rates.

Under- and overrecovery balances in en-route and terminal segments of the Hungarian charging zone:
In the performance scheme under- and overrecoveries arise due to various occurrences: the risk of deviation from the traffic and inflation forecasted is shared with the airspace users. The Company does not bear the risk of the so called "uncontrollable costs", thus, the Company has to settle under- and overrecovery balances from these facts in the future. Under-and overrecovery balances may arise simultaneously in the same period and for the same segment due to different risk sharing rules.

The Company does not recognize these revenue settlement balances in the Statement of Financial Position, as these balances fulfil the criteria of contingent assets and liabilities and have a significant impact on future cash flows and operations, therefore are disclosed hereinafter with amounts measured in accordance with the requirements for measuring provisions.

Estimates of financial effects - Contingent assets arising from underrecovery balances due to EUROCONTROL's adjustment mechanism:

amounts in thHUF

Underfunding from cost base mechanism	Closing balance, December 31, 2022	Amounts reimbursed (reversals)	Amounts generated during the financial year	Opening balance, January 1, 2022
underrecoveries from 2016, En-route segment	67 224	0	0	67 224
underrecoveries from 2020, En-route segment	11 541 321	0	0	11 541 321
underrecoveries from 2020, TNC segment	2 141 787	0	0	2 141 787
underrecoveries from 2020, Kosovo segment	0	-634 957	0	634 957
underrecoveries from 2021, En-route segment	9 612 755	0	0	9 612 755
underrecoveries from 2021, TNC segment	2 211 270	0	0	2 211 270
underrecoveries from 2021, Kosovo segment	220 513	0	0	220 513
underrecoveries from 2022, En-route segment	3 973 071	0	3 973 071	0
underrecoveries from 2022, TNC segment	831 707	0	831 707	0
Total underrecovery carried over	**30 599 648**	**-634 957**	**4 804 778**	**26 429 827**

Estimates of financial effects - Contingent liabilities arising from overrecovery balances due to EUROCONTROL's adjustment mechanism:

amounts in thHUF

Overfunding from cost base mechanism	Closing balance, December 31, 2022	Amounts reimbursed (reversals)	Amounts generated during the financial year	Opening balance, January 1, 2022
overrecoveries from 2016, En-route segment	500 943	0	0	500 943
overrecoveries from 2016, TNC segment	178 742	0	0	178 742
overrecoveries from 2017, En-route segment	549 380	0	0	549 380
overrecoveries from 2017, TNC segment	188 557	0	0	188 557
overrecoveries from 2018, En-route segment	650 576	0	0	650 576
overrecoveries from 2018, TNC segment	192 901	0	0	192 901
overrecoveries from 2019, En-route segment	613 930	0	0	613 930
overrecoveries from 2019, TNC segment	206 056	0	0	206 056
overrecoveries from 2020, En-route segment	6 198 384	0	0	6 198 384
overrecoveries from 2020, TNC segment	1 156 838	0	0	1 156 838
overrecoveries from 2021, En-route segment	4 005 466	0	0	4 005 466
overrecoveries from 2021, TNC segment	1 140 704	0	0	1 140 704
overrecoveries from 2022, En-route segment	12 271 568	0	12 271 568	0
overrecoveries from 2022, TNC segment	889 229	0	889 229	0
overrecoveries from 2022, Kosovo segment	709 316	0	709 316	0
Total overrecovery carried over	**29 452 590**	**0**	**13 870 113**	**15 582 477**
Contingent liability from non-controllable costs	752 471	-184 499	715 687	221 283
Contingent liability from other unit rate related differences	219 013	0	0	219 013
Contingent liability from differences of Actual vs. Planned	0	-502 268	0	502 268
Total contingent liability from cost base mechanism	**30 424 074**	**-686 767**	**14 585 800**	**16 525 041**

The possible assets and obligations are expected to be realized, however the exact amounts of these depend on uncertain future events not wholly within the control of the entity (future traffic, approval of stake-holders).

Other commitments, contingencies

Among Other commitments and contingencies the Company had the following bank guarantees given or received at the year ends presented:

amounts in thHUF

Maturity date	Amount	
14.08.2020-31.08.2023	22 046	bank guarantee given for rental fee payment
Guarantees given	**22 046**	
08.02.2018-05.01.2023	6 173	bank guarantee received in relation to investment projects
07.02.2017-20.01.2023	8 705	maintenance bond received in relation to investment projects
15.06.2018-18.05.2023	660	maintenance bond received in relation to investment projects
27.05.2022-13.06.2023	5 631	bank guarantee received in relation to investment projects
28.06.2022-05.07.2023	17 979	bank guarantee received in relation to investment projects
21.12.2021-30.11.2023	349 698	bank guarantee received in relation to investment projects
24.03.2021-12.04.2024	5 992	bank guarantee received in relation to investment projects
20.01.2022-21.01.2025	1 350	bank guarantee received in relation to investment projects
21.10.2020-31.08.2025	2 068	bank guarantee received in relation to investment projects
31.03.2022-08.04.2026	651	bank guarantee received in relation to investment projects
18.01.2022-30.01.2027	1 947	bank guarantee received in relation to investment projects
13.12.2022-30.11.2027	12 002	bank guarantee received in relation to investment projects
Guarantees received	**412 857**	

As part of the tendering process regarding new projects and contracts, the Company may require performance or advance payment guarantees. These guarantees are mostly connected to building reconstruction projects, construction or restructuring projects of the safety and communication infrastructures and systems.
These guarantees vary in length depending on the life of the contract and may run until the expiry of the contract. The total guarantees received in these respects at 31 December 2022 were HUF 412,857 thousand of which HUF 349,698 thousand guarantee belongs to the purchase of the Modular Intergrated Remote Tower (mirTWR) system.

19. Capital risk management

HungaroControl manages its capital to be able to continue as a going concern, to ensure that it meets its obligations towards its partners and to fund business development. The Company's capital is in majority represented in tangible assets and intangible assets, that largely serve the core business. In addition, due to the settlement mechanism that governs the Company's operations, the proportion of cash and cash equivalents was significant in 2022. The Company finances its activity from own capital. Although the Company entered into loan agreements, the drawn down of the loan will not cause additional risk in 2022.

The Company monitors its equity structure continually to be able to comply with the Hungarian legislation which prescribes a certain level of issued capital/equity attributable to the owners' ratio. The Company fulfilled the defined requirements as enacted by the regulation.

20. Events after the reporting period

The Company has assessed the impact on the financial statements of the information that becomes available after the date of Statement of Financial Position but before the financial statements are authorised for issue in accordance with IFRS Acounting Policies. On this basis, we are not aware of any significant events that would have an impact on the financial statements.

The financial statements of the Company for the year ended at December 31, 2022 prepared in conformity with International Financial Reporting Standards (IFRS) are approved in accordance with the resolution of the CEO on 31 May 2023.

Budapest, 31 May 2023

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Chief Executive Officer