HUNGAROCONTROL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

in accordance with International Financial Reporting Standards (IFRS)

Budapest, 09 May 2016

Chief Executive Officer

HUNGAROCONTROL GROUP
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

CONTENTS

Building a better
working world

Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632. Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholder of HungaroControl Zrt

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HungaroControl Zrt ("the Company"), which comprise the consolidated statements of financial position as at 31 December 2015, the consolidated statements of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Building a better working world

Opinion

In our opinion the consolidated financial statements give a true and fair view of the financial position of HungaroControl Zrt as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Other matters

The entity has prepared another set of financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary and we have issued a report on those financial statements.

The entity has prepared the consolidated 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.

(The original Hungarian language version has been signed.)

Bartha Zsuzsanna
Budapest, 9 May 2016
Ernst & Young Kft

HUNGAROCONTROL GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
(all amounts in thousands HUF unless otherwise stated)

	Notes	December 31, 2015 thHUF	December 31, 2014 thHUF
Intangible assets	5	8 790 347	6 887 731
Property, plant and equipment	6	12 389 582	10 248 184
Investments in joint ventures	7	72 552	49 259
Invested financial assets		0	16 842
Other long term assets	8	326 413	375 400
Deferred tax asset	9	0	0
Non-current assets		**21 578 894**	**17 577 416**
Inventories	10	26 176	27 454
Trade receivables	11	5 540 396	6 463 360
Other current assets	12	2 149 067	3 178 910
Current tax receivable	13	45 666	118 168
Financial assets available for sale	14	14 799 975	9 048 543
Other financial assets	14	16 658	6 366 900
Cash and cash equivalents	14	6 114 126	3 298 691
Current assets		**28 692 064**	**28 502 026**
TOTAL ASSETS		**50 270 958**	**46 079 442**
Share capital	1	20 201 600	20 201 600
Reserves		19 218 458	13 964 351
Shareholder's equity		**39 420 058**	**34 165 951**
Long term provisions	15	28 656	27 499
Long term employee benefits	16	1 644 530	2 860 474
Other long term liabilities	17	1 436 584	2 071 346
Deferred tax liability	9	126 118	17 080
Non-current liabilities		**3 235 888**	**4 976 399**
Trade payables	18	2 145 776	2 314 961
Short term provisions	15	87 526	37 560
Short term employee benefits	16	3 296 152	2 603 051
Current tax liability	13	129	22
Other short-term liabilities	19	2 085 429	1 981 498
Current liabilities		**7 615 012**	**6 937 092**
TOTAL LIABILITIES		**10 850 900**	**11 913 491**
TOTAL EQUITY & LIABILITIES		**50 270 958**	**46 079 442**

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

HUNGAROCONTROL GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(all amounts in thousands HUF unless otherwise stated)

	Notes	December 31, 2015 thHUF	December 31, 2014 thHUF
Revenue from air navigation services	20	36 495 815	36 775 798
Other revenue	20	107 696	361 798
Revenue		**36 603 511**	**37 137 596**
Personnel expense	21	16 572 595	15 765 833
Operating expense	22	9 138 150	8 682 955
Depreciation, depletion, amortization and impairment	5, 6	2 969 890	2 778 088
Other income / expense (-)	23	179 734	589 270
Operating expense		**28 500 901**	**26 637 606**
OPERATING PROFIT		**8 102 610**	**10 499 990**
Financial income / expense (-)	24	344 703	470 676
Profit from financial activities		**344 703**	**470 676**
Share from profit / loss of joint venture	7	**23 304**	**18 861**
PROFIT BEFORE TAX		**8 470 617**	**10 989 527**
Income tax expense	25	**2 361 660**	**2 634 621**
PROFIT FOR THE YEAR		**6 108 957**	**8 354 906**
Attributable to equity holder of the parent		**6 108 957**	**8 354 906**
OTHER COMPREHENSIVE INCOME			
Items reclassified subsequently to profit and loss			
Gain / loss (-) on cash flow hedges	26, 29	**130 739**	**-167 414**
Less tax effect	9	**0**	**0**
Gain / loss (-) on fair valuation of financial assets available for sale		**27 900**	**-53 987**
Less tax effect	9	**-4 557**	**9 546**
Items that will not be reclassified subsequently to profit and loss			
Actuarial gain / loss (-)	16	**-4 929**	**15 959**
Less tax effect	9	**-894**	**-2 336**
Other comprehensive income, net of tax		**148 259**	**-198 232**
TOTAL COMPREHENSIVE INCOME		**6 257 216**	**8 156 674**
Attributable to equity holder of the parent		**6 257 216**	**8 156 674**

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

HUNGAROCONTROL GROUP
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(all amounts in thousands HUF unless otherwise stated)

	Notes	Share capital	Retained earnings	Valuation reserve	Total reserves	Owners' share of profit	Attributable to the owners of the Group	Total shareholder's equity
		thHUF	thHUF	thHUF	thHUF	thHUF	thHUF	thHUF
Opening balance at 1 January, 2014		**20 201 600**	**7 209 007**	**-401 330**	**6 807 677**	**100%**	**27 009 277**	**27 009 277**
Transactions recognised in other comprehensive income	**9, 16**	0	0	-198 232	**-198 232**	100%	-198 232	**-198 232**
Profit for 2014		0	8 354 906	0	**8 354 906**	100%	8 354 906	**8 354 906**
Total comprehensive income		**0**	**8 354 906**	**-198 232**	**8 156 674**	**100%**	**8 156 674**	**8 156 674**
Dividends		0	-1 000 000	0	**-1 000 000**	100%	-1 000 000	**-1 000 000**
Closing balance, 31 December, 2014		**20 201 600**	**14 563 913**	**-599 562**	**13 964 351**	**100%**	**34 165 951**	**34 165 951**
Transactions recognised in other comprehensive income	**9, 16**	0	-200 885	349 144	**148 259**	100%	148 259	**148 259**
Additional capital paid out to joint venture		0	-3 109	0	**-3 109**	100%	-3 109	**-3 109**
Profit for 2015		0	6 108 957	0	**6 108 957**	100%	6 108 957	**6 108 957**
Total comprehensive income		**0**	**5 904 963**	**349 144**	**6 254 107**	**100%**	**6 254 107**	**6 254 107**
Dividends		0	-1 000 000	0	**-1 000 000**	100%	-1 000 000	**-1 000 000**
Closing balance, 31 December, 2015		**20 201 600**	**19 468 876**	**-250 418**	**19 218 458**	**100%**	**39 420 058**	**39 420 058**

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

HUNGAROCONTROL GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(all amounts in thousands HUF unless otherwise stated)

	December 31, 2015 thHUF	December 31, 2014 thHUF
OPERATING ACTIVITIES		
Profit before tax	**8 470 617**	**10 989 527**
Depreciation and amortization	2 967 650	2 710 988
(Gain)/Loss on sale of property, plant & equipment	-38	12 483
Impairment/Scrapping of Fixed Assets	2 240	67 100
Impairment/Scrapping of Inventory	837	617
Increase/ (decrease) in provisions	51 123	-5 081
Interest income	-451 067	-514 993
Increase in provision for bad debts	10 090	58 803
Share of (income) from joint ventures	-23 304	-18 861
Unrealized foreign exchange (gains)/losses	-9 717	-70 056
(Gains)/losses from other non-cash transactions	18 294	0
Total	**2 566 107**	**2 241 000**
Changes in working capital:		
(Increase)/ decrease in Accounts receivable and other current assets	2 053 525	-2 731 974
(Increase)/ decrease in Inventory	441	-264
Increase/ (decrease) in Accounts payable, long term liabilities and accruals	-1 382 625	-603 477
Income taxes paid	-2 078 400	-2 638 546
Total	**-1 407 058**	**-5 974 261**
Net cash from operating activities	**9 629 666**	**7 256 266**
INVESTING ACTIVITES		
Purchase tangible assets and intangibles	-6 885 980	-3 377 765
Proceeds on disposal of property, plant & equipment	64	53 348
(Purchase)/ sale of financial assets	674 245	-15 394 737
Additional capital paid to joint ventures	-3 109	0
Purchase of investment	0	-1 890
Interest paid	0	-86
Interest received	401 821	550 832
Net cash used in investing activities	**-5 812 960**	**-18 170 298**
FINANCING ACTIVITIES		
Dividend paid	-1 000 000	-1 000 000
Net cash used in financing activities	**-1 000 000**	**-1 000 000**
Decrease in cash and cash equivalents	**2 816 706**	**-11 914 032**
Cash and cash equivalents at beginning of year	3 298 691	15 212 458
Exchange rate loss on cash and cash equivalents	-1 271	265
Cash and cash equivalents at end of year	**6 114 126**	**3 298 691**

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

1. General information

1.1. Company background

HungaroControl Hungarian Air Navigation Services Private Limited Company (the "Company" or “HungaroControl”) with its joint ventures Entry Point Central Kft. (‘EPC Kft.’) and FABCE Aviation Services Ltd. form HungaroControl Group (“the Group”).

HungaroControl and its joint venture, Entry Point Central Ltd. are incorporated under the laws of Hungary. The joint venture of FAB CE Aviation Services Ltd. is established under the laws of the Republic of Slovenia. Court registration number of HungaroControl is Cg. 01-10-045570. Registered address of the Company is H-1185 Budapest, Igló u. 33-35., Hungary. Webpage: www.hungarocontrol.hu.

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.

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.

Average number of employees of the Group was 743.7 in 2015 (2014: 719.8).

1.2. Governance

HungaroControl is 100% owned by the Hungarian State. The founder’s and owner’s rights are exercised by the Ministry of National Development. The Company is directed by the Board of Directors.
The operations of the Group are supervised by the Supervisory Board composed of six members: four representatives of the Owner and two representatives of the employees.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Group 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. Therefore, the present financial statements comply with Article 4 of the EU IAS Regulation and with the Article 12 of the Regulation (EC) No. 550/2004.

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.
The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2. Basis of consolidation

The consolidated financial statements include the accounts of HungaroControl and its joint ventures, Entry Point Central Kft. (EPC Kft.) and FAB CE Aviation Services Ltd. (FAB CE Ltd.).

EPC Ltd. was founded to provide training for air navigation personnel. The Company is jointly controlled with the Swedish Entry Point North AB (owns 51% of the registered capital whereas HungaroControl owns 49%). The voting rights held equal to the proportion of ownership. The parties of the arrangement have rights to the net assets of the arrangement. 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 consolidated in the financial statement using equity method.

(all amounts in thousands HUF unless otherwise stated)

The table below shows the details of EPC Ltd.:

Joint venture	Date of foundation	Registered capital (in thHUF)	Ownership
Entry Point Central Kft.	May 26, 2011	1 000	HungaroControl 49% - Entry Point North 51%

EPC Ltd. is incorporated in Hungary and keeps its books in Hungarian Forints.

The consolidated financial statements are prepared in accordance with the measurement and presentation basis applied in IFRS.

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Unrealized gains on transactions between the companies are eliminated (such elimination adjustment was zero for both of the years). Accounting policies of the joint venture are in line with the policies adopted by the Group.

In 2014 the Group gained another member, FAB CE Aviation Services Ltd. which was established with the participation of the ANSPs of Austria, the Czech Republic, Croatia, Hungary, Slovakia and Slovenia. Executives of the air navigation service providers of the Functional Airspace Block of Central Europe (FAB CE) signed it's the foundation deed on October 17th, 2014.

Joint venture	Date of foundation	Registered capital (in EUR)	Ownership
FAB CE Aviation Services Ltd.	October 17, 2014	36 000	HungaroControl 16,67% - same rate is applicable for the 5 other members (16,67%)

The Company is responsible for the support of the implementation of the FAB CE programme and for the professional management of various regional air navigation projects. The joint company foster implementation of already existing FAB CE projects, facilitate the exchange of services and assist the FAB CE programme, including the common procurement of high-level professional support, project management and administrative services.

The Company is jointly controlled by its members each owning 16.67 of the business. The major governing policies are formed based on unanimous decisions of the quota holders. All of the members contributed with EUR 6,000 to the initial capital. On December 01, 2015 an additional EUR 10 000 (HUF 3.109 thousand) capital has been paid to FAB CE Aviation Ltd. by all the members. The additional contributions did not change the extent of the quota holding nor the voting rights. FAB CE Aviation Services Ltd. is incorporated in Slovenia and keeps its books in EUR and according to the IFRS.

2.3. Foreign currency translations

Functional and presentation currency:

Items presented in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"), which is the Hungarian Forint (HUF) and in the case of the joint venture FAB CE Aviation Services Ltd. the Euro (EUR). The consolidated 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.

2.4. Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in case of acquisition of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. Purchases and sales of investments and other financial assets are recognized on settlement date which is the date when the asset is delivered to the counterparty. The Group's financial assets are classified at the time of initial recognition depending on their nature and purpose. Financial assets include cash and short-term deposits, trade receivables, loans and other receivables, and derivative financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Other investments are investments acquired for trading and therefore do not qualify as related parties. Gains or losses on investments held for trading are recognized as finance income or finance expense in the statement of comprehensive income.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months from the balance sheet date and are not held with the primary purpose of being traded.
In this case all payments on such instruments are classified as noncurrent. Financial assets held for trading cannot be reclassified subsequently into other categories. As at December 31, 2015 (also in 2014), no financial assets have been designated as at fair value through profit and loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

Regarding securities the Group decided that only securities that mature over three months from the date of purchase can be recognised in this category, provided that the Group is both willing and able to hold them to maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The following items of the financial position classify as loans and receivables: long-term debt securities, borrowings granted, receivables, debtors, other current receivables, debt securities, cash and cash equivalents.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in the fair valuation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded as other comprehensive income is recognized in the income statement.
After initial recognition available-for-sale financial assets are evaluated on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Group may choose to reclassify these financial assets to loans and receivables or held-to-maturity when this is in accordance with the applicable IFRS.

Fair value

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 balance sheet date 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.

2.5. Classification and de-recognition of financial instruments

Financial assets and financial liabilities carried on the consolidated financial position include cash and cash equivalents, trade and other receivables and payables and long-term receivables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note. Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The de-recognition of a financial asset takes place when the Group 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 Group neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognizes its retained interest in the asset and a liability for the amounts it may have to pay.

The Group did not reclassify any of its financial assets or liabilities between the above categories.

2.6. Hedging

For the purpose of hedge accounting, hedges are classified as fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation.
The Group concludes cash flow hedges. 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 Group formally designates and documents the hedge relationship to which the Group 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 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 income statement when the hedged transaction affects the income statement, 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 income statement. 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 income statement.

2.7. Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Impairment losses on a financial asset or group of financial assets are recognized only if there is an objective evidence of impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in the comprehensive income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from other comprehensive income to the income statement. Impairment losses recognized on equity instruments classified as available for sale are not reversed; increases in their fair value after impairment are recognized directly in other comprehensive income. Impairment losses recognized on debt instruments classified as available for sale are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

2.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, short-term bank deposits with less than three months to maturity and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.9. Trade and other receivables

Trade and other receivables are recognized initially at fair value 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 when there is objective evidence that the Group will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired.

Trade receivables from air space users are managed, collected and enforced by Central Route Charges Office (‘CRCO’) of EUROCONTROL. Users are classified in categories of active and inactive.
Depending on user information, the Group makes a provision of 50% on doubtful debts regarding active users, a provision of 75% for inactive users, and 100% provision when there is solid information that the debtor is definitely not able or willing to settle its debt in the future.

2.10. Inventories

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 Group in inventories and are carried through profit or loss 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 Group 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.

2.11. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation, depletion and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

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 income statement in the period in which the costs are incurred.

Construction in progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant asset is available for use.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The amortization period and the amortization method are reviewed annually at each financial year-end.

Typical depreciation rules are stated as follows:

Type of asset	Depreciation
Assets in the course of construction	not depreciated
Land	not depreciated
Buildings	2.5 %
Other structures	2.5 %
Development on third party property	6.0 %
Production machinery and equipment	14.5 %
Computer hardware	33.0 %
Telecommunication equipment	14.5 %
Furniture	10%

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items property, plant and equipment.
The Group estimates residual value of assets when the expected useful life of the asset is less than its technically possible useful life, and when revenues are expected from the sale of the asset at the end of its useful life. Residual values are not depreciated.

2.12. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will accrue; and the cost of the asset can be measured reliably. 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 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%

2.13. Impairment of assets

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. The recoverable amount is the higher of the assets’ fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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.

2.14. Leases

The determination of whether an arrangement is a lease, or contains lease elements, is based on the substance of the arrangement at inception date as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.
A reassessment after inception of the lease is possible only if one of the following applies:
(a) there is a change in contractual terms, other than renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in determination of whether fulfilment is dependent on a specific asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

In 2015 and 2014 the Company had no finance lease contracts.

Operating lease payments are recognized as an expense in the comprehensive income statement on a straight-line basis over the lease term.

At its foundation, HungaroControl has been appointed by the Hungarian State to fulfil air traffic control activities. For this activity the State has provided lands and buildings to the Group under an asset management contract. This agreement falls under the Leasing standard. As the ownership of the property items never passes over to the Group, the contract is for an indefinite period, and the Group does not exercise full ownership rights over the assets, this arrangement is classified as operating lease. Therefore, the property items received under the property management contract are not recognised as assets of the Group. The property management fee payable to the Hungarian National Asset Management Inc. is shown among services used.

The property management contract includes a requirement to preserve the assets held under the lease and maintain their condition. The Group recognizes a long term liability named 'Replacement obligation' for this obligation.

Group as a lessor:

Finance lease is where the Group transfers substantially all the risks and benefits of ownership of the asset. Assets held under a finance lease are presented in the statement of financial position as a receivable at an amount equal to the net investment in the lease. Finance incomes are recognized in the statement of comprehensive income.

In 2015 and 2014 the Company had no finance lease contracts.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial indirect cost incurred while concluding an operating lease agreement are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2.15. Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.
The carrying values of trade and other payables approximate their fair values due to their short maturity.

2.16. Provisions

Provisions are recognized when the Group 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 balance sheet date.

2.17. Long term employee benefits

Defined benefit plans:

In 2013 the Group operated a “Defined Benefit Plan”.
Contribution expenses under defined benefit plans are calculated based on the projected unit credit method and are subject to an actuarial assessment at the end of each period. The Company relies on actuarial assistance at the end of each year to establish the present value of its benefit obligations. Changes in the present value of the benefit obligation involve changes in the following factors:

a) current service cost
b) past service cost
c) any gain or loss on settlement of pension liability
d) the change during the period in the net defined benefit liability that arises from the passage of time
e) actuarial gains and losses.

From December 31, 2013, the Group decided to change its long term pension scheme from a defined benefit plan to a defined contribution plan and introduced a scheme regulated by the agreements ‘HungaroControl Career Plan’ and the ‘Air Controller Career Agreement’ implicated in the Collective Agreement operative from 31 December 2013. There are only three employees who remained in the previous scheme.

The conversion from defined benefit scheme to defined contribution scheme was still an ongoing process in 2015 and 2014. The agreement which defines the instrument, the closing balance will be paid into, was finalized with the air navigation union; however the procurement of the instrument was still ongoing in 2015. The conversion between the schemes has been closed regarding the non-air navigation personnel, the payments from the closing balance of the previous scheme are fulfilled as planned.

Defined contribution plans:

The benefit liability and expense 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.

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.

No specific contributions are made by the companies into a separate fund. The related future obligations should be determined based on factors such as employee turnover and mortality. The estimated cash flows 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 Group members need to assess their liability only with respect to the period already served.

It was determined, that the jubilee benefits of military service personnel commanded to do service at the Company, as provided in the 2013 amendment of section 132 of the Act CCV 2012 on the legal status of defence forces, are to be paid by the Group, therefore another long term liability has been established and classified as past service cost.

2.18. 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 the 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. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.19. Income taxes

Current taxes:

The Group 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 Hungarian central tax authority, and local business tax is payable to the 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 taxes:

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 consolidated financial statements. However, deferred tax is not accounted for 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 balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Where the items associated with effective and deferred taxes would be recognized directly in comprehensive income in the same or another period when the taxes are recognised are credited or charged directly to comprehensive income.

Deferred tax is charged or credited in the income statement, 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 that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

2.20. Dividend

Dividends payable to the Company's owner are recorded as a liability and debited against equity in the period in which the dividends are approved by the owner.

2.21. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from air navigation services:

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business, net of VAT and other sales related taxes.

Revenue is recognised as follows:
Air navigation services are billed and the revenues earned are recognised by the Company based on a HUF unit price determined on the basis of pre-budgeted costs and planned annual turnover, which is exchanged to EUR based on the average closing bid Reuters fx rates of previous month, and taking into account the actual chargeable service units.

Two main categories of air navigation services are navigation services provided to the overflying ('en-route') air traffic (over Hungary and in the upper airspace of Kosovo) and terminal air navigation services. In 2014 both terminal and Kosovo segments operated under the full cost mechanism, however 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 (5 years); for which periods performance plans should be prepared including the costs and turnover expected in the reference period. This will be used by the Company as a basis to calculate the annual unit prices, 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, or terminal navigation under- or overrecoveries do not have an immediate impact on the Group's revenues as the differences will be reflected in the new unit prices charged to airspace users in later aviation years.

In the case of terminal air navigation services, according to the relevant EU legislation, the business segment began to operate under the performance scheme mechanism in 2015. Based on the EU Regulation No. 391/2013 Member States with airports with fewer than 225 000 IFR air transport movements per year (the Liszt Ferenc International Airport is like this, too), after reporting to the Commission, may decide not to bear the traffic risk, that may stay on the side of the airspace users. Hungary did make the relevant reports to the European Comission in June 2013, therefore, during the 5 years reference period, began in 2015, the Group does not have to bear any traffic risk regarding the terminal navigation services.

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 which differences are then compensated via a rectifying method; as a main rule the over- or undercharging of the particular year 'n' is adjusted in the calculation of the charging rate of 'n+2'.

Further information on revenue recognition regarding all of the business segments is included under the Note 20.

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.

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 income statement.

Dividends:

Dividend income is recognized when the Group's right to receive the payment is established.

Other income (expense):

Income from agency agreements (search and rescue operations), where the Group acts as an agent, is shown as other income (expense) in the income statement together with directly related expenditures (net).

Income from settlement of costs of flights exempted from paying air navigation charges is receivable from the government, thus, reported among other income.

2.22. Operating profit

Operating profit is defined as revenues less operating expenses and other income (expense).

2.23. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless they are acquired in a business combination. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3. Significant accounting estimates and assumptions

Estimates and judgments 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 IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the disclosed amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions that may have a risk of causing material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3.1. Actuarial estimates for calculating long term employee benefits

The cost of long term employee benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.
Refer to Note 16 of the notes to the consolidated accounts for a summary of the main assumptions. Actual outcomes may differ materially from the assumptions used and may result in volatility in the pension scheme liability and in the liability of other long term employee benefits.

3.2. Provisions

Provisions in general are highly judgmental, especially in case of legal disputes. The Group 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 Group provides for the amount of the estimated liability.

3.3. Taxes

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.

3.4. Useful life of assets

The useful life of assets is based on past experience gained from the usage of other similar assets and the expected technological development. In case there are significant changes in the circumstances assumed the useful life will be reassessed.

4. Adaption of new and modified 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 Group intends to adopt these standards and interpretations when they become effective. The impact on the financials of these standards and the adjustments is under investigation:

- IFRS 9 Financial instruments – effective 1 January 2018, not yet endorsed by the EU.
- IFRS 15 Revenue from Contracts with customers – effective 1 January 2017, not yet endorsed by the EU;
- IFRS 16 Leases - effective 1 January 2019, not yet endorsed by the EU;
- IAS 12 Income taxes – Recognition of deferred tax assets for unrealised losses – effective 1 January 2017, not yet endorsed by the EU;
- IAS 7 Cash flow statement – Disclosure initiative - effective 1 January 2017, not yet endorsed by the EU;
- IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception - effective 1 January 2016, not yet endorsed by the EU;
- IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture - effective 1 January 2016, not yet endorsed by the EU;

Standards and interpretations issued and effective in the European Union are listed below. They will have no material impact on the financial statements of the Group after their adaption:

- IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization – EU effective date is 1 January 2016;
- IAS 27 Separate financial statements – Equity method - EU effective date is 1 January 2016;
- IFRS 11 Joint arrangements - Accounting of acquisitions of interests in joint operations – EU effective date is 1 January 2016;
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal – EU effective date is 1 January 2016;
- IFRS 7 Financial Instruments - Disclosures: Servicing contracts, applicability of the amendments of IFRS 7 to condensed interim financial statements – EU effective date is 1 January 2016;
- IAS 19 Employee Benefits - Discount rate: regional market issue – EU effective date is 1 January 2016;
- IAS 34 Interim Financial Reporting - Disclosure of information ‘elsewhere in the interim financial report’ – EU effective date is 1 January 2016;
- IAS 1 Disclosure Initiative – EU effective date is 1 January 2016.

(all amounts in thousands HUF unless otherwise stated)

5. Intangible assets

The table shows movements of intangible assets:

	Property right	Software	Work in progress	Intangible assets
Net value at January 01, 2014	**4 949 678**	**23 273**	**1 148 109**	**6 121 060**
Gross value:				
January 01, 2014	17 071 797	648 453	1 148 109	18 868 359
Additions during the year	0	0	2 086 171	2 086 171
Capitalization from the work in progress balance	704 559	37 780	-742 339	0
Disposals	-221 226	-351 545	0	-572 771
December 31, 2014	**17 555 130**	**334 688**	**2 491 941**	**20 381 759**
Depreciation:				
January 01, 2014	12 122 119	625 180	0	12 747 299
Additions	1 315 107	4 393	0	1 319 500
Disposals	-221 226	-351 545	0	-572 771
December 31, 2014	**13 216 000**	**278 028**	**0**	**13 494 028**
Net value at December 31, 2014	**4 339 130**	**56 660**	**2 491 941**	**6 887 731**
Gross value:				
January 01, 2015	17 555 130	334 688	2 491 941	20 381 759
Additions during the year	0	0	3 347 887	3 347 887
Capitalization from the work in progress balance	3 994 942	29 110	-4 024 052	0
Disposals	-6	-750	0	-756
December 31, 2015	**21 550 066**	**363 048**	**1 815 776**	**23 728 890**
Depreciation:				
January 01, 2015	13 216 000	278 028	0	13 494 028
Additions during the year	1 430 917	14 354	0	1 445 271
Disposals	-6	-750	0	-756
December 31, 2015	**14 646 911**	**291 632**	**0**	**14 938 543**
Net value at December 31, 2015	**6 903 155**	**71 416**	**1 815 776**	**8 790 347**

The intangible assets are free of all liens, claims and encumbrances.

(all amounts in thousands HUF unless otherwise stated)

6. Property, plant and equipment

The table shows movements of property, plant and equipment:

	Land and buildings	Technical equipment	Other equipment	Work in progress	Property, plant and equipment
Net value at January 01, 2014	**4 037 378**	**4 861 240**	**1 222 521**	**496 206**	**10 617 345**
Gross value:					
January 01, 2014	4 323 507	9 395 772	3 195 496	496 205	17 410 980
Additions during the year	0	0	0	1 144 768	1 144 768
Capitalization from the work in progress balance	108 932	520 805	307 345	-937 082	0
Disposals	0	-386 345	-343 204	0	-729 549
December 31, 2014	**4 432 439**	**9 530 232**	**3 159 637**	**703 891**	**17 826 199**
Depreciation:					
January 01, 2014	286 129	4 534 531	1 972 974	0	6 793 634
Additions	170 626	940 893	361 229	0	1 472 748
Disposals	0	-367 063	-321 304	0	-688 367
December 31, 2014	**456 755**	**5 108 361**	**2 012 899**	**0**	**7 578 015**
Net value at December 31, 2014	**3 975 684**	**4 421 871**	**1 146 738**	**703 891**	**10 248 184**
Gross value:					
January 01, 2015	4 432 439	9 530 232	3 159 637	703 891	17 826 199
Additions during the year	0	0	0	3 665 795	3 665 795
Capitalization from the work in progress balance	484 022	895 520	809 386	-2 188 928	0
Disposals	0	-77 689	-191 261	-883	-269 833
December 31, 2015	**4 916 461**	**10 348 063**	**3 777 762**	**2 179 875**	**21 222 161**
Depreciation:					
January 01, 2015	456 755	5 108 361	2 012 899	0	7 578 015
Additions	178 448	933 897	411 144	0	1 523 489
Disposals	0	-77 689	-191 236	0	-268 925
December 31, 2015	**635 203**	**5 964 569**	**2 232 807**	**0**	**8 832 579**
Net value at December 31, 2015	**4 281 258**	**4 383 494**	**1 544 955**	**2 179 875**	**12 389 582**

The above assets are free of all liens, claims and encumbrances.

The Group conducts annual reviews of the carrying values of its property, plant, equipment and intangible assets. During the year, impairment charges of HUF 3,371 thousand (2014: HUF 67,100 thousand) were made in respect of operational assets reflecting a reassessment of certain assets, and the likelihood of benefits being realised in full.

(all amounts in thousands HUF unless otherwise stated)

7. Investments in a joint venture

The Group has a 49% interest in Entry Point Central Kft., a joint venture as described under section 2.2.
The results, assets and liabilities of EPC Ltd. are incorporated in these consolidated financial statements using the equity method of accounting. The investment is carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets, less any impairment in the value of the investment.

The assets and liabilities, income and expenses of EPC KFt. and the Group's share thereof as at December 31, 2015 and 2014, are as follows:

EPC Ltd.'s balance sheet:

	December 31, 2015	December 31, 2014
Non-current assets	5 961	4 899
Current assets	189 879	140 672
Non-current liabilities	0	0
Current liabilities	53 025	48 899
Equity	**142 815**	**96 672**

EPC Ltd.'s revenue and profit:

	December 31, 2015	December 31, 2014
Revenue	502 618	539 948
Operating expenses	455 837	503 182
Financial income	4 489	6 003
Profit before taxes	**51 270**	**42 769**
Income tax expense	5 127	4 277
Profit for the year	**46 143**	**38 492**

The Group's share of the profit of EPC Ltd.:

EPC Kft.	thHUF
Profit of previous years	83 672
Profit for the year 2015	46 143
Total profit accumulated	129 815
Share of the Group from the realised profit (49%)	**63 609**
Share of the Group from the impairment recognised (49%)	0
Share of the Group from the results accumulated	**63 609**
Initial cost of investment	6 370
Investment value at the end of the reporting period	**69 979**

(all amounts in thousands HUF unless otherwise stated)

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 69,979 thousand at the end of the reporting period (2014: HUF 47,369 thousand). The gain included in the 'Share from profit / loss of joint venture' line of the comprehensive income for the financial year 2015 is HUF 22,610 thousand (18,861 in 2014).

The Group did not receive or does not expect to receive dividend in respect of the financial years above.

EPC Ltd. had no contingent liabilities or capital commitments at the year ends presented.

FAB CE Aviation Services Ltd., the other joint venture the Group owns, was registered in the Republic of Slovenia on November 17, 2014. The total share capital of the joint venture is EUR 36,000.

FAB CE Aviation Ltd.'s balance sheet:

	December 31, 2015	December 31, 2014
Non-current assets	142	0
Current assets	56 462	10 709
Non-current liabilities	22 177	29
Current liabilities	163	0
Equity	**34 264**	**10 680**

FAB CE Aviation Ltd.'s revenue and profit:

	December 31, 2015	December 31, 2014
Revenue	67 982	0
Operating expenses	62 186	643
Financial income	0	0
Profit before taxes	**5 796**	**-643**
Income tax expense	988	0
Profit for the year	**4 808**	**-643**

The Group's share of the result of FAB CE Aviation Ltd.:

FAB CE Aviation Services Ltd.	**thHUF**
Profit for the year 2014	-643
Profit for the year 2015	4 808
Total profit accumulated	4 165
Share of the Group from the realised profit (16,67%)	**694**
Share of the Group from the impairment recognised (16,67%)	0
Share of the Group from the results accumulated	**694**
Initial cost of investment	1 835
Revaluation of foreign operation	44
Investment value at the end of the reporting period	**2 573**

(all amounts in thousands HUF unless otherwise stated)

8. Other long term assets

The cost of flights exempted from charges settled with the Hungarian State are recognised as short term and long term assets and are credited to other revenues.

The value of the balance of the receivable from flights exempted from charges are calculated based on actual service unit numbers, and the costs per service units derived from the cost base approved.

The term of payment agreed with the relevant government bodies is two years. As the effect of discounting is considered to be material on the balance the Group discounted these balances over two years using zero coupon rates derived from the yield curve of government bonds.

The interest income on discounting recognized for 2015 was HUF 11,432 thousand (2014: 29,375).

Outstanding balances broken down per partners:

	December 31, 2015	December 31, 2014
Ministry of Defence	649 097	1 081 937
Ministry of National Development	44 707	46 151
Ministry of Foreign Affairs	30 957	82 358
Total	**724 761**	**1 210 446**
Due in one year	*398 348*	*835 046*
Due over one year	*326 413*	*375 400*

HUF 824 million of the total outstanding balance was settled in 2015 (HUF 464 million in 2014). Additional balance established for 2015 was HUF 326,413 thousand (HUF 375,400 thousands for 2014). The amounts of receivables for the compensation of costs of 2015 flights exempted from charges are included as long term assets in the statement of financial position.

(all amounts in thousands HUF unless otherwise stated)

9. Deferred tax assets, liabilities

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

Reason for differences between tax rules and accounting treatment under IFRS	Balance at December 31, 2015	Credit/ (charge) to equity	Credit/ (charge) to income	Balance at December 31, 2014
Accelerated tax depreciation	-885 608		83 495	-969 103
Valuation reserve of available for sale financial assets	11 121	-4 557	6 132	9 546
Inventory capitalised as fixed assets whereas treated as inventory according to the tax base	18 254		1 662	16 592
Provisions not included in tax base	766 551	-894	-80 740	848 185
Bad debt allowances not included in tax base	25 144		-82 851	107 995
Differences between tax base and carrying amount of assets discounted	2 866		-93	2 959
Depreciation included in tax base on assets from development reserve	0		157 006	-157 006
Differences on fixed assets not yet capitalised and debited to income statement	-208 838		-323 339	114 501
Differences on replacement obligation of state owned assets	172 573		143 986	28 587
Government grants included in tax base whereas accounted for as income in the next financial year	-28 181		-8 845	-19 336
Total deferred tax asset/liability	**-126 118**	**-5 451**	**-103 587**	**-17 080**

Reason for differences between tax rules and accounting treatment under IFRS	Balance at December 31, 2014	Credit/ (charge) to equity	Credit/ (charge) to income	Balance at December 31, 2013
Accelerated tax depreciation	-969 103		-133 207	-835 896
Valuation reserve of available for sale financial assets	9 546	9 546	0	0
Inventory capitalised as fixed assets whereas treated as inventory according to the tax base	16 592		-5 613	22 204
Provisions not included in tax base	848 185	-2 336	35 751	814 770
Bad debt allowances not included in tax base	107 995		-37 344	145 339
Differences between tax base and carrying amount of assets discounted	2 959		-5 018	7 977
Depreciation included in tax base on assets from development reserve	-157 006		18 512	-175 518
Differences on fixed assets not yet capitalised and debited to income statement	114 501		112 339	2 162
Differences on replacement obligation of state owned assets	28 587		-137 083	165 670
Government grants included in tax base whereas accounted for as income in the next financial year	-19 336		-10 359	-8 977
Total deferred tax asset/liability	**-17 080**	**7 210**	**-162 021**	**137 731**

(all amounts in thousands HUF unless otherwise stated)

Deferred tax regarding valuation reserve of available for sale financial assets and remeasurements on post-employment liability is included in the relevant reserve line item and therefore presented in the statement of other comprehensive income.

Deferred tax assets and liabilities have been offset as the Group 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 10% for the first HUF 500 million of the tax base – above that a rate of 19% is applicable. Corporate income tax rate applied for deferred tax calculation is based on the estimated assessable tax base and tax payable for the relevant years. The report used for tax planning purposes and assessed by the key management personnel is the same one used for calculation of the tax rate applicable for deferred tax calculation.

Local business tax and innovation contribution are projected on a tax base derived from the netting of revenue and certain expenses. These taxes 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.

Deferred taxes were calculated with income tax rate of 17,29% in 2015 and 17,65% in 2014.

From the balance above HUF 9,121 thousand deferred tax asset is expected to be reversed in one year, HUF – 135,239 thousand deferred tax liability is expected to be reversed in 5 years.

The Group had no tax loss carry forward balances at the year ends presented.

10. Inventories

Balances at the year ends occurred as follows:

	December 31, 2015	December 31, 2014
Spare parts	25 649	26 522
Other materials	527	932
Inventories	**26 176**	**27 454**

Items such as spare parts, stand-by equipment and servicing equipment are recognized among inventories and are carried through profit or loss upon use. Certain significant spare parts used at radar stations and significant navigation equipments meet the definition of property, plant and equipment, thus are recognized as items of property, plant and equipment. The inventory balance for 2015 includes an impairment loss amounting HUF 844 thousand (HUF 617 thousand in 2014). No previously recognized impairment loss has been released for the years presented.

(all amounts in thousands HUF unless otherwise stated)

11. Trade receivables

	December 31, 2015	December 31, 2014
Trade receivables	5 989 853	7 286 276
Intercompany receivable	2 168	8 626
Allowances	-451 625	-831 542
Total	**5 540 396**	**6 463 360**

Due to the invoicing policy, the average outstanding balance for receivables equals the amount of two months sales turnover.

An allowance of HUF 451,625 thousand (2014: 831,542) has been accounted for balances estimated irrecoverable. Full provision has been made for customer balances not expected to be recovered. The balances are assessed for credit quality and reviewed both periodically and at the end of the reporting period.
In case there is an estimated loss identified and expected to exist permanently between the carrying amount and the amount estimated recoverable the differences are provided for.

The receivables from services rendered to airlines are maintained, calculated, invoiced and collected by the Central Route Charges Office (CRCO). The Group assesses these balances individually based on recommendations received from CRCO. Doubtful balances of active customers are provided for up to 50% of the balance outstanding. Balances of customers under liquidation, or in administration are provided for up to 75% of the balance outstanding. On balances considered irrecoverable and classified as bad debts the Group makes a provision amounting 100%. Receivables from en-route and terminal customers are written off consistently with the information received from EUROCONTROL.

All other balances outstanding are assessed individually and are provided for using information on customer credit quality and other information available. Receivables estimated to be irrecoverable are provided fully.

Movement in the allowance for doubtful debts

	December 31, 2015	December 31, 2014
Balance at the beginning of the year	831 542	831 406
Increase in allowance recognised in the income statement	53 043	68 249
Release of provision due to write-off	-428 724	-113 750
Foreign exchange movement in the year	-4 236	45 637
Balance at end of the year	**451 625**	**831 542**

(all amounts in thousands HUF unless otherwise stated)

Ageing of the trade receivable balances

	December 31, 2015	December 31, 2014
Not overdue	5 209 272	5 812 422
Under 3 months	198 250	506 247
Overdue, between 3-6 months	25 771	32 647
Overdue, between 6-12 months	29 466	35 147
Overdue, over 12 months	527 094	899 813
Total	**5 989 853**	**7 286 276**

Aged balances impaired and not impaired

2015	Total	Not overdue, not impaired	Not overdue, impaired	Overdue, not impaired	Overdue, impaired
Receivables from airlines, en-route segment	**4 762 038**	4 151 634	3 951	285 750	320 703
Receivables from airlines, terminal segment	**896 799**	809 628	0	29 533	57 638
Receivables from airlines, Kosovo segment	**237 952**	216 977	225	16 229	4 521
Domestic trade debtors, other	**69 403**	3 258	0	1 569	64 576
Foreign trade debtors, other	**23 661**	23 599	0	50	12
Total	**5 989 853**	**5 205 096**	**4 176**	**333 131**	**447 450**

2014	Total	Not overdue, not impaired	Not overdue, impaired	Overdue, not impaired	Overdue, impaired
Receivables from airlines, en-route segment	**5 472 867**	4 568 109	8 239	573 911	322 608
Receivables from airlines, terminal segment	**1 431 766**	957 011	180	55 166	419 409
Receivables from airlines, Kosovo segment	**173 817**	149 667	732	21 099	2 319
Domestic trade debtors, other	**83 848**	4 763	0	1 264	77 821
Foreign trade debtors, other	**123 978**	123 721	0	23	234
Total	**7 286 276**	**5 803 271**	**9 151**	**651 463**	**822 391**

The balance of the material, individually impaired items changed as the follows between the years:

	December 31, 2015	December 31, 2014
Malév*	0	351 048
Military Canada	85 398	76 665
Total	**85 398**	**427 713**
** Balance written off as irrecoverable in 2015.*		

Military Canada has an increasing amount of payables to HungaroControl, however, no return of these amounts is expected. The legal issue in the background is that although Military Canada flights are military flights and would be exempted on this basis, however, there is no bilateral agreement between the two states that would be necessary to exempt these flights from payment of navigation charges.

(all amounts in thousands HUF unless otherwise stated)

There is no credit risk in the Kosovo segment since full cost recovery system allows covering bad debts in future unit charges through underrecovery or overrecovery balances. (Please refer to Note 28 and Note 29 for further information about the full cost recovery system.)

The management believes that the carrying amount of trade receivables approximates their fair value after the above provisions made and no further credit provision is required.

12. Other current assets

Balances at the end of the reporting periods occurred as follows:

	December 31, 2015	December 31, 2014
Short term receivables from exempted flights*	398 348	835 046
Reclaimable value added tax	957 487	1 343 010
Positive changes in fair value of cash-flow hedges (gain)	25 594	6 802
Receivable from Eurocontrol - TNC settlement	20 783	36 223
Other receivables	28 607	35 719
Bad debt allowances	-100	-220
Total other receivables	**1 430 719**	**2 256 580**
Accrued interest income on deposits fixed	22 908	53 572
Accrued interest on government securities	0	1 971
Payment receivable from employee's inflation allowance	0	183 291
Accrued income for EU grants received	9 987	10 192
Other income accrued	13 196	21 667
Total accrued income	**46 091**	**270 693**
Services prepaid	672 257	651 637
Total prepaid expenses	**672 257**	**651 637**
Other current assets	**2 149 067**	**3 178 910**

**For further information on Receivables from exempted flights refer to Note 8.*

(all amounts in thousands HUF unless otherwise stated)

Other receivable balances are assessed individually for credit risk at the end of the reporting period using information on credit risk quality and other information available at that time issuing our financial statement. In case there is an estimated loss identified between the carrying amount and the amount estimated recoverable the Group provides fully for differences expected to exist permanently. HUF 100 thousand provision was charged to comprehensive income regarding 2015 on other receivable balances, whereas HUF 220 thousand regarding 2014.

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

13. Current tax receivables and liabilities

In accordance with IAS 12, the Group classifies taxes calculated based on taxable profit as income taxes. These taxes are presented after the pre-tax profit line in the statement of comprehensive income. In view of prevailing legislation, the Group considered the following taxes as income taxes: corporate income tax, local business tax (municipality tax), innovation contribution.

	December 31, 2015	December 31, 2014
Corporate income tax	33 250	117 468
Local business tax	12 416	700
Innovation contribution	0	0
Current tax receivable	**45 666**	**118 168**
Corporate income tax	0	0
Local business tax	0	0
Innovation contribution	129	22
Current tax liability	**129**	**22**

(all amounts in thousands HUF unless otherwise stated)

14. Cash and cash equivalents, other financial assets, held to maturity and financial assets available for sale

Balances at year ends are as follows:

	December 31, 2015	December 31, 2014
Cash on hand	**1 011**	**1 181**
Current accounts HUF	155 200	225 165
Current accounts in foreign currency (EUR)	216 641	9 680
Fixed deposits HUF - under 3 months	3 438 844	1 580 000
Fixed deposits in foreign currency - under 3 months (EUR)	0	0
Cash at banks	**3 810 685**	**1 814 845**
Government securities with maturity under 3 month (discount treasury bills)	2 302 430	1 482 665
Held to maturity financial assets	**2 302 430**	**1 482 665**
Cash and cash equivalents	**6 114 126**	**3 298 691**

Cash and cash equivalents comprise cash on hand, cash held on current accounts and other highly liquid investments (with a maturity of 3 months or less) that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

	December 31, 2015	December 31, 2014
Fixed deposits HUF - over 3 months	0	6 366 900
Fixed deposits in foreign currency - over 3 months	16 658	0
Other financial assets	**16 658**	**6 366 900**
Government securities with maturity above 3 months (discount treasury bills)	14 799 975	9 048 543
Financial assets available for sale	**14 799 975**	**9 048 543**

Other financial assets comprise fixed bank deposits in HUF and in EUR. The maturity of the deposits is within one year, but above 3 months. The deposits are measured at amortized cost.

The discount treasury bills issued by the Hungarian State were designated as available for sale assets at initial recognition. They are measured at fair value with any possible change in fair value recognized in equity. The amount debited to other comprehensive income, hence to equity at year end was HUF 26,561 thousand gain in 2015, HUF 53,987 thousand loss in 2014. The fair valuation method used and the fair value hierarchy classification are both disclosed in Note 29.

The Group considers that the carrying amount of these assets approximates to their fair value. Refer to cash-flow statements and Note 29 Financial risk management for further information.

(all amounts in thousands HUF unless otherwise stated)

15. Provisions

Balances at year end are as follows:

Long-term	Legal provision	Other provision	Total
Balance as of January 1, 2014	13 987	0	**13 987**
Additional provisions created	28 532	0	**28 532**
Unused amounts reversed	-15 020	0	**-15 020**
Reclassification between long-term and short-term categories	0	0	**0**
Utilized during the year	0	0	**0**
Balance as of December 31, 2014	**27 499**	**0**	**27 499**
Additional provisions created	0	21 791	**21 791**
Unused amounts reversed	-25 720	0	**-25 720**
Reclassification between long-term and short-term categories	-1 779	6 865	**5 086**
Utilized during the year	0	0	**0**
Balance as of December 31, 2015	**0**	**28 656**	**28 656**
Short-term	**Legal provision**	**Other provision**	**Total**
Balance as of January 1, 2014	8 680	47 473	**56 153**
Additional provisions created	1 822	26 846	**28 668**
Unused amounts reversed	0	-47 261	**-47 261**
Reclassification between long-term and short-term categories	0	0	**0**
Utilized during the year	0	0	**0**
Balance as of December 31, 2014	**10 502**	**27 058**	**37 560**
Additional provisions created	0	82 579	**82 579**
Unused amounts reversed	0	-58	**-58**
Reclassification between long-term and short-term categories	1 779	-6 865	**-5 086**
Utilized during the year	-7 334	-20 135	**-27 469**
Balance as of December 31, 2015	**4 947**	**82 579**	**87 526**

The Group provides for possible losses from legal cases. Other provision includes liabilities payable to the Ministry of National Development (2015: HUF 82,579 thousand, 2014: HUF 20,135 thousand) and other liabilities payable where a present obligation has arisen as a result of past event, the payment is probable and the amount can be estimated reliably.

Long term provisions are discounted using a risk free, pre-tax discount rate derived from government bond yields. The unwinding of discounts debited to comprehensive income was HUF 1,354 thousand in 2014, whereas zero in the current financial year.

(all amounts in thousands HUF unless otherwise stated)

16. Employee benefits

The employee benefits according to IAS19: Employee benefits presented under this note has been accounted for by using the evaluation of an independent, qualified actuary.

On transition to IFRS the Group did not chose to adopt the corridor approach permitted previously by IAS19: Employee benefits. Hence the full actuarial gains/losses have been recognized.

	December 31, 2015	December 31, 2014
Long term employee benefits	1 644 530	2 860 474
Short term employee benefits	3 296 152	2 603 051
Total employee benefits	**4 940 682**	**5 463 525**

Long term employee benefits

Long term employee benefits comprise the following items:

	December 31, 2015	December 31, 2014
Long term part of post employment benefits and other long term employee benefits	1 509 316	2 860 474
Accrual made for contribution payable in relation to the Career Plan Agreement for Air Navigation Personnel	135 214	0
Total	**1 644 530**	**2 860 474**

(all amounts in thousands HUF unless otherwise stated)

Net present value of post emplyoyment and other long term employee benefits was as follows:

	Defined benefit obligation	Other long term employee benefits	Defined contribution plan	Total
Present value at January 1, 2014	**137 995**	**597**	**4 052 913**	**4 191 505**
Past service cost	0	0	0	**0**
Current service cost	3 338	68 559	0	**71 897**
Contribution charged to profit and loss during the year	0	0	511 148	**511 148**
Interest costs	4 332	1 077	138 660	**144 069**
Used during the year	0	0	-438 584	**-438 584**
(Gains) /Losses on settlement /curtailment	3 937	11 434	117 674	**133 045**
Net actuarial (gains)/losses	-19 896	-8 321	-17 012	**-45 229**
Present value at December 31, 2014	**129 706**	**73 346**	**4 364 799**	**4 567 851**
Past service cost	0	344 222	0	**344 222**
Current service cost	1 117	16 243	0	**17 360**
Contribution charged to profit and loss during the year	0	0	765 680	**765 680**
Interest costs	1 566	6 674	63 113	**71 353**
Used during the year	-65 382	-44 967	-1 647 768	**-1 758 117**
(Gains)/Losses on settlement /curtailment	0	0	0	**0**
Change in discount rates	413	2 661	29 215	**32 289**
Net actuarial (gains)/losses	4 516	-2 955	-36 226	**-34 665**
Present value at December 31, 2015	**71 936**	**395 224**	**3 538 813**	**4 005 973**

The Group operates a post-employment benefit scheme where employees are entitled to certain payments receivable upon retirement.
Until 31 December 2013 this scheme has been operated as a defined benefit scheme; however aiming to mitigate rising pension costs and encourage retirement for air navigation personnel turning 60 years old the Group introduced some reforms regarding its pension scheme. Thus, the Group entered into a new Collective Agreement and a new Career Plan Agreement for Air Navigation Personnel with an effective date of 31 December 2013. The new scheme is a defined contribution scheme partly with an annual contribution dependent on the annual basis salary of the employees, partly with a fixed annual contribution.

The conversion from defined benefit scheme to defined contribution scheme was still an ongoing process in 2015 and 2014. The agreement which defines the instrument the closing balance will be paid into was finalized with the air navigation union; however the procurement of the instrument was still ongoing in 2015. The conversion between the schemes was closed regarding the non-air navigation personnel, the payments from the closing balance of the previous scheme are fulfilled as planned (HUF 1,647 million this year).

The former defined benefit scheme was ceased for all the members except three air navigation controllers aged over 60 years where the Group retained its obligation without unchanged terms

representing immaterial part comparing to the whole defined benefit pension scheme obligation (2015: HUF 71,936 thousand, 2014: HUF 129,706 thousand).
In 2015 there was material change, that the retirement support and retirement bonus items were settled in a value of HUF 65,382 thousand. A new agreement took effect with the three employees. This part of the post-employment program ceased during the year.

It was determined, that the jubilee benefits of military service personnel commanded to the Company, as provided in the 2013 amendment of the Act CCV 2012 on the legal status of defence forces, section 132, are to be paid by HungaroControl, therefore another long term liability has been established classified as past service cost in a value of HUF 344,222 thousand. The additions during the year are demonstrated in the table above, in the relevant line items and in the column 'Other long term employee benefits'.

Introduction of the individual programs:

Defined benefit plan:

The scheme does not require payments to be made into separately administered funds. The cost of providing benefits under this plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized in other comprehensive income. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense on a straight-line basis over the average period until the benefits become vested.
The obligation is discounted to the present value of benefits.

Other long term employee benefits:

Other long-term employee benefit plan includes payment for occupational accidents and jubilee benefits for the military service personnel commanded to the Company. No specific contributions are made by the Group into a separate fund. The amount of the liability has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the Group. The estimated cash flows are discounted to the present value of the benefits.

None of these plans have separately administered funds; therefore there are no plan assets recognizable.

Defined contribution scheme:

The actual settlement of the contribution scheme balance carried forward from the previous scheme is taking place on several agreed dates, therefore the liability is discounted and the effect of change in discount rates is charged to comprehensive income. The Group has no further obligation remained from the previous pension benefit scheme.

The actuarial loss 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 – this is applicable for newly entered non-air navigation personnel. According to the agreement signed new members of the

(all amounts in thousands HUF unless otherwise stated)

scheme have to serve 5 years till they will be fully authorized members. In their case the actuarial loss includes impacts like for instance fixed–term employment contracts altered to non-fixed term ones or the increase of salaries anticipated differently.
The biggest part of the actuarial loss charged in the year in relation to the defined contribution scheme, namely HUF 36 million HUF, is due to fact, that some of the air navigational personnel choose not to retire. As they are over 60 years old, according to the Career Plan Agreement they are not entitled to receive most of their post-employment benefits.

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

	December 31, 2015	**December 31, 2014**
Actual death and turnover	2 690	2 085
Effect of changes in discount rate	32 289	133 045
Salary increase	11 567	-5 406
Actual exit probability versus estimated	192	-1 523
Effect of changes in retiring date	-30 062	0
Other	-19 052	-40 385
Total	**-2 376**	**87 816**
Included in other comprehensive income	-4 929	15 959
Included in the statement of comprehensive income	7 305	-103 775

Actuarial gains and losses arising from changes in financial assumptions

Discount rates:
The Group used the zero coupon discount rates published by Government Debt Management Agency (webpage: www.akk.hu) as per 31 December 2015. The opening balance of the new scheme, i.e. the liability recognized regarding the defined contribution scheme will be paid out till 2017 therefore mainly short term discount rates have been used. This also applies to the defined benefit scheme balance. 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).

Discount rates used for scheme liabilities in 2015:

1 year	2 years
1,23%	1,75%

Discount rates used for scheme liabilities in 2014:

1 year	2 years	3 years
1,67%	2,07%	2,52%

Among all the actuarial assumptions the change in discount rates has the most significant impact on the net present value of the liability balance. Due to the significant decrease in discount rates from 2013 to 2014 the year end value of the obligations increased by HUF 133 million. The change between the 2015 and 2014 rates has less impact on the year-end balance, altogether HUF 32 million.

(all amounts in thousands HUF unless otherwise stated)

Actuarial gains and losses arising from changes in demographic assumptions

Actual versus estimated exit probability:
Exit assumptions for 2015 were determined by using historical data regarding the last 5 years resulting in the following rates. These are presented below broken down by categories of personnel (averages):
2015: Non-air navigational: 4,9% Air navigational: 0,11%.
2014: Non-air navigational: 5,27% Air navigational: 0,14%.

Mortality index:
The presumptions are the same ones as used in the year before. Mortality indices used are derived from the statistics published by the Hungarian Statistical Office: the published maximum 10% caused by work place accident has been decreased by 50% considering the actual historical data of the Group from the last years.

Increase in salaries:
For valuation purposes an average 3% has been used for the three members remaining in the old scheme and the military service personnel. In relation to the new scheme the effect of the increase in salaries are very limited and are only relevant for the occupational accidents balance.

The Group 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:

	December 31, 2015	December 31, 2014
Short term part of post employment benefits and other long term employee benefits	2 496 657	1 707 377
Salaries payable for December	617 721	547 079
Accrual made for contribution payable in relation to the Career Plan Agreement for Air Navigation Personnel	40 670	173 358
Bonuses payable on a short-term basis	81 635	81 635
Compensation payable for overtime occurred	0	56 715
Short-term compensated absences	45 124	35 006
Other	14 345	1 881
Total	**3 296 152**	**2 603 051**

(all amounts in thousands HUF unless otherwise stated)

Short term part of post-employment schemes expected to be payable in one year: HUF 2,496,657 thousand as per December 31, 2015 (2014: HUF 1,707,377 thousand).

17. Other long term liabilities

Balances at the dates presented were as follows:

	December 31, 2015	December 31, 2014
Replacement obligation on state owned assets	0	269 297
EU grants received - long term part*	1 414 982	1 713 323
Long term liabilities payable to joint venture	4 152	4 175
Other long term liabilities	17 450	84 551
Other long term liabilities	**1 436 584**	**2 071 346**

** Liabilities relating to EU grants are disclosed under Note 23.*

Replacement obligation on state owned assets:

In September 2007, the Group 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.
As a result of the agreement, the Company is obliged to maintain the assets in its original condition by restoring, replacing and improving them. The obligation to keep the asset in its original condition – difference between the initial values recognized and the amortized values - is recognized among long term liabilities as presented in the table above as ‘replacement obligation on state owned assets’. The balance of replacement obligation also depends on the value of investments made regarding state owned assets and assets withdrawn from asset management counterbalancing the amortization charged. The assets management right is classified as operative leasing further described under Notes 2 and 27.

The related regulation was amended with an effective date of June 28, 2013 resulting in the release of the obligation payable. An amount of HUF 218 million (2014: HUF 297 million) was accounted for as government grant received in 2015 decreasing the year-end balance of the obligation above with a counterbalancing figure included in other income line.

The investments in constructions carried out (HUF 504 million in 2015, whereas HUF 605 million in 2014) decreased the balance of the accumulated replacement obligation – beyond the release of the obligation introduced above. As a result of the replacement obligation showed a receivable balance amounting HUF 235 million as of December 31, 2015. As the agreement requisite to settle the receivable balance is not signed yet, an allowance equals to the receivable balance has been accounted for .

(all amounts in thousands HUF unless otherwise stated)

Other long term liabilities line included in 2014 a contractual obligation due to an enterprise license agreement entered into and payable over one year. The liability was partly settled in 2015– the remaining balance is payable in one year and is therefore introduced as short term liability.
The other long term liability line includes retention warranty obligations from trade payable balances to be settled over one year amounting HUF 17,450 thousand HUF.

18. Trade payables

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

	December 31, 2015	December 31, 2014
Not due	2 071 226	2 298 874
Overdue, under 1 year	72 468	14 035
Overdue, between 1 - 5 years	2 082	2 052
Total trade payables	**2 145 776**	**2 314 961**

The Group settles trade payables within the payment term, and had no material overdue payables as of December 31, 2015 and 2014. The majority of overdue balances at the end of the periods presented are invoices of November and December paid early next year.

	December 31, 2015	December 31, 2014
Trade payables - domestic	757 585	1 156 949
Trade payables - foreign	1 231 828	915 333
Intercompany payables	156 363	242 679
Total trade payables	**2 145 776**	**2 314 961**

The Group decided to fully separate all the balances classified as intercompany payables. As a state controlled entity the Company could apply the exemption provided in IAS 24.25, by not disclosing the balances with the Hungarian State and with other state controlled entities fully. However, owing to the fact that the balances as of December 31, 2015 and 2014 are significant, the Group opted for the full disclosure option. The exemption is still used when disclosing transactions with intercompany partners as included in Note 27.

The management considers that the carrying amount of trade payables approximates their fair value.

(all amounts in thousands HUF unless otherwise stated)

19. Other short-term liabilities

	December 31, 2015	December 31, 2014
EU grants - advance payment received*	267 184	167 338
Negative changes in fair value of cash-flow hedges (loss)**	33 699	159 820
Amounts payable to pension funds and voluntary pension funds	446 481	524 625
Liabilities from social security	307 488	289 000
Personal income tax payable on behalf of the employees	275 235	254 658
Liability from enterprise licensing agreement	84 550	84 550
Short term other liabilities towards various authorities	29 870	83 744
Other short term liabilities	58 689	59 892
Total other payables	**1 503 196**	**1 623 627**
EU grants received - short term part*	286 031	283 372
Other deferred income	1 137	279
Total deferred income	**287 168**	**283 651**
Services, goods delivered but not invoiced till the year end	295 065	74 220
Total accrued expenses	**295 065**	**74 220**
Other short-term liabilities	**2 085 429**	**1 981 498**

** Liabilities relating to EU grants are disclosed under Note 23.*
*** Changes in fair value of cash-flow hedges are disclosed under Notes 26 and 29.*

Services and goods delivered but not invoiced after year end:
The balance of accrued expenses for 2015 includes the amount of the stand-by equipment purchased for TAR-2 terminal radar (HUF 113 million); Macedonian and Kosovo radar data service fees (HUF 32 million); electricity fees for December (HUF 17 million) and accruals for various other smaller costs. The balance for 2014 includes telecommunication service fees (HUF 15 million), software maintenance fees (HUF 24 million), legal and other expertise fees (HUF 20 million) and various other cost items.

(all amounts in thousands HUF unless otherwise stated)

20. Revenue

Breakdown of revenues:

	December 31, 2015	December 31, 2014
Revenue from air navigation services - en route segment	29 403 822	29 522 618
Revenue from air navigation services - terminal segment	5 421 320	6 075 862
Revenue from air navigation services - Kosovo segment	1 835 796	1 292 493
Hedge accounting reserve reclassified from equity to revenue	-165 123	-115 175
Total revenue from air navigation services	**36 495 815**	**36 775 798**
Other revenue - foreign	53 649	259 503
Other revenue - domestic	54 047	102 295
Total other revenue	**107 696**	**361 798**
Total revenue	**36 603 511**	**37 137 596**

A portion of the Group’s revenue from the provision of air navigation services denominated in foreign currencies is cash flow hedged. The reclassification from equity to comprehensive income as a reclassification adjustment of the effective amount of closed foreign currency derivatives that are used to hedge foreign cash flows are included in sales revenue together with the foreign exchange losses / gains realized on trade receivable.
The amount included in revenue as reclassification adjustment from equity is HUF 165 million loss for 2015, from which amount HUF 161 million loss is the result of the derivatives closed, HUF 4,048 thousand loss is due to the exchange rate difference generated on trade receivables.
The total loss for 2014 was HUF 115 million from which HUF 250 million loss was the results of the derivatives closed, HUF 134,938 thousand was the gain arose on the exchange rate difference of trade receivables.

Further information on cash-flow hedges is included in the Notes 26 and 29.

The revenue balances for the years presented comprise adjustments for agent activity in respect of search and rescue operations carried out by the Ministry of Defence (2015: HUF 469,074 thousand and 2014: HUF 414,236 thousand). The adjustments decrease the sales revenue generated from en-route activities.

The Ministry of Defence makes search and rescue capacity available and carries out search and rescue activities as necessary and so bears the associated costs. However, the planned costs of these activities are included in a Hungarian cost base managed by HungaroControl and hence are refunded to the Company through the unit charges. The revenues thus earned and included in the cost fund, are then forwarded to the Ministry of Defence for the relevant search and rescue activities.
HungaroControl does not have an inventory risk in relation to the above transaction, as it is the Ministry's responsibility to make search and rescue capacities available and making inventories for such operations is conceptionally impracticable. Owing to the fact that HungaroControl pays to the

Defence Ministry the amount included in the approved cost base only, it is impossible that the Company would grant and „aid" to the Ministry of Defence and the amount granted is not refunded to the Company.
Determining the amount of revenue from such a transaction is beyond the Company's control as it is calculated by the Ministry of Defence based on the actual costs expected to incur.
As search and rescue costs form part of the annual performance plan, they are also reflected in the budget used to determine the annual unit charges. Through the unit charges thus calculated, the budgeted costs, if the targets are met, are refunded to the Group by its customers.
In view of the above, the Group recognizes amounts granted to the Ministry of Defence as an expense netted against revenues .

Further information is disclosed under Note 19.

All revenue is derived from continuing operations.

Revenue from air navigation services:

The main activity of the Group is to provide air navigation services – more than 99% of the revenue derives from air traffic charges. The two main segments of air navigation services: are navigation services provided for air traffic over Hungary (en-route segment) and terminal navigation services provided for traffic of Liszt Ferenc International Airport in Budapest (approach and terminal air navigation services).

The third business segment, opened in 2014, is the business line Kosovo. On 3 April 2014, the upper airspace over Kosovo was re-opened for civilian traffic overflights. The re-opening of the airspace was based on a decision by the North Atlantic Council to accept an offer by the Hungarian State to act as a technical enabler through its air navigation service provider, HungaroControl Pte. Ltd. In line with United Nations Security Council Resolution 1244 and the 1999 Military Technical Agreement, the airspace remained under NATO/KFOR authority and HungaroControl acts as technical enabler for the provision of some of the air navigation services and relating tasks to the overflying civilian air traffic.

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. In the Kosovo segment, full cost recovery scheme has been applied for the whole year 2015.

Further information on the charging schemes is included in Note 2.

Air traffic charges are driven by the number of service units which takes into account the weight of the air plane, the number of movements and the distance factor.

Revenue from other sources:

Revenues categorised as 'other' amounted HUF 107,696 thousand in 2015 (HUF 361,798 thousand in 2014). The main categories classified as other revenue are the following:

(all amounts in thousands HUF unless otherwise stated)

- the three most important segments in this category are the radar data services provided (HUF 46,869 thousand in 2015, HUF 46,647 thousand in 2014),
- fees from simulation services (none in 2015, HUF 215,718 thousand in 2014), and
- the various rental fees collected (HUF 25,580 thousand in 2015, HUF 30,434 thousand in 2014).

However, revenue derived from air navigation services does not represent a material portion from the total.

21. Personnel expenses

Breakdown of personnel expenses:

	December 31, 2015	December 31, 2014
Wages and salaries	11 820 797	10 624 772
Social securities	3 661 223	3 894 633
Other personnel expenses	1 610 217	998 192
Pension expenses and expenses from other long term benefits*	-519 642	248 236
Personnel expenses	**16 572 595**	**15 765 833**

** Further information is disclosed under Note 16.*

Staff numbers for HungaroControl – closing figures:

	2015 No.	2014 No.
Division of air traffic services*	319	311
Division of communications, navigation and surveillance	68	65
Division of air navigation control systems	43	42
Other divisions**	322	294
Closing number of staff employed	**752**	**712**

** Division of air traffic services includes the personnel of the following departments: Airspace Management Cell, Airflow Management, Budapest Air Traffic Control Centre, Air Traffic Control Centre at the Airport, Aeronautical Information Services.*
*** Other divisions comprise the following: personnel of the Technological Division, CRDS Department, Military Liaison Team and the personnel of the support divisions.*

EPC Ltd. had in average 8 employees in 2015 and 9 in 2014 – these data are not included in the figures above.

(all amounts in thousands HUF unless otherwise stated)

22. Operating expenses

Operating expenses in the years presented are summarized in the following table:

	December 31, 2015	December 31, 2014
Energy costs	196 816	209 041
Other materials used	140 549	118 584
Cost of materials consumed	**337 365**	**327 625**
Lease payment on state owned assets*	1 471 700	1 841 995
Trainings expenditure	521 012	454 862
Expenditure on consultancy and fees of expert	358 328	317 956
Cost of meteorological services consumed	430 289	410 983
Safeguarding services	363 033	361 665
Maintenance fees	365 760	356 983
Software maintenance fees	411 191	265 315
Travel and other costs incurred on missions abroad	320 812	241 731
Real estate rental fees	203 888	180 620
Online service charges, charges for data transmission	530 472	270 898
Charges paid for waste disposal and similar services	40 328	75 964
Rental fees of fixed assets	109 489	110 556
Cost of advertisement and marketing campaigns	131 140	80 579
Other rental fees	34 468	40 599
Cost from changes in balance of state owned assets	218 045	297 021
Various other expenditures	561 319	505 516
Eurocontrol member fees	1 302 255	1 344 605
Fees paid for authorities	613 094	585 354
Fees of liability insurance	814 162	612 128
Services used	**8 800 785**	**8 355 330**
Total Operating expenses	**9 138 150**	**8 682 955**

** In September 2007, the Group signed an asset management agreement with the authority responsible for national property (Treasury Property Directorate legal successor 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 Group classifies the usage right of these specified assets as operative lease taken into account that the conditions of a finance lease are not met as described under Note 2. The lease payment in 2015 was HUF 1,471,700 thousand (HUF 1,841,995 thousand in 2014).*
The leasing fee based on the renewed agreement signed in 2013 is derived from the market value of the assets. This agreement is cancellable.

(all amounts in thousands HUF unless otherwise stated)

Total minimum lease payments from the operating lease agreements the Group had at the balance sheet date as outstanding, non-cancellable commitments calculated over the lease term are as follows:

	December 31, 2015	December 31, 2014
Within 1 year	156 192	184 394
1– 5 years	313 745	423 476
Over 5 years	111 231	132 227
Total	**581 168**	**740 097**

The agreements presented include lease of properties (land leased for radars, rental fee of the control tower, leasing of parking lots and office spaces) and a car fleet leasing agreement.

(all amounts in thousands HUF unless otherwise stated)

23. Other income (expense)

	December 31, 2015	December 31, 2014
Deferred grants released	295 683	297 609
Costs of exempted flights reimbursable by the government authorities*	326 413	375 400
Liabilities waived**	221 193	297 020
Income from fixed assets sold	64	53 348
Release of bad debt provision	9 388	19 525
Release of provision made	0	47 261
Interest and other charges received on late payment	15 758	17 409
Effect of change in discount rates used	0	10 347
EU grants related to expenses	32 413	63 351
Other various income items	24 105	39 785
Total Other income	**925 017**	**1 221 055**
Allowances charged on bad debts	52 739	66 604
Reimbursement of expenses payable to the Ministry of National Development	170 450	168 465
Write-off on the replacement obligation balance receivable	235 415	0
Expenses from charity activities and sponsorship	225 054	275 224
Provision charged for the year	0	1 502
Building tax	35 605	35 605
Tax on company car usage	121	1 219
Book value of fixed assets sold	25	40 865
Unrecoverable receivables written off	19 478	11 725
Impairment charged on inventory	844	616
Other various expense items	5 552	29 960
Total Other expense	**745 283**	**631 785**
Total Other income	**179 734**	**589 270**

** Balances of exempted flights and amounts credited for the financial year are disclosed under Note 27, transactions with related parties. The counterbalancing figures in the balance-sheet are disclosed under Notes 8 and 12 – in other long term assets and other receivables balances.*

*** From the amount of HUF 221 million HUF 218 million (2014: HUF 297 million) has been accounted for as government grant received decreasing the year-end balance of the replacement obligation connected to state owned assets disclosed under Note 17.*

(all amounts in thousands HUF unless otherwise stated)

Balances of bad debt provision and unrecoverable amounts written off are disclosed under Notes 11 and 29.

Balances of deferred government grants related to assets and the movements thereon are summarized in the table below:

	2015	2014
Balances at January 1st	**1 996 695**	**2 294 305**
EU grants received - releasable in 1 year	283 372	284 403
EU grants received - releasable over one year 1 year	1 713 323	2 009 902
Release of deferred grants	**295 682**	**297 610**
Release of deferred income in the value of the depreciation of assets purchased from Cohesion Fund	89 517	84 321
Release of deferred income in the value of the depreciation of assets purchased from TEN-T EERP	202 973	209 430
Release of other deferred income	3 192	3 859
Balances at December 31st	**1 701 013**	**1 996 695**
- releasable in 1 year	*286 031*	*283 372*
- releasable over one year 1 year	*1 414 982*	*1 713 323*

Accounting policies adopted for government grants are disclosed under Note 2.

Balances broken down per projects:

	December 31, 2015			
	Advance payment received	Accrued income	Short term liability deferred grants	Long term liability deferred grants
TEN-T EERP, ANS III Project - related to assets	0	0	202 446	969 105
Cohesion Fund, Radar Project - related to assets	0	0	80 393	431 556
PARAT' - VAT - related to assets	0	0	3 192	14 321
Budapest 2.0 - related to expenses	954	0	0	0
CPDLC - related to expenses	202 137	0	0	0
React+ - related to expenses	0	0	0	0
Beyond - related to expenses	4 033	0	0	0
A-CDM - related to expenses	60 060	0	0	0
FRA - related to expenses	0	9 987	0	0
Balances at December 31st	**267 184**	**9 987**	**286 031**	**1 414 982**

(all amounts in thousands HUF unless otherwise stated)

	December 31, 2014			
	Advance payment received	Accrued income	Short term liability deferred grants	Long term liability deferred grants
TEN-T EERP, ANS III Project - related to assets	0	0	202 559	1 171 964
Cohesion Fund, Radar Project - related to assets	0	0	77 621	523 846
PARAT' - VAT - related to assets	0	0	3 192	17 513
Budapest 2.0 - related to expenses	0	3 998	0	0
CPDLC - related to expenses	267 184	0	0	0
React+ - related to expenses	0	6 194	0	0
Beyond - related to expenses	0	0	0	0
A-CDM - related to expenses	0	0	0	0
FRA - related to expenses	0	0	0	0
Balances at December 31st	**267 184**	**10 192**	**283 372**	**1 713 323**

Grants received – TEN-T EERP, ANS III Project

As part of the ANS III complex development plan, a new high-tech air traffic control centre was established in 2012. The purpose of the investment was to extend the existing capacities of the Hungarian air traffic control and maintain its high level of efficiency, technological standards and reliability in line with the EU's integration plans and performance objectives. The project received an EU funding of EUR 5,964 thousand in the framework of the TEN-T (Trans European Network – Transport) plan.

The Group received the final approval and decision of the Commission in July 2013. The advance payment together with the payment received after the closure of Action (No. 2009-HU-40043-E) was deferred among long term liabilities in an amount expected to be released over one year. The amount is estimated to be released, i.e. depreciation charged based on the useful life of assets next financial year is disclosed under other short term liabilities.

Grants received – Cohesion Fund, Radar Project

Grants of EUR 14,917 thousand received from the Cohesion Fund covered 50% of the project aiming to modernize the radars used by the Group on three geographical locations and the software-upgrade of the automated air control navigation system (MATIAS). The last stage of the implementation of the upgraded software and the instalment of the new radar equipments were finished in November 2008.
The amounts recognized as income in comprehensive income accounts are in line with the depreciation charged of the assets granted over their useful life. The amount deferred at the end of 2015 is HUF 512 million (from that HUF 80,3 million recognized as short term part expected to be released in one year time) – 2014: HUF 601 million including an amount of HUF 77,6 million separated as short term part expected to be released into comprehensive income within one year.

Grants received – Budapest 2.0

In the framework of the Budapest 2.0 project, a six-member international consortium (HungaroControl and the Spanish Pildo Labs., Wizz Air Hungary Airlines Ltd., JetStream Légiforgalmi és Légiszolgáltató Kft, SLOT Consulting and the Polytechnic University of Catalonia's) is setting up a demonstration environment for the purpose of testing and demonstrating the air navigation developments closely related to the SESAR research and development programme. The aim of the project is to present the technological innovations and procedures that specifically improve the operations of low- and medium-traffic airports, as they help to schedule aircraft arrivals more efficiently, to reduce the number of delayed flights, more economically operate planes and reduce the environmental impact. The project budget is nearly EUR 2.5 million, 50 percent of which is provided by the European Union's Single European Sky (SES) program through its SESAR Joint Undertaking tender (EUR 1,2 million). From that HungaroControl expects to receive 532,038 EUR grant amount (until December 31, 2015 EUR 159,611 advance payment was paid out to the Group). The amount showed as income accrued is in line with the cost occurred during the year. Up to the expenses already incurred the grant had been recognized in the statement of comprehensive income (2015: HUF 47,5 million, 2014: HUF 3,9 million) as the Group believes it will fulfil relating obligations in the future and the grant became receivable.

Grants received – CPDLC

The implementation of CPDLC is mandated by the provisions in the Regulation (EC) 29/2009, containing requirements for data link service implementation. It is hoped that CPDLC will enhance flight safety and reduce congestion of voice communication frequencies. The Group received EUR 1,366 thousand EU-grant via the Trans-European Transport Network (TEN-T) budget which equals a 20% funding, the remaining 80% of the budget is self-funded. Work involves an upgrade to the legacy Magyar Automated and Integrated Air Traffic System (MATIAS).

The Group received EUR 683 thousand prepayment which is deferred as income. Up to the expenses already incurred the grant had been recognized in the statement of comprehensive income as the Group believes it will fulfil relating obligations in the future and the grant became receivable.

Grants received – React+

REACT-Plus project intends to undertake the necessary actions towards the implementation of Continuous Descent Operations (CDO) and Continuous Climb Operations (CCO) at and from Budapest airport, respectively. The consortium is formed by the following companies: PILDO Labs, HungaroControl, Wizzair. 50% of the project is funded by EU as part of the SESAR Joint Undertaking tender. HungaroControl expects to receive EUR 28 thousand from the total grant.
As the expenses already incurred with no further future costs the grant has been recognized in the statement of comprehensive income during 2014. The income accrued had been released and the group received the final payment.

Building EGNSS capacitY On EU Neighbouring multimodal Domains - Beyond

The project is managed within the framework of the programme Horizon 2020. The overall concept of the project is to publicize and build up capacities of satellite procedures via various trainings, exercises and workshops. The project is operated in the form of an international consortium comprise 19 members; the coordinator is the EUROPEAN SATELLITE SERVICES PROVIDER S.A.S.
Total cost of the initiative is EUR 1,931,885, from which amount HungaroControl shall receive EUR 86,375 EUR. The extent of the co-financing is 100%.
The grant agreement about the financing was signed on March 3, 2015. As a pre-financing, EUR 43,188 discharged the account of the Group on June 9, 2015.
Up to the expenses already incurred the grant was recognized in the statement of comprehensive income (2015: HUF 9,5 million) as the Group believes it will fulfil relating obligations in the future and the grant became receivable.

Airport-Collaborative Decision Making at HungaroControl (A-CDM)

The project operates by using sources of Connecting Europe Facility (CEF) programme. The Action concerns the upgrade and software upgrade of the national air navigation system, called MATIAS (Magyar Automated and Integrated Air Traffic System). The new software will support the functions necessary to use CDM, and thereby it will assure more effective information exchange among the relevant stakeholders (airlines, airports and air navigation service providers). The goals set and results to be achieved regarding the implementation of CDM, besides upgrading the MATIAS system, are to evolve background for a unified work technology, fulfil the flight safety requirements, and to initiate personal criteria (training), furthermore to provide the authorisation of the national safety authority.
Total cost of the initiative is EUR 1,043,431. The extent of the co-financing is 50%.
The grant agreement was signed on November 19, 2015. On December 3, 2015 EUR 208,686 had been credited to the account of the Group as pre-financing.
Up to the expenses already incurred the grant was recognized in the statement of comprehensive income (2015: HUF 5,2 million) as the Group believes it will fulfil relating obligations in the future and the grant became receivable.

Free Route Airspace from the Black Forest to the Black Sea

The project (technological feasibility study) operates by using sources of Connecting Europe Facility (CEF) programme. The proposal is a study aiming at developing and validating the Free Route Airspace (FRA) concept within the Functional Airspace Block Central Europe (FAB CE) proceeding from the experiences of HUFRA (free route airspace introduced in the Hungarian airspace), taking into account that there is not a unitary procedure how to implement the concept, furthermore there are considerable differences among the concepts already introduced Europe-wide.
The proposal is a study aiming at developing and validating the Free Route Airspace (FRA) concept within the Functional Airspace Block Central Europe with the potential of extending it beyond its borders. The project also involves the working-out of emerging AIS issues, developing a flight safety analyses, determining the necessary ATM system developments, and also simulations conducted in the CRDS centre of HungaroControl. The project is operated via the SESAR Deployment Manager in

(all amounts in thousands HUF unless otherwise stated)

the form of an international consortium including HungaroControl as the project leader and the members AustroControl, Croatia Control, BHANSA, Slovenia Control, LPS SR and ANS CR as the ANSPs and FAB CE members.
Total cost of the initiative is EUR 2,190,782 from which amount HungaroControl shall receive EUR 401,798 as estimated. The extent of the co-financing is 50%.
The grant agreement waws signed on November 27, 2015.
Up to the expenses already incurred the grant was recognized in the statement of comprehensive income (2015: HUF 9,9 million) as the Group believes it will fulfil relating obligations in the future and the grant became receivable. The Group did not receive any pre-financing during 2015; therefore the income has been accrued for.

The management is not aware of any unfulfilled conditions and other contingencies attaching to government assistance that has been recognized.

24. Financial income (expense)

	December 31, 2015 (- loss / + gain)	December 31, 2014 (- loss / + gain)
Unwinding of discounts - long term employee benefits*	-65 930	-144 069
Interest received on deposits and government bonds	299 897	390 824
Foreign exchange difference on year end revaluation	9 717	70 214
Swap points received on cash-flow hedges**	95 193	124 255
Ineffective part of cash-flow hedges**	559	13 064
Unwinding of discounts - other	11 432	28 022
Foreign exchange difference realised	11 768	-12 124
Amortisation of financial assets	-18 294	0
Other various items	361	490
Total results of financial activities	**344 703**	**470 676**

** Long term benefits are disclosed under Note 16.*
***Cash flow hedges are included under Note 26.*

(all amounts in thousands HUF unless otherwise stated)

25. Income taxes

In accordance with IAS 12, the Group classifies taxes calculated based on taxable profit as income taxes. These taxes are presented after the pre-tax profit line in the statement of comprehensive income. In view of prevailing legislation, the Group considered the following taxes as income taxes: corporate income tax, local business tax (municipality tax), innovation contribution. Current income taxes and deferred tax assets and liabilities resulted in the following tax balances under IFRS:

	December 31, 2015	December 31, 2014
Current tax	2 161 522	2 468 586
Adjustments in respect of prior year	96 551	4 014
Deferred tax payable	103 587	162 021
Income tax expense	**2 361 660**	**2 634 621**

The corporate income tax rate applicable in Hungary is 10% for the first HUF 500 million of the tax base – above that a rate of 19% is applicable. Local business tax rate was 2%, whereas the innovation contribution rate was 0,3% on the tax base (gross profit) in both of the years.

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

	December 31, 2015	December 31, 2014
Profit on ordinary activities before tax	**8 470 617**	**10 989 527**
Tax on profit on ordinary activities at standard rate of 19%	1 609 417	2 088 010
Effect of differences between standard and actual tax rates used	-55 471	-56 142
Permanent differences	30 060	-96 896
Other income taxes corrected with the effect of corporate income tax rate	685 976	693 447
Tax effect of prior year adjustments	96 551	4 014
Tax loss carry forward had not been recognised as deferred tax asset but used up as decreasing item in the tax base	0	-5 158
Other tax effect	-4 873	7 346
Tax charge for year at an effective tax rate	**2 361 660**	**2 634 621**
Effective tax rate	**28%**	**24%**

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

(all amounts in thousands HUF unless otherwise stated)

26. Cash-flow hedges

Fair value of derivative financial instruments

As of December 31, 2015 the fair value of open transactions designated as cash flow hedge with a corresponding adjustment of the fair valuation reserve in other comprehensive income were as follows.

Fair value of derivative financial instruments	December 31, 2015	December 31, 2014
Other current assets		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	**25 594**	**6 802**
Other current liabilities		
Derivative financial instruments in designated hedge accounting relationships		
Forward foreign exchange contracts (cash flow hedges)	**33 699**	**159 820**
Derivative financial instruments at fair value through profit or loss designated as such upon initial recognition		
Forward foreign exchange contracts	**0**	**0**

Contracts are settled either in one, two or three months from the year end. Fair value change of open forward contracts is recognized on the statement of financial position. Further details on derivative financial instruments are provided in Note 29.

27. 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 considered to be influential from the Groups' perspective:

Governmental bodies appointed by law to settle the costs of flights exempted from air navigation charges are the Ministry of National Development, Ministry of Defence and Ministry of Foreign Affairs.

Governmental organizations the Group purchases services from, or has obligations to pay to, are the Ministry of National Development, Ministry of Defence, Hungarian National Asset Management Inc., the National Transport Authority, MVM Ltd. and Hungarian Meteorological Service.

The founder's and owner's rights are exercised by the Minister of National Development. The dividend paid to the ministry was HUF 1,000,000 thousand in 2015 and HUF 1,000,000 thousand in 2014.

The following government bodies have no direct control over the Group or reversed, however, the management of the Group 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 Group signed an asset management agreement with the authority responsible for national property (Treasury Property Directorate legal successor 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 Group decided to classify the usage right of these specified assets as operative lease taken into account that the conditions of a finance lease are not met. The lease payment in 2015 was HUF 1,471,700 thousand (HUF 1,841,995 thousand in 2014).
The leasing fee based on the renewed agreement signed in 2013 is derived from the market value of the assets.
As a result of the agreement the Company is obliged to keep a record of the assets separately and to keep the assets in its original condition by restoring, replacing and improving them counterbalancing the amounts of the occurring amortization costs ('replacement obligation').

The obligation to keep the asset in its original condition – difference between the initial values recognized and the amortized values - is recognized among long term liabilities. As of December 31, 2015 the value of the liability was zero, whereas HUF 269,297 thousand in 2014. (Refer to Note 17)

(all amounts in thousands HUF unless otherwise stated)

For the **National Transport Authority** the Group pays supervisory fee (2015: HUF 500 million – same for 2014, the supervisory fee of air navigation services over Kosovo was HUF 100 million in 2015 and HUF 75 million in 2014) and other various license and permission fees (2015: HUF 12 million, 2014: HUF 93 million).

Further transactions considered to be significant in terms of size:

The Group purchases energy from **MVM Partner Energiakereskedő Ltd.** (2015: HUF 139,785 thousand, 2014: HUF 135,451 thousand) and meteorological data from the **Hungarian Meteorological Service** (2015: HUF 430,289 thousand, 2014: HUF 410,983 thousand).

Subsidiary of the Ministry of Defence, **HM EI Ltd.** provides security and cleaning services to the Group (2015: HUF 303,723 thousand, 2014: HUF 331,971 thousand).

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 other revenues – refer to Notes 8 and 12.

The total amounts of reimbursement claims for flights exempted from charges were as follows:

	Balance as per December 31, 2015	Balance paid off	Credited to Financial income	Credited to Other income	Balance as per December 31, 2014
Ministry of Defence	**649 097**	739 311	10 547	295 924	**1 081 937**
Ministry of National Development	**44 707**	15 570	429	13 697	**46 151**
Ministry of Foreign Affairs	**30 957**	68 649	456	16 792	**82 358**
Total	**724 761**	**823 530**	**11 432**	**326 413**	**1 210 446**
	Balance as per December 31, 2014	**Balance paid off**	**Credited to Financial income**	**Credited to Other income**	**Balance as per January 1, 2014**
Ministry of Defence	**1 081 937**	429 892	27 212	357 791	**1 126 826**
Ministry of National Development	**46 151**	0	1 076	13 547	**31 528**
Ministry of Foreign Affairs	**82 358**	34 690	1 087	14 409	**101 552**
Total	**1 210 446**	**464 582**	**29 375**	**385 747**	**1 259 906**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. 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.

(all amounts in thousands HUF unless otherwise stated)

Transactions with joint ventures:

The transactions with EPC Ltd. are disclosed fully:

Transactions with EPC	December 31, 2015	December 31, 2014
Sales of services	22 609	33 752
Purchases of training services	451 747	477 575
Amounts owed by related parties	2 168	3 091
Amounts owed to related parties - long term	4 152	4 175
Amounts owed to related parties - short term	513	3 552

EPC Ltd. (refer to Note 2.2) provides training for air traffic controllers and language courses. The sales realized with EPC are comprised mostly of management services, the rental fee charged for office space used and rooms rented for training purposes.

The major part of transactions with FAB CE Aviation Ltd. is the purchase of professional support and management services in a total value of HUF 12,950 thousand.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received. 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 course of the business operation or which were carried out on non-market terms.

(all amounts in thousands HUF unless otherwise stated)

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

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

December 31, 2015 - Data in thHUF

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits
Remuneration of Board of Directors*	22 275	11 615	0	0
Remuneration of the Supervisory Board**	47 585	0	0	0
Remuneration of key management personnel***	205 421	0	0	5 410
Total	**275 281**	**11 615**	**0**	**5 410**

* The amount includes in total HUF 22,221 thousands fix remuneration fee for the Board of Directors.

** The amount includes in total HUF 9,440 thousands fix remuneration fee for the Supervisory Board members.

*** The amount does not include any bonus payment.

December 31, 2014 - Data in thHUF

	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits
Remuneration of the Supervisory Board*	42 426	0	400	0
Remuneration of the CEO and the Directors**	195 415	0	0	0
Total	**237 841**	**0**	**400**	**0**

* The amount includes in total HUF 6,168 thousands fix remuneration fee for the Supervisory Board members.

** The amount does not include any bonus payment.

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 Group did not undertake guarantees in their names.

28. Commitments, contingencies

Under- and overrecovery balances from air navigation services

Based on the special EUROCONTROL cost recovery mechanism, route charges were calculated on the basis of “full cost recovery” system until 2011. From 2012 the performance scheme had been introduced in the en-route segment. From 2012 until 2014 the full cost recovery method was retained in the terminal activity; however from 2015, similarly to the en-route segment, the performance scheme took effect in that segment as well. Despite the changes, the settlement scheme, the special balances and the accounting mechanism itself are carried on in both systems. The newly established Kosovo segment, as described under Notes 2 and 20 operates under the full cost recovery scheme.

According to the special mechanism of the system, for States applying full cost recovery method, 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.

In the performance scheme under- and overrecoveries arise due to various occurrences: the risk of deviation from the traffic forecasted is shared with the airspace users. The Group does not bear the inflation risk and risk of the so called “uncontrollable costs”, thus, the Group has to settle under- and overrecovery balances from these facts in the future.

The Group does not recognize these revenue settlement balances in the statement of financial position as deferred revenues or accrued expenses, as it is prohibited by the IFRSs to recognise costs as inventory or defer them on the grounds that these might be set off against sales revenues in latter periods (underrecovery). It is not permitted either to recognize costs relating to future periods on the grounds that such costs might be compensated in later periods when they will actually incur (overrecovery).

However, 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:

(all amounts in thousands HUF unless otherwise stated)

Underfunding from cost base mechanism	Opening balance December 31, 2014	Amounts reimbursed (reversals)	Amounts generated during the financial year	Closing balance December 31, 2015
underrecoveries from 2013, En-route segment	336 027	-336 027	0	0
underrecoveries from 2014, Kosovo segment	305 230	-71 791	0	233 439
underrecoveries from 2015, En-route segment	0	0	1 183 066	1 183 066
underrecoveries from 2015, TNC segment	0	0	36 894	36 894
Total underrecovery carried over	**641 257**	**- 407 818**	**1 219 960**	**1 453 399**

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

Overfunding from cost base mechanism	Opening balance December 31, 2014	Amounts reimbursed (reversals)	Amounts generated during the financial year	Closing balance December 31, 2015
overrecoveries from 2012, En-route segment	299 892	0	0	299 892
overrecoveries from 2013, TNC segment	508 132	-508 132	0	0
overrecoveries from 2013, En-route segment	22 519	-22 519	0	0
overrecoveries from 2014, En-route segment	3 264 587	-608 985	0	2 655 602
overrecoveries from 2014, TNC segment	1 361 089	-133	0	1 360 956
overrecoveries from 2014, Kosovo segment	167 403	-86 653	0	80 750
overrecoveries from 2015, En-route segment	0	0	3 557 284	3 557 284
overrecoveries from 2015, TNC segment	0	0	523 880	523 880
overrecoveries from 2015, Kosovo segment	0	0	154 046	154 046
Total overrecovery carried over	**5 623 622**	**- 1 226 422**	**4 235 210**	**8 632 410**
Contingent liability from non-controllable costs	673 107	-673 107	658 963	658 963
Total contingent liability from cost base mechanism	**6 296 729**	**- 1 899 529**	**4 894 173**	**9 291 373**

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). Over- and underrecoveries will be utilized in the following, estimated pattern: HUF 5,3 billion shall be reimbursed to the airspace users in 2016 and HUF 2,7 billion shall be returned in 2017. The HUF 233 million underfunding of Kosovo segment, which arose in 2014, is continually reimbursable between 2016 and 2019.

(all amounts in thousands HUF unless otherwise stated)

Other commitments, contingencies

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

Maturity date	Amount (thHUF)	
30.09.2015 - 31.03.2016	15 186	bank guarantee given for rental fee payment
31.08.2015 - 31.08.2016	17 247	bank guarantee given for rental fee payment
Guarantees given	**32 433**	
16.03.2015 - 20.04.2020	32 324	bank guarantee received in relation to investment projects
20.10.2015 - 16.11.2017	22 314	bank guarantee received in relation to investment projects
02.07.2015 - 12.08.2016	11 690	bank guarantee received in relation to investment projects
14.12.2015 - 17.01.2018	1 837	bank guarantee received in relation to investment projects
14.12.2015 - 29.01.2019	3 362	bank guarantee received in relation to investment projects
07.07.2015 - 27.07.2016	15 411	bank guarantee received in relation to investment projects
14.08.2015 - 14.08.2018	3 733	maintenance bond received in relation to investment projects
26.03.2009 - 24.03.2016	24 951	bank guarantee received in relation to investment projects
14.05.2013 - 31.01.2016	31 248	bank guarantee received in relation to investment projects
10.07.2013 - 27.06.2016	16 439	bank guarantee received in relation to investment projects
26.06.2013 - 27.06.2016	8 365	bank guarantee received in relation to investment projects
01.08.2012 - 31.08.2017	172 417	maintenance bond received in relation to investment projects
21.11.2014 - 30.06.2017	14 847	bank guarantee received in relation to investment projects
02.01.2013 - 05.01.2018	1 482	bank guarantee received in relation to investment projects
Guarantees received	**360 419**	

As part of the tendering process regarding new projects and contracts, the Group 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 2015 were HUF 360,419 thousand (2014: HUF 386,584 thousand).

29. Financial risks

The Group is exposed to risks from changes in market and financial conditions that affect its results, assets and liabilities. Financial risk management aims to limit these risks through ongoing operational and finance activities.

Financial assets, other than hedging instruments, can be divided into the following categories: loans and receivables; financial assets at fair value through the profit and loss; available for sale financial assets; and held to maturity investments.

Financial assets are assigned to different categories on initial recognition. The classification depends upon the nature and purpose of the financial asset. A financial instrument's category is relevant to the way it is measured and whether the resulting income is recognized through the income statement or directly in equity.
Subsequent to initial recognition financial assets are measured at either fair value or at amortized cost according to the category in which they are classified.

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are either financial liabilities at 'fair value through the profit and loss' or 'other financial liabilities'.

The summary of significant accounting policies, the measurement basis used in preparing the financial statement and other accounting policies used which are relevant to understanding of the financial instruments presented are disclosed under Note 2 in respect of each class of financial asset, financial liability.

The statement of financial position included comprises the following categories of financial assets and liabilities for the dates presented:

(all amounts in thousands HUF unless otherwise stated)

a) Fair value of financial instruments:

Financial assets:

	Loans and receivables	Held to maturity investments	Available for sale financial assets	Derivative financial instruments	Financial assets at fair value through profit and loss	Total carrying amount	Total fair value
Invested financial assets	0	0	0	0	0	0	0
Other long term assets	326 413	0	0	0	0	326 413	326 413
Trade receivables	5 540 396	0	0	0	0	5 540 396	5 540 396
Derivative financial instruments in designated hedge accounting relationships	0	0	0	25 594	0	25 594	25 594
Government securities with maturity under 3 month (discount treasury bills)	0	2 302 430	0	0	0	2 302 430	2 302 430
Fixed deposits HUF - over 3 months	16 658	0	0	0	0	16 658	16 658
Government securities with maturity above 3 months (discount treasury bills)	0	0	14 799 975	0	0	14 799 975	14 799 975
Other current assets excluding taxes, prepayments and accrued income, receivables from employees	419 131	0	0	0	0	419 131	419 131
Cash and cash equivalents	3 811 696	0	0	0	0	3 811 696	3 811 696
Total as per December 31, 2015	**10 114 294**	**2 302 430**	**14 799 975**	**25 594**	**0**	**27 242 293**	**27 242 293**
Invested financial assets	16 842	0	0	0	0	16 842	16 842
Other long term assets	375 400	0	0	0	0	375 400	375 400
Trade receivables	6 463 360	0	0	0	0	6 463 360	6 463 360
Derivative financial instruments in designated hedge accounting relationships	0	0	0	6 802	0	6 802	6 802
Government securities with maturity under 3 month (discount treasury bills)	1 482 665	0	0	0	0	1 482 665	1 482 665
Fixed deposits HUF - over 3 months	6 366 900	0	0	0	0	6 366 900	6 366 900
Government securities with maturity above 3 months (discount treasury bills)	0	0	9 048 543	0	0	9 048 543	9 048 543
Other current assets excluding taxes, prepayments and accrued income, receivables from employees	871 269	0	0	0	0	871 269	871 269
Cash and cash equivalents	1 816 026	0	0	0	0	1 816 026	1 816 026
Total as per December 31, 2014	**17 392 462**	**0**	**9 048 543**	**6 802**	**0**	**26 447 807**	**26 447 807**

The financial assets are free of all liens, claims and encumbrances.

(all amounts in thousands HUF unless otherwise stated)

Financial liabilities:

	Derivative financial instruments	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Total carrying amount	Total fair value
Other long term liabilities	0	0	21 602	21 602	20 822
Trade payables	0	0	2 145 776	2 145 776	2 145 776
Derivative financial instruments in designated hedge accounting relationships	33 699	0	0	33 699	33 699
Other short-term liabilities excluding taxes, payables to employees, accruals and deferred income	0	0	86 693	86 693	86 693
Total as per December 31, 2015	**33 699**	**0**	**2 254 071**	**2 287 770**	**2 286 990**
Other long term liabilities	0	0	358 023	358 023	355 528
Trade payables	0	0	2 314 961	2 314 961	2 314 961
Derivative financial instruments in designated hedge accounting relationships	159 820	0	0	159 820	159 820
Other short-term liabilities excluding taxes, payables to employees, accruals and deferred income	0	0	89 313	89 313	88 144
Total as per December 31, 2014	**159 820**	**0**	**2 762 297**	**2 922 117**	**2 918 453**

Other long term liabilities line excludes government grants, furthermore the lines ‘other current assets’ and ‘other short term liabilities at amortized cost’ exclude taxes, accruals and prepayments with an amount presented under Notes 12 and 19.

The book values of trade receivables and trade payables decreased by impairment charged 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 balance-sheet dates presented.

Other long term assets:
Other long term assets owed by government authorities - as described under Note 8 -, are discounted at the balance sheet date to include time value of money into the carrying amounts. By using 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)) over the term of maturity the book values disclosed above approximate to their fair value.

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, 2015 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 balance as of December 31, 2014 comprises an obligation from a license agreement (the balance is zero as of December 31, 2015). The fair value of this was defined using the same fair valuation method. The balance is also presented under Note 17.

Replacement obligation payable on government owned assets (part of Other long term liabilities):
The financial liability balance as of December 31, 2014 includes a replacement obligation – the same balance is zero as per December 31, 2015.

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.

The fair value of available for sale financial assets:
The fair values used are provided by the partner banks and represent unadjusted prices, i.e. the biding offers determined based on the bid prices of the active market where the instruments were traded as per December 31, 2015 and 2014.

There were no reclassifications of financial assets between the individual categories in the years presented.

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).

Loans and receivables and most of the financial liabilities are measured at amortized cost but the fair values of these instruments are also disclosed in the tables above. These fair values have 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) issued by the Government Debt Management Agency Plc. (ÁKK Zrt.).
The financial instruments denominated in foreign currencies are revalued by using the foreign exchange rate issued by the Central Bank of Hungary.

The Group does not possess any financial assets or liabilities measured at fair value where fair values were identified based on Level 3 information.

(all amounts in thousands HUF unless otherwise stated)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Derivative financial instruments in designated hedge accounting relationships	0	25 594	0	0	6 802	0
Available for sale financial assets	0	14 799 975	0	0	9 048 543	0
Financial liabilities						
Derivative financial instruments in designated hedge accounting relationships	0	33 699	0	0	159 820	0

HungaroControl had instruments valued at Level 2 – valuation derived from market prices. The fair values used for valuation of the derivative financial instruments are identical to the mark-to-market valuations received from the banks at each month end.

Available for sale financial assets are discount treasury bills issued by the Hungarian State with a maturity date less than one year but above 3 months and government bonds with a maturity over one year. The fair value used is provided by the banks representing unadjusted prices, i.e. biding offers determined based on the bid prices as per December 31, 2015 and 2014 of a highly active market where the treasury bills are quoted.

There were not any transfers between Level 1 and Level 2 financial instruments.

b) Financial risk management

The Group monitors and manages financial risks relating to its operations. The Group has clear policies and operating parameters. The Supervisory Board provides oversight of the Group. 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 Group's activities include market risk (including currency risk, interest rate risk and inflation risk), credit risk and liquidity risk.

Market risk:

The Group'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.

(all amounts in thousands HUF unless otherwise stated)

Foreign currency risk management

The Group's principal exposure to foreign currency transaction risk is in relation to the revenue from air navigation services provided in the Hungarian airspace, accounting for 94,6% of the Group's turnover (2014: 95,5%). Charges for this service are set in Hungarian Forint, but are billed and collected in Euro by applying a conversion rate determined monthly by EUROCONTROL, who administer the revenue collection. The conversion factor used is the average of the daily closing Reuters-rates for the month prior to the billing period ('t-1'). To mitigate the risk that exchange rates move between the date of determining the unit charges (average rate of 't-1') and the date on which the funds are remitted ('t+2') to HungaroControl, foreign currency forward contracts are entered into. The Group hedges its expected cash flow from sales revenue (relating to the Hungarian en-route and terminal segments only) 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 (2015: 5%, 2014: 3,4%) do not represent a significant foreign exchange exposure. Furthermore, in the terminal and 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.
In en-route and terminal segments – under the performance scheme – currency risk is generally borne by the service providers (currency risk can be passed on to the users only in connection with uncontrollable costs), thus the risk remains at the Group.

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

	FX rates at year-end		Assets (in foreign currency)		Assets (in thHUF)	
	2015, December	2014, December	2015, December	2014, December	2015, December	2014, December
EUR	313,12	314,89	18 427 346	20 576 379	5 769 971	6 479 296
USD	286,63	259,13	0	0	0	0
GBP	424,96	403,75	368	202	156	82

	FX rates at year-end		Liabilites (in foreign currency)		Liabilites (in thHUF)	
	2015, December	2014, December	2015, December	2014, December	2015, December	2014, December
EUR	313,12	314,89	5 249 548	4 278 968	1 643 738	1 347 404
USD	286,63	259,13	154	717	44	186
GBP	424,96	403,75	0	0	0	0

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.

(all amounts in thousands HUF unless otherwise stated)

Forward foreign exchange contracts

Based on the EUROCONTROL cost recovery mechanism, route charges were calculated on the basis of "full cost recovery" regime until 2011. From 2012 on, the full cost recovery method was retained exclusively regarding the terminal activities; however in 2015 it ceased in this segment as well, hence foreign exchange risks in these segments became a risk carried by the Group.

The Group entered into forward foreign exchange contracts to sell Euro and buy HUF on the basis of forecasted revenues of both en-route and terminal segments. The Group designated these forward contracts as cash flow hedges. With the hedging transactions the Group aims to secure the HUF value of sales revenues received in EUR from airlines. The basis for the amounts contracted is 90% of the estimated service units i.e. the forecast sales transaction – in view of the actual traffic data this estimation will be corrected with the actual data of the given flight month.

The following contracts were outstanding at year end:

December 31., 2015	EUR sold	Average exchange rate	HUF bought (in thHUF)	Maturity date	Expected Gain (+)/ Loss (-) in th HUF (valuation reserve)	Ineffective part included in Profit and loss	Interest income from swap points included in line item financial income
November sales, 2015	7 697 111	311,83	2 400 183	21.01.2016	-16 595	-71	4 041
December sales, 2015	7 202 907	313,22	2 256 092	25.02.2016	-9 946	-176	6 894
January sales, 2016	6 890 424	315,14	2 171 440	24.03.2016	2 240	0	5 508
Derivative financial instruments in designated hedge accounting relationships	**21 790 442**	**313,34**	**6 827 715**	**-**	**-24 301**	**-247**	**16 443**

December 31., 2014	EUR sold	Average exchange rate	HUF bought (in thHUF)	Maturity date	Expected Gain (+)/ Loss (-) in th HUF (valuation reserve)	Ineffective part included in Profit and loss	Interest income from swap points included in line item financial income
November sales, 2014	8 417 890	308,53	2 597 158	22. 01. 2015	-61 993	-2 397	3 851
December sales, 2014	7 754 069	307,86	2 387 139	25. 02. 2015	-63 464	0	1 782
January sales, 2015	6 528 210	311,37	2 032 699	25. 03. 2015	-29 584	0	-1 213
Derivative financial instruments in designated hedge accounting relationships	**22 700 169**	**309,25**	**7 016 996**	**-**	**-155 041**	**-2 397**	**4 420**

All of the above forecast transactions hedged are expected to occur, thus they are still to be recognized in the statement of financial position.

These contracts will mature within the first three months of the next financial year at which stage the amount deferred in equity will be realized in the statement of comprehensive income.

(all amounts in thousands HUF unless otherwise stated)

The following amounts were recognized in the comprehensive income statement for the financial years 2015 and 2014:

Amounts recognised in comprehensive income statement in relation to derivative financial instruments	December 31, 2015	December 31, 2014
Amount that was removed from equity and recognised in sales balance (- loss/ + gain)	-161 075	-250 113
FX change difference realised on hedged trade receivables and recognised in sales balance (- loss/ + gain)	-4 048	134 938
Ineffective part of cash-flow hedges included in financial results (- loss/ + gain)	2 703	13 064
Interest recognised in profit and loss and included in financial results (swap points received)	95 193	124 255
Total gain (+)/loss (-) on cash-flow hedge transactions	**-67 227**	**22 144**
Fair value change of open cash-flow forward contracts at year end included in other comprehensive income (fair value reserve at year end)	-24 302	-155 041
Total result of cash-flow hedges included in equity balance	**-91 529**	**-132 897**

Foreign currency sensitivity analysis

The Group has significant exposure to EUR in relation to revenue and trade receivables balance as this is the billing currency hence the sensitivity analysis is focused on this currency.

The following table details the Group's sensitivity to a 3% increase or decrease in the value of HUF against EUR. The Group 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 balance-sheet 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 incomeand equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at that date.

(all amounts in thousands HUF unless otherwise stated)

	EUR/HUF	Assets	Liabilites	Impact on profit and equity	Impact on equity (%)
2015					*data in thHUF*
103%	322,51	173 099	-49 312	123 787	0,6%
100%	313,12	0	0	0	
97%	303,73	-173 099	49 312	-123 787	0,6%
2014					
103%	324,34	194 379	-40 422	153 957	1,1%
100%	314,89	0	0	0	
97%	305,44	-194 379	40 422	-153 957	1,1%

Without derivative contracts a 3% devaluation in HUF against EUR would cause a 0,6% decrease in the fair value of the net position of items denominated in EUR i.e. in retained earnings and the financial results in 2015 (the same figure is 1,1% regarding 2014) – supposing that all other factors remain unchanged. This means that the exposure of the Group against EUR is relatively significant and financial results are considerably sensitive for the change in HUF/EUR rates.

A similar examination using 5% change in rates would result in a 1,1% change in retained earnings for 2015, and a 2% change for 2014.

The Group has its biggest exposure to EUR through its trade receivable balances which can be effectively reduced by entering into hedging transactions as showed below.

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

(all amounts in thousands HUF unless otherwise stated)

	EUR/HUF	Effect on profit for the year	Effect on equity balance
2015			*data in thHUF*
103%	322,51	-1 409	-192 739
100%	313,12	0	0
97%	303,73	1 566	216 642
2014			
103%	324,34	-2 825	-207 480
100%	314,89	0	0
97%	305,44	3 167	221 403

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.

	EUR/HUF	Trade receivables	Impact on profit and equity	Impact on equity with hedging reserve
2015				*data in thHUF*
103%	322,51	5 701 165	166 053	-25 277
100%	313,12	5 535 112	0	0
97%	303,73	5 369 058	-166 053	49 022
2014				
103%	324,34	6 644 614	193 532	-11 122
100%	314,89	6 451 082	0	0
97%	305,44	6 257 549	-193 532	24 704

Year-end revaluation

The results of year end revaluation of items in the statement of financial position were as follows: HUF 9,717 thousand gain at the end of 2015 (2014: HUF 70,214 thousand, gain).

(all amounts in thousands HUF unless otherwise stated)

Interest rate risk management

Interest rate risk from interest bearing assets and liabilities

The Group possesses substantial free cash surplus which is tied up in fixed interest bank deposits or invested in discount treasury bills and government bonds.

The main aim of the Group 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 with a maximum maturity of one year, 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 Group towards changes in interest rates via financial assets owned is practically very limited.

The Group 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 BB+ in March 2016. The level of fixed deposits hold in one financial institution is limited to a maximum of 30% 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 Group is determined as the follows: fixed bank deposits 100%, except the deposits with a 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:

	2015	2014
Annual Interest rate	**Amounts**	**Amounts**
HUF-deposits held	thHUF	thHUF
1% - 2%	3 438 845	2 146 900
2% - 3%	0	5 800 000
Total	**3 438 845**	**7 946 900**
EUR-deposits held	EUR	EUR
< 0,5%	0	0
0,5 % - 1%	53 200	32 880
1%	0	0
1% - 2%	0	28 000
Total	**53 200**	**60 880**

Investments in the above table show the general decrease in market interest rates.

As disclosed under this Note and Note 14 the Group has deposits with maturities less than one year only.

The balance of discount treasury bills and government bonds are disclosed in the fair value of financial instruments section of this Note.

The Group does not possess any credit or credit line or any interest bearing financial liabilities.

Sensitivity analysis has not been enclosed based on exposure to interest rates as none of the assets above are floating rate assets on the one hand, and the maturity of the possessed fixed assets are short. The Group does not hold any other interest bearing asset with floating interest rate.

Other sources of interest rate risks

The Group 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 business the performance scheme allows to include a risk premium above the risk free rate when calculating cost of equity included in the cost base (2,4% in case of Hungary; regarding the charges of terminal navigation services a 1% risk premium is applied only, as the Group does not share any traffic risk in this segment, therefore only the risk of under-or over budgeting the costs of the reference period can be taken into account when calculating the cost of equity). This was determined in advance for the whole reference period of 2015-2019. 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 Group effects the profitability of the segment. In this manner, the Group is exposed to interest rate risk to the extent that it holds large amount of interest bearing assets.

Inflation rate risk management

The risk of changes in inflation rate is born by airlines according to the performance scheme (en-route segment). 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 (period n+2) through the charges).
The Group intends to manage inflation risk by adjusting the highest possible level of costs to inflation. For this reason the Group introduced a system where payroll costs, being the most significant cost item, are adjusted with inflation.

The Group 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 Group. The Group'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.
The risk that a counterparty will default on its contractual obligation is reduced in the Kosovo segment 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.

In the performance scheme the Group bears the risk of non-payment of customers.

Maturity of receivables and bad debt allowances charged are disclosed under Note 11. The tables presented there give a summary about the credit risk profile of the Group arising on default by customers on settlement of trade receivables.

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

Liquidity risk management

The Group 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. The Group had no debt at year ends; its liquidity position is stable.

Liquidity risk is either effectively manageable through the cost base (Kosovo segment, or in limited (serious) cases even under the performance scheme); or there is also an option to amend charges during the financial year if necessary or involve external sources of finance.

Liquidity risk is mainly influenced by the traffic: if traffic fails to produce the expected level it might cause underfunding. This, however, can be fully collected in the Kosovo and terminal segments after two years (period n+2) through the charges, therefore in these line of businesses the Group does not bear any substantive traffic risk - it may have liquidity risk though.
In the en-route segment 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 Group, 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 Group. Above 10%, all of the additional effect will be taken by airlines. The actual traffic exceeding the planned amount increases the profitability of the Group. In cases the actual traffic would not reach the assumed level, it would decrease profitability, however compensating this effect the Group 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 Group, since the part borne by the airlines can be probated after two years first.

In the terminal segment the risk of not reaching the traffic forecasts did not have any effect on the profitability of 2015, as the Company is exempted from traffic risk sharing owning to the regulation applicable for air ports with lower traffic.

Under the full cost recovery system, this is however only a temporary effect, like in case of the traffic.
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 this however might take up more time to be enforced (for the first reference period it can be charged to users first in 2016/2017).

External capital management

The Group possesses sufficient amount of working capital and demand deposits and does not require external capital involvement. The Group does not expect to involve external capital for the near future and does not identify any risks related to its capital structure. Consequently the Group does not seek to maintain a target gearing level or determine targets for gearing. Overall expectance towards the Group is to cover its investments from internal financial sources.
For further information on capital risk management refer to Note 30.

Risk of 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 Group 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, 2015 and 2014.
The table has been drawn up based on the earliest date on which the Group can be required to repay.

(all amounts in thousands HUF unless otherwise stated)

	Overdue	Due within one year	Due between 1-5 years	Due over 5 years	Total
December 31, 2015					
Trade payables	74 550	2 071 226	0	0	2 145 776
Other liabilities	0	86 693	0	0	86 693
Other long term liabilities	0	0	17 450	4 152	21 602
Total	**74 550**	**2 157 919**	**17 450**	**4 152**	**2 254 071**
December 31, 2014					
Trade payables	16 087	2 298 874	0	0	2 314 961
Other liabilities	0	89 313	0	0	89 313
Other long term liabilities	0	0	84 551	273 472	358 023
Total	**16 087**	**2 388 187**	**84 551**	**273 472**	**2 762 297**

The maturity profile for the derivate financial liabilities is disclosed under this Note.

30. 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 finances its activity from equity and net working capital. It does not possess long or short term credits or borrowings.

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 law at the end of the financial years 2015 and 2014 respectively.

31. Events after the reporting period

The consolidated financial statements of the Company for the year ended December 31, 2015 prepared in conformity with International Financial Reporting Standards (IFRS) are authorized in accordance with the resolution of the CEO on 9 May 2016.

Budapest, 9 May 2016

Chief Executive Officer