

Act C of 2000

on Accounting \*

The operation of a market economy requires the availability of objective information regarding the assets and liabilities, financial position and profits and losses of businesses, non-profit oriented organizations and other types of economic operators, including trends and changes thereof, so as to enable market players to make informed decisions relying on the information available.

This Act contains accounting rules which are in harmony with the relevant directives of the European Communities, and with international accounting principles, and based upon which reliable information resulting in a true and fair view can be provided in respect of the profitability, financial position and performance, the assets and holdings, and the future plans of the enterprises falling under the scope of this Act.

In view of the foregoing, Parliament has adopted this Act on Accounting:

Chapter I

GENERAL PROVISIONS

Purpose

Section 1

This Act defines the reporting and book-keeping obligation of those enterprises to which it applies, the principles to be observed in the course of the compilation of reports and the keeping of books, the rules established upon such principles, as well as disclosure, publication and audit requirements.

Scope

Section 2

(1) This Act - with the exception set out in Subsection (3) - shall apply to all operators participating in the economy, regarding whose operation other participants of the national economy require information.

(2) This Act shall apply to all economic entities.

(3) \* This Act shall not apply to private entrepreneurs, civil law companies, building societies, nor to the Hungarian commercial representation offices of nonresident business associations.

#### Section 2/A \*

(1) \* This Act shall not apply to those general partnerships, limited partnerships, sole proprietorships and law firms that keep their records in the financial year (tax year) under the provisions of the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax.

(2) \* The general partnership, limited partnership, sole proprietorship and law firm referred to in Subsection (1) that no longer satisfies the criteria prescribed by the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax shall apply the provisions of this Act as of the day on which it no longer falls within the scope of the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax.

(3) \* The general partnership, limited partnership, sole proprietorship and law firm referred to in Subsection (1) that has transferred from the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax (back) to the scope of this Act shall be subject to the provisions on enterprises established without a predecessor.

(4) \* The general partnership, limited partnership, sole proprietorship and law firm referred to in Subsection (1) that has transferred from the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax (back) to the scope of this Act shall conduct an item-by-item inventory count on the basis of which it shall prepare an opening balance sheet. It shall indicate the assets at current market value, the liabilities in sums actually payable, provisions in the amount adjusted according to the provisions of this Act, and owner's equity in the difference between assets and liabilities (including provisions). The value of assets and liabilities shown in the opening balance sheet shall be verified by an auditor.

(5) \* The notes on the accounts prepared by a general partnership, limited partnership, sole proprietorship and law firm that falls within the scope of this Act shall indicate - in connection with Subsections (1)-(4) and concerning the obligations pertaining to accounting records - whether the business association is transferring back from the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax as of the following financial year to the scope of this Act or whether it is the first annual account to be filed after transferring from the Act on Simplified Entrepreneurial Taxation or the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax to the scope of this Act.

## Interpretative Provisions, Definitions

### Section 3

(1) For the purposes of this Act:

1. 'economic entity' shall mean enterprises, government agencies, other organizations, the Magyar Nemzeti Bank, and healthcare, social and educational institutions established by the prior or by natural persons;

2. \* 'company' shall mean all economic entities that are engaged in for-profit or gainful activities in the form of regular business operations - whether production or service - performed for consideration, in their own name and at their own risk (hereinafter referred to as "business operation"), including credit institutions, financial companies, investment firms and insurance companies as well as nonprofit business associations, groupings, social cooperatives, school cooperatives, general interest associations of pensioners, European economic interest groupings, European public limited liability companies, European cooperative societies, water management associations, forest management organizations and Hungarian branches of foreign companies, trust funds, if other than the entities listed under Points 3 and 4;

3. \* 'government agency' shall mean the bodies of the central government and local government sub-sectors as designated by the Act on Public Finances;

4. \* 'other organization' shall mean:

a) associations, foundations,

b) public sector bodies, public foundations,

c) housing cooperatives, condominiums,

d) law offices, patent agencies, bailiff's offices and notary's offices,

- e) the Médiaszolgáltatás-támogató és Vagyonkezelő Alap (Media Service Support and Asset Management Fund),
- f) Szövetkezeti Hitelintézetek Integrációs Szervezete (Integration Organization of Cooperative Credit Institutions),
- g) collective management organizations,
- h) organizations created within the framework of Employee's Stock Option Plan,
- i) public water utility companies,
- j) ecclesiastical legal entities,
- k) investment funds and other funds,
- l) the stock exchange and bodies pursuing central securities depository and central counterparty activities,
- m) private pension funds,
- n) voluntary pension funds,
- o) voluntary mutual health and mutual aid funds,
- p) public warehouse companies, and
- q) other organizations with legal personality as defined in specific other legislation.

(2) For the purposes of this Act:

1. 'parent company' shall mean a company that effectively exercises a dominant influence over another company (hereinafter referred to as "subsidiary company"), either directly or through its subsidiary company, because it meets at least one of the following conditions:

a) based on its ownership percentage in the share capital, it solely controls the majority (in excess of 50 per cent) of the votes of the owners (shareholders), or

b) it solely controls the majority of votes based on agreement with the other owners (shareholders), or

c) \* in its capacity as an owner (shareholder) of the company, it is entitled to elect or dismiss the majority of executive employees or members of the supervisory board, or

d) based on a contract concluded with the owners (shareholders), or a provision of the instrument of constitution, it exercises dominant supervision and control, irrespective of its percentage in the share capital, voting ratio and the right to elect and dismiss executive employees;

2. 'subsidiary company' shall mean the business association over which the parent company referred to in Point 1 exercises a dominant influence;

3. 'jointly controlled entity' shall mean a business association in which, on the one hand, the parent company (or the consolidated subsidiary of the parent company), and on the other hand, one (or several) other enterprise(s), have the rights defined in Point 1 on an equal basis, with at least 33 per cent voting rights. A jointly controlled entity is managed jointly by the owners;

4. \* 'associated company' shall mean a business association that is not fully consolidated, in which the parent company or a consolidated subsidiary thereof has a major participating interests as provided for in Point 9, and exercises significant influence over the business and financial policy of the business association;

4a. \* 'company exercising significant influence' shall mean company that controls, directly or indirectly, 20 per cent or more of the voting rights - determined by way of the calculation procedure prescribed in Subsection (4) of Section 115 as appropriate - in another business association;

5. \* 'other company linked by virtue of participating interest' shall mean a business association other than the companies referred to in Points 2-4, in which a company does not have a major participating interest provided for in Point 9;

6. 'consolidated companies' shall mean the parent company, the consolidated subsidiary and the jointly controlled entity combined;

7. \* 'affiliated company' shall mean the parent company defined under Point 1 and the companies defined under Points 2-3 (in the case of a superior parent company, classification shall be made from the superior parent company's point of view);

8. \* 'related party' shall have the meaning defined in Commission Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.

9. \* 'major participating interest' shall mean rights in the capital of other companies, whether or not represented by certificates, which, by creating a durable link with those companies, are intended to contribute to the activities of the company which holds those rights, and where it has more than 20 per cent of the voting rights in that other company.

(3) For the purposes of this Act:

1. 'audit' shall mean the subsequent control of the data of a financial year by the economic entity or by the tax authority following approval of the annual account by the body so authorized within the framework of self-revision or tax authority audit;

2. \* 'findings of audit' shall mean the errors and the impact of errors having an influence on assets and liabilities, on profits or losses and on owner's equity that are related to the financial year (years) for which the books have been closed and which result from non-compliance with, or misinterpretation of, the relevant legislation or from the commission of a prohibited or disallowed act. For the purposes of accounting treatment, said errors and the aftereffects thereof, where

changes are made in the indicators of economic events to be shown in the books, documented by way of contract amendment or by altering accounting documents, relating to a financial year or years for which the books have been closed shall also be construed findings of audit;

3. \* 'major error' shall mean if, in the year when discovered by any form of audit, the absolute value of all errors (whether negative or positive) in the aggregate for a given financial year (separately for each year) and the impacts thereof - increasing or decreasing the profit or loss or the equity - exceeds the value limit set out in the accounting policy. Errors shall be construed as major in all cases if, in the year when discovered by audit, absolute value of all errors (whether negative or positive) in the aggregate for the same year and the aftereffects thereof - increasing or decreasing the equity - exceeds 2 per cent of the balance sheet total of the financial year audited, or one million forints, if such 2 per cent of the balance sheet total does not exceed one million forints;

4. \* 'minor error' shall mean if, in the year when discovered by any form of audit, the absolute value of all errors (whether negative or positive) in the aggregate for a given financial year (separately for each year) and the impacts thereof - increasing or decreasing the profit or loss or the equity - does not exceed the value limit of major errors as specified in Point 3;

5. \*

(4) For the purposes of this Act:

1. 'intermediation' shall mean when an economic entity purchases a service in his own name under the terms and conditions fixed in a contract with a third party (principal), in part or in whole as agreed, and such service is resold (re-invoiced) in an unaltered state; in the application of intermediation, the intermediary functions as both the buyer and the seller of the service, for the purchased service is mediated in part or in whole under contract with the principal, that expressly stipulates the prospect of intermediation to be invoiced upon performance, notably that the intermediary provides - in addition to his own services - the service he has purchased in an unaltered state, but not necessarily at the same price;

2. \* 'basic research' shall have the meaning defined in the Act on Scientific Research, Development and Innovations (hereinafter referred to as "Innovations Act");

3. \* 'applied research' shall have the meaning defined in the Innovations Act;

4. \* 'experimental development' shall have the meaning defined in the Innovations Act;

5. 'useful life' shall mean the duration over which an economic entity is allowed to depreciate an asset prorated by a predetermined time or performance schedule and charged to its profit and loss account, where

a) 'useful life' shall mean an estimated period over which the economic entity is likely to use an asset taking into account its foreseeable physical wear (number of shifts, typical circumstances of an activity, material properties of the asset), market obsolescence (changes in technology, market demand) and legal and other restrictive factors in connection with the use of the asset, or

b) 'useful life' shall mean a period determined in view of production capacity, feasible performance or other unit of measurement, during which period the economic entity is able to achieve the prior with the use of the depreciable asset;

6. 'residual value' shall mean the estimated value of an asset which can be realized at the end of its useful life, as determined at the time when commissioned or placed into operation based on the information available as consistent with its useful life. The residual value can be reduced to zero if its estimated value is insignificant;

7. "investment" shall mean the purchase, creation and production of a tangible asset, commissioning of a purchased tangible asset, the activities performed up to the time when the asset is placed into operation (shipping, customs formalities, mediation, foundation work, commissioning, and all activities performed in connection with the acquisition of the asset, such as planning, preparations, execution, arranging a loan and obtaining an insurance policy etc.); any operation for the expansion, conversion, transformation of an existing tangible asset or to increase the useful life and/or capacity of an existing tangible asset shall also be included in this category, including all related activities specified above;

8. 'renovation' shall mean activities aimed to restore the original condition (capacity, precision) of a worn tangible asset, a periodically recurring operation by which the useful life of an asset is decidedly improved, its original condition and/or capacity is restored in full or almost in full, the quality of manufactured products or the use of the asset is significantly improved, thus the additional expenses allocated for renovation will produce economic benefits in the future; improvement is also treated as renovation if it results in enhancement of the asset's reliability, production capacity, usefulness or profitability by way of the implementation of modern technologies to alter certain parts or

components of the tangible asset or by replacing them; a tangible asset is to be renovated when, in spite of routine and regular maintenance, its condition has deteriorated (wear and tear of structural elements) to the extent where normal use is no longer feasible; the completion of neglected and accumulated maintenance procedures at the same time shall not be construed as renovation, irrespective of the magnitude of the costs and expenses involved;

9. 'maintenance' shall mean a routine procedure comprised of repairs and corrections so as to preserve the condition of an existing tangible asset in order to increase its useful life, including systematic preventive maintenance, major overhaul procedures performed regularly but at greater intervals, and all repair and upkeep activities which are required for the safe and reliable use of the asset and which frequently results in the repair of regular wear and tear;

10. 'bad debt' shall mean a claim:

a) that cannot be recovered from the debtor by enforcement, or that can be recovered only in part (if the enforcement procedure fails to provide satisfaction in itself and if enforcement is suspended, the fact that the claim cannot be recovered can be presumed under the principle of prudence, if it is supported by an abandoned seizure report),

b) that was cancelled by the creditor within the framework of bankruptcy or liquidation proceeding or under the debt consolidation of local governments,

c) for which there is no cover according to the written certificate (statement) issued by the liquidator,

d) that is not satisfied upon conclusion of a liquidation or debt consolidation procedure by the asset(s) received at a value specified in the proposal for the distribution of assets,

e) \* that cannot be feasibly enforced, specifically where the amount presumed to be recovered is not likely to cover the costs of order for payment or enforcement procedures (order for payment or enforcement procedure generates or increases losses), or the debtor is not at the address available and cannot be located, and efforts to locate the debtor did not produce any results as "documented",

f) that cannot be enforced in a court of law,

g) that has expired under the term of limitation in accordance with the relevant legislation.

Failure to recover a debt and the amount involved shall be verified. \*

(5) For the purposes of this Act:

1. \* 'goodwill' shall mean the difference between the consideration payable for the acquisition of a line of business and the market value of the assets, less the value of liabilities assumed, established according to the evaluation method defined in this Act, if the consideration paid is higher;

2. \* 'negative goodwill' shall mean the difference between the consideration payable for the acquisition of a line of business and the market value of the assets, less the value of liabilities assumed, established according to the evaluation method defined in this Act, if the consideration paid is lower;

2a. \* 'line of business' shall mean a strategic business unit of an economic entity (including business establishments and store chains) that is capable to perform autonomous economic activity relying on its own financial means (assets, liabilities, provisions and accrued and deferred items);

3. \* 'majority control, qualifying holding' shall have the meaning defined under the provisions of the Civil Code governing business associations;

4. 'instrument of constitution' shall mean the instrument prescribed by law for the foundation of an economic entity, such as the memorandum of association, charter document, articles of association or an agreement between the owners titled otherwise.

(6) For the purposes of this Act:

1. 'closing date of the balance sheet' shall mean a date following the balance sheet date of the financial year, which is determined in relation to the various balance sheet items, up until which the evaluations necessary to give a true and fair view of the financial situation can and must be carried out;

2. 'debt securities' shall mean all printed or dematerialized securities, or instruments carrying certain rights and which are deemed securities by law, in which the issuer (debtor) acknowledges that a certain amount of money has been placed at its disposal and that it undertakes the commitment to repay the amount of the principal (loan) and the agreed interest or other returns, as well as to perform any other predetermined services, when applicable, to the holder of the securities (creditor) on the date and in the manner stipulated. This, in particular, includes bonds, treasury bills, deposit certificates, treasury notes, trust bonds, savings notes, mortgage bonds, bills of lading, warehouse warrants, dockets and lien warrants, compensation notes, and investment units issued by fixed term investment funds;

3. \* 'equity securities' shall mean all printed or dematerialized securities, or instruments deemed securities by law that carry certain rights, in which the issuer acknowledges that a certain amount of money, or non-financial assets whose value is determined in monetary terms, has been placed at its disposal and that it undertakes the commitment to provide predetermined financial and other rights to the holder of such securities. This, in particular, includes stocks, partnership shares, shares in cooperatives, share notes, other partnership shares, investment units issued by unlimited term investment funds, venture capital shares;

4. 'discount securities' shall mean non-interest bearing debt securities, which are issued under par value and redeemed at par value on maturity;

5. 'purchased inventories' shall mean stock in hand [raw materials, additional materials, fuel and combustibles, spare parts, assets as per Paragraph a) of Subsection (3) of Section 28], goods (commercial inventories, refundable packaging, mediated services), and advance payments on inventories;

6. 'self-constructed assets' shall mean work in progress, intermediate, semi-finished and finished products, animals for breeding and fattening and other livestock;

7. "FIFO method" (First In First Out) shall mean when the asset that was purchased (manufactured) first is the one that is sold (used) first, consequently the assets that remain at the end of a period are the ones purchased (manufactured) last.

(7) For the purposes of this Act:

1. 'contracted services' shall mean all services other than intermediation and other service activities not elsewhere classified, meaning in particular, the activities of tour operators, shipping and loading, warehousing, packing, rental services, hired labor, maintenance, postal and telecommunications services, laundry and dry cleaning, consignment activities, agency, education and advanced training, advertising and promotional services, market research, publishing of books and magazines etc., hospitality services, restaurant and catering, research and experimental development, planning and design services, general contracting, auditing and accounting services;

2. \* 'other services' shall mean financial, investment, insurance, regulatory-administrative and other regulatory services;

3. \* 'other employee benefits' shall mean payments made to and sums credited to natural persons by the payer, other than wages and salaries or contract fees, whether required by law or based on the payer's own decision. Included in this category are, in particular: royalties, rental allowances, home building assistance (including interests and handling charges), meal allowances, commuting allowances, anniversary premiums, reimbursements for employee commitments, income supplement to miners, awards, other benefits in kind, income supplement to incapacitated employees, sick leave compensation, employer's contribution for sick-pay and sick-pay supplement, insurance premiums paid by the employer for the employee's accident, life and pension insurance policies, employer's membership contribution paid to voluntary funds, membership supplement paid by employer to private pension funds, employer's share of and contribution to personal income tax payments, welfare and cultural expenses, severance pay, employer's contribution to early retirement pension benefits or benefits provided before the legal age limit in lieu of early retirement pension benefits, furthermore, payments to employees and workers such as per diem, separation allowances, costs reimbursed on the basis of the relevant legislation, personal basic salary paid following discharge from military or civil service, invention fees, patent licensing fees or purchase costs, innovation fees, and participation fees paid in connection with these, also royalties and fees paid for other copyrighted products to non-employees and participation fees paid in connection with such, payments to seasonal agricultural workers, benefits provided in kind and entertainment costs, and all other payments classified by statistical regulations as other work-related income and social expense.

(8) For the purposes of this Act:

1. \* 'exchange market, financial futures, options and spot transactions, central securities depository, central counterparty, central securities depository activities, central counterparty activities, central securities account, securities account, client account, dematerialized securities, secondary securities, securities lending and/or borrowing' shall have the meaning defined in the Capital Market Act;

2. \* 'repurchase agreement' and 'reverse repurchase agreement' shall mean any agreement for the transfer of securities containing a commitment of the seller to repurchase and a commitment of the buyer to resell the securities in question at a specified price on a future date specified, or to be specified, by the transferor, irrespective of whether the agreement provides for the possibility of transfer of title to the underlying security to the buyer (delivery repurchase agreement), or for accepting the underlying securities as collateral during the life of the agreement (collateralized repurchase agreement). Collateralized repurchase agreements and title transfer repurchase agreements shall be recognized, respectively, as actual reverse transaction and implied reverse transaction, subject to the relevant provisions of the government decree on the special provisions regarding the annual accounting and bookkeeping obligations of credit institutions and financial companies, adopted by authorization of this Act, as pertaining to such transactions;

3. \* 'financial instrument' shall mean a contractual agreement that produces a financial asset for one of the parties and a financial liability or equity (capital instrument) for the other, such as, in particular, receivables and liabilities fixed in a contractual agreement, liquid assets, securities (debt securities and equity securities) and derivative instruments;

4. 'settlement price' shall mean the price (market value) determined and announced by the stock exchange for each day of trading for forward stock exchange products, based on which the financial liabilities and receivables of investment firms are calculated subject to daily margin requirements;

5. 'over-the-counter (OTC) futures transaction' shall mean the buying and selling of goods or financial instruments at a predetermined price (contract price), exchange rate and quantity to be delivered at a future date as contracted (on maturity, if it exceeds the period defined in Point 9) on the free market;

6. \* 'over-the-counter (OTC) options' shall mean the transactions defined as such in the Act on the Capital Market that are concluded on the free market for commodities or financial instruments;

7. 'swap (currency, capital, interest)' shall mean a complex agreement for the exchange of a financial instrument which, in general, consists of a spot transaction and a futures transaction, and/or several futures transactions and, in general, it results in future cash flow exchanges;

8. 'interest-rate swap' shall mean the exchange of fixed rate and variable rate - adjusted to market rates and to certain conditions - interest on principal at specific intervals;

9. 'over-the-counter (OTC) spot deal' shall mean a securities sale or exchange transaction completed within eight working days of being concluded, or within two working days thereof for currency;

10. \* 'hedge' shall mean derivative transactions (except for written options), or in respect of foreign exchange risks only, any non-derivative financial instrument or financial liability that are included in a designated hedging relationship, and whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. There are the following types of hedges:

a) 'market value (fair value) hedge' shall mean any transaction concluded to cover any risk existing owing to changes in the market value (fair value) of all or a specified part of the assets or liabilities in the balance sheet;

b) 'cash flow hedge' shall mean any transaction concluded for risk management objectives relating to movement in forecast transaction associated with any assets or liabilities in the balance sheet (including interest payments), or for covering risks stemming from changes in future cash flows related to firm commitments not recognized in the balance sheet;

c) 'hedge of a net investment in a nonresident economic operator' shall mean any transaction concluded for risk management objectives relating to the exchange difference arising on an investment made in foreign currency equity securities (stocks, shares and other participating interest) held in an affiliated foreign company for reasons other than trading, and long-term receivables and liabilities due from or to such economic operator, respectively;

10/a. \* 'hedged transaction' shall mean an asset, liability, firm commitment, forecast transaction or a net investment in a nonresident economic operator that exposes the economic operator to risk of changes in fair value or future cash flows and is included in a designated hedging relationship. Similar assets or similar liabilities shall be aggregated and hedged as a group only if the individual assets or individual liabilities in the same group share the risk exposure that is designated as a hedged risk;

10/b. \* 'designated hedging relationship' shall mean - without prejudice to fair valuation under Sections 59/A-59/F - a hedging relationship documented pursuant to Subsections (1) and (2) of Section 59/E that meets the criteria set out in Subsection (3) of Section 59/E;

11. \* 'reverse (placement) transaction' shall mean an operation whereby one of the parties to a transaction ("pledger") transfers its own on-balance-sheet financial instruments (other than currencies, foreign exchange, debt securities of own issue and equity securities of own issue) to the

other party to the transaction (“pledgee”) subject to an agreement where the pledgee undertakes the commitment to return such financial instruments - in respect of serial securities, they must be of the same series, same quantity and face value - to the pledger at (by) a later date specified in the agreement, at a predetermined price and under the conditions described in Paragraphs a) and b);

a) \* ‘actual reverse transaction (placement)’ shall mean a reverse transaction in which at least one of the parties is a credit institution and the pledgee undertakes the commitment to return the financial instruments at a predetermined time or at a time to be specified by the pledger and in which the pledger reserves the right - through clauses installed in the contract - to exercise control over the financial instruments (meaning the right of disposition concerning the resale of the assets, pledging them as security, lending them and the right to collect their proceeds). Actual reverse transactions shall be recognized as lending/borrowing transactions; the transacted financial instruments shall be shown in the books of the pledger, and the difference between the sale price and the repurchase price shall be treated as interest;

b) \* ‘implied reverse transaction (placement)’ shall mean a reverse transaction where - depending on the agreement of the parties - the pledgee is entitled (at his own discretion) to return the pledged assets at the selling price or at another price determined by the parties at (by) a predetermined time or at a later date of pledgee’s choice upon occurrence of a forward condition and the pledger is to accept the assets under such conditions. An agreement in which the pledgee undertakes the commitment to return the pledged assets at a predetermined time or at a date to be specified by the pledger and the pledger does not reserve the right - through clauses installed in the contract - to exercise control over the pledged assets shall also be construed an implied reverse transaction. Implied reverse transactions shall be accounted according to the general rules on the sale of financial instruments;

12. \* ‘electronic money’ shall have the meaning defined in the Act on Credit Institutions and Financial Enterprises;

13. \* ‘financial leasing’ shall mean an arrangement made under a financial leasing agreement provided for in the Act on Credit Institutions and Financial Enterprises, including if made between a parent company and its subsidiary;

14. \* ‘contingent liability’ shall mean a liability towards a third party that exists on the balance sheet date but whose appearance as a balance sheet item is dependent upon a future event. Contingent liabilities may pertain to liquid assets and other assets. Contingent liabilities on liquid assets include, in particular, sureties, underwriting guarantees, bill guarantees, options, implied reverse transactions, and contingent liabilities arising in connection with pending lawsuits. Liabilities on other

assets include, in particular, commitments for the delivery of assets pledged for hedging, security or collateral purposes, and commitments for the delivery of some other asset in connection with options;

15. \* 'commitment' shall mean an irrevocable commitment that already exists on the balance sheet date, however, since the relevant contract has not yet been fulfilled, it cannot be included in the balance sheet. Commitments may pertain to liquid assets and other assets. Commitments include, in particular, futures transactions and commitments for the future delivery of liquid or other assets arising from the forward part of swaps. Commitments shall not include overhead and other continuously arising operating expenses;

16. \* 'off-balance sheet item' shall mean contingent liabilities and commitments and contingent assets and future receivables existing under contract and not shown in the balance sheet, which concern the transfer of liquid or other assets and already exist on the balance sheet date; however, their entry as a balance sheet item is subject to some future event or performance of a contract;

17. \* 'contingent asset' shall mean a claim existing on the balance sheet date that pertains to liquid or other assets and whose recognition as a balance sheet item is subject to some future event. This includes, in particular, endorsements, underwriting the liabilities of a third party, acceptances, securities, pledged properties, collateral and claims for receiving liquid or other assets in connection with options;

18. \* 'future receivable' shall mean a claim existing on the balance sheet date that pertains to liquid or other assets and whose recognition as a balance sheet item is subject to performance of a contract. Future receivables include, in particular, futures transactions, and claims for the future delivery of liquid or other assets arising from the forward part of swaps;

19. \* 'subordinated asset' shall mean a claim or a debt security that is recognized as a subordinated liability at the debtor or the issuer of the security, and which is to be released or settled after the other creditors are satisfied if the debtor or issuer of the security is undergoing bankruptcy or liquidation;

20. \* 'currency cross rate' shall mean the foreign exchange rate published by the Magyar Nemzeti Bank for two specific currencies calculated from the official exchange rates in effect for the day (cross ratio of the two currencies).

(9) \* For the purposes of this Act:

1. 'financial asset' shall mean any asset that is:

a) liquid asset,

b) \* a contractual right to receive liquid assets or other financial instruments from other parties (including claims shown in the balance sheet, debt securities, and derivative transactions),

c) a contractual right to exchange financial instruments with other parties under potentially favorable terms and conditions (including the value of an option held by the option's buyer),

d) an equity instrument of another enterprise (any investment in the equity securities of another enterprise);

2. 'financial liability' shall mean:

a) \* any contractual liability that is a legal obligation to deliver liquid assets or other financial instruments to other parties (including liabilities shown in the balance sheet, and derivative transactions),

b) any contractual liability that is a legal obligation to exchange financial instruments with other parties under potentially unfavorable conditions (including the unilateral commitment by the seller of an option in the difference of the market value at closing and the forward contract price for financially settled transactions, or in the amount of the forward contract price for transactions concluded upon delivery of commodities or financial instruments);

3. 'capital instrument' shall mean the equity (equity component) of the person making an investment in equity securities;

4. 'equity instrument of another entity' shall mean an investment in the equity securities of another enterprise on the part of the investor that evidences an interest in the assets of that entity after deducting all of its liabilities (including provisions and accrued expenses and deferred income);

5. 'financial asset held for trading' shall mean financial instruments acquired for making profit as a result of fluctuations in exchange rates and prices. [In particular, securities purchased for trading and equity securities, own claims, purchased claims and claims assigned to the company by a third party for resale on the spot or within a short term (within one year), furthermore, financial instruments recorded as held for resale and placed in portfolio management for short-term profit, off-balance sheet assets from derivative transactions for purposes other than hedging regardless of whether it is part of a portfolio or is based on an individual contract.];

6. 'financial liability held for trading' shall mean claims from derivative transactions for purposes other than hedging and debts from securities borrowing;

7. 'negotiable financial asset' shall mean a financial asset other than financial instruments held for resale, financial instruments held to maturity and loans and other receivables originated by the company. (In particular, any equity securities of an enterprise held for investment purposes, debt securities shown under fixed assets that are not held to maturity, as well as purchased claims and claims assigned to the company by a third party, where the company is yet to decide whether to sell it within a year, collect it or keep it to maturity.);

8. 'financial asset held to maturity' shall mean any financial asset [including debt securities shown under fixed assets or current assets, and off-balance sheet assets originating from futures and options transactions concluded upon delivery of the commodity] that the company intends to hold and is able to hold to maturity as well as bank deposits and liquid assets. Not included here are loans and other receivables originated by the company;

9. 'loans and other receivables originated by the company' shall mean financial instruments created by the company by making available - directly to the debtor - financial instruments, commodities or services for a fixed amount or for payment to be determined in the future (not including those held for trading or claims purchased or assigned to the company by third persons);

10. 'other financial liabilities' shall mean all financial liabilities - whether or not shown in the balance sheet - other than financial liabilities held for trading;

11. \* 'derivative' shall mean an instrument derived from commodities or financial instruments comprising futures, options and swaps held for trading or for hedging purposes, and the derivatives thereof:

a) that are paid for with money or some other financial instrument,

b) where its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, interest index, credit rating or credit index, or other variable (underlying), provided in the case of a non-financial variable that the variable is not specific to a party to the contract;

c) that require no initial net investment or an initial net investment that is smaller than would be required for other types of transactions (contracts) that would be expected to have a similar response to changes in market factors;

d) that will be settled financially on or before a predetermined date in the future.

Derivative transaction shall include a contract to buy or sell a non-financial item that can be settled net in cash or another financial instrument. In that context a contract to buy or sell a commodity at a fixed price at a future date may also be considered a contract that can be settled net. Contracts to buy or sell a non-financial item shall not be treated as derivatives if they were initiated, entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the economic operator's expected purchase, sale or usage requirements, and which are likely to be concluded upon the exchange (delivery) of the underlying non-financial item upon closure of the transaction;

11/a. \* 'termination of derivatives' shall mean the maturity, selling or calling a derivative, or an offsetting transaction documented as closure with a view to terminating and mitigating risk positions from derivative transactions or the early termination of a derivative;

12. \* 'fair value' shall mean the amount for which an asset can be exchanged (sold or purchased) or for which a debt can be settled between knowledgeable and willing parties - where the buyer and the seller are reasonably informed - with the intent to enter into a business deal under a transaction (contract) concluded under normal market conditions. Fair value, relying on information available on market conditions, may mean:

a) the market value representing

aa) a price listed on the stock exchange, if the financial instrument is traded and has a price quoted on the stock exchange,

ab) a price agreed mutually by the parties, if the financial instrument does not have a price quoted on the stock exchange but does have over-the-counter offers that properly reflect trends in market prices and sales figures during the financial year and can serve as a basis for properly determining market value at the time of valuation,

ac) a value, in the absence of the above, determined on the basis of the market price of the components of the financial instrument or a similar financial instrument (calculated market price);

b) a value determined on the basis of general valuation methods through which the market value is readily identifiable;

12/a. \* 'intrinsic value' shall mean the difference between the current market value (fair value) of the underlying asset and the strike price. In the case of interest rate swaps, intrinsic value means the interest spread calculated by the prevailing variable interest rate and the fixed interest rate on a notional principal amount, for the remaining period of maturity;

13. 'forecasted transaction' shall mean a transaction for which the parties have not yet concluded a contract but for which the type of the transaction as well as its amount, date, duration and its other terms and conditions can be predicted and quantified with a high degree of probability;

13/a. \* 'firm commitment' shall mean a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates;

14. \* 'hedge effectiveness' indicates the capacity of fluctuation in the fair value or movement of funds in a hedge at the beginning and throughout the entire life of the transaction to offset any fluctuation - stemming from the hedged risk - in the fair value or movement of funds in the hedged transactions. A hedge shall be considered effective if hedge effectiveness is between 80 and 125 per cent.

A hedge shall be considered effective - and in consequence the requirements set out in Subsection (3) of Section 59/E for the assessment of hedge effectiveness shall not apply - if the main conditions of the hedge and the hedged transaction (item) are identical (in particular, as appropriate for the transaction in question, the object of the transaction, its quantity and value, maturity, interest, dates for price renegotiations, payments of principal and interest, basis for weighing interests).

The method for assessing (weighing) hedge effectiveness and the time of assessment shall be fixed in the accounting policy in harmony with the risk management and hedging policy.

(10) \* For the purposes of this Act:

1. 'international accounting standards' shall mean the Framework for the Preparation and Presentation of Financial Statements (Pénzügyi kimutatások elkészítésére és bemutatására vonatkozó keretelvek), International Accounting Standards (IAS) (Nemzetközi Számviteli Standardok), International Financial Reporting Standards (IFRS) (Nemzetközi Pénzügyi Beszámolási Standardok), the related SIC-IFRIC interpretations (Értelmezések), subsequent amendments to those standards and related interpretations, issued or adopted by the International Accounting Standards Board (IASB) (Nemzetközi Számviteli Standardok Testülete).

2. 'IFRSs' shall mean international accounting standards promulgated in the Official Journal of the European Union by way of the procedure provided for in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

3. \*

(11) \* For the purposes of this Act:

1. \* 'foreign territory' shall mean all areas outside the territory of Hungary;

2. 'nonresident' shall mean any legal person or unincorporated business association, or natural person whose registered office, or failing this, fixed establishment, or permanent residence, or failing this, temporary residence, is situated in a country other than Hungary;

3. \* 'domestic territory' shall mean the territory of Hungary;

4. 'resident' shall mean any legal person or unincorporated business association, or natural person whose registered office, or failing this, fixed establishment, or permanent residence, or failing this, temporary residence is situated in Hungary.

(12) \* For the purposes of this Act:

'Member State of the European Economic Area' shall mean any Member State of the European Union and States who are parties to the Agreement on the European Economic Area.

(13) \* For the purposes of this Act:

1. 'audit certificate' shall mean an unmodified opinion of an independent auditor provided in the audit report made out according to the Hungarian national auditing standards under Paragraph b) of Subsection (5) of Section 4 of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors;

2. 'qualified audit certificate' shall mean a qualified opinion put forth in the independent audit report referred to in Point 1 above;

3. 'adverse opinion' shall mean an adverse opinion put forth in the independent audit report referred to in Point 1 above;

4. 'disclaimer of opinion' shall mean the refusal to give an opinion in the independent audit report referred to in Point 1 above.

(14) \* For the purposes of this Act:

1. 'trust fund' shall mean the assets managed under a fiduciary asset management contract provided for in the Civil Code (separately for each contract);

2. 'principal' shall mean a person recognized as the principal under the provisions of the Civil Code on fiduciary asset management contracts;

3. 'fiduciary' shall mean a person recognized as the fiduciary under the provisions of the Civil Code on fiduciary asset management contracts;

4. 'fiduciary asset management' shall mean the activity of the fiduciary performed under a fiduciary asset management contract provided for in the Civil Code.

(15) \* For the purposes of this Act, 'public-interest entity' shall have the same meaning as defined in Point 19 of Section 2 of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

## Chapter II

### REPORTING AND BOOKKEEPING

#### Reporting Obligation

##### Section 4

(1) Economic entities shall prepare a financial statement - in the Hungarian language - on their operation and on their financial position and performance, supported by an accounting system prescribed in this Act, following the closing of the books pertaining to the financial year.

(2) The financial statement specified under Subsection (1) must give a true and fair view of the holdings of the economic entity and the contents thereof (assets and liabilities), of its financial standing and profitability.

(3) In addition to what is prescribed by law, further information must be provided in the notes on the accounts, if the information prescribed by this Act and proper application of accounting principles proves to be inadequate to give a true and fair view in the balance sheet and in the profit and loss account.

(4) Any deviation from the provisions of this Act shall be allowed only in exceptional cases and upon the consent and written confirmation by the auditor, if, under the given circumstances, application of the relevant provisions of this Act [including presentation in the notes on the accounts as defined in Subsection (3)] fails to provide the true and fair view described in Subsection (2) above. All such deviations must be indicated, and explained, in the notes on the accounts, with any impact on the financial situation and on profit or loss duly illustrated.

(5) \* Any deviation from the provisions of this Act in respect of exceptional cases pursuant to Subsection (4), may not result in the true and fair view presented contradicting the relevant directives of the European Communities pertaining to this field, and may not be the result of an accounting procedure that is not in conformity with such directives.

#### Section 5 \*

The reporting obligation of government agencies, their bookkeeping obligation in support of the annual account, and the special terminology to be applied in their financial reports and the accounting system shall be governed by a government decree on the basis of this Act and in accordance with the provisions laid down in the Act on Public Finances.

#### Section 6

(1) \* The accounting system and the annual reporting of the Magyar Nemzeti Bank, of credit institutions, financial companies, investment firms and insurance companies shall be governed by a government decree.

(2) The special regulations pertaining to the reporting obligation of other organizations, their bookkeeping obligation in support of the annual account shall be governed by a government decree by authorization of the relevant other legislation and of this Act.

(3) The bookkeeping and reporting obligation of healthcare, social and educational institutions founded by economic entities or natural persons shall be established by the founder under the provisions of the relevant legislation and of this Act, where the new organizations must be classified according to the definitions under Points 2-4 of Subsection (1) of Section 3 as consistent with their legal personality.

(4) \* In connection with accounting and financial reporting obligations, economic entities shall apply the Hungarian accounting standards published by means of a decree.

(5) \* The special requirements relating to the simplified annual accounts of micro-entities are laid down in a government decree pursuant to this Act.

(6) \* The government decrees provided for in Subsections (1)-(2) shall not apply to economic entities drawing up their annual accounts in accordance with IFRSs.

#### Section 7 \*

The government decrees referred to in Sections 5 and 6 may prescribe regulations in derogation from this Act. The provisions of this Act which are not affected by the derogations set out in government decree shall apply - in addition to the special conditions decreed by the Government - to the organizations defined under Sections 5 and 6 as well.

#### Section 7/A \*

As regards the foundation, operation and termination of the Hungarian branches of nonresident business associations, the provisions of this Act pertaining to companies shall apply, unless otherwise provided for in this Act or another legislation.

#### Section 7/B \*

The provisions of this Act on companies shall also apply to trust funds, with the proviso that the reporting and bookkeeping obligation pertaining to trust funds shall be satisfied by the fiduciary, separately for each trust fund he manages.

#### Section 8

(1) The type of the financial report is specified in accordance with the amount of annual net sales revenues, the balance sheet total, the number of employees, and the limits thereof.

(2) The following types of financial reports shall be applied:

a) annual account,

b) simplified annual account,

c) consolidated annual account,

d) simplified report.

(3) \* Subject to the exception laid down in Subsection (4), economic entities shall maintain double-entry bookkeeping, based on which to prepare the financial report mentioned in Subsection (2).

(4) \* Economic entities are allowed to file simplified reports - supported by single-entry bookkeeping as defined in Paragraph d) of Subsection (2) - if permitted under the government decrees referred to in Sections 5 and 6.

(5) \* Within the supreme management, administrative and supervisory body of an economic entity, members shall be subject to collective liability to ascertain - acting within their powers conferred in the relevant legislation - that the annual account, simplified annual account and the consolidated annual account [including the annual account and consolidated annual account prepared under Section 9/A and Subsections (2) and (3) of Section 10 in accordance with IFRSs], and the related annual report is drawn up and published in accordance with the relevant provisions of this Act.

## Section 9

(1) Economic entities keeping double-entry books, with the exceptions set out in Subsection (2), are required to draw up annual accounts and annual reports.

(2) \* Economic entities keeping double-entry books may prepare a simplified annual account if, on the balance sheet date in two consecutive financial years, two of the following three size-related indices do not exceed the limits indicated below:

a) the balance sheet total does not exceed 1,200 million forints;

b) the annual net sales revenue does not exceed 2,400 million forints;

c) the average number of employees in the financial year does not exceed 50 persons.

(3) \* The provisions of Subsection (2) hereof may not be applied by public limited companies, parent companies and public-interest entities, and by any economic entity that has been authorized to introduce its securities issued in accordance with Points 2-3 of Subsection (6) of Section 3 on the stock exchange for trading, or whose authorization is already in progress.

(4) \* Companies included in the consolidation, other than parent companies, shall be allowed to file a simplified annual account under Subsection (2), if able to supply information from its records to the parent company which are deemed necessary for drawing up the consolidated annual account.

(5) \* In connection with Paragraph b) of Subsection (2) pertaining to companies established without predecessor, if the amount of net sales revenue for either or both of the two years preceding the financial year is unknown or incomplete, the projected net sales revenues for the year and, where applicable, the (annualized) net sales revenue of the previous (first) financial year shall be taken into consideration. This provision shall also apply with respect to Paragraphs a) and c) of Subsection (2) as well.

(6) \* Any enterprise that is not subject to statutory audits shall have the option to prepare its simplified annual account (including the simplified annual accounts of micro-entities) in accordance with the government decree specified in Subsection (5) of Section 6 if, on the balance sheet date in two consecutive financial years, two of the following three size-related indices do not exceed the limits indicated below:

a) the balance sheet total does not exceed one hundred million forints;

b) annual net sales revenue does not exceed two hundred million forints;

c) the average number of employees in the financial year does not exceed ten persons.

(6a) \* The following may not report by way of simplified annual accounts of micro-entities:

a) investment firms provided for in Point 14 of Article 2 of Directive 2013/34/EU of the European Parliament and of the Council,

b) financial holding companies provided for in Point 15 of Article 2 of Directive 2013/34/EU of the European Parliament and of the Council.

(7) \* For the purposes of Subsection (6) above, if the data of a company established without legal predecessor are not available for either or both of the two financial years preceding the given financial year, or if such data is incomplete, the data estimated for the current year and, if available, the annualized data of the previous (first) financial year (calculated for the period of one year) shall be taken into consideration.

(8) \* If an enterprise drawing up simplified annual accounts of micro-entities fails to satisfy the requirement set out in Subsection (6) in two consecutive financial years, such enterprise shall be required to file an annual account or a simplified annual account as of the year following the second financial year.

(9) \* If selecting the simplified annual accounts of micro-entities under Subsection (6), the enterprise may deviate from this choice at the earliest after three financial years closed by simplified annual accounts of micro-entities, save where Subsection (8) applies.

(10) \* Where an enterprise no longer prepares simplified annual accounts of micro-entities from the next financial year, the closing data of the previous financial year shall be carried over to the next financial year.

#### Section 9/A \*

(1) The following may draw up annual accounts in accordance with IFRSs:

a) economic entities owned directly or indirectly by a parent company, if such parent prepares consolidated annual accounts in accordance with IFRSs;

b) insurance companies;

c) financial enterprises, payment institutions, electronic money institutions, investment firms, the central securities depository, central counterparty, stock exchange, institutions for occupational retirement provision supervised by the Magyar Nemzeti Bank (National Bank of Hungary) acting within its function as supervisory authority of the financial intermediary system, covering also financial intermediaries and insurance intermediaries included - by decision of the parent company - in consolidated financial statements prepared in accordance with IFRSs, and funds and fund managers covered by the Act on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations;

d) business associations subject to statutory audits under Section 155;

e) \* Hungarian branches of foreign-registered companies.

(2) The following shall draw up annual accounts in accordance with IFRSs:

a) economic entities whose securities are admitted to trading on a regulated market of any Member State of the European Economic Area;

b) credit institutions, as well as financial enterprises equivalent to credit institutions under prudential requirements.

(3) Subsection (1) shall not apply to:

a) economic entities managing the assets of the State or municipal governments;

b) nonprofit business associations;

c) mutual associations provided for in the Act on the Business of Insurance;

d) pension funds, health funds and mutual aid funds.

(4) For matters not covered by IFRSs, the provisions of this Act shall apply to economic operators in accordance with IFRSs.

(5) Where any special presentation, publication obligation is prescribed for economic operators by the relevant legislation, it shall also apply to economic operators who prepare annual accounts in accordance with IFRSs.

#### Section 10 \*

(1) With the exceptions set out in Sections 116-117, any economic entity that is construed a parent company under Point 1 of Subsection (2) of Section 3 in its relationship with one or more companies shall prepare both a consolidated annual account and a consolidated annual report.

(2) \* The economic entities falling under the scope of Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards shall comply with the obligation set out in Subsection (1) in preparing their consolidated annual account in accordance with IFRSs. For matters not covered by IFRSs, the provisions of this Act shall apply to economic entities in accordance with IFRSs.

(3) \* Economic entities, other than those mentioned in Subsection (2), may comply with the obligation set out in Subsection (1) by preparing their consolidated annual accounts in accordance with IFRSs, with the exception that any matter not governed under IFRSs shall be governed by the provisions of this Act in accordance with IFRSs.

(4) \* Any reference made in this Act and in other relevant legislation to consolidated annual accounts, it shall also mean to be understood as the consolidated annual accounts referred to in Subsections (2) and (3) of this Section and those prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

(5) \* In addition to the conditions set out in this Act and other legislation pertaining to audits, any economic entity that prepares annual accounts, consolidated annual accounts under Section 9/A and Subsections (2) and (3) hereof in accordance with IFRSs shall be allowed to appoint a registered statutory auditor or audit firm for carrying out the statutory audit of the company's accounts only if the registered statutory auditor (audit firm) is certified for the application of IFRS.

(6) \* In the application of Subsection (1) of Section 151, the economic entity referred to in Subsection (5) shall ascertain that the person appointed for carrying out the functions related to drawing up the annual accounts or the consolidated annual accounts, and to supervising and managing the accounting services:

a) is listed in the register of providers of accounting services in a special IFRS field registered, or

b) \* is a registered statutory auditor qualified for the application of IFRS under the Act on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors, holding a certificate in proof of having passed the professional examination for such IFRS qualification, or a registered statutory auditor holding an IFRS chartered accountant built-on certificate.

Financial Year

Section 11

(1) Financial year shall mean the period for which the financial report is to be prepared. With the exceptions set out in Subsections (2)–(13), the financial year shall coincide with the calendar year.

(2) \* The financial year may differ from the calendar year for companies other than credit institutions, financial firms and insurance companies, and for foreign higher education institutions authorized to operate in the territory of Hungary, where so justified by the characteristics of the business activity (such as the cyclicity of operations, or the parent company's need for information in the case of companies included in the consolidation). As regards the companies that apply Subsection (6) of Section 9, and those covered by the Act on Simplified Entrepreneurial Taxation which keep their records in accordance with this Act, the financial year may not differ from the calendar year.

(3) \* The balance sheet date of a financial year may be changed after three financial years, for which an annual account has been filed, or when included in the scope of consolidation, or if the parent company is succeeded in due observation of the provisions of Subsection (2) and if the instrument of constitution is amended accordingly.

(4) \* With the exceptions set out in Subsections (5)–(15), the duration of a financial year shall be 12 months.

(5) \* The financial year of companies established without legal predecessor shall commence - unless otherwise prescribed in this Act - on the date of foundation (the date when the instrument of constitution is signed, sealed and notarized or when registered in the register of companies), and shall end on the date when its application for registration is rejected or the company registration procedure is terminated (balance sheet date) irrespective of the duration involved (pre-company period).

(6) The financial year may be less than 12 months for the pre-company period and for the following financial year, furthermore, when switching from a calendar year for a financial year that differs from the calendar year, or from a financial year to a new financial year.

(7) \* The financial year of an economic entity that is terminated due to transformation, merger, division shall commence on the balance sheet date of the previous financial year and shall end on the date of transformation, merger, division - such construed as the balance sheet date.

(8) \* The financial year of a company established through transformation, merger, division shall commence on the date of transformation, merger, division and shall end on the day designated by the company as the end of the financial year (balance sheet date) under the conditions laid down in Subsections (1)-(3).

(9) \* In terms of the data indicated in the financial report, when switching from forints to a foreign currency, from a foreign currency to forints or from one foreign currency to another, also where transformation, merger, division is carried out in a manner that is not regulated under the provisions of the Civil Code governing business associations, the length of the financial year may be defined under Subsections (5)-(8), where the balance sheet date shall be the date of transformation, merger, division.

(10) \* The financial year of a company that is going into liquidation or dissolution, or undergoing involuntary de-registration shall commence on the balance sheet date of the previous financial year and shall end on the day preceding the date when the liquidation or dissolution, or the involuntary de-registration procedure begins (balance sheet date). If the liquidation or dissolution procedure is concluded without having the company terminated, the financial year following conclusion of the procedure shall commence on the day following the date of conclusion of the liquidation or dissolution procedure and shall end on the day designated by the company as the end of the financial year (balance sheet date), under the conditions laid down in Subsections (1)-(3).

(11) \* The period of liquidation or involuntary de-registration shall be construed a financial year, regardless of its duration.

(11a) \* If during the involuntary de-registration procedure liquidation is ordered, the date of the liquidation order shall be construed as the first day of the financial year when the liquidation takes place.

(12) The period of voluntary dissolution is, in general, one financial year. If the procedure is not concluded within 12 calendar months, the length of the financial year(s) under the dissolution procedure shall be 12 months, while the last financial year may be less than 12 calendar months.

(13) \* The consolidated annual account of a parent company shall be prepared for the financial year covered by the annual account of the parent company. If the financial year of the subsidiaries of the parent company differs from the financial year covered by the parent company's annual account, the financial year of the consolidated annual account may be the same as that used by the subsidiary of the highest import, or by the majority of the subsidiaries for filing their financial statements. In this case, the deviation and the reasons shall be demonstrated in the notes on the consolidated accounts. Additionally, the notes on the consolidated accounts shall indicate the impact of major events relating to assets and liabilities and the company's financial position and performance that have occurred between the balance sheet date of the parent company's annual account and the balance sheet date of the consolidated annual account.

(14) \* In the case of general partnerships, limited partnerships, sole proprietorships and law firms coming within the scope of the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax, financial year means the period that begins on the day immediately following the balance sheet date of the previous financial year and shall end on the day preceding the date of entering the fixed-rate tax regime of low tax-bracket enterprises, if the company maintains its records and registers in accordance with the specific provisions of the Act on the Fixed-Rate Tax of Low Tax-Bracket Enterprises and on Small Business Tax and had not been covered by this Act before the transition.

(15) \* The financial year of a company referred to in Subsection (3) of Section 2/A, coming within (returning under) the scope of this Act, shall commence on the date of return and shall end on the day designated by the company as the end of the financial year (balance sheet date) under the conditions laid down in Subsections (1)-(3) hereof.

Bookkeeping Obligation

## Section 12

(1) Bookkeeping means the activity whereby an economic entity keeps records, on a continuous basis, of the events occurring in the course of its operations which pertain to its financial position and performance, and closes such registers at the end of the financial year, in accordance with the rules defined in this Act.

(2) Accounting records must be maintained in the Hungarian language in accordance with the provisions contained in Sections 159-169 and of the accounting principles, using the single-entry or the double-entry system.

(3) With the exceptions set out in Subsection (4), all economic entities, the Magyar Nemzeti Bank, and the organizations referred to in Sections 5-6, if so prescribed by the relevant government decree, shall keep double-entry books.

(4) \* Economic entities drawing up simplified reports in accordance with Subsection (4) of Section 8 shall keep single-entry books.

## Section 13 \*

(1) Economic entities are allowed to use single-entry bookkeeping if permitted under the government decrees referred to in Sections 5 and 6.

(2) An economic entity keeping single-entry books may, at its own discretion, switch to double-entry bookkeeping as of 1 January of any year or must switch to double-entry bookkeeping if prescribed by this Act or the government decrees referred to in Sections 5 and 6.

## Accounting Principles

### Section 14

(1) The financial report shall be drawn up and books shall be kept in compliance with the basic principles defined in Sections 15-16.

(2) Any derogation from the basic principles shall be made only as permitted by this Act.

(3) The accounting policy of an economic entity shall be defined in writing on the basis of the basic principles and valuation rules laid down in this Act, consistent with the characteristics and circumstances of the economic entity and laying down the methods and means necessary for the implementation of this Act.

(4) \* The accounting policy shall inter alia comprise - in writing - the rules, regulations and methods tailored to the economic entity's characteristic, so as to define what the economic entity considers material or significant, immaterial or insignificant from an accounting point of view, or income, expense or expenditure of exceptional size or incidence, and to determine the selection and measurement criteria the economic entity employs from among the ones provided for in this Act, and the conditions under which to adopt them, and the reasons under of which the applied policy should be revised.

(5) The accounting policy shall also contain:

a) the regulations and procedures for taking and keeping inventory of assets and liabilities;

b) the regulations for the valuation of assets and liabilities;

c) the internal regulations relating to the costing system;

d) the cash handling policy.

(6) \* Economic entities drawing up simplified reports or simplified annual accounts and the economic entities whose net sales revenue is below the limit specified in Subsection (7) shall be exempted from the obligation laid down in Paragraph c) of Subsection (5).

(7) Where the net sales revenue for any financial year, less the cost of goods sold and the value of mediated services, exceed one billion forints, or the total of costs broken down by cost category exceed 500 million forints, as of the start of the following financial year the cost of self-constructed assets and the cost of services supplied (Section 51) shall be determined according to the post-calculation method prescribed by the internal regulations relating to the costing system. No forward exemption shall be granted from this obligation under any circumstances, even if the relevant conditions are satisfied.

(8) \* The cash handling policy shall contain inter alia provisions for the procedures for conducting financial transactions (in cash or through bank accounts), personnel and infrastructure requirements for handling money, rules of liability, transactions executed between liquid assets kept in cash and on bank accounts, the transaction codes and procedures for movements of money, the maximum amount of the daily closing cash balance, the procedures for checking and auditing cash stocks, the frequency of such audits, the requirements for cash delivery , documentation rules pertaining to cash handling and rules relating to transaction records and registers.

(9)-(10) \*

(11) \* In the case of newly-founded economic entities, the accounting policy described under Subsections (3)-(4) and the regulations referred to in Subsection (5) shall be drawn up within ninety days of the date of foundation. Any amendment of accounting regulations shall be adapted within ninety days of its entry into force.

(12) \* Having the accounting policy drafted and amended shall be the responsibility of the person authorized to represent the economic entity.

## Section 15

(1) Drawing up the financial report and the accounting records shall be based on the assumption of the economic entity's capacity to sustain operations in the foreseeable future and on its ability to continue its activity, and the termination of or a considerable reduction, for any reason, in the operation is not expected (principle of going concern).

(2) Economic entities shall keep accounts of all economic events, the effect of which on the assets and liabilities, as well as on profits are to be shown in the financial report, including the economic events which pertain to the financial year in question that became known after the balance sheet date but before the date of closing, as well as the ones generated by the economic events of the financial year ending on the balance sheet date, that had not yet taken place prior to the balance sheet date but became known prior to the closing date of the balance sheet (principle of completeness).

(3) Assets shown in the books and contained in the financial report shall be such that they can be found and verified as in fact being in existence, tenable and verifiable. The measurement of such

assets shall be carried out in accordance with the valuation principles prescribed in this Act, as well as with the relevant valuation procedures (“true and fair view” principle).

(4) The accounting records and the financial report shall be prepared in a concise, comprehensible form in accordance with this Act (principle of clarity).

(5) In respect of content and formal requirements, and of the financial report and the underlying accounting records constancy and comparability shall be provided for (principle of consistency).

(6) The opening data of a financial year shall be identical to the corresponding closing data of the previous financial year. In consecutive years the valuation of assets and liabilities, and the assessment of profit or loss may be altered only in accordance with the relevant provisions of this Act (principle of continuity).

(7) When determining the profit or loss for a certain period of time, the revenues recognized for a given period of activities and the costs (expenditures) directly associated to such revenues shall be taken into account, regardless of financial settlement. The revenues and costs shall relate to the period in which they were incurred for economic purposes (principle of matching).

(8) No profits shall be recognized where the financial realization of the revenues and certain items of income are uncertain. When determining the profit or loss for the year, foreseeable liabilities and potential losses shall be taken into account and shall be covered by provisions, even if such liabilities or losses become apparent only between the date of the balance sheet and the date on which it is drawn up. Depreciation impairment losses shall be accounted for, regardless of whether the income statement for the year shows a profit or a loss (principle of prudence).

(9) With the exceptions laid down in this Act, revenues and costs (expenditures), and receivables and liabilities may not be set off against one another (principle of grossing up).

## Section 16

(1) Assets and liabilities shall be entered and evaluated item by item in the course of bookkeeping and preparing the report (principle of valuation on an item by item basis). When drawing up the financial report - on the basis of Subsections (3)-(5) and of Subsection (3) of Section 46 - the principle of valuation on an item by item basis may apply specific to the cases described in this Act.

(2) The consequences of economic events concerning two or more financial years shall be recognized under the revenues and costs of the period in question in the proportion in which they are incurred between the underlying period and the accounting period (principle of accruals).

(3) In the financial report and in the relevant accounting records, economic events and transactions shall be shown and accounted reflecting their economic substance and in accordance with the basic principles and relevant provisions of this Act (principle of substance over form).

(4) \* For the purposes of the financial report, information is material if its omission or misstatement could influence - within reason - the economic decisions of users taken on the basis of the financial report (principle of materiality). The materiality of individual items shall be assessed in the context of other similar items.

(5) The usefulness (utility) of any information published in the financial report (balance sheet, profit and loss account, notes on the accounts) shall be commensurate with the costs of producing that information (principle of cost-benefit).

(6) For entities filing a simplified report, the special rules concerning the implementation of accounting principles are contained in Subsection (1) of Section 100.

## Chapter III

### ANNUAL ACCOUNT

#### General Provisions Concerning the Annual Account

##### Section 17

(1) Economic entities keeping double-entry books shall draw up an annual account for the financial year described under Section 11, with a balance sheet date of the last day of the year, or may, if the conditions prescribed in Subsection (2) of Section 9 prevail, draw up a simplified annual account.

(2) \* The provisions on simplified annual accounts in derogation from those of annual accounts are contained in Sections 96-98/A.

##### Section 18 \*

The annual account shall give a true and fair view of the financial position and performance of the economic entity, including any changes therein. It shall contain all assets, equity, provisions, and all liabilities (covering all accrued and deferred items as well), and all revenues and expenditures for the period in question, the after-tax profit, and the information and narrative explanations which are necessary to give a true and fair view of the actual financial position of the economic entity, as well as the results of its operation.

## Section 19

(1) The annual account is comprised of the balance sheet, the profit and loss account and the notes on the accounts. An annual report shall also be prepared to accompany the annual account.

(2) The comparability of the annual accounts of consecutive financial years shall be provided for by the structure, division and contents of the balance sheet and the profit and loss account, as well as by the consistency of the valuation principles and procedures of balance sheet items.

(3) For each item in the balance sheet and in the profit and loss account the corresponding figures of the previous financial year shall be indicated next to the item. Where such figures are not comparable, it shall be explained and reasoned in the notes on the accounts. If an audit identifies any major error(s) in the financial report(s) of previous year(s), any modifications which were discovered - if uncontested, not appealed and became operative prior to the balance sheet date - shall be shown for each item of the balance sheet and the profit and loss account next to the data of the previous year; they shall, however, not constitute a part of the profit and loss account for the current year. Accordingly, data for the previous financial year, any modification relating to closed year(s), and the data of the current year shall be indicated in separate columns in both the balance sheet and the profit and loss account.

(3a) \* If the errors identified by the tax authority audit had been accounted as referred to in Subsection (3), however, they had been overturned by the competent authority, court by final decision in the following financial year(s), at the latest before the balance sheet date, the impact thereof shall be accounted for the current year.

(4) If an asset or liability can be shown under several items of the balance sheet, and if the classification of a certain asset or liability changes from one financial year to the next, the solution applied shall be demonstrated in the notes on the accounts quantified, with reference to specific items for reasons of interrelation and comparability.

## Section 20

(1) The annual account shall be prepared in the structure and in the mandatory layout defined in this Act, the items defined in Schedules Nos. 1-3 in the sequence specified taking into account the rules for further breakdown or consolidation, it shall be supported by the relevant documents, rely on the figures of properly maintained double-entry accounting records, and shall be drawn up in a clear and concise form in the Hungarian language.

(2) \* Figures in the annual account shall be provided, with the exceptions set out in Subsections (3)-(5), in units of 1,000 forints. If the balance sheet total in the annual account of an economic entity is more than one hundred billion forints the figures shall be provided in units of million forints.

(3) \* Nonresident companies (free zone companies, including those construed as nonresidents under foreign exchange laws), shall draw up their annual accounts and keep their books in the currency defined in their instruments of constitution. European Economic Interest Groupings, European public limited liability companies, and European cooperative societies shall prepare their annual accounts in the convertible currency defined in their instrument of constitution. Figures shall be provided in the foreign currency units consistent with the official exchange rates published by the Magyar Nemzeti Bank.

(4) \* In addition to what is contained in Subsection (3), any company shall be authorized to prepare their annual accounts in euro or in US dollars, if having fixed the related decision in their accounting policy prior to the first day of the financial year, and if the currency defined in their instruments of constitution is the euro or US dollar. The company - except where Subsection (5) is applied - shall be allowed to revise this decision in respect of the third financial year following the time when the decision was adopted at the earliest, upon which the accounting policy and the instruments of constitution shall be amended accordingly.

(5) \* In addition to what is contained in Subsections (3) and (4), any economic entity conducting operations in a particular economic environment using a currency other than euro or US dollars (functional currency) may prepare their annual accounts in the currency - other than euro or US dollars - defined in their instruments of constitution, provided that more than 25 per cent of its \*

a) income, expenses and costs, and

b) financial instruments and financial liabilities

for the previous and the current financial year are denominated in that currency. [In determining conformity with these requirements the total of the items listed under Paragraphs a) and b) shall be taken into account separately. Off-balance sheet items shall not be considered to comprise part of the items listed under Paragraph b).] Items denominated in any foreign currency may also be treated as if charged in a foreign currency.

(5a) \* If an economic entity prepares its annual account in the currency defined in the instruments of constitution in accordance with Subsections (3)-(5), the amount limits denominated in forints as a precondition for the application of certain provisions of this Act shall be taken into account upon being converted by the official exchange rate published by the Magyar Nemzeti Bank for the given period.

(5b) \* The currency used in the annual account and the accounting records shall be the same as the currency defined in the instrument of constitution.

(6) \* The balance sheet, the profit and loss account and the notes on the accounts, forming parts of the annual account, shall be signed by the person entitled to represent the economic entity, indicating the place and date thereof.

## Interim Financial Statement

### Section 21

(1) \* Where an interim financial statement is required by law, it shall be drawn up - unless otherwise prescribed by the relevant legislation - for a date specified by the company based on the economic events taking place between the day immediately following the balance sheet date of the last financial year for which a financial report has been filed and the date of the interim financial statement, according to the provisions pertaining to the financial report prescribed in this Act.

(2) \* Unless otherwise provided for by the relevant legislation, the interim financial statement shall be drawn up on the basis of analytical and ledger records for the balance sheet date, in compliance with the regulations relating to the end of the financial year assessment of balance sheet items, backed up by a profit and loss account and an inventory, and in a manner allowing for subsequent audit.

(3) The inventory shall include the data, from the analytical and ledger records, pertaining to assets and liabilities for the accounting date of the financial statement, and any corrections (extraordinary

depreciation, value adjustments, provisions, accrued and deferred items) to be applied during the end of the financial year assessment along with the calculations in support of such corrections.

(4) Relative to the accounting date of the interim financial statement, the analytical and ledger records shall not be closed, as they are to be continued without interruption. The corrections, described in Subsection (3), pertaining to the assessment of balance sheet items shall not be included in the analytical and ledger records, as such adjustments may be considered for the interim financial statement only.

(5) \* Where a company is subject to statutory audits of accounting documents by virtue of Section 155, it shall also apply to the interim financial statement prescribed by the relevant legislation.

(6) \* Where, according to legislation, the company's equity is to be established or taken into consideration during the year, the amount of equity shown in the interim financial statement provided for in Subsections (1)-(5), prepared for the date prescribed by law as the balance sheet date, shall be construed - in the absence of any statutory provision to the contrary - as the company's equity.

(7) \* The last financial report, or if available, the interim financial statement provided for in Subsection (6), may be taken into consideration to justify the equity for a period of six months following the balance sheet date, unless otherwise provided for by law.

## Layout and Definition of the Items in the Balance Sheet

### Section 22

(1) The mandatory layout of the balance sheet is contained in Schedule No. 1, in versions "A" and "B" both. Companies shall have the option to select either version. However, when not using the same version in two consecutive financial years, the company must provide for the comparability of the data of the current year with the data of the previous financial year. The reasons for switching from one version to the other shall be stated in the notes on the accounts.

(2) The balance sheet items described in Schedule No. 1 may be further itemized. New items may be added if their content requirements are not covered by either of the items defined in this Act, in terms of description and content. In this case the new item must be elaborately presented in the notes on the accounts with the reasons also stated.

(3) In the balance sheet illustrated in Schedule No. 1 the items indicated by Arabic numerals may be merged within the same asset or liability category indicated by a Roman numeral, if

a) the sums involved are not significant in terms of true and fair view,

b) merging enhances the principle of clarity,

c) the details of the merged items and the reasons therefore are indicated in the notes on the accounts.

(4) Items associated with an affiliated company may not be merged pursuant to Subsection (3).

(5) Items marked by Arabic numerals need not be indicated in the balance sheet if they contain no data for the current year, nor for the previous financial year.

## Section 23

(1) Fixed assets and current assets, which are held or used by the company for its operations (not including leased assets), shall be shown in the balance sheet under assets, regardless of whether the company gains ownership of such assets upon meeting certain conditions prescribed by law or fixed in a contract. Deferred expenses and accrued income shall also be shown under assets.

(2) \* As regards asset management companies, assets which are state property or local government property and are entrusted to the asset management company on the strength of statutory provision or legal authorization shall be shown under assets in the balance sheet. These assets must be shown in the notes on the accounts, broken down by balance sheet items.

(3) Assets received within the framework of financial leasing shall be shown under assets, as well as payments on accounts for the improvement and renovation of leased (borrowed) assets, as well as the value of assets acquired or constructed under concession arrangements.

(4) Assets shall be listed under fixed assets or current assets on the basis of their purpose and use.

(5) \* If the use or purpose of a particular asset has changed after it is classified according to Subsection (4), for the asset no longer serves the relevant activities or operations, or vice versa, its classification shall be changed accordingly, i.e. the fixed asset must be reclassified - at the latest during the period covered by the balance sheet, relating to the balance sheet date - and transferred from fixed assets to current assets, or vice versa, transferred from current assets to fixed assets.

#### Section 24

(1) The concept of fixed assets shall cover any asset whose purpose is to serve the company's activities and operations on a long-term basis, for a period of not less than one year.

(2) The concept of fixed assets shall include intangible assets, tangible assets and financial investments.

#### Section 25

(1) Assets other than tangible assets (such as concessions and similar rights with the exception of rights attached to immovables, intellectual property, goodwill), advances and prepayments on intangible assets and value adjustments of intangible assets shall be shown under intangible assets.

(2) The capitalized value of formation/restructuring expenses and the capitalized value of experimental development may also be shown under intangible assets.

(3) \* The capitalized value of formation/restructuring expenses shall consist of the costs incurred in connection with starting up the company and commencing operations, including any major expansion, restructuring or reorganization - other than capital expenditure or renovation - which are likely to be recovered following formation or restructuring, such as expenses invoiced by subcontractors and incurred during operations (Section 51) shown under direct costs. This shall inter alia cover expenses related to the introduction of a quality assurance system, and the expenditures incurred in connection with the exploration for mineral resources, which may not be shown under the costs of related improvements and renovations, provided that these expenditures are expected to be recovered in the revenues likely to arise upon the ensuing development of mineral resources.

(4) The capitalized value of experimental development shall consist of the sums paid to subcontractors as invoiced to achieve the purpose of the experimental development and the direct costs of own activities (Section 51) incurred in the course of experimental development procedures, which are likely to be recovered during future use of the results produced by such activities, and which are not included among other products that can be capitalized (such as intellectual property,

tangible assets, inventories) as they exceed the - estimated - market value of the final product. The capitalized value of experimental development, when activated, may not exceed the amount that is likely to be recovered by future profits it is presumed to generate, after the deduction of further development-related expenses, estimated production costs, or the direct costs of sales when applicable.

(5) The direct costs of experimental development that is already in progress but is not concluded by the balance sheet date of the financial year may be shown as capitalized value of experimental development. In this case, the capitalized value of experimental development includes - apart from the extra costs of experimental development operations - the direct costs of products that are to be shown under inventories, tangible assets or intellectual property following the conclusion of such operations, by decreasing the capitalized value of experimental development. Costs of basic and applied research and the indirect costs and overhead of experimental development may not be capitalized.

(6) \* Under intangible assets, concessions and similar rights shall include those acquired rights which are not related to real estate property. This includes, in particular, lease rights, rights of use, trusteeship, rights of use of intellectual property, licenses, furthermore, concessions, gaming rights, and other rights which are not related to real estate property.

(7) \* The following shall be shown under intellectual property:

a) industrial property rights (such as, in particular, patents, utility models, designs rights, know-how, trademarks, geographical indications and trade names);

b) copyrighted works and neighboring rights (such as, in particular, software products and engineering plans);

c) assets without legal protection but monopolized through secrecy;

irrespective of whether or not used.

(8) \* Goodwill shall include the additional payment defined in Point 1 of Subsection (5) of Section 3 that is performed in hope of future economic benefits.

(9) \* Advance payments transferred (paid, remitted) to suppliers, exclusive of any amount of value added tax that may be deducted, shall be shown under advances/prepayments on intangible assets.

(10) Under value adjustments of intangible assets only the difference between the market value - in excess of the book value - and the book value (cost, less the amount of ordinary depreciation applied) may be shown for concessions and similar rights and for intellectual property.

## Section 26

(1) Material assets (landed property, building plot, land improvement, forest, plantation, building, other structures, technological equipment, machinery, vehicle, business and operational accessories, other equipment) and breeding stock that are regularly used (directly or indirectly) for business activities on a long term basis shall be shown in the balance sheet under tangible assets, furthermore, the advances and prepayments provided for the acquisition of these assets or for those in the course of construction, and the value adjustments made on tangible assets.

(2) \* Landed property and other tangible assets attached permanently to land shall be shown under land and buildings when put into use. Land and buildings shall include landed property, plots of land, forests, plantations, buildings - or part of a building - or both, other building structures, non-operational properties, including any percentage of ownership in these, also rights to immovables, whether purchased or constructed by the company itself, and whether on the company's own property or on a leased property. The capitalized value of remodeling costs and any other investment made on leased properties shall be shown under land and buildings.

(3) \* Rights in immovables include, in particular, use of land, beneficial ownership and the right of use, lease rights, easement rights, right of use received through payment of various contributions and fees prescribed by the relevant legislation in connection with the normal use of real estate property (such as water utilities development contributions, electricity distribution systems connection charges, natural gas distribution systems connection charges), and other rights related to real estate property.

(4) Power machinery, equipment for power stations, instruments, tools, transport equipment, communications equipment, computer and accessories, and the means of railroad, road, water, and air transport which are dominant for the company's principle profile and are put into regular use and directly serve the company's operations shall be shown under plant and machinery and vehicles, as well as the capitalized costs of improvements and renovations on leased equipment of the like.

(5) Other fixtures and fittings, vehicles shall include the fixtures and fittings, tools and equipment and vehicles - when put into use - which are not shown under plant and machinery and vehicles, and which indirectly serve the company's operations. These shall include, in particular, other plant (operational) equipment, fittings, equipment, vehicles, office and administration equipment, non-operational equipment, fittings and vehicles, as well as the capitalized costs of improvements and renovations on leased equipment of the like.

(6) \* Animals which generate individual products (progeny or other products of animal origin) during breeding and husbandry operations shall be shown under breeding stock, if the costs of husbandry are covered by the future sale of these products or by other type of utilization (drawing, guarding services, horseback riding), irrespective of the duration for which the company benefits from these services.

(7) Payments on account and tangible assets in course of construction shall include the cost of the tangible assets defined in Subsections (2)-(6), which are not commissioned or put into use, and the (not yet capitalized) costs of the expansion, conversion, transformation, improvement or renovation of tangible assets which are already in operation.

(8) \* The sums, exclusive of any amount of value added tax that may be deducted, transferred (paid, remitted) to suppliers - or to importers for imported goods -, and payments for rights to immovables made to the seller of such rights shall be shown under advance payments on assets in course of construction.

(9) Under value adjustments of tangible assets only the difference between the market value - in excess of the book value - and the book value (cost, less the amount of ordinary depreciation applied) may be shown for the tangible assets defined under Subsections (2)-(6).

## Section 27

(1) \* Assets (participating interests, securities, loans) which have been invested by the company in another company or have been transferred to another company for the purpose of drawing income over the long term (dividends or interest) or for the ability to exercise influence, management or control therein shall be shown in the balance sheet under financial investments. Any value adjustments in long-term liabilities relating to trust funds, and in financial investments shall also be shown in the balance sheet under financial investments.

(2) \* Investments (stocks, participating interests, other partnership shares) in equity securities ensuring long-term influence or control in companies pursuant to Point 7 of Subsection (2) of Section 3 shall be shown under long-term participations in affiliated companies.

(3) Long-term loans to affiliated companies shall include loans (including the receivables from financial leasing contracts and from sales by installment or deferred payment) and long-term bank deposits, where the performance of payment in the form of money or the closing of account is not due according to the agreement signed with a debtor defined under Point 7 of Subsection (2) of Section 3 in the financial year following the current year.

(3a) \* Long-term major participating interest covers equity securities under Point 9 of Subsection (2) of Section 3, other than the participations defined in Subsection (2) hereof.

(3b) \* Long-term loan to a company linked by virtue of major participating interest covers loans and bank deposits, where the debtor is a company linked by virtue of participating interest in the measure provided for in Point 9 of Subsection (2) of Section 3, other than the loans and bank deposits defined in Subsection (3) hereof.

(4) \* Other long-term participations shall include all long-term investments in equity securities, other than the participations in Subsections (2) and (3a) hereof.

(5) \* Long-term loans to other companies linked by virtue of participating interest shall include the loans and long-term bank deposits where the debtor is another company linked by virtue of participating interest, other than the loans and bank deposits defined in Subsections (3) and (3b) hereof.

(6) \* Other long-term loans shall include the loans and long-term bank deposits, where the debtor is not linked by virtue of participating interest.

(7) Long-term debt securities shall include securities obtained for the purpose of investment, the maturity or redemption of which is not due in the financial year following the current year, and which the company does not intend to alienate in the financial year following the current year.

(8) Under value adjustments of financial investments the difference between the market value - in excess of the cost - and the cost of the participating interests may be included.

(9) \* Long-term liabilities relating to trust funds shall be shown in the principal's balance sheet under long-term loans.

## Section 28

(1) Current assets shall comprise inventories, receivables which do not serve the company's interests on a long term basis, debt securities, equity securities and liquid assets.

(2) Inventories encompass assets serving the company's activities, directly or indirectly, which:

a) were acquired for the purpose of resale within the framework of regular (routine) business operations, and which remain unaltered before sold (goods, packaging, mediated services), however, their value may change;

b) \* are in a specific phase of production prior to sale [work in progress, (including services unfinished and not yet invoiced) and semi-finished products] or which are processed and completed, and are in the process of sale (finished products);

c) are to be used for the production of products to be sold or during the supply of services (raw materials).

(3) Inventories shall, furthermore, include:

a) tangible assets (tools, instruments, equipment, fittings, work clothing, uniforms, protective clothing) until they are put into use, which serve the company's activities for a period of less than one year;

b) animals for breeding and fattening and other livestock, which increase in size and weight in result of production (husbandry), irrespective of the duration for which the company benefits from such animals;

c) the assets reclassified under Subsection (5) of Section 23 and transferred from fixed assets.

d) \* assets acquired or produced for the purpose of resale, from the date of use, shown under goods, which the company used on a temporary basis until sold (removed from the records).

(4) \* The amounts - exclusive of any amount of deductible value added tax - transferred (paid, remitted) to suppliers of materials or goods, to suppliers of mediated services or to importers for imported supplies, on such grounds shall be shown under advance payments on inventories.

## Section 29

(1) \* Receivables are claims expressed in money for payment, arising lawfully from various supply, work, service and other contracts which are related to the supply of products and services, the sale of debt securities and equity securities, lending arrangements, advance payments (including interim dividends), covering also various other receivables, such as purchased receivables and receivables assumed without consideration and under other titles, which have already been performed by the company and have been accepted and acknowledged by the other party, furthermore, claims awarded by final court decisions.

(2) \* Trade receivables (debtors) shall cover all accounts receivable for goods and services supplied by the company and accepted and acknowledged by the customer, which are not included among the receivables specified in Subsections (3)-(4) of this Section or the loans specified in Subsections (3), (3b), (5)-(6) of Section 27.

(3) \* Receivables from affiliated companies shall include the claims defined under Subsection (1), the debtor of which is an affiliated company defined in Point 7 of Subsection (2) of Section 3, and which are not included among the loans specified in Subsections (3), (3b), (5)-(6) of Section 27.

(3a) \* Receivables from companies linked by virtue of major participating interest shall include the claims defined under Subsection (1) hereof, where the participating interest under Point 9 of Subsection (2) of Section 3 is held in the debtor company, and such claim is not included among the loans specified in Subsections (3), (3b), (5)-(6) of Section 27.

(4) \* Receivables from companies linked by virtue of participating interests shall include the claims defined under Subsection (1), the debtor of which is a company linked by virtue of participating interests, and which are not included among the loans specified in Subsections (3), (3b), (5)-(6) of Section 27.

(5) Bills receivable shall only include those which are due from companies linked by virtue of participating interests.

(6) \* Other receivables shall include employee debts, tax refunds, subsidies already applied for but not yet received, as well as the sum of any rebate received under Subsection (7) of Section 77.

(7) \* Other receivables shall also include the purchase price paid for assets subject to a forward resale obligation within the framework of actual reverse transactions and collateralized repurchase agreements between companies which are not affiliated, the amount due under a securities lending arrangement in the value of the securities lent, the purchase price paid for the repurchase of an asset sold subject to a forward repurchase obligation as well as the deposits, collaterals and spreads paid in the case of derivatives until the transaction is concluded.

(8) \* Above and beyond what is contained in Subsections (6) and (7), other receivables shall, furthermore, include the claims defined in Subsection (1) - exclusive of those defined under Subsections (2) and (5) - if the debtor is a company linked by virtue of participating interests, including the installments due in connection with long-term loans within one year from the balance sheet date, purchased receivables and receivables assumed without consideration and under other titles, and sums awarded by final court decision - except for the sums provided for in Paragraphs a) and b) of Subsection (2) of Section 77 - before the balance sheet date of the financial year.

(9) \* With respect to the valuation of financial instruments at fair value under Sections 59/A-59/F, the positive fair value (forecasted profit) of open derivatives held for trading or hedging shall be shown as a separate balance sheet item under receivables as the valuation increase for derivatives.

## Section 30

(1) Securities under current assets shall include securities purchased for investment purposes, as temporary, non-permanent investments, debt securities and investments in equity securities.

(2) \* Short-term investments (equity shares, partnership shares, other participating interests) in equity securities of companies pursuant to Point 7 of Subsection (2) of Section 3, usually purchased for dealing purposes for making a profit, shall be shown under participating interests in affiliated companies.

(2a) \* Major participating interest covers equity securities under Point 9 of Subsection (2) of Section 3, held for trading and purchased in particular for making a profit, other than the participations defined in Subsection (2) hereof.

(3) \* Other participating interests shall include all temporary investments in equity securities, other than those mentioned in Subsections (2) and (2a), purchased for dealing purposes.

(4) \* Own shares and own partnership shares shall mean the company's own equity securities repurchased (acquired) by the company itself. Redeemable shares acquired by the company for consideration (redemption value) shall also be shown under equity securities repurchased by the company from the date of acquisition until the compulsory reduction of the company's capital is registered by the court of registry.

(5) Securities purchased for dealing purposes or to earn interest revenues or achieve foreign exchange gains, and those which expire during the financial year following the current year shall be shown under debt securities held for trading.

(6) \* For the purposes of this Act, repurchased (acquired) shares in cooperatives (including converted investment share certificates) shall be treated the same as own shares and own partnership shares. The provisions of this Act governing own shares and own partnership shares shall also apply to repurchased (acquired) shares in cooperatives.

#### Section 31 \*

Liquid assets shall include cash, electronic money and checks, and bank deposits.

#### Section 32

(1) Expenses incurred prior to the balance sheet date of the financial year, which can only be recognized as costs or expenditures (including deferred expenditures) in respect of the period following the balance sheet date, as well as revenues, interest and other income, which are only due after the balance sheet date but are to be accounted for in respect of the period concluded by the balance sheet, and amounts not yet recognized as items deductible from accounting profit from the balance defined under Subsection (1) of Section 68, shall be shown - separately - as deferred expenses and accrued income.

(2) The commensurate portion of the balance between the face value and the issue price (purchase price) of discounted securities - shown as debt securities, fixed or current assets - which are issued and purchased under face value shall be shown under deferred expenses and accrued income against interest income for the financial year in question until such securities are sold, redeemed or removed from the books.

(3) \* The commensurate portion (for the period between the date of purchase and the balance sheet date of the financial year) of the positive balance (deducted from other income from financial transactions) between the purchase price and the face value of interest-bearing debt securities shown under financial investments that are issued and purchased at face value and not subject to valuation at fair value may be shown under deferred expenses and accrued income. The deferral of such amounts shall be terminated when the securities are sold, redeemed or removed from the books under other titles as well as in the case and in the amount where realization of the deferred amount is uncertain.

(4) If the commissions and the fees paid for purchased options, which were not applied in accordance with Subsection (2) of Section 61 at cost, when paid in connection with an investment in equity securities or in debt securities that are shown under current assets, are of substantial amount and it is likely to be recovered when such securities (investments) are sold or redeemed, such amounts may be shown under deferred expenses and accrued income.

(5) \* The following shall be shown under prepayments and accrued income:

a) the costs (value at acquisition) of derivatives, that is the costs (brokerage charges, commissions, option premiums) arising out of and in connection with the transaction, until the closing of the transaction;

b) in the case of interest rate swaps for hedging or non-hedging purposes, the interest spread of the transaction covering the period between date when the interest rate is fixed for the last time and the balance sheet date, until the time of settlement related to the given interest period;

c) from the positive sum relating to the effective portion of the hedge existing in consideration of the combined total of the deferrals shown according to Paragraphs a)-b) and e) hereof, and Paragraphs a)-b) and e) of Subsection (5) of Section 44 on the basis of the fair value or intrinsic value of market value (fair value) hedges shown on the balance sheet date, as appropriate against other interest and similar income received (due), or other income from financial transactions. Such item shown under prepayments and accrued income shall be written off against other interest and similar income

received (due), or other income from financial transactions, as appropriate, if the positive sum decreased by comparison to the previous balance sheet date, or if the deferral under Paragraph c) of Subsection (5) of Section 44 is to be affected on a given balance sheet date, and/or if the transaction is closed or if hedge accounting has to be terminated;

d) in the case of cash flow hedges, if the hedge is closed before the hedged transaction, the effective portion from the realized losses of the hedge until the time the transaction occurs; Such item shown under prepayments and accrued income shall be derecognized having regard to Subsection (11) of Section 47;

e) in the case of cash flow hedges of forecast transactions or firm commitments, if the hedge's maturity is adjusted to financial settlement and therefore the hedge is set to mature later than the time the transaction occurs, the effective portion from the unrealized gains of the hedge existing at the time the hedged transaction occurs, until the closing of the transaction, against other interest and similar income received (due), or other income from financial transactions, as appropriate.

(6) \* Where Subsection (11) of Section 47 applies, the difference between the repayable amount of a liability and its cost shall be shown under prepayments and accrued income, against the liability, if the amount repayable is higher. Such item shown under prepayments and accrued income shall be transferred and shown under other expenses on financial investments, at the time the liability is derecognized, in proportion to the book value derecognized.

(7) \* Costs directly related to raising a loan or credit may be shown under prepayments and accrued income, including the fees charged for bank guarantee and credit assessment required for the loan or credit, service and handling charges, and lending commissions if accounted by ways other than as provided for in Paragraph a) of Subsection (4) of Section 47. The deferral of the costs of borrowing shall be terminated on a time basis during the term of the loan or credit, at the latest when the loan or credit is paid off in full.

### Section 33

(1) \* In the course of assumption of debt without counterpart, the contractual amount of the definitively assumed outstanding liability, recognized as other operating charges, shall be shown as deferred expenditures under deferred expenses and accrued income during the reporting period of the assumption of debt. Such amount shall be terminated from the deferred expenses and accrued income against other operating charges when the original debt is settled as contracted, and in accordance with the performance as contained in the contract.

(2) \* In connection with loan debts denominated in a foreign currency concerning payment on accounts or assets in the course of construction (tangible assets), or any rights which are not covered by the funds shown in the foreign exchange account, and in connection with debts from the issue of bonds in any foreign currency concerning payment on accounts or assets in the course of construction (tangible assets), any rights or current assets, the full amount of the exchange loss realized - in accordance with Subsection (2) of Section 60 - as a result of the valuation as of the balance sheet date, and shown under other expenses on financial transactions may be shown as deferred expenditures under deferred expenses and accrued income and deducted from other expenses on financial transactions (unrealized exchange losses). When repaying loan debts or debts from the issue of foreign exchange bonds from the accumulated amount of deferred expenses and accrued income of preceding periods by installments, the unrealized loss for the installment shown under deferred expenses shall be cancelled by increasing other expenditures of financial transactions (realized exchange losses).

(3) \* Exchange losses shown under deferred expenses in accordance with Subsection (2) shall be terminated - and shown under other expenses on financial transactions - if the foreign exchange loan debt or the debt from the issue of foreign exchange bonds is paid off in full, or - as regards the financing of tangible assets and concessions or other similar rights - if the tangible asset or concession or other similar right financed through a foreign exchange loan or by the issue of foreign exchange bonds is sold, or cancelled on any other grounds. Changing the currency - within the framework of contract amendment - in which an existing debt is denominated shall not be treated as repayment.

(4) \* Exchange losses shown under deferred expenses in accordance with Subsection (2) shall be reduced - and shown under other expenses on financial transactions - by the amount of exchange gains claimed in connection with the foreign exchange liability in question for the financial years to which they pertain.

(5) \* The sum by which the book value exceeds the value shown in the securities lending agreement (loss) of securities which are transferred under a lending arrangement, less accumulated interest, shall be shown under deferred expenses and accrued income. It shall be terminated when the securities returned by the borrower are sold, redeemed or transferred and permanently removed from the books by some other transaction, or when the borrower provides compensation in the market value of the securities instead of returning them.

(6) \* The book value of assets (tangible assets) transferred permanently to the operator pursuant to statutory provision without consideration may be shown as deferred expenditures under deferred expenses and accrued income. The book value of assets (tangible assets) transferred without consideration shown under accrued and deferred assets shall be terminated from the deferred

expenses and accrued income against other operating charges in accordance with the procedure and within the time limit defined at the time of the transaction.

(7) \* Grants and subsidies referred to in Paragraph d) of Subsection (2) and Paragraph b) of Subsection (3) of Section 77, provided in compliance with statutory requirements or on the basis of contract, agreement, that remain unrecognized may be shown under prepayments and accrued income, against other income, if the company is able to prove that it will comply with the conditions attaching to the grant or subsidy, and that the grant or subsidy will be received. Such item shown under prepayments and accrued income shall be derecognized at the time of accounting under Paragraph d) of Subsection (2) and Paragraph b) of Subsection (3) of Section 77, or if the grant or subsidy fails.

#### Section 34

In the balance sheet the company's equity capital, provisions, liabilities, and accrued expenses and deferred income shall be shown under liabilities.

#### Section 35

(1) \* Equity instruments may be shown under owner's equity only if made available to the company by its owner (shareholder), or which has been left by the owner (shareholder) with the company from the after-tax profit, in addition to what is contained in Section 36. The valuation reserve of adjustments and the fair value reserve shall also be directly included in equity.

(2) \* A company's equity shall consist of subscribed capital (decreased by the amount which has not yet been paid up), capital reserve, retained earnings, tied-up reserves, valuation reserve, and the results after tax for the current year.

(3) \* In the case of public limited companies, private limited-liability companies and other companies (if required to be registered by the court of registry in this respect), subscribed capital shall mean the capital registered by the court of registry in the amount specified in the instrument of constitution.

(4) \* As regards the companies referred to in Subsection (3), any change in the subscribed capital due to an increase or decrease in share capital, registered capital, founders' assets or other partnership shares shall be recorded in the books as of the day of being registered by the court of registry.

(5) As regards companies other than those mentioned in Subsection (3), subscribed capital shall mean the capital provided and made available permanently by the owners (shareholders) in the amount specified in the instrument of constitution.

(6) In respect of the Hungarian branches of nonresident companies, the capital provided and made available permanently by the nonresident company (including the endowment capital prescribed by law) for the operation of the Hungarian branch, and for the settlement of the debts thereof, shall be shown as subscribed capital, at the value specified under Subsection (7) of Section 50 in the case of non-monetary (in kind) contributions.

(7) \* In the absence of any provision to the contrary, own funds available in addition to the subscribed capital (share capital, registered capital) shall mean the amount of equity less the subscribed capital, the tied-up reserve and the positive valuation reserve.

(8) \* Subscribed capital unpaid shall mean the part of the capital registered by the court of registry as defined under Subsection (3) that has not yet been paid or provided by the owners (shareholders) at the time of foundation, or the increase of the subscribed capital if the instrument of constitution (amendment of the instrument of constitution), pursuant to authorization conferred under the relevant legislation, permits payment after registration.

(9) \* Where the relevant legislation permits a conditional reduction of subscribed capital by simultaneously increasing subscribed capital, the decrease and increase of the subscribed capital shall be recorded in the books as instructed by the amendment of the instrument of constitution effective on the date on which the increase or reduction of capital is registered by the court of registry.

(10) \* Where repurchased own shares, partnership shares and redeemable shares are withdrawn, their face value shall be deducted from the subscribed capital, and retained earnings shall be adjusted by the difference between the face value and repurchase (book) value - as appropriate - effective as of the date when the amendment of the subscribed capital is registered by the court of registry.

## Section 36

(1) The following shall be shown as an increase in the capital reserve:

a) in respect of limited companies, the difference between the issue price of the shares, including the price upon any capital increase (subscription price), and their face value;

b) \* in respect of companies other than those referred to in Paragraph a), the assets - financial or otherwise - permanently provided by the owners (shareholders) upon foundation, as part of the foundation, or when increasing capital placed in capital reserve (the difference between the subscription value and the face value) as part of capital increase;

c) decrease of subscribed capital against the capital reserve;

d) assets resulting from the withdrawal of cooperative shares that cannot be divided;

e) the amount transferred back from the tied-up capital reserve, at the time when released;

f) the liquid assets and the value of assets transferred to the capital reserve on the basis of legal provisions, simultaneously upon realization of the cash or asset.

(2) The following shall be shown as a decrease in the capital reserve:

a) an increase of the subscribed capital from the available capital reserve;

b) the amount used to off-set any deficit;

c) \* the amount withdrawn from the capital reserve to decrease the subscribed capital through disinvestment, as commensurate with the reduction of the subscribed capital;

d) the amount transferred from the capital reserve into the tied-up reserve;

e) the value of liquid and other assets transferred from the capital reserve on the basis of legal provisions, simultaneously upon realization of the cash or asset.

(3) As regards the companies listed under Subsection (3) of Section 35, the increases and decreases in the capital reserve as defined, respectively, in Paragraphs a)-c) of Subsection (1) and in Paragraphs a) and c) of Subsection (2) shall be construed as documented by the instrument of constitution or its amendment, or the resolution of the general meeting, the shareholders or the founders, and shall be recorded in the books when the instrument of constitution or its amendment on the increase or decrease of capital is registered by the court of registry:

a) upon the increase in the capital reserve according to Paragraphs a)-b) of Subsection (1), if the asset is transferred before the company is registered by the court of registry;

b) upon the increase in the capital reserve according to Paragraph c) of Subsection (1);

c) upon the decrease in the capital reserve according to Paragraphs a) and c) of Subsection (2); or

after the company is registered by the court of registry, when the asset is received for the increase of the capital reserve according to Paragraphs a)-b) of Subsection (1), if the assets are not received before the company is registered by the court of registry. \*

(4) As regards the companies referred to in Subsection (5) of Section 35, the increases and decreases in the capital reserve as defined, respectively, in Paragraphs b)-c) of Subsection (1) and in Paragraphs a) and c) of Subsection (2) shall be construed as documented by the instrument of constitution or its amendment, or a shareholders' resolution and shall be recorded in the books when the assets are received in the case of Paragraph b) of Subsection (1), or on the date specified in the relevant shareholders' resolution (no earlier than the date of the shareholders' resolution) in the case of Paragraph c) of Subsection (1) and Paragraphs a) and c) of Subsection (2).

(5) The capital reserve may be decreased by the amounts defined under Subsection (2) only if the capital reserve does not drop below zero as a consequence.

## Section 37

(1) The following shall be shown as an increase in retained earnings:

a) \* the results after tax (profit) for the previous financial year, including any changes upon an audit for increasing the results after tax of the previous financial year(s) (profit);

b) a reduction of the subscribed capital against the retained earnings;

c) \* the capital reserve used to offset any deficit, as well as tied-up reserves;

d) \* for the owner (shareholder) of the business association, the amount returned from any supplementary payment previously provided but not required to cover losses at the time of the financial transaction, asset transfer;

e) the amount returned from reserves tied-up from retained earnings, when released;

f) liquid assets and the value of other assets placed into retained earnings on the basis of legal provisions, at the time of the transaction or transfer.

(2) The following shall be shown as a decrease in retained earnings:

a) \* the results after tax (loss) for the previous financial year, including any changes upon an audit for decreasing the results after tax of the previous financial year(s) (loss);

b) the increase of the subscribed capital from the available retained earnings;

c) the amount transferred from retained earnings to a tied-up reserve;

d) \* any dividends, profit-sharing and the yields on interest-bearing shares (including applicable taxes);

e) \* for the owner (shareholder) of the business association, the supplementary payment provided to cover the losses of the business association, as required by law, at the time of the financial transaction, asset transfer;

f) \* the amount withdrawn from the retained earnings to decrease the subscribed capital through disinvestment, as commensurate with the decrease of the subscribed capital;

g) \* liquid assets and the value of other assets transferred from retained earnings on the basis of legal provisions, at the time of the transaction or transfer, including the sum from the assets of the business association or cooperative existing at the time of termination of membership that is due for the membership terminated, and that is in excess of the commensurate part of the subscribed capital, capital reserve and retained earnings;

h) \* sum transferred under specific other legislation to make up cash contribution that has not yet been paid (subscribed capital unpaid).

(3) As regards the companies referred to in Subsection (3) of Section 35, the increase and decrease of the retained earnings as defined, respectively, in Paragraph b) of Subsection (1) and in Paragraphs b) and f) of Subsection (2) shall be construed as documented by the instrument of constitution or its amendment, or the resolution of the general meeting, the shareholders or the founders, and shall be recorded in the books when the instrument of constitution or its amendment on the increase or decrease of capital is registered by the court of registry.

(4) As regards the companies referred to in Subsection (5) of Section 35, the increase and decrease of the retained earnings as defined, respectively, in Paragraphs b) of Subsection (1) and in Paragraphs b) and f) of Subsection (2) shall be construed as documented when the instrument of constitution or its amendment, or the shareholders' resolution is recorded in the books on the date specified in the relevant shareholders' resolution (no earlier than the date of the shareholders' resolution).

(5) \* The total amount of any major error discovered by audit before the balance sheet date, which has an effect on the profit or loss (results after tax) of the previous financial year(s), shall be separately accounted for as an item increasing or decreasing the retained earnings in the financial year when such error was discovered.

(6) \*

(7) \* Where supplementary payment provided to cover the losses of the business association, as required by law, is made by means other than money, the asset thus provided shall be accounted in

accordance with the rules on sales at the time the transfer is made, with the proviso that the claim thus created shall be deducted from the capital reserve.

### Section 38

(1) The tied-up reserve shall consist of sums tied up from the capital reserve and/or from the retained earnings, and supplementary payments received.

(2) The following shall be transferred from the capital reserve to the tied-up reserve:

a) \*

b) in respect of cooperatives, the value of assets that cannot be divided;

c) the reserves tied up pursuant to the relevant legislation or at the company's own discretion to cover liabilities;

d) \* any amount from the capital reserve set aside under Paragraph f) of Subsection (1) of Section 36 that is to be repaid for reasons of non-fulfillment of the conditions laid down in the relevant legislation or fixed in contract or agreement.

(3) The following shall be transferred from retained earnings to the tied-up reserve:

a) \* the face value of repurchased own shares and own partnership shares and the book value of redeemable shares;

b) \*

c) the capitalized value of formation/restructuring and the capitalized value of experimental development, the amount of which is not yet written off;

d) \* the difference between the unrealized exchange losses specified in Subsection (2) of Section 33 and the provisions specified under Subsection (4) of Section 41;

e) the capital reserve to be tied up according to Subsection (2), if the capital reserve is insufficient to cover such;

f) \* for the owner (shareholder) of the business association, the supplementary payment provided to cover losses, which were approved by the competent body but not yet paid;

g) the reserves tied up pursuant to the relevant legislation or at the company's own discretion to cover liabilities or for its own purposes.

(4) \* Supplementary payments received by the business association for covering losses shall be shown under tied-up reserves until repaid, and shall be accounted for at the time of the financial transaction, asset transfer.

(5) Funds tied up according to Subsection (3) shall be discharged against the retained earnings, if due to an increase in the tied-up reserve the balance of the retained earnings becomes negative, or if its negative balance increases.

(6) When tied-up reserves are released, it shall be discharged - with the exception of the supplementary payments referred to in Subsection (4) - against the capital reserve or the retained earnings, depending on whether the released reserve was tied up from the capital reserve or from the retained earnings.

(7) \* If, pursuant to the relevant legislation, the subscribed capital of a business association is reduced by transfer from the capital reserve to the tied-up reserves, the amount of capital reduction shall be shown under the tied-up reserve account effective on the day on which the capital reduction is registered by the court of registry. The amount transferred shall be shown separately in the tied-up reserve account.

(8) \* (8) The tied-up reserves separated according to Subsection (7) may only be terminated by the procedures permitted by the relevant legislation; to offset losses by deducting it from the negative balance of the retained earnings as of the date the relevant decision was made, to increase the

capital by adding it to the subscribed capital as of the date the capital increase is registered by the court of registry.

(9) \* The value of liquid and other assets transferred to or from the tied-up reserve on the basis of specific other legislation, simultaneously upon realization of the cash or asset shall be shown under tied-up reserve as a deduction or increase, as appropriate. When the tied-up reserve that was received in accordance with specific other legislation is released, it shall be discharged against the retained earnings, unless the legislation in question contains provisions to the contrary.

(10) \* Where supplementary payment made previously to cover the losses of the business association, as required by law, is repaid by means other than money, the asset thus provided shall be accounted in accordance with the rules on sales at the time the transfer is made, with the proviso that the claim thus created shall be deducted from the tied-up reserve.

#### Section 39

(1) \* The following shall be shown separately as a valuation reserve:

a) the value adjustments determined by market valuation according to Section 58 shall be shown as the valuation reserve for adjustments, as well as

b) the valuation difference deducted from equity on the basis of a fair valuation made under Sections 59/A-59/F shall be shown as the fair value reserve.

The valuation reserve for adjustments, the fair value reserve and the valuation difference may only change by the same amount and only in relation to one another. Other equity components may not be supplemented and liabilities may not be satisfied from the valuation reserve.

(2) \*

(2a) \* If the interest payable on declared dividends, profit-sharing and interest-bearing shares shown under liabilities is paid by means other than money, the assets thereby provided shall be accounted in accordance with the rules on sales.

(3) \* The untied retained earnings supplemented by the after-tax profit from the previous financial year may be disbursed as dividend, profit-sharing or yield on interest-bearing securities only if the amount of equity less the tied-up reserves and the positive valuation reserve does not fall below the amount of subscribed capital following the disbursement of the dividend, profit-sharing or yield.

(3a) \* In determining the amount of untied retained earnings and equity capital under Subsection (3) the amount of dividends, profit-sharing (received or due) in accordance with Subsection (1) of Section 84 not yet shown in the financial report for the previous financial year but claimed by the balance sheet date may be taken into account as an increment.

(4) \* Retained earnings supplemented by the after-tax profit may be shown in the interim financial statement (or the balance sheet of the other underlying financial report) provided for in Section 21 - subject to other requirements laid down by the relevant legislation - in the form of interim dividend only if the amount of equity shown in the interim financial statement (or the balance sheet of the other underlying financial report), with the tied-up reserves and the positive valuation reserve deducted, does not fall below the amount of subscribed capital following disbursement of such interim dividends.

(5) \* Repurchasing (acquiring) own shares as well as own partnership shares and redeemable shares is governed in specific other legislation and is subject to the following conditions:

a) the amount of untied retained earnings supplemented by the after-tax profit shown in the balance sheet of the last financial year for which a financial report has been filed not recognized as dividend, profit-sharing or yield on interest-bearing securities, or

b) the amount of untied retained earnings supplemented by the after-tax profit shown in the interim financial statement (or the balance sheet of the other underlying financial report) under Section 21 not recognized as interim dividend,

shall be sufficient to cover the repurchase (acquisition) only if the amount of equity, with the tied-up reserves, the positive valuation reserve and the value of repurchase (acquisition) deducted, does not fall below the amount of subscribed capital.

(1) \* The subscribed capital may be increased by the transfer of funds from the own funds available in addition to the subscribed capital only, and to the extent, if the capital reserve:

a) shown in the balance sheet for the last financial year for which a report has been filed, or

b) shown in the interim financial statement (or the balance sheet of the other underlying financial report) under Section 21,

and the untied retained earnings supplemented by the after-tax profit from which no dividend, profit-sharing or yield on interest-bearing securities has been paid is sufficient to cover it and if after the capital increase the subscribed capital will not exceed the equity less the tied-up reserves and positive valuation reserve.

(2) \* In addition to the conditions set out in Subsection (1), an increase of subscribed capital shall be implemented by the transfer of funds from the own funds available in addition to the subscribed capital even if free or discounted employees' stocks or employees' business shares are issued.

(3) \* If the balance sheet for the last financial year for which a financial report has been filed or the interim financial statement under Section 21 is cited to support several disbursements or transactions within the period specified in specific other legislation, these shall be considered together when reviewing the requirements.

(4) \* Upon the conversion of convertible or equity bonds into stocks, the subscribed capital (share capital) shall be increased against the liability incurred due to the issue of bonds in accordance with the regulations set out in the instrument of constitution or in the charter document (or any amendments thereof) as of the date when recorded by the court of registry.

#### Section 40/A \*

(1) \* The equity of trust funds shall consist of the initial capital, provisions, tied-up reserves, revaluation reserve, and the results after tax for the current year.

(2) The initial capital constitutes the assets made available to the fiduciary by the principal for the purpose of fiduciary asset management at the value provided for in Subsection (9) of Section 50, less the value of the assets allocated under fiduciary asset management.

(3) The following shall be shown as an increase in the provisions:

a) \* the results after tax (profit) of the trust fund for the previous financial year, including any changes upon an audit for increasing the results after tax of the previous financial year(s) (profit);

b) the amount returned to provisions from reserves tied-up, when released.

(4) The following shall be shown as a reduction in the provisions:

a) \* the results after tax (loss) of the trust fund for the previous financial year, including any changes upon an audit for decreasing the results after tax of the previous financial year(s) (loss);

b) the sum transferred to the tied-up reserve;

c) \* the amount used to provide for any yield paid in the case of fiduciary asset management.

(5) The sums provided for in Paragraphs c), d), g) of Subsection (3) of Section 38 shall be transferred from the provisions to the tied-up reserve. When tied-up reserves are released it shall be discharged against the provisions.

(6) The sums provided for in Subsection (1) of Section 39 shall be shown under revaluation reserve.

(6a) \*

(7) \* In fiduciary asset management arrangements, income may be distributed from the provisions supplemented by the after-tax profit if the amount of equity less the tied-up reserves and the positive revaluation reserve does not fall below the amount of initial capital following distribution of income.

(8) In fiduciary asset management arrangements, assets may be allocated up to the amount of the initial capital (losses brought forward, or in the event of any loss for the year, the initial capital less provisions or the loss for the year). If assets are allocated during the year, in determining the amount available the losses after tax shown in the interim balance sheet shall be taken into consideration as well.

#### Section 41

(1) \* Provisions shall be set aside from the pre-tax profit - to the extent necessary - to cover payment liabilities towards third persons which originate from past and current transactions and contracts [including, in particular, guarantee commitments prescribed in the relevant legislation, contingent liabilities, commitments, payments of early retirement pension benefits or benefits provided before the legal age limit in lieu of early retirement pension benefits and severance pay, environmental protection obligations] and which on the balance sheet date, are assumed or sure to be incurred, however, the amounts and the due dates of such liabilities are uncertain and the company has not provided the required cover for such liabilities in any other form.

(2) \* Provisions may be set aside from the pre-tax profit - to the extent necessary to establish the actual profit or loss - to cover contingent, major and recurrent liabilities (in particular, maintenance and upkeep costs, restructuring costs, payments related to environmental protection obligations) which, on the balance sheet date, are assumed or sure to be incurred in the future, however, the amounts and the actual date of such liabilities are uncertain, and cannot be shown under accrued expenses and deferred income.

(3) Provisions according to Subsection (2) may not be created for expenses regularly and continuously incurred in normal business activities.

(4) \* If the company has shown an unrealized exchange loss on any loan debt denominated in a foreign currency concerning payment on accounts or assets in the course of construction (tangible assets), or any rights and current assets which are not covered by the company's funds shown in the foreign exchange account, and in connection with debts from the issue of bonds in any foreign currency concerning payment on accounts or assets in the course of construction (tangible assets), or any rights as deferred expenses in accordance with Subsection (2) of Section 33, at the end of the financial year the company shall create provisions for such deferred accumulated item in the amount prorated with respect to the length of the time lapsed since the date when the investment or right was capitalized - in other cases from the time when the loan was made available - and the full term of the loan. If the provisions set aside for this purpose before the end of the previous financial year are less or more than this amount, the provisions shall be increased by such difference against other expenditures, or decreased by such difference against other income in the current year. The full term of the loan taken into account during such calculation may not be longer than the term of the loan or

- as regards the financing of tangible assets and concessions or other similar rights - the useful life of the tangible asset - as applied for depreciation - financed from the loan.

(5) \* If the exchange loss shown under deferred expenses is to be terminated according to Subsection (3) of Section 33, the provision created pursuant to Subsection (4) shall also be concurrently terminated.

(6) \* As regards the economic entities falling under the scope of the government decree referred to in Sections 5-6, said government decree may introduce provisions in derogation from Subsections (1)-(3) above concerning the creation and appropriation of provisions, and/or may prescribe additional reserves and provisions to be created.

(7) \* Additional provisions may be created under statutory provisions or voluntarily as laid down in an act or government decree in which case the provisions contained in such act or government decree shall be observed for the creation and appropriation of these provisions.

(8) \* The amounts of the various provisions, as created and appropriated, shall be itemized in the notes on the accounts according to type. If the amount of any particular provision substantially differs from that of the previous year, the reasons therefore shall be illustrated in the notes on the accounts.

(9) \* In the process of setting aside the provisions referred to in Subsections (1) and (2) of this Section, the liabilities that exist on the balance sheet date and the estimated expenses shall or may be taken into account even if they become known between the balance sheet date and the date of closing.

## Section 42

(1) \* Liabilities are the acknowledged debts expressed in money and arising from supply, work, service and other contracts which are related to supplies, services and the provision of money already performed by the supplier, company, service provider, creditor or lender, and accepted and acknowledged by the company, including the management operations concerning state property or local government property entrusted to an asset management company on the strength of statutory provision or legal authorization. There are subordinated, long-term and short-term liabilities.

(2) Long-term liabilities are, based on the contract concluded with the creditor, loans and credits received for a term of more than one year (including the issue of bonds), less repayments due within one financial year of the balance sheet date, including other long-term liabilities.

(3) Short-term liabilities are loans and credits received for a term of one financial year or less, including, from long-term liabilities, installments repayable within one financial year from the balance sheet date (the amount of which shall be detailed in the notes on the accounts). Short-term liabilities, in general, include advance payments received from customers, obligations from the purchase of goods and services from suppliers, bills payable, dividends, profit-sharing and the yields on interest-bearing securities, and other short-term liabilities.

(4) Subordinated liabilities shall include all loans that were in fact provided to the company, and where the relevant contract contains the lender's consent by which to permit the company to use the loan to pay off its debts and to acknowledge that the installments to repay the loan are ranked one before the last, preceding only the claims payable to the owners, and that - in the event of liquidation or bankruptcy of the borrower - repayment is subordinated whereas to satisfy the other creditors first, furthermore, that the deadline of repayment of the loan is either unspecified or is adjusted to future events, however, the original term is set for five or more years and that the loan cannot be repaid before the original maturity or before the date of termination fixed in the contract.

(5) \* In respect of financial leasing, liabilities which reflect the amount of consideration paid to the lessor (or the seller instead) of the leased asset, shown under payment on accounts, furthermore, liabilities incurred in connection with the management concerning state property or local government property entrusted to an asset management company on the strength of statutory provision or legal authorization, shall be shown under other long-term liabilities.

(6) \* Liabilities in connection with convertible or equity bonds and with other bonds issued by the company shall be recorded separately from long-term loans, if such bonds are not subject to the provisions laid down in Subsections (7)-(8) of this Section.

(7) \* The heading long-term liabilities to affiliated companies shall include those liabilities defined in Subsection (1), where the maturity date of payment obligations (expressed in money) is beyond one year as fixed in the contract concluded with the creditor referred to in Point 7 of Subsection (2) of Section 3, including liabilities in connection with convertible or equity bonds and with other bonds issued by the company, if financial settlement thereof is not due in the year following the current year.

(7a) \* The heading long-term liabilities to companies linked by virtue of major participating interest shall include those liabilities defined in Subsection (1), where the maturity date of payment obligations (expressed in money) is beyond one year as fixed in the contract concluded with the creditor holding a participating interest under Point 9 of Subsection (2) of Section 3, including liabilities in connection with convertible or equity bonds and with other bonds issued by the company, if financial settlement thereof is not due in the year following the current year.

(8) \* The heading long-term liabilities to companies linked by virtue of participating interests shall include all liabilities of a term of over one year where the creditors are companies linked by virtue of participating interests, which do not fall under the scope of Subsections (7) and (7a) and if financial settlement is not due in the year following the current year.

### Section 43

(1) \* Payments related, in particular, to employees, the central budget and to local governments, the liabilities prescribed by legally binding resolutions shall be shown under other short-term liabilities, as well as the sum of any rebate granted under Subsection (5) of Section 81.

(2) \* Short-term liabilities shall also include amounts received for the sale of assets subject to a forward repurchase obligation within the framework of actual reverse transactions or collateralized repurchase agreements, the resale price received for assets purchased subject to a forward resale obligation, the amount owed under a securities lending arrangement in the value of the securities borrowed as well as the deposits, collaterals and spreads received in the case of derivatives until the transaction is concluded.

(3) \* The Hungarian branches of nonresident companies are required to show their receivables or liabilities from the nonresident company or any other branch thereof under other short-term receivables and other short-term liabilities, including also those items where the customers and clients of the branch pay the consideration concerned directly to the nonresident company or another branch thereof, as well as those liabilities of the branch, which are directly settled by the nonresident company or another branch thereof. The amounts of receivables and liabilities which are not to be settled financially shall be cross-verified at year end, and the balance shown in forints shall be recognized as other income from financial transactions and other expenses on financial transactions respectively.

(4) \* With respect to the fair valuation of financial instruments under Sections 59/A-59/F, the positive fair value (forecasted loss) of open derivatives held for trading or hedging shall be shown as a separate item under liabilities in the balance sheet as the valuation difference of derivatives.

## Section 44

(1) The following shall be separately shown under accrued expenses and deferred income:

a) income received and recognized prior to the balance sheet date, which form a part of revenues pertaining to the period following the balance sheet date;

b) costs or expenditures charged to the period preceding the balance sheet date, which are incurred and invoiced only in the period following the balance sheet date;

c) \* claims for compensation enforced and submitted against the company between the balance sheet date and the date of closing thereof, related to the financial year concluded by the balance sheet, any indemnification and costs of court proceedings which became known during such period of time;

d) premiums and bonuses and any incidental charges thereof related to the financial year concluded by the balance sheet, which were established by the body authorized for approval, but not yet registered as liabilities.

(2) The part of any financially settled non-repayable grant or subsidy, accounted for as other income, received to offset costs (expenditures), which was not used to offset any costs or expenditures during the financial year shall be shown under accrued expenses and deferred income. Such grant or subsidy shall be cancelled from accrued expenses and deferred income as soon as the costs or expenditures are actually realized, or the contract or financing agreement is performed.

(3) \* The commensurate portion (for the period between the date of purchase and the balance sheet date of the financial year) of the negative difference (deducted from other income from financial transactions) between the purchase price and the face value of interest-bearing debt securities shown under financial investments that are issued and purchased at face value and not subject to fair valuation may be shown - at the company's discretion as set forth in its accounting policy - under accrued expenses and deferred income. The deferral of such amount shall be terminated when the securities are sold, redeemed or cancelled from the books under other titles if, according to Subsections (4)-(7) of Section 54, impairment losses are to be recognized to the extent at which the book value of such securities drops below the face value.

(4) \* The company shall use the same option with respect to Subsection (3) of this Section and Subsection (3) of Section 32.

(5) \* The following shall be shown under accrued expenses and deferred income:

a) in the case of derivatives, the proceeds from the transaction, until the closing of the transaction;

b) in the case of interest rate swaps for hedging or non-hedging purposes, the interest spread payable for the period between date when the interest rate is fixed for the last time and the balance sheet date, until the time of settlement related to the given interest period;

c) from the negative sum relating to the effective portion of the hedge existing in consideration of the combined total of the deferrals shown according to Paragraphs a)-b) and e) hereof, and Paragraphs a)-b) and e) of Subsection (5) of Section 32 on the basis of the fair value of derivatives shown on the balance sheet date, with the exception of the effective portion of cash flow hedges for which hedge accounting is used, or for which hedge accounting has to be terminated for the hedge no longer meets the requirements set out in Point 10 or 10/b of Subsection (8) of Section 3 for hedge accounting, but in respect of which the hedged transaction is expected to occur. Such deferrals shall be accounted, as appropriate, against interest payable (paid) and similar expenses, or other expenses on financial investments. Such item shown under accrued expenses and deferred income shall be written off against interest payable (paid) and similar expenses, or other expenses on financial investments, as appropriate, if the negative sum decreased by comparison to the previous balance sheet date, or if the deferral under Paragraph c) of Subsection (5) of Section 32 is to be affected on a given balance sheet date, and/or - except as provided for in Paragraph d) hereof - if the transaction is closed;

d) in the case of cash flow hedges, if the hedge is closed before the hedged transaction, the effective portion from the realized gains of the hedge until the time the transaction occurs. Such item shown under accrued expenses and deferred income shall be derecognized having regard to Subsection (11) of Section 47;

e) in the case of cash flow hedges of forecast transactions or firm commitments, if the hedge's maturity is adjusted to financial settlement and therefore the hedge is set to mature later than the time the hedged transaction occurs, the effective portion from the unrealized losses of the hedge existing at the time the transaction occurs, until the closing of the transaction, against interest payable (paid) and similar expenses, or other expenses on financial investments, as appropriate.

(6) \* Where Subsection (11) of Section 47 applies, the difference between the repayable amount of a liability and its cost shall be shown under accrued expenses and deferred income, against the liability, if the amount repayable is lower. Such item shown under accrued expenses and deferred income shall be transferred and shown under other income from financial transactions, at the time the liability is derecognized, in proportion to the book value derecognized.

#### Section 45

(1) \* The following, recognized as other income or income from financial transactions, shall be shown as deferred income under accrued expenses and deferred income:

a) \* the amount of any financially settled non-repayable grant or subsidy received for development purposes as liquid assets received without any further obligation;

b) the amount of any liability cancelled or assumed by a third party, as long as it is related to assets acquired to the debit of the liability (up to the amount of the book value of the assets concerned at the most);

c) \* the market value - or the statutory value where otherwise prescribed by the relevant legislation - of assets received without consideration (and without any obligation of restoration) and assets received as a gift or bequest, or that of surplus assets discovered.

(2) \* Any support, liquid assets received without any further obligation or assets received without consideration shall be cancelled as deferred income as soon as the cost, or a commensurate part thereof, (as defined in Sections 47-51) of any asset realized in the course of the development, any asset related to any cancelled liability or that of which has been assumed by a third party, or any asset received without consideration (including any asset received as a gift or bequest or any surplus asset discovered) is recognized as a cost or expenditure. Furthermore, any development grant or subsidy shown under deferred income shall be cancelled at the time such repayable grant is recognized as an expenditure.

(2a) \* If the cost of an asset increases after it has been put to use compared to the cost at the time when it has been put to use, the cost increment shall be ignored when the deferred income is cancelled as specified in Subsection (2) above. If, additionally, the length of the asset's useful life also increases, such increase shall not be taken into account at the time the deferred income is cancelled as specified in Subsection (2).

(3) \* When goodwill is negative as determined according to Point 2 of Subsection (5) of Section 3, it shall be shown under deferred income.

(4) \* Negative goodwill shown under deferred income may be written off against other income gradually over a period of between five to ten years. If the company writes off the negative goodwill over a period of more than five years, the reasons therefore shall be demonstrated in the notes on the accounts. Negative goodwill shown under deferred income shall be written off against other income if the underlying assets are derecognized on any grounds, and also in the case of transformation, merger, division upon changes in the circumstances and conditions to which the negative goodwill is attributable, on account of which further recognition of the negative goodwill is no longer justified.

(5) \* Any income from the assignment of the long-term right of use, operation or management of any of the company's fixed assets shall be shown as deferred income under accrued expenses and deferred income. The deferred income may be terminated during the term of the underlying contract or agreement, or within a period of time of five or more years if the contract is for an indefinite term. If the company terminates the deferred income within a time frame of more than five years it shall be justified in the notes on the accounts.

(6) \* The sum by which the sum shown in the securities lending agreement exceeds the book value (profit) of securities which are transferred under a lending arrangement, less accumulated interest, shall be shown under accrued expenses and deferred income. It shall be terminated when the securities returned by the borrower are sold, redeemed or transferred and permanently removed from the books by some other transaction, or when the borrower provides compensation in the market value of the securities instead of returning them.

## General Provisions Relating to the Valuation of Balance Sheet Items

### Section 46

(1) Valuation shall be based on the principle of going concern, unless the enforcement of this principle is hindered by any provision to the contrary, or if any factor or circumstance prevails, which contradicts the continuation of entrepreneurial activities.

(2) The valuation principles applied in the process of drawing up the balance sheet for the previous year may be changed only if the factors causing the change exist on a permanent basis, that is, for not less than a period of one year, and the change is consequently deemed to be permanent or long term. In this case, the factors causing the change, and the quantified effect thereof shall be detailed in the notes on the accounts.

(3) \* Assets and liabilities shall be audited and - with the exceptions prescribed by law - evaluated item by item by way of inventory (stock-taking, reconciliation). The valuation of assets that were acquired or created at various times, that are - in general - registered in groups, and which carry similar properties is carried out based on the average purchase price (production cost), as well as valuation by the FIFO method.

(4) \* When establishing the profit or loss shown in the balance sheet, in the course of the valuation of the balance sheet items all depreciation and impairment losses that exist on the balance sheet date and became known by the balance sheet date shall be taken into consideration in accordance with the provisions set forth in Sections 52-56. In the application of Sections 53-56, the difference between the book value and the market value shall be considered long-term if it prevails for at least one year on the basis of historical events and future expectations. Furthermore, the difference shall be considered long-term - irrespective of its duration - if it appears final relying on the information available at the time of evaluation.

#### Cost (Purchase and Manufacturing) of Assets

##### Section 47

(1) \* The cost (purchase, manufacturing) of an asset shall mean the expenditure required for the acquisition, creation, installation of the asset incurred before commissioning or delivery thereof to the warehouse, and which may be attached to the asset in question. The cost (original cost) includes the purchase price reduced by any discounts and increased by any premium, the costs and charges paid to intermediaries, or for the delivery, loading, foundation, installation and commissioning services supplied in connection with the purchase, commissioning and delivery of the asset to the warehouse (if any or all of these activities are performed by the company, the capitalized value of direct costs as defined Section 51), any commission, as well as the taxes and similar levies, and customs charges.

(2) In addition to those listed in Subsection (1), the following items, if related closely to the acquisition of the asset, shall comprise part of the cost (original cost):

- a) duties [duties for acquisition of property (paid for any gift, bequest, purchase, or exchange)];
  
- b) charged value added tax that is non-deductible;

c) administrative and service charges of authorities based on legal provisions;

d) other administrative, service and procedural charges (environmental product charges, experts' fees);

e) fees for purchase options [with the exceptions set out in Subsection (2) of Section 61].

(3) The amount of value added tax that may be deducted and the non-deductible portion of value added tax that is divided according to the consideration paid as defined in the Act on Value Added Tax shall not constitute a part of the cost (original cost). Non-repayable subsidies received for an asset in the course of construction shall not be deducted from the cost (original cost) of the asset in question.

(4) The following shall comprise a part of the cost (original cost) referred to in Subsection (1):

a) in connection with the acquisition or manufacturing of the asset:

aa) the fee for any bank guarantee paid before the loan or credit is received and prescribed as a prerequisite for the credit or loan,

ab) service and handling charges, lending commissions and commitment fees and commissions related to the loan or credit as contracted,

ac) the fee for notarization of the contract of a credit or loan,

ad) the interest charged for the period until the asset is commissioned or delivered to the warehouse;

b) insurance premiums directly related to an asset applicable for the period until the asset is commissioned or delivered to the warehouse; furthermore

c) \* the positive or negative spread resulting from the conversion of a foreign currency liability - for which there is no cover in the foreign currency account - that is directly connected to a tangible or intangible asset and has been recognized for the period up to the time when the asset is put into operation; and

d) the fees and direct costs of planning and design, preparations and enforcement of a project, and the fees and direct costs of training in connection with new technologies.

e) \* in connection with the acquisition of natural gas, electricity and drinking water, the statutory fees and charges prescribed by specific other legislation, invoiced upon the supply of natural gas, electricity or drinking water to end-users (consumers) by providers of universal natural gas services, natural gas suppliers, providers of universal electricity services, electricity suppliers or drinking water suppliers.

(5) When a building lot (parcel of land) is purchased together with a building or other structure, if the building or the structure is not put into use (the building or structure cannot be occupied), then the costs of purchase and demolition of the building or structure and the costs and expenses of works performed to render the land suitable for construction shall be recognized under the costs of acquisition and shall be added to the value of the building lot (parcel of land) up to the market value of the building lot (parcel of land) after the demolition is completed (vacant lot); any additional costs and expenses shall be recognized as the cost (original cost) of the future asset (building or structure to be constructed).

(6) The costs of demolition of a building or structure demolished and reconstructed as part of a specific project shall be included in the cost (original cost) of the project in question. The costs of reconstruction shall be recognized as the cost (original cost) of the asset when completed.

(7) The original cost of accessories and spare parts necessary for the safe operation and proper use of the tangible asset, if obtained together with or up until the commissioning of the tangible assets in question - irrespective of whether invoiced together with or separately from the tangible assets - shall also constitute a part of the cost (original cost) of the tangible asset to which it pertains.

(8) \* The production costs of services and goods manufactured, warehoused and/or sold in the course of trial operation shall be deducted from the cost (original cost); if the production cost cannot be determined, the market value known at the time when entered into the books, the selling price decreased by the foreseeable expenses or the estimated selling price - up to the (original) costs of trial operation - shall be applied. The interest recognized in the cost (original cost) shall be decreased

by interest received on advance payments until it is settled, or on the funds allocated for the project until appropriated.

(9) \* Any items comprising part of the cost (original cost) - as listed in Subsections (1)-(2) and (4)-(8) - shall be recognized at the time of their realization, when the economic event takes place (before the asset to which it pertains is commissioned or placed into operation) in the amount invoiced or levied. In the event that no invoice or similar document has been received before the asset is placed into operation or delivered to the warehouse, or the amount payable has not been determined by the competent authority, the value of the item concerned shall be established on the basis of the available documents (contract, market information, legal provisions). The original cost shall be modified with the difference between the value established in this way and the amount actually invoiced or payable at the time of receipt of the final certificates, if such difference substantially alters the value of the asset in question. If the above-specified difference substantially alters the cost (original cost) of the asset in question, it shall be shown under other operating charges or other income, as appropriate, on the date on which the final documents are received.

(10) \* The cost (purchase, manufacturing) of an asset shall be adjusted by the difference between the fair market price and the consideration applied settled between the parties subsequently, by which the buyer would have to modify its corporate tax base in accordance with Section 18 of Act LXXXI of 1996 on Corporate Tax and Dividend Tax (hereinafter referred to as "CorpTx. Act") on account of the purchase, if the difference would not be shown in the books under adjusted costs.

(11) \* If a cash flow hedge represents a forecasted deal or deals involving the future acquisition or creation of an asset or liability, the effective portion of the gain realized at the closing of the hedge [including the sums provided for in Paragraph d) of Subsection (5) of Section 32, or Paragraph d) of Subsection (5) of Section 44], and the sum provided for in Paragraph e) of Subsection (5) of Section 32, or Paragraph e) of Subsection (5) of Section 44 shall be accounted at the time of acquisition of the asset or liability, adjusting the cost thereof.

(12) \* Derivative forward transactions shall be closed out according to the rules of spot delivery transactions. The financial instruments acquired by derivative forward transactions shall be revaluated on the day of acquisition (purchase) at fair value irrespective of the asset's classification and, in all cases, with regard to other income from financial transactions or other expenses on financial transactions, as appropriate.

## Section 48

(1) With respect to tangible assets, the costs of any work related to the extension of tangible assets, any change in their intended use, their transformation and the extension of the useful life thereof, as

well as to any renovation work for the purpose of restoring the original state (capacity, precision) of worn tangible assets shall also be taken into consideration as added value in terms of costs (including the capitalized direct costs in accordance with Section 51 if carried out by the company itself).

(2) The costs of any repairs and maintenance work serving the continuous, reliable and safe operation of tangible assets, furthermore, the costs of any forestry, forest maintenance and afforestation work - or the costs directly associated with such works if carried out by the company itself - shall not be recognized to comprise a part of the cost (original cost) of tangible assets.

(3) The costs of contract labor hired to perform work procedures and processing by which to increase the useful value of a tangible asset shall be taken into consideration as value added cost.

(4) When purchasing real property, the amount paid to acquire lease rights, recorded as such (not yet written off) that is to be included in the value of the property as contracted, shall be taken into consideration as value added cost.

(5) \* Purchase of goods (assets) from abroad in foreign trade (importation of products) shall be recognized as import purchase, as well as the services used in Hungary or abroad and provided by nonresidents (importation of services), regardless of whether the consideration has been settled in foreign exchange, foreign currency, exported goods, exported services, or in forints. Purchase from any public or private customs warehouse shall be treated as import purchase according to the conditions specified in customs regulations.

(6) \* Transport, loading and warehousing costs billed and paid in foreign exchange, foreign currency or forints, in respect of the route between a Hungarian border inspection post and the destination abroad, in connection with the export sale, which is otherwise treated as importation of services, shall not be recognized as import purchase. Unless otherwise prescribed by customs regulations, direct purchases from a free zone company or a company operating in a transit area, and the purchases made by and between companies operating in free zones and transit areas shall not be recognized as import purchase.

(7) \* If settlement of the consideration invoiced is effected in foreign exchange or foreign currency, the forint value of the foreign exchange sum indicated in the invoice, excluding any deductible value added tax, translated by the exchange rate defined under Subsections (4)-(6) of Section 60 in effect at the time of supply of the goods or services, shall be construed the value of the goods or services.

(8) \* By way of derogation from Subsection (7) hereof, if settlement of the consideration invoiced is effected in foreign currency, the value of the goods or services may be determined based on the exchange rate of record of the foreign currency paid in consideration.

(9) \* If settlement of the consideration denominated in a foreign currency for the purchases is effected in goods or services of the same foreign exchange value, the forint value of such purchases shall be determined in accordance with Subsection (6) of Section 75.

#### Section 49

(1) \* As regards the foundation of business associations, the value of assets - as defined in the instrument of constitution or its amendments, or in a resolution of the general meeting or the shareholders or founders - received to cover the subscribed capital when increasing capital, or as non-monetary (in kind) contribution, supplementary payment to cover the difference between subscription or issue price and the face value, or the amount of own funds available in addition to the subscribed capital shall be recognized as cost (original cost). In the case of transformation, merger, division the value indicated in the statement of assets and liabilities of the business association established by the transformation, merger, division shall be construed as the value defined in the instrument of constitution.

(2) \* The cost (original cost) of goodwill shall mean the difference defined under Point 1 of Subsection (5) of Section 3.

(3) \* The cost (original cost) of equity securities in business associations shall mean the consideration (purchase price) paid for shares, participating interests, other partnership shares.

(4) The cost (original cost) of equity securities in business associations shall mean - as regards the foundation of a new business association or the increase of capital - the combined value of contributions, as defined in the instrument of constitution or its amendments, or in the general meeting or shareholders' or founders' resolution, to cover the subscribed capital, the difference between subscription or issue price and the face value, or the own funds available in addition to the subscribed capital in the amount of paid up cash contributions and non-monetary contribution provided.

(5) The cost (original cost) of assets transferred in exchange for equity securities in business associations when decreasing the subscribed capital (including the withdrawal of own funds available in addition to the subscribed capital, as commensurate with the amount of subscribed capital decreased at the same time when decreasing the capital) shall mean the value announced or

invoiced by the business association, or - if the business association is terminated without succession - the value specified in the proposal for the distribution of assets.

(6) \* The cost (original cost) of participating interests received in exchange for equity securities in a business association that is terminated due to transformation, merger, division shall mean the amount of equity due for the terminated participating interest, as specified in the closing statement of assets and liabilities of the terminated business association (in the case of division, the amount of equity as specified in the closing statement of assets and liabilities of the business association established upon division).

(7) In respect of the merger of a business association the cost (original cost) of participating interests received from the owner of the other business association in exchange for equity securities in the terminated business association as specified in the closing statement of assets and liabilities of the terminated business association.

## Section 50

(1) The cost (original cost) of assets received to offset outstanding claims shall mean the value specified (invoiced, documented) in the relevant agreement, exchange contract or in the proposal for the distribution of assets.

(2) The cost (original cost) of assets obtained through exchange shall mean the value stipulated in the exchange contract, or the selling price of the asset provided in exchange.

(3) The cost (original cost) of debt securities and interest-bearing securities may not include the amount of (accumulated) interest, if it is built into the purchase price or is built into the market, commercial or set-off value specified in the issue prospectus, exchange contract or in the proposal for the distribution of assets.

(4) \* The cost (original cost) of assets received without consideration (and without any obligation of restoration), and as a gift or bequest or any asset discovered as a surplus (other than any surplus from administrative errors) shall be the market value of the assets known at the time when entered into the books, unless otherwise prescribed by the relevant legislation.

(5) The amount of any tax, levy or product charge payable on the commercial value of self-constructed assets used or delivered to own retail establishments shall also constitute a part of the cost (original cost or production cost) of the products in question.

(6) In respect of assets supplied under financial leasing contracts or sold under installment or deferred payment arrangement, and which are returned due to any failure of contractual performance, the market value, not to exceed the original selling price, as specified in the correction invoice issued by the lessor or the seller, of the assets that were used between the date of sale and the date when returned shall be recognized as cost.

(7) In respect of Hungarian branches of nonresident companies, the value of a contribution in kind, as set out in a contract or agreement (not to exceed the aggregate of the customs value and the other costs defined in this Act), received as capital provided and made available permanently pursuant to Subsection (6) of Section 35 by the nonresident company for the operation of the branch and for the settlement of the debts thereof, shall be recognized as cost (original cost).

(8) In addition to what is contained in Subsection (7), in the course of operation, Hungarian branches of nonresident companies shall account for the invoiced value of assets received from the nonresident company, or from any other branch thereof as purchases and in the case contained in Subsection (5) of Section 48 as import purchases. The cost (original cost) of the assets entered in the books in this manner shall, in such cases, include all items set out under Sections 47-51, which may be attached to the assets in question.

(9) \* The cost of long-term liabilities relating to trust funds shall consist the total value shown in the fiduciary asset management contract of the assets entrusted to the fiduciary.

(10) \* The cost (original cost) received in place of supplementary payment, or as a refund of supplementary payment shall cover the value of the asset specified in the general meeting or members' meeting decision or founder's decision ordering the supplementary payment or the refund of supplementary payment.

## Section 51

(1) The cost (production cost) of assets shall include the expenditures which:

a) are directly incurred in the course of manufacturing, commissioning, expansion, conversion, transformation or restoration of the original condition of an asset,

b) are verifiably closely related to manufacture, and

c) can be accounted by the indices and specifications applying to the asset (product)

(referred to collectively as “direct cost”).

(2) The cost (production cost) of services supplied shall include the expenditures which:

a) are directly incurred in the course of supplying the service,

b) are verifiably closely related to supplying the service, and

c) can be accounted by the indices and specifications applying to the service

(referred to collectively as “direct cost”).

(3) Production costs shall also include [and thus will comprise part of the cost (original cost)], the cost (original cost) of raw materials provided by the developer of a project executed by another company (which were not invoiced to said company) and the direct costs of own products manufactured or services supplied, when the purchased material or the self-constructed asset is installed or when the service is actually supplied.

(4) Direct costs - used for the valuation of assets - may not include sales costs, and any administrative and other overhead costs not directly connected with production.

Depreciation of Assets

Section 52

(1) \* The cost (original or production cost) of intangible assets and tangible assets less the residual value estimated for the end of the useful life of the asset shall be distributed over the number of years in which such assets are expected to be used (ordinary depreciation).

(2) \* The ratio of the annual depreciation to be recognized for the purchase and manufacturing costs (gross value) - or for the purchase and manufacturing costs (gross value) less any residual value in the case of realization of a residual value -, or for the net value (gross value less the amount of accumulated depreciation) or the cost as related to performance, and the absolute amount of depreciation shall be scheduled with regard to the expected use - and consequently the useful life - of the individual asset, its physical wear and tear and market obsolescence, as well as to the circumstances typical of the company's operations, and shall be applied following entry thereof in the accounting records from the date of commissioning or validation. The date when the asset is put into use within the framework of regular business operations shall be construed as the date of commissioning. Commissioning and validation shall be properly documented.

(3) For the distribution - according to Subsection (2) - of depreciation over the years to which it applies the expenditures incurred in connection with the acquisition of the asset, which are not recognized as part of the cost (interest after commissioning, exchange loss on foreign exchange loans) and which are charged against the revenues obtained through the use of the asset may be applied, along with maintenance costs required due to the continuous use of the asset within the estimated useful life of the asset, determined in view of the circumstances typical to the entrepreneurial activities, if so required by the principle of matching.

(4) \* Completed experimental development projects and the capitalized value of formation/restructuring shall be depreciated over a period of five years or less - at least five years, not exceeding ten years in the case of goodwill - if the useful economic lives thereof cannot be estimated.

(5) \* No ordinary depreciation may be claimed relating to the cost (original cost) of land, plots of land (other than those used for mining or for the disposal of hazardous waste), forest, works of art, archeological findings, or of the assets that were not commissioned or validated.

(6) \* No ordinary depreciation may be claimed in connection with assets that do not depreciate when used, but rather, due to their unique characteristics and properties, appreciate over the years.

(7) Ordinary depreciation shall apply relating to intangible and tangible assets already commissioned, validated and put into operation while such assets are used for their intended purpose.

## Section 53

(1) Extraordinary depreciation shall apply in connection with intangible and tangible assets, if:

a) \* the book value of the intangible or tangible asset (including assets in course of construction) remains permanently and substantially higher than the market value of such asset;

b) \* the value of intellectual property and tangible assets (including assets in course of construction) drops permanently because such intellectual property or tangible assets (including assets in course of construction) have become unnecessary due to a change in the entrepreneurial activities, or cannot be used for the original purpose thereof as a consequence of damage or destruction, or cannot be used at all;

c) a concession or similar right can only be exercised to a limited extent or cannot be exercised at all due to the amendment of the contract;

d) an activity implemented as a result of a completed experimental development project is limited or terminated, or produces no result;

e) \* the book value of goodwill or the carrying amount of the capitalized value of formation/restructuring expenses - in consequence of any change in the circumstances that affect expectations concerning future economic benefits - remains permanently and substantially higher than its market value (the amount of the expected return).

(2) \* Depreciation as defined in Subsection (1) shall be carried out to an extent that the intangible assets, tangible assets and assets in course of construction be shown in the balance sheet at the known market value corresponding to the utility thereof, in effect on the balance sheet date. If an intangible or tangible asset, or an asset in the course of construction cannot be used for its intended purposes, or if it is unusable, destroyed or is missing, it shall be removed from the list of intangible assets, tangible assets or assets in course of construction after extraordinary depreciation is claimed and deducted. Any extraordinary depreciation on the basis of market value shall be claimed as on the balance sheet date; whereas extraordinary depreciation upon derecognition shall be accounted for as at the date when the asset is derecognized.

(3) \* Where the reasons for the overbudget depreciation of intangible and tangible assets on the basis of market value no longer exist or exist only in part, the recognized overbudget depreciation shall be derecognized and the intangible and tangible assets in question shall be adjusted back to their market value (not to exceed their net value determined relying on budgeted depreciation). This provision shall not apply in the case of goodwill.

(4) \* Where any extraordinary depreciation of intangible and tangible assets is recognized or recaptured, it may result in having to re-assess the rate of ordinary depreciation allowed for a year, the expected useful life of the assets and their residual value. The reassessment of the rate of ordinary depreciation, the expected useful life of the assets and their residual value shall be justified in the notes on the account, demonstrating the impact it generates on the assets and on profits.

(5) \* If any material change has occurred in the factors (duration of use of the asset, actual value and estimated residual value of the asset) taken into consideration at the time of recognizing (scheduling) the annual depreciation to be claimed in respect of tangible assets, the ordinary depreciation to be claimed may be modified, but the quantified effect thereof on the profit or loss shall be illustrated in the notes on the accounts.

(6) \* No depreciation in any form may be claimed on intangible and tangible assets that are fully written off, and ordinary depreciation may not be claimed on those that have reached their estimated residual value.

#### Impairment Loss of Assets

##### Section 54

(1) In respect of investments in the equity securities of business associations, whether listed under current assets or financial investments, the - negative - amount of difference between the book value and the market value of the investment shall be written off, if it appears permanent and is of substantial amount.

(2) The market value of the investments defined under Subsection (1) shall be established in view of the following factors:

a) the long-term market perception of the business association and the trend of such perception, the stock exchange and free market value of the investment less any (accumulated) dividends, and its long-term trend;

b) if the business association is terminated, the estimated return;

c) \* the percentage of the business association's equity earmarked for the investment, if the investment is denominated in a foreign currency at the forint value translated by the exchange rate selected according to Section 60 in effect for the balance sheet date of the financial year.

(3) If the market value - determined in consideration of Subsection (2) at the time of closing the balance sheet - of the investment defined under Subsection (1) is substantially and permanently higher than its book value, the loss previously written off in the amount of such difference shall be reversed. After the impairment loss is reversed as per the above, the book value of the investment shall not exceed the original cost defined under Subsection (1) of Section 62.

(4) In respect of debt securities with a maturity of over one year, irrespective of whether listed under current assets or financial investments, impairment loss shall be accounted for if the difference between the book value and the market value - without any (accumulated) interest - of the debt securities is negative, and if it appears permanent and is of substantial amount.

(5) The market value of the investments defined under Subsection (4) shall be established in view of the following factors:

a) the stock exchange and free market value of the security less any (accumulated) interest, its market value and the long-term trend of such value;

b) the long-term market perception of the issuer of the security and the trend of such perception, whether the issuer will pay the face value and the (accumulated) interest upon maturity or when redeemed, and if so in what percentage.

(6) If the market value of the securities defined under Subsection (4) is substantially and permanently higher at the time of closing the balance sheet than its book value, the loss previously written off in the amount of such difference shall be reversed. After the impairment loss is reversed as per the above, the book value of the security shall not exceed the original cost defined under Subsection (1) of Section 62, or if the original cost is higher than the face value (in respect of securities purchased above face value), after the impairment loss is reversed the book value of the security shall not exceed the face value of the security.

(7) \* The write-off referred to in Subsections (1) and (4) of equity securities and debt securities [Subsection (4)], respectively, denominated in foreign currency, and having the impairment loss reversed under Subsections (3) and (6) shall be conducted in foreign currency, and shall be shown under expenses on financial transactions or as a component to be deducted from the expenses on financial transactions, as appropriate, being converted into forints at the most current foreign exchange rate. The effect of rate changes defined under Section 60 shall be established subsequently.

(8) \* Writing down losses according to Subsection (4) shall not apply to interest-bearing and discounted securities issued by the central government or the central bank of any state that has been rated as risk-free transaction in terms of credit risk exposure according to the accounting policy and in consideration of what is contained in Subsection (9) below, featuring guaranteed return in terms of principal and capital and which are held to maturity, to the extent where any part of the original cost is recovered upon maturity.

(9) \* Within the meaning of Subsection (8), all companies shall be able to declare as risk-free any transaction involving securities issued by the central government or the central bank of any state, featuring guaranteed return in terms of principal and capital, which are treated absolutely risk-free in accordance with the guiding principles laid down in specific other legislation adopted by authorization conferred under other act(s), provided that all payments of principal and capital in relation to the securities has been made in due time.

(10) \* In respect of long-term liabilities relating to trust funds, the - negative - amount of difference between the book value and the market value of the assets shall be recognized as impairment loss, if it appears permanent and is of substantial amount.

(11) \* For the purposes of the impairment loss provided for in Subsection (10), or the reversal thereof, in determining the market value the equity capital shown on the balance sheet date of the financial year shall be taken into consideration.

## Section 55

(1) According to the credit rating of trade debtors, the negative balance between the book value of receivables which are recorded as outstanding (not settled financially) on the balance sheet date of the financial year (including any receivables from credit institutions or financial companies, loans and advance payments, furthermore, the items shown as receivables under accrued and deferred income) and the amount of such receivables estimated to be recovered shall be written down as

losses based on the information available when closing the balance sheet, if it appears permanent and is of substantial amount.

(2) \* In the case of low value receivables shown separately in the books for individual trade debtors - based on the combined rating of trade debtors - the amount of loss to be written off may also be determined as a percentage of the value of such receivables registered in the books, and may be claimed all at once and shown separately. In this case, the amount of impairment loss determined in a similar fashion in connection with receivables of a small amount shown separately in the books for individual trade debtors shall be compared in the process of valuation on next year's balance sheet date with the amount of loss written off during the previous year, and any difference established for a particular group shall be recognized as additional write-off or reversed write-off, as appropriate.

(3) If the amount estimated to be recovered of a loan debt of a trade debtor based on its credit rating is substantially higher than the book value of such receivable, the loss previously written off in the amount of such difference shall be reversed. After the impairment loss is reversed as per the above, the book value of the receivable shall not exceed the original amount registered as defined under Subsections (1)-(3) of Section 65 (or the value calculated by the exchange rate specified under Section 60 for foreign currency receivables).

(4) The original value of receivables, registered as defined under Subsections (1)-(3) of Section 65 (or the value calculated by the exchange rate specified under Section 60 for foreign currency receivables), the impairment loss written off or reversed during the financial year, and the amount of any accumulated impairment loss, shall be illustrated in the notes on the accounts broken down by headings.

## Section 56

(1) If the cost (original cost) or book value of purchased inventories (raw materials, goods) is substantially and permanently higher than their actual market value known at the closing date of the balance sheet, then they shall be entered in the balance sheet at the actual market price, while if the cost (production value) or book value of self-constructed assets (work in progress, semi-finished and finished products and livestock) are substantially and permanently higher than their sales price known and expected at the closing date of the balance sheet, then they shall be entered in the balance sheet at the sales price reduced by the costs expected to be incurred and increased by potential subsidies, and the value of inventories shall be reduced by accounting for the difference as impairment loss.

(2) The cost (original cost) of purchased inventories and/or the cost (production value) of self-constructed assets, in addition to those defined in Subsection (1), shall be entered in the balance

sheet at a reduced rate, if such inventories do not comply with the relevant rules (standards, transport requirements, technical specifications etc.), or with the original purpose thereof, if such have been damaged, if the utilization or sale thereof has become doubtful, or if such have become superfluous. The reduction of the value of inventories - by recognizing the difference as impairment loss - shall, in this case, be effected to an extent so that such inventories be shown in the balance sheet at the market value (at least at the cost of materials or at residual value) corresponding to the utility (marketability) of such inventories, prevailing (as known) on the balance sheet date or when the qualification procedure is completed.

(3) The amount of any impairment loss, as defined under Subsections (1)-(2), of inventories of proportionately low value may also be determined as consistent with the book value of the groups of inventories determined by the company.

(4) If the market value of inventories is substantially and permanently higher than the book value, the impairment loss previously written off by such difference shall be reversed. After the impairment loss is reversed as per the above the book value of the inventories shall not exceed the cost defined under Subsections (2)-(3) of Section 62.

## Valuation of Assets and Liabilities Contained in the Balance Sheet

### Section 57

(1) With the exceptions set forth in Sections 60-62, fixed assets and current assets shall be evaluated by their cost defined in Sections 47-51, less write-offs applied in accordance with Sections 52-56, and increased by the amount reversed as defined in Subsection (2) below.

(2) \* If, in consequence of the write-offs applied according to Sections 53-56, the book value of the assets defined in Subsection (1) drops below their original cost, and the reasons for valuation at this lower amount (extraordinary depreciation in respect of intangible and tangible assets or claiming impairment loss in respect of other assets) no longer apply, or apply only in part, the write-offs applied according to Sections 53-56 are to be terminated (by reducing the amount of extraordinary depreciation in respect of intangible and tangible assets or the amount of impairment loss in respect of other assets that was already claimed), meaning that the value of the assets in question shall be written back to their market value, to the cost defined under Sections 47-51 under which they were recognized in the books, and, in respect of intangible assets and tangible assets, to their net value determined by ordinary depreciation against other revenues, or as a component to be deducted from the expenses on financial transactions, so as to establish a true and fair view (reversal). Extraordinary depreciation and impairment losses shall be reversed in the process of valuation made for the balance sheet date of the financial year.

(3) If the market value of an asset invested in accordance with Subsection (5) of Section 58 is substantially higher than the book value as reversed according to Subsection (2) (the cost defined under Sections 47-51 at which they were recognized in the books, and, in respect of intangible assets and tangible assets, their net value determined by ordinary depreciation), such assets may also be recognized at their market value in accordance with the provisions laid down in Sections 58-59. In this case the difference between the cost, or the net value of intangible assets and tangible assets determined by ordinary depreciation, and the market value may be shown as value adjustment for assets or as valuation reserve - in the same amount shown as value adjustment - for liabilities.

## Section 58

(1) If a company exercises the option defined in Subsection (3) of Section 57, or if reversal is mandatory as defined in Subsection (2) of Section 57, then the inventory of assets - whether included in market valuation or affected by reversal - shall inter alia contain:

a) \* the market value of the individual assets on the date of closing the balance sheet;

b) the cost of the individual assets, less depreciation and impairment loss claimed according to this Act and increased by reversal as defined under Subsection (2) (net book value);

c) the difference between the values defined under Paragraphs a)-b).

(2) \* If the market value of the individual assets is substantially higher than their book value on the balance sheet closing date, or the net value in respect of intangible and tangible assets after ordinary depreciation, then the difference shall be deducted - in due observation of Subsection (3) of this Section - from the amount claimed as extraordinary depreciation or as impairment loss, and the book value of the asset shall be increased against other revenues, or by deducting the expenses on financial transactions in respect of losses written down from the value of shares, securities and bank deposits.

(3) The difference described in Subsection (2) above shall be applied up to the original value of the asset as registered, notably the cost defined under Sections 47-51, or the net value of intangible and tangible assets determined by ordinary depreciation (amount of reversal). The amount of reversal may not exceed the amount previously recognized as extraordinary depreciation or impairment loss.

(4) \* If the market value of an asset at the balance sheet closing date is lower than its book value, the difference shall be settled according to Section 53, or Subsection (1) of Section 54.

(5) If the market value of rights, intellectual property and tangible assets (with the exception of payments on account and assets in course of construction) or equity securities used by the company on a long-term basis is substantially higher than the book value (cost) of the asset in question following reversal as defined under Subsection (2), the difference between the market value and the book value after reversal (original cost) can be shown in the balance sheet as "Value adjustment" among assets, and as "Valuation reserve" under equity.

(6) Value adjustments and any changes therein shall be recorded in the books separately for each type of asset.

(7) If the value adjustment defined in Subsection (5) of an individual asset substantially differs from the value adjustment shown on the balance sheet date of the previous financial year, the difference - supported by an inventory:

a) shall increase the amount of value adjustment against the valuation reserve, if the total of value adjustments during the current year amount to more than during the previous year,

b) shall decrease the amount of value adjustment against the valuation reserve, if the total of value adjustments during the current year amount to less than during the previous year, up to the amount of value adjustments shown on the balance sheet date of the previous financial year.

(8) \* If the market value of an asset defined in Subsection (5) above is higher on the balance sheet closing date than its book value (cost) or, in respect of tangible and intangible assets, its net value after ordinary depreciation, the excess of the value adjustment of the asset in question recognized according to Paragraph b) of Subsection (7) shall decrease its book value (cost) through extraordinary depreciation and impairment loss recognized in accordance with Section 53, or Subsection (1) of Section 54.

(9) Upon the derecognition of the assets defined in Subsection (5) from the books, the value adjustment thereof registered separately shall also be derecognized against the valuation reserve.

(1) The opening value, increases, decreases and closing value of the value adjustments shall be shown in the notes on the accounts, showing inter alia concessions and similar rights, intellectual property, land and buildings, furthermore, plant and machinery, vehicles, as well as other fixtures and fittings, vehicles, breeding stock, and long-term equity securities in detail. The principles and methods of valuation at market value shall be illustrated in the notes on the accounts.

(2) Within the framework of statutory audit of accounting documents, the auditor shall check the regularity of establishing and recognizing value adjustments. Where the audit is not statutory on the basis of Subsection (3) of Section 155, an independent auditor shall be appointed to review the valuation methods.

#### Fair Valuation \*

##### Section 59/A \*

(1) Companies using double-entry bookkeeping may introduce, by decision to be fixed in their accounting policies, a system of fair valuation - specified in this Section and in Sections 59/B-59/F - for the financial instruments defined in accordance with what is contained in Subsections (6) and (7).

(2) In connection with fair valuation, the provisions of Subsections (1)-(2) of Section 32, Subsection (3) of Section 50, Subsections (1) and (4) of Section 54, Subsection (1) of Section 55, Subsection (5) of Section 58, Subsection (3) of Section 60, Sections 64 and 65, Paragraphs a)-c) and f) of Subsection (5) of Section 84, Subsection (6) of Section 84, Paragraphs b), d), j)-k) of Subsection (7) of Section 84, Paragraph e) of Subsection (2) of Section 85 and Paragraphs b), d), j)-k) of Subsection (3) of Section 85 shall apply subject to the exceptions set out in this Section and in Sections 59/B-59/F.

(3) Companies using fair valuation may apply the provisions of the Government Decree on the Special Provisions Regarding the Annual Accounting and Bookkeeping Obligations of Credit Institutions and Financial Companies that pertain to fair valuation in regard to issues that are not regulated in this Section and in Sections 59/B-59/F.

(4) For the purposes of fair valuation, financial instruments that are not part of a hedge, other than the financial instruments and investments held as current assets in accordance with other provisions of this Act, shall be classified as follows:

a) financial instruments held for trading;

b) marketable financial instruments;

c) financial instruments held to maturity;

d) loans and other receivables originated by the company.

(5) For the purposes of fair valuation, the financial liabilities that are not part of hedges shall be classified as follows apart from any other classification methods prescribed in this Act:

a) financial liabilities held for trading,

b) other financial liabilities.

(6) \* Following the acquisition of financial instruments - upon their entry in the books at cost (purchase price) and upon their valuation on the balance sheet date,

a) derivatives held for trading or hedging must be valued, having regard to the provisions of Subsection (7), at fair value or intrinsic value,

b) financial instruments held for trading, other than derivatives, shall be valued, having regard to the provisions of Subsection (7), at the fair value,

c) marketable financial instruments may be valued, having regard to the provisions of Subsection (7), at fair value,

in effect at the time of acquisition or, if valuation takes place on the balance sheet date, on the balance sheet date. Financial instruments may be measured at fair value only if their fair value can be determined by any reliable method.

(7) Fair valuation may not be applied to:

a) financial instruments held to maturity;

b) loans and other receivables originated by the company;

c) equity securities in a subsidiary, a jointly controlled company or associated company shown under financial investments;

d) repurchased debt securities of own issue and equity securities in another company;

e) financial instruments with special characteristics;

f) \* spot delivery futures and options for non-financial items, if not treated as derivatives;

g) futures and options contingent on climatic, geological or other physical variables;

h) other financial liabilities;

i) any financial instrument whose fair value cannot be determined by a reliable method.

(8) The financial instruments referred to in Subsection (7) shall be shown at their historical cost (original cost or purchase price) decreased by repayments and impairment losses and increased by the reversal thereof, taking into account the general valuation rules of this Act (historical cost valuation).

(9) Of the loans and other receivables originated by the company, receivables originating from financial leasing and insurance contracts as well as claims against employees and the central budget may not be recognized as negotiable or held for trading.

(10) The classification of financial instruments according to Subsections (4) and (5) and their valuation under Subsection (6) shall be performed consistently. If the company decides to reclassify its financial instruments held to maturity - due to changes in the relevant circumstances or in the original intent - and show them under those held for trading or negotiable, they must be revalued at the time of transfer at fair value (if classified for trading) or may be revalued (if classified as negotiable).

(11) \* If a substantial segment of financial instruments held to maturity is sold or reclassified - and if it has a substantial impact on the assets' market value and on the company's solvency - the remaining financial instruments with the same rights attached shall also be reclassified as marketable financial instruments or financial instruments held for trading unless the sale or reclassification took place on account of exceptional circumstances, and the revaluation rules contained in Subsection (10) shall be applied. Such financial instruments, including those remaining and those to be purchased in the future, may not be classified as held to maturity for two years following the date of reclassification.

(12) \* The financial instruments held for trading cannot be reclassified, with the exception where any changes have occurred in the original purpose for holding such assets due to some exceptional circumstances. In addition to what is contained in Subsection (11) above, financial instruments may be transferred to any trading category only if the transfer is justified by an activity (dealing) pursued in the interest of short-term profit.

(13) Accounts pertaining to financial instruments (valuation differences, impairment losses, accruals and deferrals, profit or loss, fair value reserve) shall - unless otherwise prescribed in this Act - be restored to the situation existing at the time of acquisition (purchase) when the financial instruments in question are reclassified. At the same time, the valuation differences, impairment losses and accruals and deferrals shall be recorded for financial instruments that have already been reclassified.

(14) If reclassification under Subsection (13) takes place at a time other than the year of acquisition, the valuation differences, impairment losses and accrued and deferred items terminated at the time of reclassification shall be recorded as an increase in income or expenditure, as appropriate. If reclassification takes place in the year of acquisition, the above-specified items terminated at the time of reclassification shall be recorded as a reduction of income or expense (cancelled item), as appropriate.

(15) The auditor shall check the authenticity of fair valuation and the related accounts within the framework of statutory audits of accounting documents. If auditing the books is not mandatory

pursuant to Subsection (3) of Section 155, the valuation and the related accounts shall be reviewed by an independent auditor.

(16) Interest-bearing securities that have been reclassified as marketable financial instruments and valued by fair valuation may not be accrued or deferred in accordance with Subsection (3) of Section 32 or Subsection (3) of Section 44.

#### Section 59/B \*

(1) The financial instruments in the balance sheet that have been measured at fair value shall be recorded at their historical cost (original cost or purchase price) in accordance with Sections 47, 49 and 50, and financial liabilities shall be recorded at their contract value.

(2) Relative to the date of purchase and the balance sheet date, the financial instruments referred to in Paragraph a) of Subsection (4), Paragraph a) of Subsection (5) and Paragraph b) of Subsection (4) of Section 59/A must or may be revaluated at fair value.

(3) The revaluation difference shall be shown under other income from financial transactions or other expenses on financial transactions in the following cases:

a) in the case of financial instruments or financial liabilities that are shown in the balance sheet as being held for trading, the revaluation difference shall be shown against the valuation difference assigned to assets and liabilities as the amount of the difference between the fair value of the most recent valuation and the historical cost (original cost or purchase price) adjusted by the valuation difference achieved during the last valuation;

b) in the case of derivatives held for trading and market value (fair value) hedges, the revaluation difference shall be shown against the positive or negative valuation difference assigned to the transaction and shown under accounts receivable or accounts payable, as appropriate, as the amount (positive or negative) of the discrepancy between, on the one hand, the difference between the market value (fair value) of the transacted financial instrument current on the day of its most recent valuation and its contract (forward) price and, on the other hand, the difference between the market value (fair value) of the financial instrument and its contract (forward) price on the day of its most recent valuation.

(4) The revaluation difference shall be shown under other interest and similar income (received or due) or interest payable and similar charges in the case of interest hedges at market value (fair value) against the positive or negative valuation difference shown for the transaction under accounts receivable or accounts payable, as appropriate, as the amount (positive or negative) of the discrepancy between, on the one hand, the difference between the market value (fair value) of the transacted financial instrument on the day of its most recent valuation and its contract (forward) price and, on the other hand, the difference between the market value (fair value) of the financial instrument and its contract (forward) price on the day of its most recent valuation.

(5) The revaluation difference shall be shown in the fair value reserve (in equity), which constitutes part of the valuation reserve in the following cases:

a) in the case of marketable financial instruments shown in the balance sheet, the revaluation difference shall be shown against the valuation difference of the assets in question as the amount of the difference between the fair value of the most recent valuation and the historical cost (original cost or purchase price) adjusted by the valuation difference worked out during the most recent valuation as long as the valuation difference assigned to the assets is positive;

b) in the case of cash flow hedges and hedges for net investments in a nonresident economic operator, the revaluation difference shall be shown against the positive or negative valuation difference of the accounts receivable and accounts payable in connection with the transaction, as appropriate, as the amount (positive or negative) of the discrepancy between, on the one hand, the difference between the market value (fair value) of the transacted financial instrument on the day of its most recent valuation and its contract (forward) price and the difference between the market value (fair value) of the financial instrument and its contract (forward) price on the day of its last valuation.

(6) \* In the case of interest rate swaps for cash-flow hedging, the valuation difference under Paragraph b) of Subsection (5) shall be discounted according to the difference based on the nominal principal between the fixed and the variable interest rates for the remaining period of maturity at the time of valuation.

(7) The valuation difference of financial instruments shown in the balance sheet shall represent the difference between the fair value established at the most recent valuation of the assets and their historical cost (original cost or purchase price). The valuation difference shall be adjusted to reflect any changes in the fair value in accordance with Subsection (3) under other income from financial transactions or other expenses on financial transactions, as appropriate, or under the fair value reserve in accordance with Subsection (5).

(8) With respect to financial instruments held for trading, the valuation difference indicates when the asset's fair value exceeds its historical cost (original cost or purchase price) or drops below the historical cost (original cost or purchase price). The valuation difference (positive or negative) together with the asset's historical cost (original cost or purchase price) comprises the asset's book value, which is the same as the fair value (irrespective of the fact that the valuation difference is recorded separately). With respect to financial instruments held for trading, reduction in the asset's value cannot be recognized as impairment loss.

(9) With respect to marketable financial instruments, the valuation difference indicates when the fair value exceeds the asset's historical cost (original cost or purchase price); it is always positive and it is not part of the asset's book value. If the asset's fair value drops below the historical cost (original cost or purchase price) at the time of valuation, the valuation difference shall be terminated by being transferred to the fair value reserve; if the reduction persists in a substantial amount, it shall be recognized as impairment loss. For other equity securities in another entity, value adjustments and valuation differences may not apply concurrently.

(10) For the valuation of interest-bearing and discount securities shown in the balance sheet at fair value, when determining the valuation difference specified in Paragraph a) of Subsection (3), Paragraph a) of Subsection (5), Subsection (8) and Subsection (9), the fair (market) value shall be applied less any accumulated interest or, in the case of discount securities, the difference between the face value and the purchase price.

(11) \* The revaluation difference of financial instruments and financial liabilities held for trading under Paragraph a) of Subsection (3) shall be shown, up to the amount of changes in the valuation difference previously accounted in the year, under other income from financial transactions or other expenses on financial transactions, as appropriate, and any additional amount under other expenses on financial transactions or other income from financial transactions, as appropriate.

(12) The valuation of foreign exchange assets and liabilities - including the financial instruments and liabilities denominated in foreign currencies - on the balance sheet date by the exchange rate selected according to Subsections (4)-(6) of Section 60 shall not be considered fair valued [including the revaluation performed under the provisions of Subsection (8) of Section 60, irrespective of the fact that it is only to be applied to fair valuation and that the exchange spread is shown under the fair value reserve] for it is subject to the general provisions contained under Section 60.

(13) Within the meaning of Subsection (8) of Section 60, fluctuations in the exchange spread in the valuation difference or impairment loss of financial instruments and financial liabilities shown in the balance sheet shall be entered separately from fluctuations in the fair value.

(14) \*

(15) \*

#### Section 59/C \*

(1) When canceling from the books financial instruments and liabilities shown in the balance sheet as valued at fair value:

a) financial instruments held for trading and financial liabilities shall be derecognized at book value [historical cost (original cost or purchase price), or historical cost (original cost or purchase price) less repayments adjusted by the valuation difference];

b) marketable financial instruments shall be derecognized at their book value [historical cost (original cost or purchase price) less repayments and impairment losses, plus reversed losses]; the valuation difference of the assets in question shall also be terminated against the fair value reserve.

(2) \* When using the fair value accounting system, the content of Subsection (9) of Section 90 and Subsection (6) of Section 95 shall be demonstrated, respectively, in the notes on the accounts and the annual report.

#### Section 59/D \*

(1) \* Transactions in derivatives shall be recorded as off-balance sheet items until closed at the amount of the contractual liability, at the contract (forward) price.

(2) \* Futures transactions not recognized as derivatives and options cannot be measured at fair value; these transactions shall be closed out according to the rules of spot delivery transactions.

(3) As regards valuation at fair value, derivative transactions for purposes other than hedging must be classified as held for trading.

(4) Derivatives held for trading or hedging must be valued at fair value.

(5) For the purposes of the transactions referred to in Subsection (4), historical cost (original cost or purchase price) shall mean the costs (brokerage charges, commissions, option premiums) arising out of and in connection with the transaction. The historical cost (original cost or purchase price) of a transaction shall be shown as part of the positive valuation difference of the transaction and shall be simultaneously deducted from cash.

(6) The valuation difference established for the balance sheet date by fair value accounting for the transactions referred to in Subsection (4) on the day of transaction (acquisition) and for the transactions still open on the balance sheet date shall mean the transaction's fair value, forecasted result, meaning the difference between the amount of the contract (forward) price of the transacted commodity or financial instrument, financial claim or liability shown as an off-balance sheet item in connection with the transaction, and the market price (fair value) of the commodity or financial instrument as on the day of valuation, shown as an off-balance sheet item financial liability or claim (net fair value).

(7) The fair value of the transactions referred to in Subsection (4) may be determined by common valuation procedures that differ from the methods defined in Subsection (6) of this Section, and in Paragraph b) of Subsection (3), Subsection (4), Paragraph b) of Subsection (5), and Subsection (6) of Section 59/B.

(8) When closing out derivative clearing transactions held for trading, the difference between the market price of the transacted commodity or financial instrument and the contract (forward) price shall be shown under other income from financial transactions or other expenses on financial transactions offsetting the appropriate side of liquid assets as gains actually realized. Derivative forward transactions held for trading shall be closed out according to the provisions of Subsection (14) of Section 59/B.

(9) When closing out a derivative transaction referred to in Subsection (4), the valuation difference shall be terminated, depending on whether it is positive or negative:

a) the positive valuation difference of instruments held for trading purposes shall be deducted from other income from financial transactions, and the negative valuation difference shall be deducted from other expenses on financial transactions;

b) the positive valuation difference of market value (fair value) hedges shall be shown under other expenses on financial transactions or interest payable and similar charges, and the negative valuation difference shall be shown under other income from financial transactions or other interest and similar income (received or due);

c) in the cash flow hedges and hedges for net investment in a nonresident economic operator under the fair value reserve.

(10) \* In the case of fair value accounting accruals and deferrals under Subsection (5) of Section 32 and Subsection (5) of Section 44 cannot be shown.

(11) As regards valuation at fair value, in the balance sheet under accounts receivable and accounts payable and under financial investments and securities, the valuation difference of receivables, debts, derivatives, and financial investments and securities shall be shown separately, and under equity the valuation reserve shall be further broken down to the valuation reserve for adjustments and the fair value reserve.

(12) As regards valuation at fair value, the profit and loss account shall contain an indication of the amount of valuation difference shown under other income from financial transactions and other expenses on financial transactions [not including the valuation difference of the hedges that are accounted for according to Subsection (5) of Section 59/E].

Section 59/E \*

(1) \* Hedges shall be marked "hedge" when designating the hedging relationship and shall clearly indicate the hedged transaction or transactions (item or items) and the type of risks involved.

(1a) \* In the case of fair value accounting, a transaction concluded to cover a risk stemming from a firm commitment not recognized in the balance sheet may be shown as a cash flow hedge only with respect to risks from changes in foreign currency exchange rates. In the case of fair value accounting, a transaction concluded to cover a risk stemming from a firm commitment not recognized in the balance sheet may be shown only as a fair value hedge in all other cases.

(2) Hedges and the hedged transactions (items) to which they pertain shall be recorded by a system of hedge accounting in the analytical records that is to contain the type of risk involved, the end of hedging, the generally accepted valuation models used for the valuation of transactions, its conditions and the consideration of time, as well as the method for measuring (weighing) hedge effectiveness, the dates and results.

(3) Hedge effectiveness shall be ensured at the time a hedge is concluded and shall be maintained throughout its entire term. Hedge effectiveness shall be measured continuously during the life of the hedge, at the dates selected by the company and also on the balance sheet date.

(4) \* When closing out the hedge - subject to the exception set out in Subsection (11) of Section 47 - the difference between the market price of a commodity or financial instrument at the time of closing and the contract (forward) price shall,

a) if on the positive side, be deducted from the losses on the hedged transaction or transactions [basic transaction(s), item(s)] as shown under other expenses on financial transactions or interest payable and similar charges, not to exceed the results of the hedged transaction or transactions [item(s)], and any amount in excess shall be shown under other income from financial transactions,

b) if on the negative side, be deducted from the gains on the hedged transaction or transactions [basic transaction(s), item(s)] as shown under other income from financial transactions or other interest and similar income (received or due), not to exceed the results of the hedged transaction or transactions [item(s)], and any amount in excess shall be shown under other expenses on financial transactions.

(5) The valuation difference of hedges established for the balance sheet date by fair value accounting, when recognized according to Paragraph b) of Subsection (3), Subsection (4), Paragraph b) of Subsection (5), and Subsection (6) of Section 59/B:

a) the positive valuation difference (gain) shall be recognized according to Paragraph a) of Subsection (4) if it pertains to a market value (fair value) hedge or shall be shown on the plus side in the fair value reserve if it pertains to a cash-flow hedge or a hedge of a net investment in a nonresident economic operator,

b) the negative valuation difference (loss) shall be recognized according to Paragraph b) of Subsection (4) if it pertains to a market value (fair value) hedge, or shall be shown on the minus side under fair value reserve if it pertains to a cash flow hedge or a hedge of a net investment in a nonresident economic operator.

(6) \*

(7) In the case of cash flow hedges, when using fair value accounting, the fair value (valuation difference) of the hedge and the fair value (combined discounted value) of the fluctuations in the forecasted cash movements in the hedged transaction or transactions, whichever is less, shall be accounted for against the fair value reserve as the valuation difference of the hedge referred to in Subsection (5).

(8) The exchange differences on hedges of net investments in nonresident economic operators recognized upon maturity according to Subsection (8) of Section 60 shall be derecognized from the valuation difference against the fair value reserve.

(9) If a transaction (transactions) or item (items) hedged by a market value (fair value) hedge is not valued at fair value or if it falls under the category of marketable financial instruments valued at fair value for the purposes of valuation on the balance sheet date, the hedged transaction (transactions) or item (items) shall be recognized as being consistent with the hedge. The result of the hedged transaction (transactions) or item (items), not to exceed the result of the hedge, shall be shown on the opposite side under other income from financial transactions or other expenses on financial transactions, as appropriate.

(10) If, according to Point 14 of Subsection (9) of Section 3, the term of a hedge ends before the maturity of the hedged transaction, any excess in the profit or loss of the hedge at closing that is over and above the profit or loss of the hedged transaction shown for the year may be shown under accruals or deferrals, as appropriate. Such accruals and deferrals shall be terminated when the hedged transaction is terminated.

(11) \* Discontinuation of hedge accounting applies prospectively with respect to market value (fair value) hedges if:

a) the hedge is terminated (except if replacement or rollover of a hedging instrument into another hedging instrument is part of the economic entity's documented hedging strategy);

b) the hedge no longer meets the criteria for hedge accounting in Point 10 or 10/b of Subsection (8) of Section 3. In that case the transaction shall henceforward be shown as a transaction concluded for trading purposes.

(12) \* Discontinuation of hedge accounting applies prospectively with respect to cash flow hedges concluded for forecast transactions if:

a) the hedge is terminated (except if replacement or rollover of a hedging instrument into another hedging instrument is part of the economic entity's documented hedging strategy). In that case the closing of the cash flow hedge shall be accounted in accordance with Subsection (4) hereof and Subsection (9) of Section 59/D, having regard to Subsection (10) hereof and Subsection (11) of Section 47;

b) the hedge no longer meets the criteria for hedge accounting in Point 10 or 10/b of Subsection (8) of Section 3. In that case the transaction shall prospectively be shown as a transaction concluded for trading purposes, however, the closing of the transaction shall be accounted in accordance with Paragraph a);

c) the forecast transaction is no longer expected to occur. In that case the related valuation margin shall be terminated according to Paragraph c) of Subsection (9) of Section 59/D, then the transaction shall be revalued as a transaction concluded for trading purposes showing the value provided for in Subsection (6) of Section 59/A, and it shall henceforward be shown as a transaction concluded for trading purposes.

Section 59/F \*

(1) Switching to the fair valuation system shall be carried out as of the first day of the financial year, according to the rules of reclassification, with the items referred to in Subsection (2) carried forward.

(2) \* When switching to fair value accounting, the following items shall be carried forward effective as of the day of transfer (first day of the financial year when the transition is carried out):

a) adjustments in the value of financial instruments shown in the balance sheet as held for trading and valued at fair value, deducted from other expenses on financial transactions, the revaluation of the book value on the day of transfer to market value shown as the asset's valuation difference

against other income from financial transactions or other expenses on financial transactions, as appropriate;

b) the market value after the revaluation of marketable debt securities and investments in equity instruments in another independent entity shown under fixed assets and valued by fair value accounting that - if in excess of the historical cost (original cost or purchase price) - the amount of impairment loss up to the adjusted historical cost (original cost or purchase price) or up to the historical cost (original cost or purchase price) with any repayment deducted if it pertains to a receivable shown under the costs of financial operations and other operating charges, respectively, and the asset's valuation difference that is in excess shown against the fair value reserve;

c) in connection with derivatives still open on the balance sheet date that are not mentioned in Paragraph d), the amount of forecasted profit or loss claimed under prepayments and accrued income and accruals and deferred income, the provisions terminated shown against other income from financial transactions or other expenses on financial transactions, or other interest and similar income (received or due) or interest payable and similar charges, other income, as appropriate, and the revaluation of the transactions - the amount of forecasted profit or loss claimed whether or not for hedging purposes and whether shown under accounts receivable or accounts payable - in the amount of the valuation difference (positive or negative) of the derivative transactions in question against other income from financial transactions or other expenses on financial transactions, or other interest and similar income (received or due) or interest payable and similar charges;

d) in connection with cash-flow hedges and hedges of net investments in nonresident business associations that are still open on the balance sheet date, the amount of forecasted profit or loss claimed under prepayments and accrued income and accruals and deferred income when terminated against other income from financial transactions or other expenses on financial transactions, and the revaluation of the transactions - the amount of forecasted profit or loss claimed - in the amount of the valuation difference (positive or negative) of the derivative transactions in question against the fair value reserve.

(3) Switching from fair valuation to historical cost (original cost or purchase price) valuation is permitted on the balance sheet date according to the general rules of reclassification. Upon switching, the valuation differences already claimed shall be terminated by settling the accounts of the financial instruments to which they pertain against the result or the fair value reserve, as appropriate, and by the accounting of justified impairment losses, accruals and deferrals, and provisions in accordance with the general rules governing the system of historical cost (original cost or purchase price) valuation.

## Section 60

(1) Foreign currency holdings, whether in cash or on account, and receivables, financial investments, securities and liabilities denominated in foreign currencies are to be shown in the accounting records at their forint value translated at the foreign exchange rate, defined under Subsections (4)-(6), in effect on the day when recognized or on the date of contractual performance, with the exception of foreign currencies purchased for forints, which are to be entered in the books in the amount paid for and by the exchange rate determined on the basis of the forint amount actually paid.

(2) \* Foreign currency holdings, whether in cash or on account, and all receivables, including prepayments and accrued income, financial investments, securities, and liabilities, including accrued and deferred liabilities, denominated in foreign currencies - classified in accordance with Sections 54-55 - are to be shown in the balance sheet at their forint value translated by the foreign exchange rate, defined under Subsections (4)-(6), in effect on the balance sheet date of the financial year.

(3) \* Before the valuation of foreign currency holdings, whether in cash or on account, and receivables, financial investments, securities and liabilities denominated in foreign currencies in accordance with Subsection (2), which pertains to the balance sheet date of the financial year, the difference between their book value and their forint value at the time of valuation [exclusive of the exchange rate difference to be applied under Subsection (8) of this Section and Paragraph c) of Subsection (4) of Section 47]:

a) if the combined value of such differences is negative, the balance shall be shown as an exchange loss under other expenses on financial transactions,

b) if the combined value of such differences is positive, the balance shall be shown as an exchange gain under other income from financial transactions.

(4) \* The forint value of foreign currency holdings, whether in cash or on account, and receivables, financial investments, securities denominated in foreign currencies (hereinafter referred to collectively as "assets denominated in foreign currencies"), and liabilities shall be determined - as defined under Subsections (1)-(2) - by the average of the buying and selling rate of a credit institution of the company's choice, or by the official foreign exchange rate published by the Magyar Nemzeti Bank or the European Central Bank.

(5) \* The foreign exchange rate referred to under Subsection (4) shall not be used for the conversion of any non-convertible currency, or of the value of assets and liabilities denominated in such currency, which are listed neither by credit institutions nor by the Magyar Nemzeti Bank or the

European Central Bank. In this case the said currency shall be translated at its free market rate (or in the absence of such, based on the information published in a newspaper of nationwide circulation concerning the rates of currencies around the world) to a currency that is listed by the selected credit institution or by the Magyar Nemzeti Bank or the European Central Bank, and then to be translated into forints by the average of the credit institution's buying and selling rate of such currency, or by the official foreign exchange rate published by the Magyar Nemzeti Bank or the European Central Bank.

(5a) \* As regards the economic events where the consideration is denominated in a foreign currency, in determining the forint value of receivables and liabilities denominated in foreign currencies, the exchange rate defined by the relevant provisions of the Act on Value Added Tax for determining the taxable amount in forints may be applied at the company's discretion as set forth in its accounting policy.

(6) \* When determining the forint value of assets and liabilities denominated in foreign currencies, instead of the average of the buying and selling rate of foreign exchange, all assets and liabilities denominated in foreign currencies may be uniformly valued at buying and selling rates, if the difference resulting from the valuation method described under Subsection (4) carries a substantial impact on the assets and liabilities, or on the profit and loss figure, on account of which the true and fair view requirement would not be satisfied if valued according to Subsection (4).

(7) If resident business entities are allowed by the relevant legislation to define the payment terms in contracts in a foreign currency, when recording the foreign exchange receivables and liabilities resulting from such contracts on their corresponding forint values in the books and for their valuation on the balance sheet date the provisions set out in Subsections (1)-(6) shall apply.

(8) \* The exchange difference resulting from the translation operations under Subsections (4)-(6) of the book value (denominated in a foreign currency) of the investments of a company using the fair valuation system in accordance with Sections 59/A-59/F in the capital of an affiliated nonresident economic operator held for reasons other than trading and long-term debts and receivables payable to or due from such economic operator (hereinafter referred to collectively as "net investment in a nonresident economic operator") (foreign exchange par value decreased by repayments and impairment losses and increased by the reversal thereof) shall be shown under the fair value reserve against the valuation difference of record on the participating interest, debts and receivables, up to the value of the hedge if applicable. The exchange difference on the part of the net investment in a nonresident economic operator that is not covered by hedging shall be recognized according to the provisions of Subsection (3).

(9) \* If a company exercises the option defined in Subsection (3) of Section 57, the amount of any impairment loss or value adjustment upon the valuation of investments denominated in a foreign currency in the equity securities of an affiliated foreign economic operator for reasons other than trading shall be calculated cumulatively - by way of derogation from what is contained in Sections 54, 57 and 58 - with the exchange difference realized upon the translation of the investment according to Subsections (4)-(6) when determining the value of adjustment, and the forint value of the amount of write-off and adjustment translated from foreign currency according to Subsections (4)-(6), and shall be applied cumulatively when determining the forint amount of the impairment loss and the value of adjustment.

(10) \* If the selected credit institution publishes exchange rates several times in a given day, for the purposes of Subsections (1)-(9) the exchange rate specified in its accounting policy shall be applied from among the exchange rates published on that day.

(11) \* If the books are kept in a foreign currency, Subsections (1)-(10) shall implicitly apply to the accounting and valuation of transactions shown in a currency other than the currency in which the books are kept.

## Section 61

(1) Short-term (one year or less) debt securities may be valued at cost (purchase price less built-in interest) as long as the issuer is presumed to pay the face value (and the accumulated interest) upon maturity or when redeemed.

(2) The cost of debt securities and equity securities shown under current assets may be determined without including the commissions or buy option fees paid (accounted) in connection with their acquisition.

## Section 62

(1) The cost of equity securities and debt securities shall comprise the average (weighted) purchase price calculated on the basis of the items listed under Sections 47-50 or of the original costs if recorded in groups, or the original cost determined by the FIFO method.

(2) \* The cost of purchased inventories (raw materials, goods) shall comprise the average (weighted) purchase price calculated on the basis of the items listed under Sections 47-50 or of the original costs if recorded in groups, or the original cost determined by the FIFO method; in respect of self-constructed assets (work in progress, semi-finished and finished products and livestock) production

cost shall mean the direct cost defined under Section 51 or the average (weighted) direct cost, or the direct cost determined by the FIFO method. The direct cost may be determined by the post-calculation or by the normative method. The direct normative costs of work in progress can also be determined as a percentage of the direct normative costs of semi-finished and finished products on the basis of the current degree of performance.

(3) The cost of unfinished construction and installation, and/or technological installation work shall comprise the direct cost of works completed but not yet settled with the customer from all direct costs of the calculation unit that may be determined by post-calculation or as commensurate by the degree of completion as verified by the customer. A calculation unit may not be greater than a project (one facility) defined in a contract.

(4) The cost of foreign currency holdings shall comprise the forint value calculated by the foreign exchange rate at the time when obtained, or the forint value computed by the average (weighted) rate or by the rate determined by the FIFO method.

(5) The book value of the assets defined under Subsections (1)-(4) shall comprise the cost defined under Subsections (1)-(4), decreased by the impairment loss already accounted and increased by the amount of impairment loss reversed.

### Section 63

(1) \* The intangible assets defined under Subsections (2)-(8) of Section 25 shall be shown in the balance sheet at the cost defined under Sections 47-51 or at the book value of this cost decreased by ordinary and extraordinary depreciation as defined under Sections 52-53, increased by the amount of extraordinary depreciation reversed; advances on intangible assets shall be shown in the amount actually transferred (paid, remitted), excluding any deductible value added tax as charged, or at the book value decreased by the impairment loss already claimed and increased by the amount of impairment loss reversed.

(2) The market value of concessions and similar rights and intellectual property in excess of book value shall be shown separately under value adjustments of intangible assets at the same amount of valuation reserve that is part of equity capital.

(3) \* The tangible assets, breeding stock and assets in course of construction defined under Subsections (2)-(7) of Section 26 shall be shown in the balance sheet at cost as specified under Sections 47-51, at the book value decreased by ordinary and extraordinary depreciation as specified under Sections 52-53, increased by the amount of extraordinary depreciation reversed; advances and

prepayments shall be shown at the amount actually transferred (paid, remitted), excluding any deductible value added tax as charged, or at the book value decreased by the impairment loss already claimed and increased by the amount of impairment loss reversed.

(4) The market value - as defined under Section 58 - of tangible assets and breeding stock defined under Subsections (2)-(6) of Section 26 in excess of the net value determined by ordinary depreciation shall be shown separately under value adjustments of tangible assets in the same amount of valuation reserve that is part of equity capital.

#### Section 64

(1) Equity securities in business associations, whether listed under current assets or financial investments, shall be shown in the balance sheet at the cost defined under Subsection (1) of Section 62, or at the book value decreased by the impairment loss already written off and increased by the impairment loss reversed.

(2) Debt securities with a maturity of over one year, whether listed under current assets or financial investments, shall be shown in the balance sheet at the cost defined under Subsection (1) of Section 62, or at the book value decreased by the impairment loss already written off and increased by the impairment loss reversed.

(3) The market value of equity securities in business associations (according to Subsections (2) and (4) of Section 27), in excess of the cost, shall be shown separately under value adjustments of financial investments in the same amount of valuation reserve that is part of equity capital.

(4) \* Of the debt securities and equity securities valued by fair value accounting according to Sections 59/A-59/F,

a) the difference between the historical cost and the fair value, if higher, shall be shown as positive valuation difference for the underlying securities, against other income from financial transactions in the case of securities held for trading, or against the fair value reserve in the case of marketable debt securities and equity securities;

b) the difference between the fair value and the historical cost, if higher, shall be shown as the negative valuation difference against other expenses on financial transactions in the case of

securities held for trading, or entered as impairment loss written off from the historical cost referred to in Subsections (1) and (2) in the case of marketable debt securities and equity securities.

(5) \* The book value of debt securities held for trading and equity securities valued at fair value under Sections 59/A-59/F shall constitute - by way of derogation from Subsections (1)-(2) - their historical cost adjusted by the valuation difference.

## Section 65

(1) Receivables (including receivables from credit institutions and financial companies, liquid assets, loans and advance payments), whether listed under current assets or financial investments, shall be shown in the balance sheet at the amount approved or acknowledged, or at the book value decreased by the impairment loss already written off and increased by the amount of impairment loss reversed.

(2) Receivables denominated in foreign currencies shall be shown in the balance sheet at the exchange rate - defined under Section 60 - of the approved, acknowledged foreign exchange amount in effect at the time of contractual performance (or on the balance sheet date), or at the book value decreased by the impairment loss already written off and increased by the impairment loss reversed in a foreign currency and calculated by the exchange rate of record.

(3) Receivables - shown according to Subsections (3), (5) and (6) of Section 27 - related to financial leasing shall not include the interest due in connection with the financial leasing. The amount received under such title shall be shown in the balance sheet as decreased by the amount of the installment payment stipulated in the leasing contract.

(4) Bills of exchange received as cover for receivables shall be shown in the balance sheet at the value approved or acknowledged in accordance with Subsections (1)-(2) until the bill is discounted, transferred or financially settled, or at the book value decreased by the impairment loss already written off and increased by the impairment loss reversed.

(5) Other receivables defined under Subsections (6)-(8) of Section 29 shall be shown in the balance sheet at the amount received as due, claimed or paid, or at the book value decreased by the impairment loss already written off and increased by the impairment loss reversed.

(6) Receivables shall be shown in the balance sheet at the book value defined under Subsections (1)-(5) until settled financially or otherwise (set-off or transfer of assets as defined in the Civil Code), until satisfied by a bill of exchange or until cancelled or written off as bad debts.

(7) \* Bad debts shall not be shown in the balance sheet. A debt that cannot be recovered in part or in whole shall be written off - in due observation of foreign exchange regulations in respect of foreign exchange debts - at or before the balance sheet date as credit related losses of the financial year.

(8) \* Of the receivables valued at fair value according to Sections 59/A-59/F:

a) the difference between the historical cost less installment payments received and the fair value, if higher, shall be shown as the positive valuation difference for the underlying receivable, against other income from financial transactions in the case of receivables held for trading or against the fair value reserve in the case of marketable receivables;

b) the difference between the fair value and the historical cost less installment payments received, if higher, shall be shown as the negative valuation difference against other expenses on financial transactions in the case of receivables held for trading or as a loss to be written off from the historical cost referred to in Subsections (1)-(6) in the case of marketable receivables.

(9) \* The book value of receivables held for trading valued at fair value under Sections 59/A-59/F shall constitute - by way of derogation from Subsections (1)-(6) - their historical cost adjusted by the valuation difference.

## Section 66

(1) \* The inventories referred to in Subsections (2)-(3) of Section 28 shall be shown in the balance sheet at the cost defined under Subsections (2) and (3) of Section 62, or at the book value decreased by the impairment loss recognized under Section 56 and increased by the impairment loss reversed; advance payments on inventories shall be shown in the balance sheet at the amount actually transferred (paid, remitted), exclusive of any amount of value added tax that may be deducted, or at the book value decreased by the impairment loss already accounted for and increased by the impairment loss reversed.

(2) The balance sheet heading cash on hand and checks shall include the amount of forints on hand on the balance sheet date of the financial year, the value of foreign currencies on hand converted

according to Subsection (2) of Section 60, the value of electronic money instruments and the value of checks received.

(3) The balance sheet heading bank deposits shall include the amount of forints deposited with credit institutions by the balance sheet date of the financial year in the amount shown in the bank statement, and the value of foreign currencies deposited - whether in domestic or foreign credit institutions - in the amount shown in the bank statement as converted according to Subsection (2) of Section 60.

#### Section 67

(1) Equity, provisions and liabilities shall be shown in the balance sheet at book value, in due observation of the provisions of Section 60.

(2) The amount of unpaid subscribed capital shall be shown in the balance sheet under the components of equity as a separate item on the debit side, including the value of employees' shares issued at discounted rate and employees' participations according to the portion payable but not yet settled by the employees.

#### Section 68

(1) If the repayable amount of a liability is higher than the amount received, the repayable amount shall be shown - according to its title - in the balance sheet under liabilities from the issue of bonds, other liabilities or bills payable until the date of repayment of the liability, and shall be detailed in the notes on the accounts. From the balance recognized as interest payable, the sum charged to the financial year(s) following the current year shall be shown under deferred expenses and accrued income, and applied as commensurate for the period applicable.

(2) Receivables - as shown according to Subsection (5) of Section 42 - related to financial leasing shall be shown in the balance sheet at the amount of leasing charges paid, decreased by the installments stipulated in the leasing contract. The amount received under such title shall not include the interest due in connection with the financial leasing.

(3) \* Advances received in forints shall be shown in the balance sheet at the amount actually received, or at the amount translated into forints, as defined under Section 60 in respect of advances received in foreign currencies until the settlement of accounts after contractual performance, until the advance is repaid or claimed as other income.

(4) Loans and credits received in forints shall be shown in the balance sheet at the amount actually received or as decreased by the installments, while foreign exchange loans and credits shall be shown by the amount - translated into forints according to Section 60 - actually received or decreased by the installments.

(5) Receivables from the supply of goods and services, including value added tax, shall be shown in the balance sheet:

a) at the amount recognized as invoiced, if in forints,

b) at the amount recognized as invoiced if in foreign exchange converted according to Section 60, unless consideration is to be provided by export goods on the basis of Paragraph c) of Subsection (7) of Section 48,

until settled by money, bill of exchange, transfer of assets or set off as defined in the Civil Code, or until recognized as other or accrued income. \*

(6) Bills payable in forints shall be shown in the forint amount and bills payable in foreign currency shall be shown at the amount converted according to Section 60, in due observation of the provisions of Subsection (1).

#### Balance Sheet Items Supported by Inventory Count

##### Section 69 \*

(1) For the closing of books at the end of the financial year, for drawing up the financial report and to support the various balance sheet items, an inventory audit shall be completed and maintained according to the provisions of this Act, which contains, item by item and in a verifiable manner, in accordance with Subsection (5), the quantity and value of the company's assets and liabilities existing on the balance sheet date.

(2) In discharging the obligation defined under Subsection (1) hereof, the company shall carry out the reconciliation between the data of the general ledger and the analytical accounts for the balance sheet date of the financial year.

(3) Where a company regularly maintains quantitative records in compliance with accounting principles, it shall perform an inventory count - before compiling an itemized inventory - to verify the accuracy of all data shown in the final inventory at the frequency specified based on the regulations and procedures for taking and keeping inventory of assets and liabilities, but at least every third year; the final inventory shall contain the quantities of assets, and, for the balance sheet date of each financial year, assets and liabilities which are registered only by value, assets which are stored elsewhere - such as deposited securities, securities placed under asset management or portfolio management, other (non-liquid) assets and dematerialized securities - shall be taken inventory of by way of reconciliation.

(4) Where a company does not keep quantitative records in compliance with accounting principles, or if it maintains such records irregularly, the company shall perform an inventory count to verify the accuracy of all data shown in the final inventory on the balance sheet date of the financial year; the final inventory shall contain the quantities of assets, and assets and liabilities which are registered only by value, assets which are stored elsewhere - such as deposited securities, securities placed under asset management or portfolio management, other (non-liquid) assets and dematerialized securities - shall be taken inventory of by way of reconciliation.

(5) The company may, by way of derogation from Subsections (3)-(4), check the accuracy of the figures (values) contained in its registers pertaining to the balance sheet date during the quarter prior to the balance sheet date or during the subsequent quarter by taking an inventory count. Any adjustment required on account of the inventory count shall be accounted for the balance sheet date of the financial year.

(6) Any company that does not maintain neither quantitative nor value-based inventories may not apply the provisions set out in Subsection (5).

## Contents and Breakdown of the Profit and Loss Account

### Section 70 \*

(1) The profit and loss account shall contain a detailed account of the company's results after tax - with the effect of any major errors on the results after tax of (the) previous financial year(s) shown separately -, the main factors of import concerning the development or modification of profits or losses, as well as the components and elaboration of the results after tax.

(2) The results after tax for the financial year shall comprise the income from operations and the income from financial transactions (hereinafter referred to collectively as “profit before tax”), less tax liabilities.

#### Section 71

(1) Income from operations can be determined in two different ways, depending on the company’s decision:

a) one comprises the net sales revenues recognized for the financial year, the value of own work shown under assets and other income, less the total amount of material costs claimed for the financial year, staff costs, depreciation allowances and other operating charges (nature of expense method);

b) the other comprises the difference between net sales revenues recognized for in the financial year and the direct and indirect cost of sales, plus the difference between other income and other operating charges (function of expense method).

(2) \* The prescribed breakdown for the two methods defined in Subsection (1) for determining the profit or loss in respect of operations are set out in Schedules Nos. 2 and 3. Companies shall have the option to select either Schedule No. 2 or 3. However, where a company uses the nature of expense method in one financial year and the function of expense method the next, or vice versa, for drawing up the profit and loss account, comparability must be ensured between the data of the current year and that of the previous financial year. When switching from one method (version) to the other, it shall be explained in the notes on the accounts with the reasons also indicated.

(3) The effect of minor errors, as revealed by audit, on the profit or loss figure shall be contained in the corresponding data of the profit and loss account of the year under review.

(4) Further breakdown of the items of the profit and loss account defined under Schedules Nos. 2 and 3 is permitted, if additional details of the individual items are necessary to understand and support the development of the actual value of the profit or loss. New items may be added if their content requirements are not covered by any of the items defined in this Act in terms of description and content.

(5) In the profit and loss account illustrated under Schedules Nos. 2 and 3 the items marked by Arabic numerals may be merged within the income and expense groups marked by Roman numerals, if:

a) the sums involved are not significant in terms of true and fair view;

b) merging enhances the principle of clarity;

c) the items merged and the reasons therefore are illustrated in the notes on the accounts.

(6) Items related to affiliated companies may not be merged as defined under Subsection (5) above.

(7) Items marked by Arabic numerals shall not be indicated in the profit and loss account if such contain no data for the current year nor for the previous financial year.

#### Definition of the Items of the Profit and Loss Account

##### Section 72

(1) \* The consideration, excluding value added tax, received for the sale of inventories, whether purchased or own production, and for services supplied during the period of contractual performance in the financial year, increased by any price support and premium and reduced by discounts shall be shown under net sales revenues.

(2) Net sales revenues recorded for the period (financial year) of performance shall include:

a) \* revenues corresponding to invoices or cash receipts, or other accounting documents if the vendor is not required to issue invoices or receipts, sent to the customer based on performance under the conditions defined in the contract, as acknowledged or approved by the customer, or the consideration received in cash excluding any value added tax;

b) the invoiced value of goods and services supplied by a Hungarian branch of a nonresident company to the nonresident company or to any other branch of the nonresident company, in the amount, exclusive of value added tax, acknowledged by the nonresident company or another branch

thereof upon the fulfillment of the conditions laid down in the agreement or contract concluded between the parties;

c) \* the price support included in the revenues based on settlement with the tax authorities.

(3) Net sales revenues shall include the consideration received for products supplied under financial leasing arrangements and for goods sold under installment or deferred payment as invoiced, exclusive of value added tax, or the selling price of such, irrespective of whether installments are paid, and irrespective of whether ownership is transferred or of the date of transfer, when applicable.

(4) The following shall be shown under net sales revenues:

a) \* the value of inventories and services, whether purchased or own production, supplied in connection with liabilities within the framework of exchange contracts as invoiced in the amount contracted, exclusive of value added tax, at the time when delivered or when the service is provided;

b) \* the value of packing materials sold at their redemption price, exclusive of value added tax, shown in the invoice or receipt;

c) \* the value of inventories, whether purchased or own production, supplied in compensation for shares, participating interests and/or other partnership shares withdrawn from a business association to decrease its subscribed capital through disinvestment, as invoiced, exclusive of value added tax, and in the amount specified in the instrument of constitution, or in its amendment, or in the resolution of a body duly authorized thereunto;

d) \* income from the assignment of the long-term right of use, operation or management of fixed assets, exclusive of value added tax;

e) \*

(5) \* In the case of derivative transactions executed by the disposal of non-financial assets, the fair value of the transaction in effect on the date of closure shall be shown under items to be added to or

deducted from the net turnover from sales against other expenses on financial investments, or other income from financial transactions.

### Section 73

(1) \* Discounts granted and included in the invoice or cash receipt for sales of inventories, whether purchased or own production, or on services supplied shall not be shown under net sales revenues.

(2) The following shall be deducted from net sales revenues:

a) \* subsequent discounts granted in connection with the sale of inventories, whether purchased or own production, in the amount indicated in the correction invoice or cash receipt, exclusive of value added tax (the correction pertains to the date of performance);

b) \* discounts provided subsequently on account of any deviation from the terms and conditions which already exist at the time of performance, or as presumed or contracted, concerning the sale of inventories, whether purchased or own production, or the supply of services, or due to any amendment of the contract executed after performance in the amount indicated in the correction invoice or cash receipt, exclusive of value added tax (the correction pertains to the date of performance);

c) \* discounts provided subsequently pertaining to warranty obligations in connection with the sale of inventories, whether purchased or own production, or the supply of services accepted by the buyer as contractual performance, at the amount indicated in the correction invoice or cash receipt, exclusive of value added tax (the correction pertains to the date when the warranty claim is filed);

d) \* the market value - as defined under Subsection (3) of Section 72 - of products that were sold and later returned, and that were used between the date of sale and the date when returned, at the time when returned, not to exceed its original selling price, and the value of refund of the original consideration in part or in whole as fixed in the correction or cancellation invoice or cash receipt, exclusive of value added tax, due to any failure of contractual performance (the correction pertains to the time when the goods were returned);

e) \* the value of returned goods relating to the supply of goods, whether purchased or own production, and the value of returnable packing materials sold and later returned, as fixed in the

correction or cancellation invoice or cash receipt at the time of redemption, exclusive of value added tax (the correction pertains to the time when the goods were returned or when the packing material was redeemed).

(3) \* Any premium applied subsequently in connection with the sale of inventories, whether purchased or own production, or the supply of services, at the amount indicated in the correction invoice or cash receipt to be added to the selling price, exclusive of value added tax, shall be shown under net sales revenues (the correction pertains to the date of performance).

(4) \* Net sales revenue shall be adjusted by the difference between the fair market price and the consideration applied settled between the parties subsequently, by which the supplier would have to modify its corporate tax base in accordance with Section 18 of the CorpTx. Act on account of the sale, if the difference would not be shown in the books under adjusted net sales revenue.

#### Section 74

(1) \* The value of goods, whether purchased or own production, and the value of services supplied to residents, as defined under Section 75, shall be shown under net domestic sales, regardless of whether they are paid for in forints, foreign exchange, foreign currency, or by the importation of goods or services. The value of direct sales to a free zone company or to a company operating in a transit zone, as well as the value of direct sales of a free zone company or a company operating in a transit zone to a resident company or to another free zone company or transit zone company shall be shown under net domestic sales.

(2) \* The value of goods, whether purchased or own production, supplied in foreign trading to nonresident customers, as well as the value of services supplied to nonresident customers, as defined under Section 75, shall be shown under net external sales, regardless of whether they are paid for in foreign exchange, foreign currency, in forints or by the importation of goods or services.

(3) \*

#### Section 75

(1) \* The consideration for the sales revenues defined in Paragraph a) of Subsection (2) of Section 72 may be settled in forints or foreign exchange by crediting the bank account of the seller, in cash in forints or foreign currency based on the relevant regulation, and in imported goods or services of the same value as the consideration payable for the supplies defined in foreign exchange.

(2) If settlement of the consideration is effected in forints on the basis of an invoice, as defined in Paragraph a) of Subsection (2) of Section 72, the forint value, exclusive of value added tax, of the invoice shall be recognized as sales revenues.

(3) Upon settlement in forints (in cash) of the consideration, the amount of forints received, exclusive of value added tax, shall be taken into consideration as sales revenues.

(4) If settlement of the consideration is effected in foreign exchange on the basis of an invoice, as defined in Paragraph a) of Subsection (2) of Section 72, the forint equivalent of the foreign currency stated in the invoice, as translated in accordance with Subsection (7), exclusive of value added tax, shall be recognized as sales revenues.

(5) Upon settlement of the consideration in a foreign currency (in cash), the forint value translated in accordance with Subsection (7) of the foreign currency received, exclusive of value added tax, shall be taken into account as sales revenues.

(6) If the consideration for export sales defined in foreign exchange is settled in imported goods or services with an identical foreign exchange value, the forint value of the import purchase and/or the export revenues shall be defined in the forint value of the foreign exchange value as defined in the import purchase and export sales contract, translated by the exchange rate defined under Subsections (4)-(6) of Section 60 in effect on the date of the first performance. As a result, the forint value of the import purchase and the revenues obtained from the export sales will be identical.

(7) Any foreign exchange indicated in an invoice as defined in Paragraph a) of Subsection (2) of Section 72 and any foreign currency received as consideration shall be translated into forints by the exchange rate defined under Subsections (4)-(6) of Section 60 in effect on the date of performance.

## Section 76

(1) Own performance capitalized shall include the total (consolidated) amount of the capitalized value of assets of own production (shown among assets) in the financial year, including changes in inventories of self-constructed assets.

(2) \* The value of own performance effected within the company and shown among assets [tangible assets, intangible assets, value-added work as defined in Subsections (1) and (3) of Section 48], and

young stock reclassified as breeding stock, as well as the value of assets of own production and own performance to be accounted for as other operating charges in accordance with the provisions of this Act, calculated at direct cost as defined under Section 51, shall be shown under own performance capitalized (including any impairment loss in self-constructed assets).

(3) Changes in inventories of self-constructed assets shall mean the difference between the closing inventory at the end of the financial year and the opening inventory at the beginning of the financial year, determined according to Subsection (1) of Section 66.

#### Section 77

(1) \* Other income shall mean revenues not forming part of net sales revenues, which arise in the course of regular operations (business activity), and which are not shown under income from financial transactions.

(2) \* The following shall be recognized as other income:

a) revenues related to insurance settlements;

b) fines, contractual penalties, demurrage, late fees, fixed recovery costs, compensations, restitutions received;

c) receivables previously declared irrecoverable and written off as credit losses for the previous financial year(s), when received;

d) non-repayable grant or subsidy received to offset costs (expenditures) from resident or nonresident economic entities or natural persons, or from foreign organizations based on intergovernmental agreement or other contractual arrangement;

e) revenues from any product path control paid by product councils and related to the control of the path of products;

if related to the given year or to the financial year(s) preceding the given year, and if financially settled before the balance sheet date. Accounting under other income shall not be subject to

financial settlement before the balance sheet date, if specific other legislation provides otherwise, or in the case of a grant or subsidy received under Paragraph d), if such subsidies are accounted for under the aid agreement by the balance sheet date.

(3) The following shall be shown under other income:

a) any appropriation (reduction or termination) of provisions created according to Subsections (1)-(2) and (4) of Section 41;

b) \* any non-repayable grant or subsidy received to offset costs (expenditures) from the tax authority or an organization designated by the relevant legislation, or claimed (due) - in accordance with the relevant statutory provisions - in connection with the financial year before the balance sheet date;

c) \*

d) \* the value of a transferred (assigned) claim - shown under current assets - acknowledged by the assignee and recognized by the assignor (seller) of the original claim, at the time of transfer;

e) \* receipts from the sale of intangible assets and tangible assets (including if such intangible and tangible assets are not recognized in the balance sheet and/or in the books and from the assignment of intangible assets and tangible assets under the titles specified in Paragraphs a) and c) of Subsection (4) of Section 72, at the time of the transaction;

f) insurance settlements received or approved and confirmed before the balance sheet date in connection with insurance events that took place during the year under review or during the financial year preceding the current year;

g) \* recognized by the original holder of a claim, any amount realized above the book value of that claim if the value of the claim has previously been adjusted;

h) \* the positive margin on rounding off operations;

i) \* in the principal's books, the value shown in the fiduciary asset management contract of the assets entrusted to the fiduciary;

j) \* in the principal's books, the sum allocated to the principal if all or part of the assets of the trust fund is released;

k) \* in the books of the owner (shareholder) of a business association, the difference between the value of record of assets and rights, other than securities or shares, contributed to the business association and the value defined in the instrument of constitution, if the value specified in the instrument of constitution is higher;

l) \* the amount of liability involved in the assumption of a debt without counterpart by a third party as specified in the contract (agreement), furthermore, the amount of liabilities cancelled by the creditor or that of which has expired, if it is not related to the acquisition of any asset;

m) \* the amount of any non-repayable grant or subsidy, other than what is contained in Paragraph d) of Subsection (2) and excluding support received for purposes other than development, and funds received without any further obligation;

n) \* the market value - or the regulated value where otherwise prescribed by the relevant legislation - of services received without consideration;

o) \* the portion of negative goodwill shown under accrued income according to Subsection (3) of Section 45 that was written off during the financial year according to Subsection (4) of Section 45;

p) \* any profit on the sale of a line of business [the positive margin between the book value of derecognized assets and assumed liabilities (including provisions and accrued and deferred items), and sums received (due) or paid (payable)].

(4) \* The following shall be shown under other income as deferred income:

a) the amount of a liability cancelled if it is related to an asset, other than securities or shares, acquired, up to the book value of the asset acquired in connection with the cancelled liability;

b) the amount of any financially settled non-repayable grant or subsidy received for development purposes as liquid assets received without any further obligation;

c) the market value - or the statutory value where otherwise prescribed by the relevant legislation - of assets, other than securities or shares, received without consideration (and without any obligation of restoration) and assets received as a gift or bequest, or that of surplus assets discovered;

d) the amount of liability involved in the assumption of a debt without counterpart by a third party as specified in the contract (agreement), if it is related to the acquisition of any asset, other than securities or shares, up to the book value of the asset acquired in connection with the assumed liability.

(4a) \* Amounts cancelled to offset costs (expenditures) - in accordance with Subsection (2) of Section 45 - from the assets recognized as accrued income according to Subsection (4) shall be shown under other income.

(5) The amounts of impairment loss reversed [including the amount of extraordinary depreciation reversed for intangible assets and tangible assets according to Section 53, and the amount of loss written down in connection with receivables and the impairment loss of inventories reversed according to Subsection (3) of Section 55 and according to Subsection (4) of Section 56, respectively], furthermore, the positive balance of inventory valuation of commercial goods shall be shown separately under other income.

(6) \* Other items of deduction shall include, in connection with any asset that was sold according to Paragraph e) of Subsection (3) and later repossessed due to any failure of contractual performance, the value of the asset in effect on the day when returned calculated according to Paragraph d) of Subsection (2) of Section 73 in consideration of being used between the two dates.

(7) \* The sum of any rebate received (due) without invoice relating to the current financial year in connection with a specific product, material, goods or services under contract, in the amount specified in the contract shall be shown under other income, including the sum of any rebate received (due) indirectly within the framework of a promotion campaign in accordance with the Act on Value Added Tax, excluding the amount of value added tax.

## Section 78

(1) Material costs shall include the value of raw materials purchased and used, the value of services used (purchased) including any non-deductible value added tax, the value of other services, the original cost of goods sold, and the value of services sold (intermediated).

(2) \* Material costs shall include the cost (decreased by depreciation and increased by the amount of impairment loss reversed) of purchased raw materials used during the financial year, and the cost of animals for breeding and fattening and other livestock. Material costs shall be reduced by the value of any waste and recycled materials generated in the course of the production, the activity or the service, and by customs charges and excise taxes refunded.

(3) Contracted services shall include the cost of material- and non-material-type services, including any non-deductible value added tax, used during the financial year as invoiced, paid and contracted.

(4) \* Other service activities shall include the duties charged during the financial year, and not included (which may not be taken into account) in the cost of assets, administrative and service charges of authorities based on legal provisions, other administrative, service and procedural charges, bank costs (other than interests paid and payable) and sums charged as negative return (negative interest), insurance premiums, the amount of any tax, levy or product charge on goods of own production when delivered to the company's own retail establishment or when utilized in its own plant, in the amount invoiced, paid or contracted (calculated) or in the amount declared.

(5) The original cost of goods sold shall include the cost (decreased by impairment loss and increased by the amount of impairment loss reversed) of materials and goods sold - on general principle - in an unaltered form during the financial year. The cost of refundable packaging sold shall be added to the original cost of goods sold, and shall be deducted when refunded.

(6) The value of services sold (intermediated) shall include the cost of services purchased and sold in an unaltered state, at the time of sale.

(7) Hungarian branches of nonresident companies shall account for services supplied by the nonresident company or any other branch thereof (including management costs and expenditures charged to the Hungarian branch) at the invoiced value as services - defined under Subsections (3)-(4) or Subsection (6) as appropriate, among material costs.

(8) \* The costs, expenses declared - as appropriate - under Subsections (3)-(4) or Subsection (6) shall be adjusted by the difference between the fair market price and the consideration applied settled between the parties subsequently, by which the person to whom the services are supplied would have to modify his corporate tax base in accordance with Section 18 of the CorpTx. Act on account of the services received, if the difference would not be shown in the books under adjusted costs and expenses of services received.

## Section 79

(1) Staff costs shall include the amounts accounted for as wages and salaries to employees or as labor charges to cooperative members, the amount withdrawn as consideration for the personal involvement of the owner (member) as a natural person, as well as other employee benefits and contributions on wages and salaries.

(2) \* Wages and salaries shall include all payments related to the financial year as remuneration to employees, workers and members in accordance with the relevant legislation, including the amount withdrawn as consideration for the personal involvement of the owner (member) as a natural person, the sums paid for work - and accounted as such - to persons in any form of employment relationship for the financial year (including any premiums and bonuses and extra monthly salaries paid and accounted for the financial year) all constituents of which can be considered as wages according to statistical accounts, regardless of whether or not personal income tax is due on such payments, and whether or not they form a base for contributions on wages and salaries.

(3) Other employee benefits shall include the amounts paid to natural persons, and not accounted for as wage costs or contract fees, including any non-deductible value added tax thereof and the amount of personal income tax payable (paid) by the company on such payments.

(4) \* Contributions on wages and salaries shall include social contribution tax, vocational training contributions, and all other costs payable as taxes, which are established on the basis of staff costs or by the number of employees, irrespective of their designation.

## Section 80

(1) The following shall be shown as depreciation:

a) the amount of depreciation of intangible assets and tangible assets planned (defined) in accordance with Subsections (1)-(4) of Section 52, and adjusted in accordance with Subsection (3) of Section 53,

b) the amount charged upon commencement of use, as defined in Subsection (2).

(2) \* The acquisition value of concessions and similar rights, intellectual property and tangible assets with an original or production cost of 100,000 forints each or less may, depending on the company's decision, be claimed in one lump sum as depreciation upon the commencement of use.

#### Section 81

(1) \* Other operating charges shall cover the costs which are not related directly or indirectly to net sales revenues and which are incurred in the course of the regular operations (business activity), and which are not shown under expenses on financial transactions.

(2) The following shall be recognized as other operating charges:

a) settlements and other accounted payments, including any non-deductible value added tax, paid or to be paid in connection with insurance events that occurred before the balance sheet date and that became known before the balance sheet date;

b) \* fines, penalties, default interests, demurrage, late fees, fixed recovery costs, compensations, restitutions paid or recognized and accounted for as payable before the balance sheet date, that were charged for periods preceding the balance sheet date;

c) \* any non-repayable grant or subsidy provided to offset costs (expenditures) to resident or nonresident economic entities in connection with the current financial year;

d) payments for product path control to product councils as related to the control of the path of products in connection with the current financial year;

e) \* the amounts of any declared or payable taxes, duties and contributions for the current year, which do not constitute a part of costs and cannot be shown under expenses, settled with the subsystems of the central budget (central government accounts, extra-budgetary funds, accounts of local self-governments or the social security administration) or with the various financial funds (financial resources) of the European Union;

f) \*

g) \*

h) \* the negative margin on rounding off operations;

i) \* in the principal's books, the book value of the assets entrusted to the fiduciary;

j) \* in the principal's books, if all or part of the assets of the trust fund is released, the amount of long-term liabilities relating to the trust fund as commensurate for the reduction in the assets managed;

k) \* in the books of the owner (shareholder) of a business association, the difference between the value of record (book value) of assets and rights, other than securities or shares, contributed to the business association and the value defined in the instrument of constitution, if the value of record is higher;

l) \* the book value of any cancelled debts shown under current assets - other than purchased receivables -, which are not shown as bed debts;

m) \* the amount of liability assumed without counterpart as specified in the contract (agreement) - having regard to Subsection (1) of Section 33 - for the party assuming such debt;

n) \* the amount of any financially settled, non-repayable grant or subsidy provided - other than what is contained in Paragraph c) -, and any non-reimbursable capital contribution;

o) \* the repayable part of any grant or support received in previous financial year(s) under Paragraph d) of Subsection (2) and Paragraph b) of Subsection (2) of Section 77 and shown under income;

p) \* the value of record of assets - other than shares, securities, loans shown under financial investments and purchased receivables - transferred without consideration, and the cost of services provided without consideration, including the value added tax charged and unpaid by the recipient;

q) \* any loss on the sale of a line of business [the negative margin between the book value of derecognized assets and assumed liabilities (including provisions and accrued and deferred items), and sums received (due) or paid (payable)].

(3) The following shall be shown under other operating charges:

a) the amounts of provisions created according to Subsections (1)-(2) and (4) of Section 41 during the financial year and any amounts added to such provisions;

b) \* the amounts of receivables shown under current assets - other than purchased receivables - written off during the financial year as bad debts;

c) the book value of intangible assets and tangible assets, when sold directly;

d) \*

e) the book value of inventories, whether purchased or own production, that are missing or were destroyed during the financial year, and removed from the records;

f) \* the book value of a transferred (assigned) claim - shown under current assets - by the assignor (seller) of the original claim, at the time of transfer.

(4) The following shall be shown separately under other operating charges:

a) any impairment loss, including extraordinary depreciation of intangible assets and tangible assets according to Subsections (1)-(2) of Section 53, the impairment of receivables and inventories claimed according to Subsections (1)-(2) of Section 55 and according to Subsections (1)-(3) of Section 56, respectively;

b) the negative balance of inventory valuation of commercial goods;

c) \*

(5) \* The sum of any rebate provided (payable) without invoice relating to the current financial year in connection with a specific product, material, goods or services under contract, in the amount specified in the contract shall be shown under other operating charges, including the sum of any rebate paid (payable) indirectly within the framework of a promotion campaign in accordance with the Act on Value Added Tax, excluding the amount of value added tax.

(6) \* The value of record of assets (tangible assets) transferred permanently to the operator pursuant to statutory provision without consideration, that were implemented (obtained) by the transferor for future considerations with a view to engaging in business activities shall be shown under other operating charges, however, they may be deferred with a view to the implementation of the principle of matching.

## Section 82

(1) Direct cost of sales shall include the direct costs of self-constructed assets sold and services supplied, the original cost of goods sold, and the value of services sold (intermediated).

(2) The direct cost of sales accounted for shall include the direct costs of self-constructed assets sold and services supplied - defined according to Section 51 - at the value determined according Subsection (1) of Section 66.

(3) The indirect cost of sales shall include the costs of sales and marketing activities and other general overhead.

(4) Sales and marketing costs shall include any extra costs related to sales (packaging, transport costs, commissions), warehousing costs of finished products and other merchandize, the costs of sales divisions and offices, and the costs of advertising, publicity and market research whether or not directly related to sales. The expenses directly related to sales and the costs of commercial activities that can be deducted directly shall be shown separately.

(5) The personnel, material and other costs of administration shall be shown under administration costs.

(6) Other general overhead shall include the other indirect costs of operations.

### Section 83

(1) Profit or loss from financial transactions shall mean the difference between the income from and the expenses on financial transactions.

(2) \* Income from financial transactions shall include dividends and profit-sharing (received or due), income from participating interests, capital gains, income from financial investment (equity shares, loans), capital gains, other interest and similar income (received or due), and other income from financial transactions.

(3) \* Expenses on financial transactions shall include expenses, losses on participating interests, expenses, losses on financial investments (equity shares, loans), interest payable (paid) and similar expenses, other expenses on financial investments, and impairment loss of participating interests, equity shares, long term loans and bank deposits.

### Section 84

(1) \* Income from investments (received or due) shall mean proceeds from equity securities paid based on the decision on the appropriation of the taxed profit (declaration of dividends) (including the interest received on interest-bearing securities, and the amount of yield due or paid to the principal under fiduciary asset management arrangement), if known by the balance sheet date.

(2) \* Income from participating interests, capital gains shall cover:

a) the positive difference (representing a profit) between the selling price and the book value of equity securities shown under financial investments;

b) in the books of the owner (shareholder) of a business association, the difference between the value of record (book value) of participating interests shown under financial investments,

contributed to the business association and the value defined in the instrument of constitution, if the value specified in the instrument of constitution is higher;

c) for the owner (shareholder) of a business association that is terminated without succession (upon conclusion of the liquidation, dissolution or involuntary de-registration procedure), when the resolution therefor becomes operative, the difference between the value of record (book value) of assets received in exchange for the long-term participations (equity shares, participating interests, other partnership shares) terminated and the value of the assets received in exchange for the long-term participations terminated, as specified in the proposal for the distribution of assets and the agreed upon value of the liabilities assumed, if the value of the received assets is higher;

d) for the owner (shareholder) of a business association undergoing transformation, merger, division, the difference between the value of record (book value) of the terminated long-term participations (equity shares, participating interests, other partnership shares) held in the predecessor business association and the cost of participations acquired in the new business association created through transformation, merger, division - consistent with the terminated participations, in the same amount as the own funds shown in the predecessor business association's final inventory of holdings -, if the value of the acquired participation is higher (in the case of separation, the amount of equity as specified in the final inventory of holdings of the business association thus established);

e) for an owner (shareholder) outside the acquiring business association - in the case of the merger of a business association -, the difference between the value of record (book value) of the terminated long-term participations (equity shares, participating interests, other partnership shares) held in the predecessor business association and the value of own funds shown in the predecessor business association's final inventory of holdings (as the cost of participations acquired in the successor business association), if the value of the own funds is higher;

f) for the owner (shareholder) of a business association, when decreasing the subscribed capital of the business association through disinvestment, the difference between the value of record (book value) of the long-term participations (equity shares, participating interests, other partnership shares) withdrawn and the value of the assets received in exchange of the nominal value thereof, if the value of the assets received is higher.

(2a) \* The items provided for in Subsection (4) of Section 77 are to be shown under income from participating interests, and shall be deferred if connected to participations shown under financial investments. Such deferred income shall be recognized as income from participating interests proportionately to the connected expenditure, at the time it was incurred.

(3) \* The following shall be shown under income from financial investments (securities, loans), capital gains:

a) interest received on loans shown under financial investments (including bank deposits) and on interest-bearing debt securities (received or due), furthermore, the interest built into the selling price of interest-bearing debt securities shown under financial investments;

b) the yield received in the form of the difference between the net value and book value of investment units shown under financial investments, whether from interest, dividends or capital gains, also when selling, and the yield received in the form of the difference between net value and book value, and the yield received on venture capital fund certificates shown under financial investments [when the investment is held for trading purposes this item shall be shown under other interest and similar income (received or due)];

c) in respect of financial leasing, interest in the leasing charges (received or due);

d) the portion commensurate for the current year from the difference between the purchase price and the book value of long-term discount securities;

e) the selling price of debt securities shown under financial investments, decreased by the interest built into the selling price in the case of interest-bearing securities, or by the interest claimed according to Paragraph d) above in the case of discount securities, and/or the positive difference between its face value and its book value when sold or redeemed;

f) in the books of the owner (shareholder) of a business association, the difference between the value of record of equity shares or loans shown under financial investments, contributed to the business association and the value defined in the instrument of constitution, if the value defined in the instrument of constitution is higher;

g) \* the positive margin between the ask price of transferred (assigned) claims shown under financial investments (value acknowledged by the assignee) and their book value, at the time of transfer of the claim.

(3a) \* The items provided for in Subsection (4) of Section 77 are to be shown under income from financial investments (equity shares, loans), and shall be deferred if connected to equity shares,

loans shown under financial investments. Such deferred income shall be recognized as income from financial investments (equity shares, loans) proportionately to the connected expenditure, at the time it was incurred, or in the case of loans at the time when terminated (repaid or derecognized).

(4) \* The amount of interest (recognized upon purchase) built into the purchase price of interest-bearing securities defined in Paragraph a) of Subsection (3) shall be deducted from income from financial investments.

(5) The following shall be shown under other interest and similar income (received or due):

a) the interest (received or due) on interest-bearing debt securities shown under current assets and the interest built into the selling price of such securities when sold;

b) \* the interest (received or due) on loans, bills receivable and liquid assets shown under current assets, including the income from investment units shown under current assets;

c) the portion commensurate for the current year from the difference between the purchase price and the book value of discount securities shown under current assets;

d) the difference between the spot selling price and the forward repurchase price (contract price) in the case of actual reverse transactions with a financial institution;

e) \* in the case of actual reverse transactions and collateralized repurchase agreements, the interest income received in the amount of the difference between the purchase price of assets subject to a forward resale obligation shown under receivables and its reselling price shown under liabilities, and in the amount of lending commission on securities lent;

f) \* in the case of interest rate swaps, if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F:

fa) if settlement is concluded by the balance sheet date of the financial year, the gains realized from the transaction, and the termination of the deferrals shown under Paragraphs a) and e) of Subsection (5) of Section 32 and Paragraphs a) and e) of Subsection (5) of Section 44,

fb) if settlement is not concluded by the balance sheet date of the financial year, the amount of interest spread due for the period between the date when the interest rate is fixed for the last time and the balance sheet date, deferred according to Paragraph b) of Subsection (5) of Section 32, and the termination of the deferrals thus shown in the previous periods,

fc) in the case of market value (fair value) interest rate swaps for hedging, the amount of deferrals shown according to Paragraph c) of Subsection (5) of Section 32 on the basis of the fair value or intrinsic value thereof in effect on the balance sheet date, and the termination of the deferrals thus shown in the previous periods,

fd) in the case of interest rate swaps for cash flow hedging, the amount of deferral under Paragraph e) of Subsection (5) of Section 32;

g) \* in the case of valuation at fair value according to Sections 59/A-59/F, the losses on interest hedges to be deducted from interest income, if the transaction is closed out by the balance sheet date of the financial year, not to exceed the amount of the hedged transaction, furthermore, the forecasted losses on transactions still open on the balance sheet date in the amount determined according to Subsection (5) of Section 59/E if it pertains to a market value (fair value) interest hedge, or in the case of interest rate swaps classified as cash-flow interest hedges, the difference based on the nominal principal between the fixed and the variable interest rates for the current period calculated up to the balance sheet date;

irrespective of whether paid by a credit institution, other economic entity or a private person.

(6) The amount of interest (claimed upon purchase) built into the purchase price of interest-bearing securities defined in Paragraph a) of Subsection (5) shall be deducted from other interest and similar income (received or due).

(7) The following shall be shown under other income from financial transactions:

a) in respect of the sale of equity securities (including own stocks and shares) shown under current assets, the positive difference between the selling price and the book value of the investment sold (capital gain);

b) the positive difference between the selling price and the book value (capital gain) of debt securities shown under current assets, decreased by the interest built into the selling price in the case of interest-bearing securities, or by the interest claimed according to Paragraph c) of Subsection (5) in the case of discount securities, at the time when sold;

c) the positive difference between the face value and the book value (capital gain) of interest-bearing debt securities shown under current assets, at the time when redeemed;

d) the positive difference between the face value and the book value (capital gain) of discount securities decreased by interest income accounted for according to Paragraph d) of Subsection (3) or Paragraph c) of Subsection (5), at the time when redeemed;

e) in respect of the annual repayment of the principal of debt securities, the positive difference between such principal payment and the portion of the book value determined in relation to the principal payment and the remaining payments, including the most recent payment;

f) \* exchange gains upon the conversion of foreign currencies into forint, and gains financially realized during the financial year in connection with receivables, liabilities denominated in foreign currencies;

g) \* exchange gains from foreign currencies (whether on hand or on account) and from receivables, financial investments, securities and liabilities denominated in foreign currencies and recognized on the aggregate when valued on the balance sheet date in accordance with Subsection (3) of Section 60;

h) from the positive difference between the cost and the face value of debt securities purchased under face value, the sum shown under accrued and deferred assets;

i) the positive difference between the cost and the face value of debt securities purchased under face value in the amount previously shown under accrued and deferred assets, at the time when terminated;

j) \* if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F and if the transaction was closed by the balance sheet date, the full amount of the positive

margin between the market price in effect at the time of closing the derivative transaction - other than interest rate swaps - and the contract (forward) price, including the positive margin from the revaluation - as provided for in Subsection (12) of Section 47 - of assets acquired by derivative forward transactions to fair value on the day of acquisition (purchase), and the termination of the deferrals shown according to Paragraph a) of Subsection (5) of Section 32 or Paragraph a) of Subsection (5) of Section 44 related to the transaction;

k) \* if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F, in the case of non-interest market value (fair value) hedges, the amount of deferrals shown according to Paragraph c) of Subsection (5) of Section 32 on the basis of the fair value or intrinsic value thereof in effect on the balance sheet date, and the termination of the deferrals thus shown in the previous periods, and in the case of non-interest other cash flow hedges the amount deferred under Paragraph e) of Subsection (5) of Section 32 and the termination thereof;

l) fees received for options;

m) \* proceeds received in excess of the book value of purchased receivables shown under current assets;

n) the positive difference between the selling price and the book value of purchased receivables, at the time when sold;

o) \* discounts, which were not invoiced, received in the case when financial settlement is effected within the contractual payment deadline (due date), not to exceed 3 per cent of the consideration fixed in the contract, pending financial settlement;

p) \* in the case of joint activities or joint operation, sums charged in relation to the current year to the parties of joint activities or joint operation to cover common operating expenses (expenditures), and the profit from joint activities or joint operation received (or due) for the current year;

r) in the case of groupings, sums charged to members of the association to cover the operating costs of the current year;

s) \* in the case of valuation at fair value according to Sections 59/A-59/F of derivatives held for trading, the full amount of the positive difference between the market price in effect on the day of

closing the transaction and the contract (forward) price if closed before the balance sheet date, and the forecasted amount of the positive difference between the market price in effect on the balance sheet date and the contract (forward) price that has not been financially realized and if not closed before the balance sheet date, including the losses on the hedge referred to in Paragraph f) of Subsection (2) and Paragraph t) of Subsection (3) of Section 85, that is in excess of the gains on the underlying transaction;

t) \* in the case of valuation at fair value according to Sections 59/A-59/F, the losses on hedges other than interest hedges to be deducted from income, if the transaction is closed out by the balance sheet date, and the forecasted losses on market value (fair value) hedges other than interest hedges, showing the negative difference between the market price in effect on the balance sheet date and the contract (forward) price, if the transaction is not closed by the balance sheet date, not to exceed the gains claimed for the hedged transaction for the current year;

u) \* the positive valuation difference of financial instruments shown in the balance sheet as valued at fair value in accordance with Sections 59/A-59/F;

v) \* the positive results of the economic events provided for in Subsections (2), (2a), (3) and (3a) of Section 84, if connected to participations, equity shares shown under current assets;

w) \* if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F, in the case of derivative transactions executed by the disposal of non-financial assets, the difference between the contract price (rate) of the non-financial asset and the market price (rate) in effect at the time of closing the transaction (fair value in effect at the time of closing the transaction), if the market price is lower.

(8) \* The items provided for in Subsection (4) of Section 77 are to be shown under other income from financial transactions, and shall be deferred if connected to participations, equity shares shown under current assets. Such deferred income shall be recognized as other income from financial transactions proportionately to the connected expenditure, at the time it was incurred.

## Section 85

(1) \* The following shall be shown under expenses, losses on participating interests:

a) the negative difference (representing a loss) between the selling price and the book value of equity shares shown under financial investments;

b) in the books of the owner (shareholder) of a business association, the difference between the value of record (book value) of participating interests shown under financial investments, contributed to the business association and the value defined in the instrument of constitution, if the value specified in the instrument of constitution is lower;

c) for the owner (shareholder) of a business association that is terminated without succession (upon conclusion of the liquidation, dissolution or involuntary de-registration procedure), when the resolution therefor becomes operative, the difference between the value of record (book value) of the terminated long-term participations and the value of the assets received in exchange for the long-term participations (equity shares, participating interests, other partnership shares) as specified in the proposal for the distribution of assets and the agreed upon value of the liabilities assumed, if the value of the received assets is lower;

d) for the owner (shareholder) of a business association undergoing transformation, merger, division, the difference between the value of record (book value) of the terminated long-term participations (equity shares, participating interests, other partnership shares) held in the predecessor business association and the cost of participations acquired in the new business association created through transformation, merger, division - consistent with the terminated participations, in the same amount as the own funds shown in the predecessor business association's final inventory of holdings -, if the value of the acquired participation is lower (in the case of separation, the amount of equity as specified in the final inventory of holdings of the business association thus established);

e) for an owner (shareholder) outside the acquiring business association - in the case of the merger of a business association -, the difference between the value of record (book value) of the terminated long-term participations (equity shares, participating interests, other partnership shares) held in the predecessor business association and the value of own funds shown in the predecessor business association's final inventory of holdings (as the cost of participations acquired in the successor business association), if the value of the own funds is lower;

f) for the owner (shareholder) of a business association, when decreasing the subscribed capital of the business association through disinvestment, the difference between the value of record (book value) of the long-term participations (equity shares, participating interests, other partnership shares) withdrawn and the value of the assets received in exchange thereof, if the value of the assets received is lower;

g) the value of record of participations shown under assets transferred without consideration.

(1a) \* The following shall be shown under expenses, losses on financial investments (securities, loans):

a) the selling price of debt securities shown under financial investments, decreased by the interest built into the selling price in the case of interest-bearing securities, or by the interest claimed according to Paragraph d) of Subsection (3) of Section 84 in the case of discount securities, and/or the negative difference between its face value and its book value when sold or redeemed;

b) \* the book value of equity shares shown under financial investments, transferred without consideration, including if missing or destroyed, and the book value of loans shown under financial investments, transferred without consideration, including if cancelled or declared irrecoverable;

c) losses realized as the difference between the net value and the book value of investment units shown under financial investments when sold or when redeemed;

d) in the books of the owner (shareholder) of a business association, the difference between the value of record of equity shares or loans shown under financial investments, contributed to the business association and the value defined in the instrument of constitution, if the value of record is higher;

e) \* the negative margin between the ask price of transferred (assigned) claims shown under financial investments (value acknowledged by the assignee) and their book value, at the time of transfer of the claim.

(2) \* The following shall be shown under interest payable (paid) and similar expenses, irrespective of whether payable to credit institutions, other economic entities or private persons:

a) interest paid or payable (due) on liabilities from loans, credits and from the issue of bonds and debt securities shown under long-term or short-term liabilities and on bills payable, with the exception of interest recognized and included in the cost of the assets;

b) interest paid or payable (due) on subordinated liabilities (subordinated loan capital);

c) \* losses realized as the difference between the net value and the book value of investment units shown under current assets, when sold or redeemed;

d) \* in respect of actual reverse transactions and collateralized repurchase agreements, the interest expense in the difference between the selling price of assets subject to a forward repurchase obligation shown under liabilities and the repurchase price shown under receivables, and in the amount of lending commission on securities borrowed;

e) \* in the case of interest rate swaps, if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F:

ea) if settlement is concluded by the balance sheet date of the financial year, the losses realized on interest rate swaps, and the termination of the deferrals shown under Paragraphs a) and e) of Subsection (5) of Section 32 and Paragraphs a) and e) of Subsection (5) of Section 44,

eb) if settlement is not concluded by the balance sheet date of the financial year, the amount of interest spread payable for the period between the date when the interest rate is fixed for the last time and the balance sheet date, deferred according to Paragraph b) of Subsection (5) of Section 44, and the termination of the deferrals thus shown in the previous periods,

ec) in the case of interest rate swaps, the amount of deferrals shown according to Paragraph c) of Subsection (5) of Section 44 on the basis of the fair value or intrinsic value thereof in effect on the balance sheet date, and the termination of the deferrals thus shown in the previous periods,

ed) in the case of interest rate swaps for cash flow hedging, the amount of deferral under Paragraph e) of Subsection (5) of Section 44;

f) \* in the case of valuation at fair value according to Sections 59/A-59/F, the gains on interest hedges to be deducted from interest charges, if the transaction is closed out by the balance sheet date of the financial year, not to exceed the amount of the hedged transaction, furthermore, the gains on transactions still open on the balance sheet date in the amount determined according to Subsection (5) of Section 59/E if it pertains to a market value (fair value) interest hedge, or in the case of interest rate swaps classified as liquid assets flow interest hedges, the difference based on

the nominal principal between the fixed and the variable interest rates for the current period calculated up to the balance sheet date.

(3) The following shall be shown under other expenses on financial transactions:

a) in respect of the sale of equity securities (including own stocks and shares) shown under current assets, the negative difference between the selling price and the book value of the investment sold (capital loss);

b) the negative difference between the selling price and the book value (capital loss) of debt securities shown under current assets, decreased by the interest built into the selling price in the case of interest-bearing securities, or by the interest claimed according to Paragraph c) of Subsection (5) of Section 84 in the case of discount securities, when sold;

c) the negative difference between the face value and the book value (capital loss) of interest-bearing debt securities shown under current assets, when redeemed;

d) the negative difference between the face value and the book value (capital loss) of discount securities decreased by the interest income recognized according to Paragraph d) of Subsection (3) of Section 84 or Paragraph c) of Subsection (5) of Section 84, when redeemed;

e) in respect of the annual repayment of the principal of debt securities, the negative difference between such principal payment and the portion of the book value determined in relation to the principal payment and the remaining payments including the most recent payment;

f) \* exchange losses upon the conversion of foreign currencies into forint, and the exchange losses financially realized during the financial year in connection with receivables, liabilities denominated in foreign currencies;

g) \* exchange losses on foreign currencies (whether on hand or on account), and on receivables, financial investments, securities and liabilities denominated in foreign currencies and recognized on the aggregate when valued on the balance sheet date in accordance with Subsection (3) of Section 60;

h) from the negative difference between the cost and the face value of debt securities purchased above face value, the portion shown under accrued and deferred assets;

i) the negative difference between the cost and the face value of debt securities purchased above face value in the amount shown under accrued and deferred assets, at the time when terminated;

j) \* if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F and if the transaction was closed by the balance sheet date, the full amount of the negative margin between the market price in effect at the time of closing the derivative transaction - other than interest rate swaps - and the contract (forward) price, including the negative margin from the revaluation - as provided for in Subsection (12) of Section 47 - of assets acquired by derivative forward transactions to fair value on the day of acquisition (purchase), and the termination of the deferrals shown according to Paragraph a) of Subsection (5) of Section 32 or Paragraph a) of Subsection (5) of Section 44 related to the transaction;

k) \* if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F, in the case of derivatives other than interest rate swaps, the amount of deferrals shown according to Paragraph c) of Subsection (5) of Section 44 on the basis of the fair value or intrinsic value thereof in effect on the balance sheet date, and the termination of the deferrals thus shown in the previous periods, and in the case of non-interest other cash flow hedges the amount deferred under Paragraph e) of Subsection (5) of Section 44 and the termination thereof;

l) the fees paid for sale options, the fees paid for buy options not called upon maturity, and the fees paid for called buy options incurred in connection with the purchase of securities for trading purposes, if the latter is not recognized at its original cost pursuant to Subsection (2) of Section 61;

m) \* the book value of purchased receivables shown under current assets, transferred without consideration, including if cancelled or declared irrecoverable, and the book value of equity shares shown under financial investments, transferred without consideration, including if missing or destroyed, and the portion of the book value of a purchased receivable that is not covered by the sum received;

n) \* the negative difference between the selling price and the book value of purchased receivables shown under current assets, when sold;

o) \* discounts, which were not invoiced, provided in the case when financial settlement is effected within the contractual payment deadline (due date), not to exceed 3 per cent of the consideration fixed in the contract, pending financial settlement;

p) \* in the case of joint activities or joint operation, sums provided or payable by the parties of joint activities or joint operation to cover common operating expenses (expenditures) for the current year, and the profit from joint activities or joint operation for the current year conveyed (payable);

r) in the case of groupings, sums paid by the members of the association to cover the operating costs of the current year;

s) \* in the case of valuation at fair value according to Sections 59/A-59/F of derivatives held for trading, the full amount of the negative difference between the market price in effect on the day of closing the transaction and the contract (forward) price if closed before the balance sheet date, and the forecasted amount of the negative difference between the market price in effect on the balance sheet date and the contract (forward) price that has not been financially realized and if not closed before the balance sheet date, including the gains on the hedge referred to in Paragraph g) of Subsection (5) and Paragraph t) of Subsection (7) of Section 84, that is in excess of the gains on the basic transaction;

t) \* in the case of valuation at fair value according to Sections 59/A-59/F, the gains on hedges other than interest hedging to be deducted from expenses, if the transaction is closed out by the balance sheet date, and the forecasted gains on market value (fair value) hedge other than interest hedging, showing the positive difference between the market price in effect on the balance sheet date and the contract (forward) price, if the transaction is not closed by the balance sheet date, not to exceed the losses claimed for the hedged basic transaction for the year in question;

u) \* the negative valuation difference of financial instruments shown in the balance sheet as valued at fair value in accordance with Sections 59/A-59/F;

v) \* the negative results of the economic events provided for in Subsections (1) and (1a) of Section 84, if connected to participations, equity shares and purchased receivables shown under current assets, except for losses realized as the difference between the net asset value and the book value of investment units shown under financial investments when sold or when redeemed, which are to be shown under interest payable and similar expenses;

w) \* if the company does not use the system of fair value accounting provided for in Sections 59/A-59/F, in the case of derivative transactions executed by the disposal of non-financial assets, the difference between the market price of the non-financial asset in effect at the time of closing the transaction and the contract price (rate) (fair value in effect at the time of closing the transaction) accounted under Section 72 Subsection (5), if the market price is higher.

(4) \*

(5) The items listed under other income from financial transactions defined in Subsection (7) of Section 84 shall not be merged with the items of other expenses on financial transactions defined in Subsection (3); these items shall be shown at their gross value, with the exception of the price margins accounted for during valuation on the balance sheet date, which are to be shown on the aggregate.

(6) \* Impairment losses in connection with equity securities, debt securities, bank deposits, long-term loans shall be recognized as impairment of shares, securities, bank deposits, loans, decreased by the previously written off amounts of impairment losses reversed.

Section 86 \*

Section 87

(1) \* Profit before tax comprises the results of operating activities and the income from financial transactions combined.

(2) \* The amount of tax established (declared, levied) as payable on the pre-tax profit for the financial year (such as in particular corporate tax, foreign taxes that may be included therein, and any foreign tax where the income on which it is based is exempt from corporate tax under international agreement), and the amount of simplified entrepreneurial tax or small business tax shall be shown under tax liabilities.

(3) After-tax profit means the difference between profit before tax and tax liabilities.

(4)-(5) \*

## Notes on the Accounts

### Section 88

- (1) The notes on the accounts shall include all quantified data and explanatory information prescribed by this Act, as well as the figures in addition to those contained in the balance sheet and in the profit and loss account, which are necessary for the true and fair demonstration of the company's financial position and performance, and the results of its operation for the owners, investors and creditors. The notes on the accounts shall also contain information - as prescribed by other legislation - relating to any unique or special activities.
  
- (2) In the notes on the accounts the company's financial position and performance shall be assessed for the purposes of a true and fair view, along with the composition of assets and liabilities, the relation between the equity and liabilities, and the trends in liquidity, solvency and profitability.
  
- (3) The key components of the accounting policy and any changes thereof, and the impact of changes on the profit or loss figure shall be separately illustrated in the notes on the accounts.
  
- (4) \* The notes on the accounts shall illustrate the guiding principles applied in the course of compiling the annual account and their main characteristics, the valuation procedures and the method of depreciation as defined in the accounting policy and the frequency with which it is used, explanations for any difference influencing the profit or loss arising from procedures derogating from those applied in the previous year and applied in respect of the individual balance sheet items, as well as the effect thereof on financial position and performance, and on profit or loss.
  
- (4a) \* The amount and nature of individual items of income, expense or expenditure which are of exceptional size or incidence, as specified in the accounting policy, shall be disclosed in the notes on the accounts.
  
- (5) The impact of any major errors discovered by audit on the profit and loss, as well as on the assets and liabilities, which is combined in the balance sheet and the profit and loss account, shall be shown in the notes on the accounts broken down on a yearly basis.
  
- (6) The notes on the accounts shall also contain a liquid assets flow statement containing inter alia the information specified in Schedule No. 7.

(7) \* The notes on the accounts shall contain a proposal for the appropriation of the taxed profit (declaration of dividends).

(8) \* Where a company is subject to statutory audit by virtue of this Act or other relevant legislation,

a) it shall be clearly and expressly indicated in the notes on the accounts, and

b) the notes on the accounts shall contain an indication separately, of the total fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of annual accounts, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services.

(9) \* Where a company is subject to the obligation referred to in Subsection (1) of Section 151, the notes on the accounts shall contain an indication of the particulars of the person - contained in the records referred to in Subsection (3) of Section 151 - to the extent available to the public, who is placed in charge to direct and manage the related accounting services.

(10) \* The notes and explanation to the balance sheet and profit and loss account shall be presented in the order in which items are presented in the balance sheet and in the profit and loss account.

## Section 89

(1) \* The notes on the accounts shall contain:

a) the names and registered offices of all business associations which are subsidiaries of the company to which the notes pertain;

b) the names and registered offices of all business associations which are jointly managed by the company to which the notes pertain and another company;

c) the names and registered offices of all business associations which are associated with the company to which the notes pertain;

separately illustrating the equity and the subscribed capital of such companies, their reserves, the percentage of shareholdings, their results after tax for the last financial year; and furthermore

d) the names and registered offices of all business associations which are independently related to the company to which the notes pertain.

(2) \* The notes on the accounts of private limited-liability companies and limited companies shall contain the name, registered address and voting percentage of the members (shareholders) holding:

a) majority control,

b) qualified majority control,

as provided for by the provisions of the Civil Code governing business associations.

(3) \* The notes on the accounts shall contain the itemized list of the name, registered address, the amount of subscribed capital and voting percentage of all business associations in which the company has:

a) majority control,

b) qualified majority control,

according to the provisions of the Civil Code governing business associations.

(4) The following shall be shown in the notes on the accounts:

a) in the case of business associations, the amount, consolidated by groups, of the remuneration payable for the activities of executive employees, members of the board of directors and members of the supervisory board during the financial year;

b) in the case of business associations, the amount, consolidated by groups, of advance payments and loans paid to executive employees, members of the board of directors and members of the supervisory board, also indicating the rate of interest, all other material conditions, the amounts paid back and the payment terms;

c) the full amounts of pension obligations, consolidated by groups, to former executive employees, members of the board of directors and members of the supervisory board of the business association;

d) the names and addresses of all persons authorized to represent the company, who are required to sign the annual account.

(5) \* The notes on the accounts shall indicate the company's registered address and the link to its official website, if the annual account and the relating annual report are published over the internet as well.

(6) \* The notes on the accounts shall contain transactions with related parties, concerning which this Act contains no specific provisions, if such transactions are material and have not been concluded under normal market conditions, including the amounts of such transactions, the nature of the related party relationship as well as other information about the transactions necessary for an understanding of the financial position of the company. Information about individual transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the company.

Section 89/A \*

The notes on the accounts shall disclose:

a) the name and registered office of the company that draws up the consolidated accounts of the largest body of companies of which the company forms part as a subsidiary company,

b) the name and registered office of the company that draws up the consolidated accounts of the smallest body of companies of which the company forms part as a subsidiary company and which is also included in the body of companies referred to in Paragraph a) above,

c) the place where copies of the consolidated accounts referred to in Paragraphs a) and b) above may be obtained provided that they are available.

## Section 90

(1) The notes on the accounts shall demonstrate the key amounts of:

a) receipts shown under accrued income,

b) deferred expenses,

c) expenses and costs shown under accrued liabilities,

d) deferred income,

and the trend of such over time.

(2) The notes on the accounts shall include the amounts of receivables and liabilities separately for the parent company and for the subsidiary company (companies) under the headings Long-term loans to affiliated companies, Liabilities to affiliated companies, Subordinated liabilities to affiliated companies, Long-term liabilities to affiliated companies, and Short-term liabilities to affiliated companies. (In the case of superior parent company, the parent company - subsidiary company relationship shall be determined from the superior parent company's point of view.)

(3) The following shall be introduced in the notes on the accounts:

a) from among the liabilities entered in the balance sheet, the full amount of the liabilities, the remaining maturity of which is longer than five years; the full amount of liabilities which are secured by a lien, mortgage or similar rights, indicating the type and form of such collateral; and

b) the full amount of any financial liabilities which are of the essence from the point of view of evaluating the financial situation of the company, but are not shown in the balance sheet, in particular future pension and severance pay obligations, and liabilities to affiliated companies;

c) \* the nature and business purpose of the company's off-balance sheet items and off-balance sheet arrangements and the financial impact on the company of those arrangements, concerning which this Act contains no specific provisions, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the company;

d) the tied-up reserves broken down by title.

(4) \* The notes on the accounts shall include:

a) \* an itemized account of contingent liabilities and commitments under off-balance sheet items. They shall be further detailed and broken down by transaction type (according to the subject matter of the transaction): derivative transactions not yet concluded by the balance sheet date, along with the date of maturity and the contracted amounts (contract price, rate), their estimated impact on profit (its fair value, if available), their estimated impact on liquid assets flow - separately showing the impact already applied in the profit or loss of the financial year - and detailed as hedging/non-hedging, stock exchange/OTC transactions;

b) \* the book value and fair value of financial investments valued by the historical cost model if their book value is substantially higher than the fair value, and an explanation for failing to claim impairment loss, including any evidence to support the theory that the book value at least will be recovered;

c) \* the derivatives closed out during the year and their estimated impact on liquid assets flow, separately showing each type of transaction, such as hedging/non-hedging transactions, stock exchange/OTC transactions.

(5) The notes on the accounts shall demonstrate the amount of subordinated assets broken down by title.

(6) \* The notes on the accounts shall contain any changes in the components of equity during the financial year along with the reasons, with special attention to variations in the subscribed capital. It shall also illustrate the percentages of - and any variations in - the capital subscribed by the parent company, by subsidiary company(ies), jointly controlled entities, and by affiliated company(ies).

(7) \* The notes on the accounts shall also disclose information concerning the acquisition of own shares and own partnership shares repurchased. It shall demonstrate the reasons for the acquisition of own shares, the quantity and face value of own shares and own partnership shares, their percentage in the subscribed capital, the amount of consideration paid or received upon the acquisition or alienation of own shares and partnership shares, and the total quantity of the shares and partnership shares of which the company has obtained direct or indirect control during the year and their face value. The notes on the accounts shall disclose the same information as specified above relating to the acquisition of redeemable shares.

(8) \* The notes on the accounts shall also indicate the amount of the provisions created for liabilities to affiliated companies and the appropriation of such provisions broken down by title, in particular the amount of provisions set aside for guarantee commitments made to affiliated companies.

(9) \* In addition to what is contained in Subsection (4), the notes on the accounts shall disclose the following where fair value accounting has been applied in accordance with Sections 59/A-59/F:

a) the conditions when market value (current value) is calculated by the general valuation methods (in particular, the discount factor, estimated dividend ratio, the internal rate of return, the yield actually produced, alternative investment yield);

b) the factors applied to calculate the market value;

c) the magnitude of valuation difference under fair valuation, fluctuations during the year, and the amount claimed in the profit and loss figure or under equity capital;

d) the categories of financial instruments and their fair value;

e) the categories of derivatives, their magnitude (at contract price), maturity, and their forecasted impact on liquid assets flow and on profit or loss (fair value);

f) the efficiency of hedges, indicating the amount dedicated in the profit for the year or in the equity to offset losses (or gains), which amounts thereby are not shown in the balance sheet or in the profit and loss account;

g) fluctuations in the fair value reserve during the year;

h) the impact of switching from historical cost (original cost or purchase price) valuation to fair valuation or from fair valuation to historical cost (original cost or purchase price) valuation on profits for the year, and the method used for rearranging the accounts from the previous financial year's annual account for the purpose of comparison to accommodate the transfer from one system to the other.

#### Section 91 \*

The following information shall be disclosed in the notes on the accounts:

a) \* the average statistical number and wage costs of employees employed in the given year, other employee benefits, in a breakdown of groups of staff, and wage costs broken down according to type;

b) in the case of a public limited company, the number and face value of shares issued, in a breakdown of types of shares (further detailed to indicate those issued in the current year), the number and face value of convertible and equity bonds issued, and the existence of any warrants, options or similar securities or rights, with an indication of their number and the rights they confer;

c) the amounts representing adjustment items in the course of establishing corporate tax as a consequence of valuation; if such an item is of temporary nature, the future effect thereof shall also be indicated;

d) the quantification of the impact of other income and other operating charges, or the income from and the expenses on financial transactions, on corporate tax, which are of an important amount;

e) items connected to capital transactions, or to transformation, merger or division, irrespective of any amount limit.

## Section 92

(1) The notes on the accounts shall contain the opening gross value of intangible assets and tangible assets, any increase or decrease therein, any re-classification, the closing gross value, as well as the opening value of accrued depreciation, any increase or decrease therein in the current year, any re-classification, the closing gross value, showing the amount of depreciation in the current year broken down by balance sheet item.

(2) The depreciation deducted shall be described in the breakdown referred to in Subsection (1), showing separately the sums calculated by ordinary depreciation by the straight-line, degressive and performance-based and other methods, extraordinary depreciation, and the amount of extraordinary depreciation reversed. The reasons for extraordinary depreciation in substantial amounts, and any reversal thereof, shall be illustrated.

(3) \* The notes on the accounts shall show the first deduction of depreciation claimed in connection with the valuation of:

a) financial investments,

b) inventories,

c) securities shown under current assets,

furthermore, any increase or decrease in depreciation in the financial year, the amount of depreciation reversed, and the closing amount of depreciation, broken down by balance sheet item, and, separately for each type of securities, the gross sums of income and expenditure items from the sale, redemption or repurchase of such securities, set-off on a net basis.

(4) \* The notes on the accounts shall contain the book value of derecognized assets and assumed liabilities (including provisions and accrued and deferred items), broken down by balance sheet headings.

## Section 93

(1) The notes on the accounts shall contain:

a) \* the amount of external sales and the amount of import purchases in a breakdown of goods and services exported or imported, showing separately the markets of the European Union and non-Community markets, further broken down by geographical location (geographical separation shall be established by the company taking into consideration the particular characteristics of its operations);

b) \* the total sales revenues broken down by principal activity, if the various activities or services substantially differ from each other.

(2) If any export subsidies apply, the notes on the accounts shall demonstrate the costs directly related to the revenues from external sales to which the subsidies pertain (direct costs, cost of goods sold).

(3) \* The amounts of any non-repayable grant or subsidy - received, disbursed or accounted for - within the framework of any aid scheme shall be illustrated in the notes on the accounts in detail, to include the amount received, the amount used and the amount available (broken down by title and year). Aid scheme shall mean when grant or subsidy is received from agencies of central or local authorities and/or from international agencies, or from another company for maintenance and/or development purposes. The information specified above shall be indicated separately in the notes on the accounts for repayable support received within the framework of any aid scheme (and shown under liabilities). Where prescribed by the relevant legislation, further information shall be supplied in the notes on the accounts to ensure sufficient facilities for the publicity of the utilization of subsidies and funds from the subsystems of the central budget.

(4) The costs of research and experimental development in the current year shall be described in the notes on the accounts.

(5) \* Where a company uses the function of expense method for drawing up the profit and loss account [Paragraph b) of Subsection (1) of Section 71] it shall provide in the notes on the accounts a detailed description of the capitalized value of own performance, a breakdown of costs by type of costs at least in as much detail as corresponding to lines 03-04, 05-07, 10-12, and VI of Schedule No. 2, and with the figures entered in the closed system of double-entry bookkeeping.

(5a) \* Material items of the costs of services received shall be disclosed in the notes on the accounts broken down according to title.

(6) \* The notes on the accounts shall contain the amounts settled with affiliated companies, broken down as parent company/subsidiary company, from accrued income as shown in the profit and loss account under Total sales revenues and Other income - in this order - and under Other income and Income from financial transactions.

#### Section 94

(1) The data shown in detail in accordance with Subsection (1) of Section 92 of tangible assets serving environmental protection purposes directly shall be described in the notes on the accounts.

(2) In the notes on the accounts the quantity and value figures of the opening and closing inventories of any hazardous waste and pollutants, and any increase and decrease in the quantity and value of hazardous waste and pollutants in the current year shall be described by the hazard classifications defined in accordance with the relevant legislation.

(3) The amount of provisions formed in the current year and in the previous financial year for the purpose of covering environmental protection obligations and future expenses related to environmental commitments, separated by title, the amounts claimed in the current year and in the previous financial year as environmental protection costs, as well as the expected amount of environmental damages and liabilities not included in the balance sheet shall be described in the notes on the accounts.

#### Section 94/A \*

The notes on the accounts shall contain the essential details of foreign establishments separately, such as in particular their name and address, the host country, the value of operating assets provided and made available permanently, the accounts receivable and payable in connection with their operations, as well as the profit or loss after taxes and the amounts of taxes paid in that country.

#### Annual Report

#### Section 95 \*

(1) The purpose of the annual report is to demonstrate the financial position and performance, the course of business of the company - including the key risk factors and uncertainties imminent in the company's activities - through evaluating the figures contained in the annual account in a manner that provides a true and fair view, reflecting the actual circumstances on the basis of facts from the past and of estimated future data.

(2) The annual report shall contain an exhaustive analysis of the company's performance and any improvement in business trends, consistent with the company's size and structure.

(3) The analysis referred to in Subsection (2) shall contain financial indicators to the extent necessary for the assessment of the company's development, performance or situation, and where necessary, all non-financial indicators of key importance which are of the essence in terms of the company's business operations.

(4) The following shall be described in the annual report:

a) any significant events and particularly important developments which took place following the balance sheet date;

b) expected development (in line with the development of the business environment, known or anticipated, and with the proposed impact of internal policies);

c) the area of research and experimental development;

d) \* the business premises, branches;

e) the company's employment policy.

(5) The annual report shall contain a separate explanation of:

a) any effect of environmental considerations on the company's financial standing, and the company's environment-related commitments and responsibilities;

b) environmental protection related projects, completed and anticipated, and any aid in connection therewith;

c) the company's policy in terms of the means of environmental protection;

d) measures taken for the protection of the environment and their implementation.

(6) The annual report shall illustrate:

a) the utilization of financial instruments (held for investment or trading, their classification for the purposes of valuation when using fair value accounting, derivatives held for hedging or otherwise) if it has a significant impact on the company's financial position;

b) the risk management policy and the hedging policy;

c) the price, credit, interest, liquidity and liquid assets flow exposures (in numbers).

(7) The annual report shall, if and where necessary, make reference to data contained in the annual account and shall provide further explanation where required.

(8) The annual report shall be prepared in the Hungarian language, and shall be signed by the company's authorized representative, with the place and date indicated.

Section 95/A \*

The companies whose issued securities carrying voting rights in accordance with Point 3 of Subsection (6) of Section 3 (hereinafter referred to as "issued securities") are admitted to trading on a recognized (regulated) market (exchange) of any Member State of the European Union, shall demonstrate in its annual report:

a) the structure of subscribed capital, including those issued securities which are not admitted to trading on a recognized (regulated) market (exchange) in any Member State of the European Union, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;

b) any restrictions concerning the transfer of issued securities comprising the subscribed capital (including any restrictions relating to the acquisition of these securities, or if acquisition is made subject to the consent of the company or other holders of issued securities);

c) the investors with any significant - direct or indirect - holdings in the company's capital (including shareholdings through pyramid structures and cross-shareholdings), including where the holdings of such investors is effected by means of certificates representing shares;

d) the holders of any issued securities with special control rights and a description of those rights;

e) the system of control of any employee share scheme where the control rights are not exercised directly by the employees;

f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities;

g) any agreements between shareholders which are known to the company and may result in restrictions on the transfer of issued securities and/or voting rights;

h) the rules governing the appointment and replacement of executive officers and the amendment of the articles of association;

i) the powers of executive officers, and in particular the power to issue or buy back shares;

j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof,

except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is not obliged to disclose such information on the basis of other legal requirements;

k) any agreements between the company and its executive officers or employees providing for compensation if they resign or are made redundant without valid reason, or if the employment of executive officers or employees is terminated unlawfully or if their employment ceases because of a takeover bid.

#### Section 95/B \*

(1) A company whose transferable securities are admitted to trading on a regulated market of any Member State of the European Economic Area shall include a corporate governance statement in its annual report.

(2) The corporate governance statement shall contain at least the following information:

a) a reference to the corporate governance code to which the company is subject by virtue of statutory provision, and/or the corporate governance code which the company may have voluntarily decided to apply, indicating where the relevant texts are publicly available;

b) a reference to all relevant information about the corporate governance practices applied beyond the requirements under national law;

c) to the extent to which a company, in accordance with the relevant regulations, departs from a code referred to under Paragraph a), an explanation as to which parts of the corporate governance code it departs from and the reasons for doing so;

d) where the company has decided not to apply any provision of corporate governance code referred to under Paragraph a), it shall explain its reasons for doing so;

e) a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process;

f) the information required by Paragraphs c), d), f), h) and i) of Section 95/A, where the company is subject to Section 95/A;

g) the composition and operation of the supreme administrative, management and supervisory bodies and their committees;

h) \* a description of the diversity policy applied in relation to the company's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case.

(3) \* The company shall make available a description of the corporate governance practices applied in accordance with Paragraph b) of Subsection (2) to the public. The company shall have the option to demonstrate said description in the annual report, or in a document on the company's webpage with reference in the annual report.

Non-financial Statement \*

Section 95/C \*

(1) Large companies which are public-interest entities where:

a) on the balance sheet date in the previous two consecutive financial years either two of the following three indices exceed the limit indicated below:

aa) the balance sheet total exceeds 6,000 million forints,

ab) the annual net turnover exceeds 12,000 million forints,

ac) the average number of employees in the financial year exceeds 250 persons; and

b) the average number of employees in the given financial year exceeds 500 persons;

shall publish a non-financial statement containing information to the extent necessary for an understanding of the company's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.

(2) The non-financial statement referred to in Subsection (1) shall at least contain:

a) a brief description of the company's business model;

b) a description of the policies pursued by the company in relation to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including due diligence processes implemented;

c) the outcome of the policies provided for in Paragraph b);

d) a description of the principal risks related to those matters linked to the company's operations including, in particular, its business relationships, products or services in relation to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, which are likely to cause adverse impacts in those areas, and a description as to how the company manages those risks;

e) non-financial key performance indicators relevant to the particular business.

(3) Where the company does not pursue either of the policies referred to in Paragraph b) of Subsection (2), it shall provide a clear and reasoned explanation for not doing so.

(4) Information relating to impending developments or matters in the course of negotiation may be omitted where, in the duly justified opinion of the members of the administrative, management and supervisory bodies the disclosure of such information would be seriously prejudicial to the commercial position of the company, provided that such omission does not prevent a fair and balanced understanding of the company's development, performance, position and impact of its activity.

(5) A company which is a subsidiary company shall be exempted from the obligation set out in Subsection (1) if the consolidated non-financial statement of the annual report drawn up in accordance with Subsection (5) of Section 134 contains the information provided for in Subsection (2) relating to that company.

## Chapter IV

### SIMPLIFIED ANNUAL ACCOUNT

#### Section 96

(1) \* The simplified annual account consists of the balance sheet defined under Subsections (2)-(4), the profit and loss account and the notes on the accounts. An annual report is not required to be attached with a simplified annual account. In drawing up the simplified annual account, the provisions on annual accounts shall apply subject to the exceptions set out in this Chapter.

(2) The balance sheet filed with the simplified annual account consists of the items of the balance sheet selected by the company (version "A" or "B" in Schedule No. 1) marked by block letters and Roman numerals.

(3) \* The profit and loss account filed with the simplified annual account consists of the items of the profit and loss account chosen by the company (Schedules Nos. 2 and 3) marked by block letters and Roman numerals.

(3a) \* The items combined in the application of Subsections (2) and (3), that are preceded by Arabic numerals are to be shown separately in the notes on the accounts where they are considered material.

(4) \* The notes on the accounts of the simplified annual account need not contain the information provided for in Subsections (4), (4a) and (5) of Section 88, Paragraph b) of Subsection (4) of Section 89, Subsection (6) of Section 89, Subsection (2) of Section 90, Paragraphs a)-c) of Subsection (3) of Section 90, Subsection (7) of Section 90 and Paragraphs a)-e) and g) of Subsection (9) of Section 90. Of the data provided for in Paragraph a) of Section 91 only the average statistical number of employees employed in the current year shall be disclosed.

(4a) \* Where a company reporting by way of simplified annual account exercises the option provided for in Subsection (3) of Section 57, the data specified in Subsection (1) of Section 58 and Subsection (1) of Section 59 shall be disclosed in the notes on the accounts.

(5) \* It is not necessary to indicate in the notes on the accounts of the simplified annual account the total fees charged by the statutory auditor or audit firm under the titles described in Paragraph b) of Subsection (8) of Section 88 if they are broken down by title, and if the company provides detailed information on such fees to the authority in charge of the public oversight of auditors when so requested.

(6) \*

#### Section 97

(1) \* If a company filing a simplified annual account exceeds the limit of any two of the three indices described under Subsection (2) of Section 9 in two consecutive financial years, such company shall be required to file an annual account as of the year following the second financial year.

(2) \* If a company filing an annual account drops below the limit of any two of the three indices described under Subsection (2) of Section 9 in two consecutive financial years, such company may switch to a simplified annual account as of the year following the second financial year.

#### Section 98

(1) In the simplified annual account:

a) the reversal defined under Subsection (2) of Section 57 is not compulsory;

b) \* by way of derogation from Subsection (1) of Section 66, self-constructed assets may be evaluated with sale prices decreased by estimated future costs and by calculated profit margins, and contingent costs can also be determined as a percentage of the current stage of completion;

c) \*

d) \* it is not mandatory to apply the provisions contained in Subsection (8) of Section 25 and in Subsection (3) of Section 45.

Section 98/A \*

Chapter V

SIMPLIFIED REPORT

General Provisions

Section 99

(1) \* A company keeping single-entry books shall prepare a simplified report in respect of the financial year, with the accounting date of 31 December. A company keeping single-entry books may not apply the provisions laid down in Subsections (2)-(3) of Section 11.

(2) The simplified report consists of the simplified balance sheet shown in Schedule No. 4 and the profit and loss statement shown in Schedule No. 5. The items of the simplified balance sheet and of the profit and loss statement may be further itemized.

(3) The simplified balance sheet and the profit and loss statement shall be prepared in the sequence of items prescribed in this Act, shall be supported by certificates, shall be based on the data of the properly maintained single-entry books (liquid assets flow books, analytic registers on assets and liabilities, inventory lists), and shall be prepared in a clear and concise form.

(4) The simplified balance sheet and the profit and loss statement shall be drawn up in the Hungarian language, and data shall be provided in units of 1,000 forints.

(5) \* The simplified balance sheet and the profit and loss statement shall be signed by the person authorized to represent the company, indicating the place and date thereof.

(6) \* In the simplified balance sheet and in the profit and loss statement, the corresponding figures of the previous financial year shall be indicated in respect of each item. If an audit has identified any major error(s) - as described in Point 3 of Subsection (3) of Section 3 and by the conditions laid down in the company's accounting policy according to Subsection (4) of Section 14 - in the simplified balance sheet and profit and loss statement of (the) previous financial year(s), any modifications pertaining to the financial year shall be shown at each item of the simplified balance sheet and the profit and loss statement next to the data of the previous year. Accordingly, the data of the previous

year, the modifications relating to closed year(s), and the data of the current year shall be indicated in separate columns in both the simplified balance sheet and the profit and loss statement.

(7) In the simplified balance sheet and profit and loss statement of consecutive financial years, comparability shall be provided for by the consistency of the structure, breakdown and contents, as well as that of the principles and procedures applied in respect of the valuation of items in the simplified balance sheet.

#### Section 100

(1) \* A company filing a simplified report shall, by way of derogation from the provisions contained in Subsections (2) and (7) of Section 15, enter the revenues and other income and the costs and expenses, with the exception of depreciation write-offs and impairment losses, and the other expenses in the books at the date of the actual receipt and payment of funds or, in respect of Subsection (2), when settlement is effected by means other than money.

(2) Other means of payment of consideration (including bills of exchange) shall be recorded in the period of performance. Such transactions shall be shown at their gross value, according to their true content.

(3) \* The simplified balance sheet shall contain, as at December 31, all of the company's assets and their sources, registered by value in the inventory, while the profit and loss statement shall contain the definitive (non-repayable) proceeds from and the definitive (non-refundable) expenses on operations during the financial year, as well as the gross values of corrections determined by the valuation of assets and liabilities on balance sheet date, irrespective of whether or not any money exchanged hands upon performance of the transactions.

#### Prescribed Breakdown and Contents of the Simplified Balance Sheet

#### Section 101

(1) The contents of the various items in the simplified balance sheet, in consideration of Subsection (2), is identical as to the breakdown of version "A" shown in Schedule No. 1.

(2) In respect of the various items, the provisions of Sections 23-31 and Sections 35-43 shall apply, with the exception that the provisions pertaining to the capitalization of formation/restructuring expenses, to the adjustments of the value of fixed assets and - in that context - to the valuation reserve, to the special provisions defined under Subsections (4)-(6) of Section 41, to the

appropriation of retained earnings pursuant to Paragraph d) of Subsection (2) and Subsection (6) of Section 37, furthermore, the provisions laid down in the aforementioned Sections pertaining to the notes on the accounts may not be applied for the simplified balance sheet.

(3) The total of receivables - payable in the future - and liabilities without any movement of funds, and the total of receivables originating from the transfer of funds and the total of liabilities from the receipt of funds shall be shown separately in the simplified balance sheet effective on the balance sheet date.

(4) \* Loans provided by the company, and advances provided for any purpose other than purchase, and the portion of any tax overpayment that is not transferred to offset liabilities in another type of tax shall be shown in the simplified balance sheet as receivables originating from the transfer of funds.

(5) Receivables from the supply of goods and services (trade debtors) and any aid that was requested legitimately but not yet settled financially by the balance sheet date shall be shown in the simplified balance sheet as receivables without any movement of funds.

(6) The forint value of foreign currencies that are shown separately under receivables in the transaction records shall be shown under liquid assets.

## Section 102

(1) \* By way of derogation from the provisions of Subsection (2) of Section 35, equity consists of the subscribed capital, capital reserve, retained earnings, tied-up reserves and the results after tax. Equity shall not include the reserves defined under Subsections (5)-(6), which are to be financially realized in the future. The reserves tied up according to Section 38 shall be shown in the simplified balance sheet by way of transfer from the capital reserve, or as deducted from the retained earnings shown under equity.

(2) Subscribed capital shall be shown as the total value of liquid assets and non-liquid assets that were physically provided for such purpose by the owners or shareholders and as recognized in the instrument of constitution, in its amendments or in the resolution of the supreme body thereof, effective as of the day when registered by the competent court of registry, where applicable.

(3) \* Retained earnings shall mean the value of the assets shown in the simplified balance sheet, reduced by any provisions and liabilities, as well as by the subscribed capital, the capital reserve, tied-up reserves, the results after tax, and by the reserve defined under Subsections (5)-(6).

(4) \* The results after tax of the simplified account is defined as the aggregate amount of the taxable income from operations for the financial year and the definitive amount resulting from changes in assets, which do not involve the transfer or receipt of funds, during the same period, decreased by value adjustments (depreciation write-offs, impairment losses, changes in inventory), and by the tax liabilities, where the resulting amount is retained by the company, or as the decrease in equity, which is to correspond with the amount shown in the profit and loss statement.

(5) The reserve shown in the simplified balance sheet illustrates future development in holdings before taxation, which reflects the difference between the assets and liabilities shown in the balance sheet, which result in earnings or expenses - before taxes - for future financial settlement.

(6) \* The difference (which may also be negative) between:

a) the aggregate amount of any self-constructed assets entered on the asset side in the simplified balance sheet, the amount of trade receivables excluding any value added tax, any aid that was requested legitimately but not yet settled financially by the balance sheet date, and - if Subsection (3) of Section 106 applies - the gains on receivables originating from the transfer of funds and on liabilities from the receipt of funds that cannot yet be accounted as income, and

b) the total amount of payables to suppliers shown on the liabilities side in the simplified balance sheet, excluding any deductible value added tax, and not related to the closing balance of the inventories purchased or to purchases of intangible or tangible assets, furthermore, the provisions specified in Subsection (1) of Section 103 and, of the short-term liabilities defined in Subsection (2) of Section 103, the aggregate amount of liabilities which represent future expenses when settled,

shall be recognized as reserve.

## Section 103

(1) The provisions defined in Subsections (1)-(2) of Section 41 shall only be shown in the simplified balance sheet, and must not be entered in the books.

(2) The liabilities acknowledged and not entered in the financial records shall be shown in the simplified balance sheet under short-term liabilities without any movements of funds:

a) \* accounts payable to suppliers;

b) the amount of any dividends (profit-sharing) due (payable) to the owners;

c) \* the amount of liabilities not arising from the purchase of goods or services, or from credits or loans borrowed, which are charged to the period under review (wages paid for the month of December, social contribution tax, other); furthermore

d) the amount of any tax liabilities accounted for the financial year with central or local authorities (declared) but not yet settled financially until the balance sheet date.

(3) Any balance of value added tax that is payable but not yet settled with the central budget shall be shown under liabilities or receivables without any movement of funds, regardless of whether it was not yet required to be declared pursuant to the relevant legislation, or it was declared but not settled financially by the balance sheet date.

(4) \* If, on the basis of the relevant legislation or intergovernmental agreement, a company receives any non-repayable financial support, then the sum received shall be entered in the financial records under liabilities. The ensuing liabilities shall be transferred under other taxable income at the time and in the amount, when and in which amount expenses (production or administration costs or depreciation) are claimed in connection with the spending of the sum received (credited). Should the supported objective not have been realized by the deadline prescribed in the financing document, but the sum received is not to be repaid, the sum shown under liabilities shall be recognized as other taxable income and thus removed from liabilities at the expiration of such deadline. The sum recognized as other taxable income shall be shown in the profit and loss statement under other taxable income financially settled.

## Valuation of Simplified Balance Sheet Items

### Section 104

On general principle, the provisions laid down in Sections 46-68 shall be applied - with the exception of the provisions pertaining to the notes on the accounts - for the valuation of the items of the simplified balance sheet, in accordance with the special provisions set out in Sections 105-106.

## Section 105

(1) In drawing up the simplified report, the depreciation of intangible assets and tangible assets, as well as any impairment losses in financial instruments, securities and receivables originating from the transfer of funds shall be taken into consideration, regardless of whether there is a profit or loss.

(2) The value of receivables (trade debtors) and liabilities (suppliers) related to supplies of goods and services to be shown in the simplified balance sheet shall reflect the amount as estimated for payment based on the information available (not to exceed the amount approved or invoiced). The impairment loss and depreciation of any trade accounts receivable shall not be accounted for as an expense, and the release of any trade accounts payable or the assumption thereof by a third party shall not be accounted for as income.

(3) Re-valuation (reversal) as defined in Subsection (2) of Section 57 shall not be applied to assets to be shown in the simplified balance sheet.

(4) In the simplified balance sheet, self-constructed assets (work in progress, intermediate, semi-finished and finished products, animals for breeding and fattening and other livestock) may also be shown at the sale price, less contingent costs and the calculated profit margin.

(5) The provisions laid down in Subsection (1) of Section 48 governing capitalization of the invoiced costs of any renovation works related to tangible assets, furthermore, the provisions of Subsections (4) and (6) of Section 47, the provisions of Subsection (8) of Section 47 pertaining to interest income and the provisions of Subsection (1) of Section 52 pertaining to residual value shall not be applied when drawing up the simplified balance sheet. The assets referred to in Subsection (4) of Section 50 and negative goodwill shall not be shown in the simplified balance sheet.

(6) The cost of tangible assets and intangible assets shall be decreased by the sums released from trade accounts payable to suppliers of assets in course of construction and other suppliers. In this case the amount of annual depreciation shall be adjusted according to Subsection (3) of Section 53.

(7) The provisions laid down in Subsection (1) of Section 68 shall not be applied.

(8) \* If any material and permanent change occurs in the use of a tangible asset, on account of which the tangible asset is to be transferred and shown under inventories according to Subsection (5) of

Section 23, the amount of depreciation already deducted shall be reversed up to the amount of trade accounts payable not yet settled with suppliers of assets in course of construction and other suppliers. The amount resulting from this adjustment - and shown under depreciation in the profit and loss statement - shall have a negative sign. If the transfer defined under Subsection (5) of Section 23 is from purchased inventories that are already paid for or from self-constructed assets, the cost (not to exceed the market value) of such tangible assets shall be corrected according to Subsection (6) of Section 111.

#### Section 106

(1) In the simplified balance sheet foreign currency receivables and liabilities - irrespective of any movement or non-movement of funds when received or disbursed - shall be shown until their financial settlement at the forint value translated by the exchange rate defined under Subsections (4)-(6) of Section 60 in effect for the day of contractual performance.

(2) In the simplified balance sheet foreign currencies, whether on hand or on account, shall be shown at the forint value translated at the exchange rate defined under Subsections (4)-(6) of Section 60 in effect for the day when it was actually received (credited).

(3) \* The assets and liabilities described under Subsections (1) and (2) shall be re-valued on the balance sheet date, due to any fluctuation in exchange rates, only if such fluctuation is deemed significant on the basis of the company's accounting policy.

#### Simplified Balance Sheet Items Supported by Inventory Count

#### Section 107

The items of the simplified balance sheet shall be supported by inventory. The provisions of Section 69 shall apply to taking such inventory.

#### Prescribed Breakdown and Contents of the Profit and Loss Statement

#### Section 108

(1) \* The profit and loss statement contains the breakdown of the balance sheet total of a company keeping single-entry books, along with any variations in its financial standing during the current year through demonstration of the main factors and components influencing the development or modification of results after tax.

(2) The profit and loss statement shall indicate any change in the financial outcome during the current year, meaning the balance of definitive (non-repayable) proceeds and definitive (non-refundable) expenses, whether subject to taxation or not, while the receipts, expenses and value adjustments that comprise a part of after-tax profit or loss shall be shown separately, in due observation of the true and fair view principle and the principle of prudence, irrespective of any movement or non-movement of funds pursuant to Subsection (2) of Section 100 and Subsection (1) of Section 105.

(3) In the profit and loss statement the income, costs and expenses shall be broken down according to whether the relevant transaction involves any transfer of funds.

### Contents of the Items of the Profit and Loss Statement

#### Section 109

(1) The sums - described under Sections 72-75 - financially settled by the balance sheet date shall be shown under financially settled net sales revenues.

(2) \* The consideration received for sales, exclusive of value added tax, as defined under Sections 72-75 shall be shown as net sales revenues not settled in terms of money, if part or whole of such consideration is settled by means other than money, that is, the buyer satisfies his debt by transferring other assets or by offsetting any of its outstanding obligations in accordance with the relevant provisions of the Civil Code.

(3) Sums subsequently received [whether in money or setoff according to Subsection (2)] for any irrecoverable or doubtful receivable that could not have been claimed previously as an expense item shall be applied as revenue.

(4) \* Other financially settled taxable income shall include other income (Section 77), income from financial transactions (Section 84) which is financially settled by the balance sheet date. Released credit and loan debts or those assumed by a third party during the financial year according to an agreement on cancellation or assumption shall also be shown under this heading (money was received earlier but it is deemed definitive income only when the obligation of repayment ceases).

(5) Non-monetary taxable income shall, in particular, include the following:

a) the amount offsetting in part or in whole the depreciation written off (accumulated) since the commissioning of a new asset from trade accounts payable to suppliers of assets in course of construction and other suppliers, such amounts having been released or assumed by a third party according to an agreement on cancellation or assumption,

b) \* the value received by means other than money that is in excess of the book value of equity securities in connection with the transformation, merger, division or termination of the business association.

(6) Revenues accounted for without any movement of funds and as consistent with the definitive status of the change shall be shown under non-monetary taxable income, including when any sum of depreciation of any outstanding loan or security shown under expenses, or any part of such written off as being irrecoverable is subsequently settled by means other than money.

(7) Non-taxable income shall mean receipts in money and definitive income without any transfer of funds to which no expense applies (tax overpayment refunded or transferred to offset liabilities in another type of tax, money received tax free on the basis of the relevant legislation). The value of assets - as defined in the instrument of constitution, its amendments or in the resolution of the supreme body thereof - contributed by shareholders during the financial year shall also be shown under this heading.

(8) Financial instruments transferred to retained earnings pursuant to the relevant legislation as defined in Paragraph f) of Subsection (1) of Section 37, tax free monetary receipts, and financial instruments transferred from retained earnings pursuant to the relevant legislation as described in Paragraph g) of Subsection (2) of Section 37 shall be shown in the profit and loss statement under other expenses not to be recognized in the income tax return.

#### Section 110

(1) Only amounts paid out during the financial year may be indicated and claimed as expenses.

(2) Changes in assets to be applied as expenses shall include accounts payable settled in other than monetary terms.

(3) Settlements to be applied as expenses shall include depreciation write-offs, impairment losses and any changes in purchased inventories shown in the simplified balance sheet as paid.

## Section 111

(1) The heading “costs of raw materials and goods” shall contain the material costs defined under Section 78 (including assets paid for earlier in money and received to offset an outstanding loan); debts to suppliers unpaid as of the balance sheet date shall not apply here.

(2) Liabilities settled by means other than money in connection with purchased supplies of raw materials and goods and services used shall be shown under non-investment inventories acquired without any movement of funds at the value recorded under accounts payable, irrespective of whether the liabilities related to the acquisition or production of the assets in question are settled or not.

(3) Staff costs shall include the compulsory withholdings from the payments effected during the current year under the titles defined under Section 79 and from the remuneration of natural persons (personal income tax, other deductions) in their gross amounts, not including the sums shown under short-term liabilities according to Subsection (2) of Section 103. In-kind benefits provided to employees or members shall be shown separately in the profit and loss statement.

(4) \* Other production and administration costs and expenses shall include the total amount of other expenses (Section 81), expenses on financial transactions (Section 85) which are paid during the financial year. In the profit and loss statement advance payments on corporate tax and the taxes paid or payable shall not be included here.

(5) Non-monetary expenses shall include:

a) when the value of intangible assets and tangible assets is cancelled from the books in line with reduction in quantity of assets when sold (also if supplied to offset a liability), if provided as a contribution or without compensation, when destroyed or lost, decreased by the value of waste and recycled materials taken on inventory;

b) the value of liabilities settled by the supply of other assets, and resulting in an expense;

c) \* any decrease in the value of shares arising in connection with transformation, merger, division.

(6) Other production and administration costs and expenses shall be decreased - and consequently shown under other expenses - by any amount of money paid or any asset transferred as consideration, accounted for as a material or personnel expense and supported by an invoice during the financial year, which served the production of tangible assets or the creation of intellectual property.

#### Section 112

(1) \* When a company revaluates its foreign currency liabilities and its foreign currency assets, whether on hand or on account in accordance with Subsection (3) of Section 106 on the balance sheet date, the resulting exchange rate differences shall be handled as follows:

a) exchange gains may not be applied as income,

b) receivables originating from the transfer of funds and liabilities from the receipt of funds, and the exchange losses on foreign currencies must be accounted for as a impairment loss.

(2) The difference between the value of record of foreign currency receivables and liabilities and their forint value following conversion, if realized upon settlement shall be shown:

a) under sales revenues, in the case of trade receivables, irrespective of whether the amount is positive or negative;

b) in the case of all other receivables, under taxable income if positive, or under other production and administration costs and expenses if negative;

c) \* under costs of raw materials and goods upon settlement of accounts payable to suppliers, irrespective of whether the amount is positive or negative, or under other expenses until the commissioning of an investment project or first use of any right, and subsequently under other taxable income if there is a gain or under other production or administration costs if there is a loss;

d) in the case of all other liabilities, under taxable income if positive, or under other production and administration costs and expenses if negative;

and shall be shown in the profit and loss statement under the appropriate heading, reflecting whether settlement was effected in money or by other means.

#### Section 113

(1) \* 'Depreciation write-off' shall mean the ordinary or extraordinary depreciation of intangible assets and tangible assets in accordance with Sections 52-53 during the financial year, including the depreciation write-off claimed under Subsection (2) of Section 80.

(2) Expenses resulting from the valuation of financial investments, securities, receivables originating from the transfer of funds and liabilities without any movement of funds on the balance sheet date shall be shown under impairment loss, as well as the financially unrealized exchange losses defined in Paragraph b) of Subsection (1) of Section 112, accounted for as expenses.

(3) \* Variation in purchased and financially settled inventories shall indicate any fluctuation in inventories between the balance sheet date of the current year and that of the previous year which were already recognized under expenses during the financial year or before (paid to suppliers) or recorded in the inventory books according to Paragraph a) of Subsection (5) of Section 111. On general principle, for the purposes of determining the value of any change in purchased and financially settled inventories, they contain items that are not yet paid for (the inventories used contain items that are already paid for and accounted under expenses).

(4) \* Payments on account include the expenditures defined under Sections 47 and 48 for the creation (purchase, production) of tangible assets (and intangible assets) and the amounts defined in due observation of Subsection (5) of Section 105 and Subsection (6) of Section 111.

(5) Other expenses include the definitive cash expenditures from taxed income, which are not recognized as payments on account (not related to credits or loan debts), including any corporate tax (tax advances) whether paid or payable.

#### Section 114 \*

(1) \* Dividend shall mean the sum determined based on the decision on the appropriation of the taxed profit (declaration of dividends) as payable to the economic operator's members, recorded as a decrease in the untied retained earnings supplemented by the previous financial year's after-tax profit. Any interim dividend paid during the year shall be shown under receivables originating from the transfer of funds in the simplified balance sheet.

(2) The untied retained earnings supplemented by the previous financial year's after-tax profit shall be paid out as dividend (profit-sharing) if the amount of equity - decreased by the tied-up reserve, including any unused portion of the grant or subsidy recorded separately pursuant to Subsection (4) of Section 103 - does not drop below the subscribed capital after payment of said dividend (profit-sharing).

#### CHAPTER V/A \*

#### DEROGATING RULES RELATING TO ECONOMIC OPERATORS PREPARING ANNUAL ACCOUNTS IN ACCORDANCE WITH IFRSs \*

#### Interpretative Provisions, Definitions \*

#### Section 114/A \*

For the purposes of this Chapter:

1. 'annual account' shall mean separate financial statements prepared in accordance with IAS 27 - Separate Financial Statements;
2. 'balance sheet' shall mean a statement of financial position defined in accordance with IAS 1 - Presentation of Financial Statements;
3. 'profit and loss account' shall mean a statement of performance in its own right within the comprehensive income statement or a separate profit and loss account;
4. 'notes on the accounts' shall mean notes, comprising a summary of significant accounting policies and other explanatory notes as provided for in IAS 1 - Presentation of Financial Statements;
5. 'statement showing changes in equity' shall mean the part of a complete set of financial statements, as provided in IAS 1 - Presentation of Financial Statements, showing changes in equity separately for the current financial year;
6. 'statement of cash flows' shall mean a statement, as provided in IAS 7 - Statement of Cash Flows, showing historical changes in the economic entity's cash and cash equivalents;

7. 'balance sheet total' shall mean the total value of all assets shown in the statement of financial position provided for in IAS 1 - Presentation of Financial Statements;

8. 'pre-tax profit or loss' shall mean the total amount of gain or loss before tax from activities (ongoing or discontinued) shown in statement of performance in its own right within the comprehensive income statement or in the separate profit and loss account, as provided in IAS 1 - Presentation of Financial Statements;

9. \* 'post-tax profit or loss' shall mean the total amount of net gain or loss after tax from activities (ongoing or discontinued) shown in statement of performance in its own right within the comprehensive income statement or in the separate profit and loss account, as provided in IAS 1 - Presentation of Financial Statements, furthermore, items measured in accordance with this Act through profit or loss, and measured to equity in accordance with IFRSs, such as in particular aid and support, non-reimbursable capital contribution and non-repayable funds received;

10. 'material error' shall mean any material error defined as such in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;

11. 'functional currency' shall mean a currency provided for in IAS 21 - The Effects of Changes in Foreign Exchange Rates that is used in a particular economic environment in which the economic entity operates and that may differ from the presentation currency;

12. 'liabilities' shall mean all liabilities shown in the statement of financial position provided for in IAS 1 - Presentation of Financial Statements, including liabilities arising from deferred income;

13. 'equity under IFRSs' shall mean the sum remaining from the balance sheet total specified in Point 7 after deducting the liabilities provided for in Point 12;

14. 'equity correlation table' shall mean a table showing the presentation of components of equity as provided in Section 114/B within the explanatory notes provided for in IAS 1 - Presentation of Financial Statements;

15. 'equity instrument' shall mean instruments that are classified as equity capital as provided in IAS 32 - Financial Instruments: Presentation and IFRS 2 Share-based Payment, and that represents a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities;

16. 'interim financial statement' shall mean a statement of financial position covering economic events between the day following the balance sheet date of the latest financial year for which a report has been filed as provided in IFRSs and the date of the interim financial statement, prepared in accordance with IAS 34 - Interim Financial Reporting, and the equity correlation table for the date of the interim financial statement;

17. \* 'funds available for the payment of dividends' shall mean a sum determined in accordance with Subsections (3) and (3a) of Section 39, where after-tax profit, tied-up reserve and positive valuation reserve covers the sum provided for in Paragraphs f)-h) of Subsection (4) of Section 114/B, untied retained earnings cover the sum provided for in Paragraph b) of Subsection (5) of Section 114/B, and dividends received (due) before the date when authorized for issue may be taken into consideration as an increment provided for in Subsection (3a) of Section 39.

#### Equity Correlation Table \*

##### Section 114/B \*

(1) Economic entities drawing up annual accounts in accordance with IFRSs shall prepare an equity correlation table with effect on the date of such accounts, presented within explanatory notes.

(2) For the purposes of other legislation, unless that legislation expressly provides otherwise, equity capital and the elements thereof shall be construed as the items shown in the correlation table.

(3) Economic entities are required to prepare the equity correlation table also if subject to special reporting obligation (including the interim financial statement) by law.

(4) The equity correlation table shall contain the opening and closing balances of each element within equity under IFRSs, and in that context the opening and closing balances of the following equity components:

a) equity capital: equity under IFRSs plus supplementary payments received and shown under liabilities in accordance with IFRSs, minus supplementary payments provided and shown under

assets in accordance with IFRSs, including any cash to be transferred to the capital reserve on the basis of legal provisions, and assets received, shown under deferred income, minus any sum of receivables from owners in connection with making capital contribution in the form of equity instrument;

b) subscribed capital under IFRSs: subscribed capital provided for in the instrument of constitution, if classified as an equity instrument;

c) subscribed capital unpaid: part of the subscribed capital under IFRSs that has not yet been paid up and made available for the economic entity;

d) capital reserve: all equity components that are not covered by the definition of subscribed capital under IFRSs, subscribed capital unpaid, retained earnings, revaluation reserve, post-tax profit or loss or tied-up reserve;

e) \* retained earnings: previous years' accumulated results after tax shown in the annual accounts prepared in accordance with IFRSs, not yet distributed among the owners (including the combined total of the earnings retained according to this Act on the balance sheet date of the financial year preceding the year of transition to IFRSs and the after-tax profit adjusted by the effect the transition to IFRSs had on retained earnings), as well as the sums credited or charged directly to such accumulated results in accordance with IFRSs, sums transferred from the subscribed capital or from the capital reserve to cover the losses, any sum transferred from other reserves, as required or permitted by IFRSs. The sum thus received shall be decreased by the supplementary payments shown under assets in accordance with IFRSs, plus any unused portion of the provision for developments with the sum of deferred tax liabilities calculated according to IAS 12 - Income Taxes deducted. Retained earnings may not include other comprehensive income, as provided in IAS 1 - Presentation of Financial Statements, with the exception of value adjustments in respect of transfers;

f) \* revaluation reserve: other comprehensive income shown in the comprehensive income statement provided for in IAS 1 - Presentation of Financial Statements, including other comprehensive income accumulated and from the current year, furthermore, the revaluation reserve from before the date of transition to IFRSs;

g) post-tax profit or loss: as defined in Point 9 of Section 114/A;

h) tied-up reserve: supplementary payments received and shown under liabilities in accordance with IFRSs, plus any unused portion of the provision for developments with the sum of deferred tax liabilities calculated according to IAS 12 - Income Taxes deducted.

(5) In addition to Subsection (4), the equity correlation table shall also contain:

a) a reconciliation of the capital registered by the court of registry with the subscribed capital under IFRSs;

b) \* untied retained earnings available for the payment of dividends, covering retained earnings from the last financial year for which accounts have been adopted comprising post-tax profit or loss of that financial year minus cumulative unrealized gains claimed in connection with any increase in the fair value of investment properties, as provided in IAS 40 - Investment Property, reduced by the cumulative income tax accounted for under IAS 12 - Income Taxes.

(6) \* If the economic entity is involved in joint operation referred to in IFRS 11 - Joint Arrangements that should be shown under shares in accordance with this Act, in the application of Subsections (4) and (5), the opening and closing balances of each component within equity under IFRSs shall be determined as if the entity had not switched to preparing annual accounts in accordance with IFRSs with respect to the accounting treatment of such joint operation.

Transition to Annual Accounts Prepared in Accordance with IFRSs \*

Section 114/C \*

(1) Economic entities wishing to adopt IFRSs in preparing their annual accounts shall possess an audit report in proof of preparedness for transition to IFRSs.

(2) The audit report referred to in Subsection (1) may be issued by a registered statutory auditor or audit firm qualified for the application of IFRS.

(3) Date of transition to annual accounts prepared in accordance with IFRSs is the first day of the financial year for which the first annual accounts are prepared in accordance with IFRSs.

(4) \* Economic entities shall report their transition to IFRSs to the state tax authority at least thirty days before the date of transition. The notification shall be accompanied by the audit report provided for in Subsection (1).

(5) \* Apart from the obligation of notification provided for in Subsection (4), economic entities supervised by the Magyar Nemzeti Bank (National Bank of Hungary) acting within its function as supervisory authority of the financial intermediary system shall report their transition to annual accounts prepared in accordance with IFRSs to the Magyar Nemzeti Bank as well, at least thirty days before the date of transition. The notification shall be accompanied by the audit report provided for in Subsection (1).

(6) In drawing up the audit report referred to in Subsection (1) for verifying the economic entity's preparedness, the registered statutory auditor or audit firm qualified for the application of IFRS shall check whether the economic entity:

a) employs a person with the credentials specified in Subsection (6) of Section 10 for the preparation of annual accounts in accordance with IFRSs;

b) has in place an accounting policy developed and approved in accordance with IFRSs;

c) has an IFRS balance sheet prepared on the first day of the financial year preceding the year of transition.

(7) \* Economic entities drawing up annual accounts on the day of transition in accordance with IFRSs shall, in the first financial year of applying IFRSs, demonstrate in the explanatory notes the publications prescribed in Articles 21 and 24-26 of IFRS 1 - First-time Adoption of International Financial Reporting Standards also if not otherwise falling within the scope of IFRS 1 - First-time Adoption of International Financial Reporting Standards.

(8) \* Economic entities established without predecessor, if drawing up their annual accounts in accordance with IFRSs, shall apply the provisions of this Section with the proviso that they shall comply with the obligations of notification under Subsections (4) and (5) at the latest within ninety days from the date of registration in the company registry, and the condition set out in Paragraph c) of Subsection (6) shall not apply to them.

(9) \* Economic entities whose securities had been authorized during the financial year for trading in the regulated market of any Member State of the European Economic Area shall comply with Paragraph a) of Subsection (2) of Section 9/A from the financial year following the date of said authorization. Such economic entities shall comply with the obligations of notification under Subsections (4) and (5) on the thirtieth day from the date of authorization or the thirtieth day before to the date of transition, whichever occurs later.

Transition (Back) to Annual Accounts Prepared in Accordance with this Act \*

Section 114/D \*

(1) Where an economic entity is not required under Section 9/A to apply IFRSs, it may switch from preparing annual accounts in accordance with IFRSs (back) to annual accounts prepared in accordance with this Act in the following cases:

a) after five financial years for which the accounts have been closed, or

b) in the event of change in the direct or indirect parent company.

(2) Economic entities drawing up annual accounts in accordance with IFRSs shall switch (back) to preparing annual accounts in accordance with this Act,

a) if no longer entitled, or required under Section 9/A to prepare annual accounts in accordance with IFRSs, and

b) if undergoing dissolution, liquidation or involuntary de-registration.

(3) The date of transition (return) referred to in Subsection (1) is the first day of any financial year after the date of occurrence of either of the conditions under Paragraph a) or b).

(4) \* The date of transition (return) referred to in Subsection (2):

a) is the first day of the financial year after the occurrence of the conditions in the case under Paragraph a) of Subsection (2);

b) the date of the opening of dissolution, liquidation or involuntary de-registration proceedings in the case under Paragraph b) of Subsection (2).

(5) On the date of transition (return) an opening balance sheet and an opening inventory shall be prepared. Accounting records for the financial year of transition (return) shall be opened based on the opening balance sheet.

(6) In the case of liquidation, dissolution of a credit institution, financial enterprise the date of transition (return) is the day when the authorization is withdrawn, with the proviso that the credit institution, financial enterprise shall prepare the final statement of accounts dated on the day preceding the date of the opening of liquidation, dissolution, such construed as the balance sheet date.

(7) In the case of transition from preparing annual accounts in accordance with IFRSs (back) to annual accounts prepared in accordance with this Act, assets and liabilities shall be accounted for in the opening balance sheet classified according to this Act, at the book value shown in the balance sheet of the annual accounts prepared in accordance with IFRSs and deposited for the balance sheet date of the financial year prior to the date of transition.

(8) As regards the assets and liabilities provided for in Subsection (7), cost means the book value of assets and liabilities shown in the opening balance sheet, excluding the assets provided for in IAS 38 - Intangible Assets, IAS 16 - Property, Plant and Equipment, IAS 40 - Investment Property and the receivables under IAS 39 - Financial Instruments, where cost means the cost determined in accordance with IFRSs, with the proviso that in the case thereof the difference between the cost determined in accordance with IFRSs and the book value shall be taken into account as depreciation or impairment loss.

(9) In determining the value of assets and liabilities shown in the opening balance sheet mentioned in Subsection (7):

a) the sums specified in Section 36 shall be shown as an increase in capital reserve, along with the following items:

aa) if the revaluation model is used, the depreciated amount of cumulative revaluation difference of tangible and intangible assets recorded and valued in accordance with IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets,

ab) if the fair value model under IAS 40 - Investment Property is used, the gains on the cumulative fair value of investment properties,

ac) the gains on the cumulative fair value of biological assets and agricultural products recognized under IAS 41 - Agriculture;

b) any sum shown under deferred income from cash to be transferred to the capital reserve on the basis of legal provisions, and assets received shall be recognized as an increase in capital reserve;

c) supplementary payments received and shown under liabilities in accordance with IFRSs shall be recognized as an increase in tied-up reserve;

d) supplementary payments provided and shown under assets in accordance with IFRSs shall be recognized as a reduction in retained earnings;

e) items recognized under Point 3 of Subsection (9) of Section 3 as equity instruments, which are classified in whole or in part as liabilities in accordance with IFRSs (including redeemable shares) in the amount exceeding the nominal value shall be recognized as an increase in capital reserve;

f) from receivables from owners in connection with making capital contribution, the sum paid to subscribed capital shall be recognized as an increase in subscribed, unpaid capital, whereas the sum above the nominal value shall be recognized as a reduction in capital reserve;

g) sums of reacquired own shares, partnership shares calculated according to Subsection (10) of Section 35 shall be shown under assets and as an increase in tied-up reserve;

h) only the items provided for in Paragraphs a), b), e) and f) may be shown in the opening balance sheet as capital reserve;

i) only the sums calculated based on the items provided for in Paragraphs c) and g) may be shown in the opening balance sheet as tied-up reserve;

j) only changes in the cumulative fair value of available-for-sale financial assets and cash flow hedging instruments may be shown in the opening balance sheet as revaluation reserve;

k) deferred tax assets or liabilities determined under IAS 12 - Income Taxes shall be derecognized as a reserve component of the capital under which the item in question had originally been recognized. If this cannot be determined, derecognition shall be carried out against the retained earnings;

l) the valuation margin of available-for-sale financial assets and cash flow hedging instruments shall be terminated in accordance with the provisions of this Act on fair valuation;

m) actuarial gains and losses arising in connection with post-employment benefit plans under IAS 19 - Employee Benefits shall be recognized in retained earnings;

n) after the measures provided for in Paragraphs a)-m) are carried out, the amount of opening balance sheet shall be determined in the opening balance sheet where the total of all assets and all liabilities shall be equal;

o) as regards the items classified as liabilities under Sections 42-43, or equity in accordance with IFRSs in whole or in part, such liabilities shall be shown in the opening balance sheet in the amount repayable. The difference between the amount repayable and the book value of the liabilities provided for in IFRSs shall be shown under prepayments and accrued income, and shall be recognized on a time basis as other operating charges against the retained earnings;

p) as regards the items classified as liabilities referred to in Sections 42-43, or financial obligation in its entirety in accordance with IFRSs, Subsection (1) of Section 68 shall apply mutatis mutandis.

(10) In the balance sheet of the financial year following the date of transition (return) from preparing annual accounts in accordance with IFRSs into preparing annual accounts in accordance with this Act, data from the opening balance sheet shall be indicated for the purpose of comparison.

(11) The profit and loss account of the financial year following the date of transition (return) may not contain any data for the purpose of comparison.

(12) The notes on the accounts of the annual account for the financial year following the date of transition (return) shall contain the following:

a) matching the data indicated in the closing balance sheet of the annual accounts prepared in accordance with IFRSs for the last financial year before the date of transition (return) with the opening balance sheet, and a narrative description of major adjustments, and

b) data from the profit and loss account of the annual accounts prepared in accordance with IFRSs for the last financial year before the date of transition (return), and a narrative description of any material differences between the profit and loss account of the annual accounts prepared in accordance with this Act and the annual accounts prepared in accordance with IFRSs.

(13) Having regard to the settlement of any lease agreement, construction contract or contract for sale transaction still pending on the date of transition (return), no modifications are required in the opening balance sheet. Such agreements and contracts shall be settled in accordance with IFRSs after the date of transition (return), until they are terminated.

(14) As regards the derecognition of sums shown in the opening balance sheet as revaluation reserve, Section 59 shall apply.

#### Specific Provisions Relating to Transformation, Merger, Division \*

##### Section 114/E \*

(1) Where a business association preparing annual accounts in accordance with IFRSs is involved in transformation, merger or division, it shall prepare - in accordance with Sections 136-144 - a statement of assets and liabilities for transformation, merger or division based on the valuation principles set out in IFRSs, having regard to Subsections (2)-(9) hereof.

(2) If either of the business associations involved in the merger prepares annual accounts in accordance with this Act and another in accordance with IFRSs:

a) in the case of merger by formation of a new company, the business association pending termination, that prepares annual accounts in accordance with IFRSs, shall switch to preparing annual accounts in accordance with this Act in compiling its statement of assets and liabilities;

b) in the case of merger by acquisition, the business association that prepares its annual accounts in derogation from the acquiring (absorbing) business association, the one pending termination, shall switch to preparing annual accounts in accordance with the method used by the acquiring (absorbing) business association.

(3) The statement of assets and liabilities (draft statement of assets and liabilities and final statement of assets and liabilities) and the inventory of holdings (draft inventory of holdings and final inventory of holdings) shall be prepared according to the regulations on the balance sheet and the underlying inventory of the financial statement described in this Act, having regard to Subsections (4)-(7) and (9)-(10) of Section 136, Subsections (1)-(2) of Section 137, Subsections (1)-(3), (5) and (7) of Section 138, Section 139, Subsection (2) of Section 140, and Subsection (1)-(3) and (8) of Section 141.

(4) If the business association pending termination is required under Paragraphs a) and b) of Subsection (2) hereof to switch to preparing annual accounts in accordance with this Act, it shall determine in the statement of assets and liabilities the book value referred to in Paragraph a) of Subsection (4) of Section 136 in accordance with the transition rules provided for in Subsection (7)-(9) of Section 114/D, and shall enter in the "book value" column of the statement of assets and liabilities the data from the opening balance sheet.

(5) If the business association pending termination is required under Paragraph b) of Subsection (2) hereof to switch to preparing annual accounts in accordance with IFRSs, it shall determine in the statement of assets and liabilities the book value referred to in Paragraph a) of Subsection (4) of Section 136 in accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards.

(6) If the business association undergoing transformation, merger or division prepares its statement of assets and liabilities in accordance with IFRSs, Subsection (8) of Section 136 shall not apply.

(7) As regards the business associations undergoing transformation, merger or division as provided in Subsection (1):

a) Subsection (1) of Section 137 applies if revaluation is permitted by IFRSs;

b) Subsection (2) of Section 137 shall not apply if the revaluation of assets is prescribed by IFRSs;

c) if the business association chooses not to exercise revaluation, or is not permitted to do so, pursuant to Subsection (2) of Section 137, in the draft statement of assets and liabilities the value of equity capital (third column) shall match the book value of equity capital (first column);

d) in the statement of assets and liabilities the revaluation difference shown separately for assets and liabilities shall be recognized in accordance with IFRSs;

e) the differences shown in Subsections (4) and (5) of Section 139 shall be recognized in accordance with IFRSs;

f) the subscribed capital shown in the third column of the draft statement of assets and liabilities of a business association established by way of transformation, merger or division may not exceed the equity provided for in Paragraph a) of Subsection (4) of Section 114/B, increased by the subscribed capital unpaid, and decreased by the envisaged loss of assets calculated according to Subsection (5) of Section 140 and by the tied-up reserve provided for in Paragraph h) of Subsection (4) of Section 114/B;

g) Subsections (4) and (6) of Section 138, Subsections (1), (3), (5) and (7) of Section 140, and Subsections (4)-(5), (7) and (9) of Section 141 shall not apply;

h) the subscribed capital shall be reduced if the amount of equity capital provided for in Paragraph a) of Subsection (4) of Section 114/B shown in the final statement of assets and liabilities of a business association established by way of transformation, merger or division, decreased by the tied-up reserve provided for in Paragraph h) of Subsection (4) of Section 114/B and increased by the subscribed, unpaid capital provided for in Subsection (7) of Section 141, remains below the subscribed capital indicated in the draft statement of assets and liabilities (registered by the court of registry).

(8) In the case of revaluation under Subsection (1) of Section 137, assets and liabilities shall be recognized and measured in the statement of assets and liabilities in accordance with IFRSs.

(9) Where a business association established by separation applies IFRSs, and exercised the option of revaluation provided for in Subsection (1) of Section 137, and in Paragraphs a) and b) of Subsection (7) hereof, it shall record the revaluation difference separately in the “differences” column of the draft statement of assets and liabilities, according to Paragraphs d) and e) of Subsection (7) hereof.

#### Specific Provisions Relating to Dissolution, Liquidation and Involuntary De-registration Proceedings \*

##### Section 114/F \*

If an economic entity drawing up annual accounts in accordance with IFRSs is undergoing dissolution, liquidation or involuntary de-registration, effective as of the date of the opening of dissolution, liquidation or involuntary de-registration proceedings the provisions on preparing annual accounts in accordance with this Act and the procedures of accountancy relating to dissolution and liquidation proceedings shall be applied.

#### Consolidated Annual Accounting Obligation \*

##### Section 114/G \*

(1) If the parent company required to prepare consolidated annual accounts draws up its annual accounts in accordance with IFRSs, it shall prepare its consolidated annual accounts also in accordance with IFRSs.

(2) The parent company’s obligation to prepare consolidated annual accounts under Subsection (1) shall be established in accordance with Sections 115-117.

#### Miscellaneous Special Provisions \*

##### Section 114/H \*

(1) Financial institutions and investment firms, and insurance companies drawing up annual accounts in accordance with IFRSs shall close their assets and liabilities accounts and expense and profit accounts, respectively for the last day of each month and for the last day of each quarter, and shall determine the balance of such accounts in support of the interim reports prepared for the Magyar Nemzeti Bank (National Bank of Hungary) acting within its function as supervisory authority of the financial intermediary system, to prepare ledger statements and summary statements on the off-balance sheet items shown under Section 0 of Accounts - Register Accounts, and shall ensure that the related analytical accounts are available.

(2) Credit institutions drawing up annual accounts in accordance with IFRSs and financial enterprises equivalent to credit institutions under prudential requirements shall be required to measure their

foreign exchange assets and foreign exchange liabilities on the last day of each month and on the balance sheet date by the official exchange rate published by the Magyar Nemzeti Bank for the last day of the month and for the last day of the year, respectively.

(3) Financial enterprises and insurance companies drawing up annual accounts in accordance with IFRSs shall be required to measure their foreign exchange assets and foreign exchange liabilities on the last day of each quarter and on the balance sheet date by the official exchange rate published by the Magyar Nemzeti Bank for the last day of the quarter and for the last day of the year, respectively.

#### Section 114/I \*

(1) Economic operators whose annual accounts and consolidated annual accounts are prepared in accordance with IFRSs shall prepare the explanatory notes to the annual account according to the provisions specified in those IFRSs, with the proviso that such explanatory notes shall inter alia contain - having regard to Subsection (4) of Section 9/A - the data provided for in Subsections (7)-(9) of Section 88, Subsections (2)-(3) of Section 89, Paragraph d) of Subsection (4) of Section 89, Subsection (5) of Section 89, and Subsection (3) of Section 154.

(2) Economic operators whose annual accounts and consolidated annual accounts are prepared in accordance with IFRSs shall also prepare an annual report subject to content requirements provided for in Sections 95-95/C and Section 134.

## Chapter VI

### CONSOLIDATED ANNUAL ACCOUNT

#### Consolidated Annual Accounting Obligation

#### Section 115

(1) For the purposes of dominant influence, the rights - defined under Point 1 of Subsection (2) of Section 3 - due to any of the subsidiaries shall be taken into account in respect of the parent company.

(2) In the course of assessing the obligation of drawing up consolidated annual accounts, the entitlements (rights) referred to in Subsection (1), which are not exercised directly by the parent company or a subsidiary company, but which are exercised by third parties on their own behalf, to the benefit of the parent company or a subsidiary thereof, shall also be recognized in respect of the parent company.

(3) In the course of assessing whether the obligation of drawing up consolidated annual accounts applies, the following entitlements (rights) shall be disregarded:

a) those which are exercised on behalf of others, based on a contract, under delegated powers;

b) those which have been received as collateral, and the rights are exercised in accordance with the instructions of a third party;

c) those which have been transferred to its possession as guarantor, and the rights are exercised in the interest of guarantee.

(4) For the purposes of the establishing the voting ratio described in Paragraphs a) and b) of Point 1 of Subsection (2) of Section 3, the voting rights directly or indirectly due to and which can be exercised by the parent company shall be assessed relative to the total voting rights. In the course of such calculation, any voting rights that may not be exercised on the basis of repurchased own shares or partnership shares, or under the provision of a legal statute, as well as voting rights which are exercised, out of the voting rights of the subsidiary concerned - as a parent company -, by its subsidiary, shall be deducted from the total voting rights.

(5) The establishment of a subsidiary relationship shall be declared by the parent company, which shall, at the same time, notify the subsidiary of this status.

## Section 116

(1) \* A parent company (hereinafter referred to as “exempt parent company”) which is itself a subsidiary of a company (hereinafter referred to as “superior parent company”) is not required to draw up consolidated annual accounts and a consolidated annual report if the superior parent company is established in any Member State of the European Economic Area and prepares and discloses consolidated annual accounts and a consolidated annual report according to this Act or to Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in which the accounts of the exempt parent company and the subsidiaries thereof are also consolidated, and Section 119 does not apply to the exempted parent company, and if: \*

a) the superior parent company holds all of the shares in the exempted parent company (not including the shares acquired by any executive officer or supervisory board member of the exempted

parent company in accordance with the law or the instrument of constitution), or holds ninety per cent or more of the shares in the exempted parent company and the remaining shareholders in or members of that company have approved the exemption; or

b) in cases not mentioned in Paragraph a), the remaining shareholders, or any one of them - who hold(s) 10 per cent or more of the shares in the exempted parent company in the case of public limited companies or European public limited liability companies (or 20 per cent or more in the case of other companies) - did not request the exempt parent company to draw up a consolidated annual account six months prior to the balance sheet date of the exempted parent company's consolidated annual account.

(2) \* A parent company which is itself a subsidiary of a company is not required to prepare consolidated annual accounts and a consolidated annual report if the superior parent company prepares and discloses a consolidated annual account and a consolidated annual report according to this Act or to Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, or according to or in accordance with any other way that is considered equivalent, in which the accounts of the exempt parent company and the subsidiaries thereof are also consolidated, and Section 119 does not apply to the exempt parent company, and if the provisions contained in Paragraphs a) and b) of Subsection (1) are satisfied.

(3) \* Where Subsections (1)-(2) apply, the notes on the accounts to the annual accounts of the exempt parent company shall also contain the following:

a) name and registered office of the superior parent company drawing up the consolidated annual accounts; and

b) reference to whether it has been exempted from the obligation of drawing up consolidated annual accounts in accordance with Subsections (1)-(2).

(4) \* In the application of Subsections (1)-(2), the notes on the accounts filed with the consolidated annual accounts of the exempted parent company shall contain information concerning the fixed assets, the revenues and the after-tax profit for the current year of the exempted parent company and its affiliated companies, as well as their equity and the average number of employees, shown separately for each company.

(5) \* The exemption under Subsections (1)-(2) shall not apply to any parent company that has been authorized to introduce its securities issued in accordance with Points 2-3 of Subsection (6) of Section 3 to the stock exchange for trading, or whose authorization is already in progress.

(6) \* In the application of Subsections (1)-(2) above, the consolidated annual accounts and the consolidated annual report of the superior parent company, including the auditor's report, shall be published in the Hungarian language. Disclosure shall be provided for by the exempted parent company in accordance with Section 154 within sixty days from the time of approval of the consolidated annual accounts of the superior parent company.

#### Section 117

(1) \* The parent company shall not be required to draw up consolidated annual accounts on the financial year if, on the balance sheet date in two consecutive years preceding the current financial year, two of the following three indices do not exceed the following limits:

- a) the balance sheet total does not exceed 6,000 million forints;
- b) the annual net sales revenue does not exceed 12,000 million forints;
- c) the average number of employees in the financial year does not exceed 250 persons.

(2) When determining the indices defined in Subsection (1), the consolidated figures of the parent company, its subsidiary companies and jointly controlled entities, (including those under Section 119) prior to consolidation shall be taken into consideration. The figures of jointly controlled entities shall be taken into consideration in the percentage of equity interest.

(3) If any of the subsidiary companies or jointly controlled entities of the parent company does not have the information defined in Subsection (1) for the financial year preceding the current year, the indices defined in Subsection (1) shall be established based on average figures estimated for the current year.

(4) \* The exemption defined in Subsection (1) shall not apply to parent companies which are credit institutions, insurance companies or financial companies.

(5) \* Subsections (1) and (6) shall not apply if, on the balance sheet date, trading the shares or partnership shares of, or securities issued by the parent company or its subsidiary included in consolidation on the exchange has been authorized, or authorization has already been applied for.

(6) The parent company shall not be required to draw up consolidated annual accounts on the financial year if its subsidiary companies and jointly controlled entities are exempted pursuant to Section 119 and if Subsection (2) of Section 129 applies to its associated companies. In the notes on the accounts of its annual accounts the parent company shall specify the exemption options defined in this Section it has used.

#### Section 118

(1) The parent company, all subsidiaries - with the exception of Section 119 - as well as the jointly controlled entities which satisfy the requirements laid down in Subsection (2) of Section 128 shall be included in drawing up the consolidated annual accounts.

(2) If, upon drawing up the consolidated annual accounts, a substantial change has occurred in the course of the financial year in the composition of the subsidiary companies and jointly controlled entities included in the consolidation by the parent company, data enabling a comparison of the consolidated annual accounts of consecutive years shall be included in the consolidated annual accounts. The requirement of comparability can also be satisfied by adjusting the figures of the previous year's consolidated annual accounts in accordance with such change, or if the changes are illustrated in detail in the notes on the accounts.

(3) \* All subsidiaries, regardless of whether they are included in consolidation, shall deliver to the parent company their financial statements, their consolidated financial statements prepared in their own right and the interim reports defined in Subsection (1) of Section 121, and the auditor's reports if such accounts have already been audited. The parent company may request the subsidiary companies to provide information and explanations for the purposes of the consolidated financial statements.

#### Section 119

(1) It is not required to include the subsidiary company in drawing up the consolidated annual accounts, if

a) the subsidiary concerned can provide the figures necessary for drawing up the consolidated annual accounts only at an unreasonably high cost and with delay, since it has not yet been able to establish its data supply system necessary for that purpose in the year of its inclusion in consolidation for the first time, or has not made up for data missing as a result of vis major; or

b) the share in the subsidiary (shares, partnership shares) has been acquired for the sole purpose of trading and is shown under current assets; or

c) \* substantial and permanent legal restrictions or other circumstances prevent the parent company for a longer period of time from exercising its rights defined in Point 1 of Subsection (2) of Section 3; or

d) the subsidiary was operating as a pre-company upon the balance sheet date of the consolidated annual accounts.

(2) The subsidiary company need not be included in the consolidated annual accounts if the report provides a true and fair view of the financial position and performance of the parent company and other subsidiaries thereof in the absence of such inclusion. Where several subsidiaries meet this condition, it shall be judged collectively whether their exclusion from the consolidated annual accounts distorts the true and fair view of the parent company and other subsidiaries thereof.

(3) The provisions laid down in Subsections (1)-(2) shall apply to jointly controlled entities as well.

(4) Application of Subsections (1)-(3) shall be justified in the consolidated notes on the accounts, if the parent company prepares consolidated annual accounts. If the subsidiary companies and jointly controlled entities are not consolidated by the parent company pursuant to Subsections (1)-(3) and, consequently, the parent company does not prepare consolidated annual accounts, application of the provisions of Subsections (1)-(3) shall be explained in the notes on the accounts.

(5) The provisions of Section 130 shall apply - in due observation of Subsection (2) of Section 129 - when determining the value of the share acquired in a subsidiary company or jointly controlled entity that is not included in consolidation in accordance with Paragraphs a)-c) of Subsection (1) and Subsections (2)-(3).

Formal and Content Requirements for Consolidated Annual Accounts

## Section 120

(1) The consolidated annual accounts shall consist of the consolidated balance sheet, the consolidated profit and loss account, and the consolidated notes on the accounts.

(2) The balance sheet and profit and loss account of the consolidated annual accounts differs from the balance sheet and profit and loss account of the annual accounts in accordance with Schedule No. 6.

(3) The consolidated annual accounts shall be drawn up in a clear and concise form in due observation of the accounting principles, in a manner that provides a true and fair view of the financial position and performance of all companies included in the consolidation.

(4) If the figures contained in the consolidated balance sheet and profit and loss account are not sufficient for providing a true and fair view, or if so justified by special circumstances, the consolidated notes on the accounts shall contain all figures necessary to provide a true and fair view of the financial position and performance, as well as the profit or loss of the companies included in the consolidation.

(5) The financial position and performance of the companies included in the consolidation shall be described in the consolidated annual accounts in such manner as if such companies operated as a single company. In that context, in the consolidated annual accounts any accumulation arising from the relationships between the parent company, its subsidiary companies and jointly controlled entities, and the relationships among the latter shall be eliminated from the value of assets and liabilities, revenues and expenditures (performance and costs), and profits and losses. In the interest of eliminating the accumulations defined under Sections 126-127, the parent company shall have an option in respect of the data and information which are not contained [due to application of Subsection (1) of Section 121] on the whole in the reports included.

(6) The valuation and consolidation methods employed in drawing up the consolidated annual accounts for the previous financial year, or the division and breakdown of the financial report may only be changed in justified cases. Any deviation from the previous financial year shall be listed and justified in the consolidated notes on the accounts, and the effect thereof on the financial position and performance shall be explained.

(7) In the course of the compilation of the consolidated annual accounts, unless otherwise prescribed by other provisions, the provisions contained in Sections 17-95, with due regard to the provisions set forth in Sections 121-134 as well, shall be applied.

(8) \* The parent company governed under Subsections (3)-(5) of Section 20 shall have an option to prepare its consolidated annual accounts in a foreign currency or, according to Subsection (2) of Section 20, in forints.

(9) \* The consolidated balance sheet, the consolidated profit and loss account, and the consolidated notes on the accounts comprising part of the consolidated annual accounts must be signed by the authorized representative of the parent company, with the date and place indicated.

#### Section 121

(1) \* If the balance sheet date of the annual account of a company included in consolidation precedes the balance sheet date of the financial report by more than three months, the company in question shall draw up interim financial reports by the balance sheet date of the financial report, and shall be included in the consolidation based thereon. The subsidiary company and the jointly controlled entity which has operated as a pre-company and is registered before the balance sheet date of the financial report shall also be included on the basis of interim financial reports. The period to which the interim financial reports pertains shall not exceed twelve months.

(2) \* If a consolidated subsidiary company is transformed, merged, divided during the financial year to which the consolidated annual accounts pertain, whereby it is required to draw up final financial reports by the date when the transformation, merger, division is completed, the company in question shall be included in consolidation based on the interim financial reports that contain the data of the predecessor subsidiary company or jointly controlled entity as well.

(3) \* In the case of merger, the obligation to prepare statutory interim financial reports applies if the merged company was considered a subsidiary company or a jointly controlled entity prior to the merger.

#### Section 122

(1) \* In the course of drawing up the consolidated annual accounts, the balance sheets and profit and loss accounts of the parent company and the subsidiaries included in the consolidation shall be summarized.

(2) \* The assets and liabilities and the revenues and expenditures of the subsidiary companies included in consolidation shall be included in the consolidated annual accounts in full, while the

assets and liabilities and the revenues and expenditures of jointly controlled entities included on the basis of equity interest shall be included in the consolidation in the percentage of the equity interest, regardless of whether or not the companies included in the consolidation have taken such into consideration in their financial reports, provided that the parent company is not limited by this Act in inclusion, or the parent company has no option of decision or selection. In the course of drawing up the consolidated annual accounts, the parent company may exercise the option in presenting the balance sheet, and the options of decision or selection provided in this Act even if the companies included in the consolidation have not exercised them, or is not obliged to exercise them even if they have already been exercised by the companies included in the consolidation in their financial reports.

(3) In the course of drawing up the consolidated annual accounts, the following shall be provided for:

a) any adjustments arising from the use of different valuation methods, for assessing the items of the consolidated balance sheet and profit and loss account [that is to say, a standard valuation method shall be employed with regard to Subsections (1)-(2)];

b) conversion of the items of the balance sheets and profit and loss accounts drawn up in a currency other than the currency in which the consolidated annual accounts is prepared;

c) capital consolidation;

d) debt consolidation (eliminating of the receivables and liabilities existing among the companies included in the consolidation);

e) omission of interim results (elimination of any profit or loss items arising from transactions among the companies included in the consolidation which are included in the value of assets);

f) consolidation of revenues and expenditures (eliminating any revenues and expenditures arising from transactions among the companies included in the consolidation);

g) capital consolidation of associated companies;

h) establishing the tax difference due to consolidation.

(4) The annual balance sheets and profit and loss accounts of the parent company and the subsidiaries included in the consolidation shall be summarized (following performance of any adjustments arising from the different methods of valuation, and conversion into forints, in accordance with Section 123) in a preliminary balance sheet and preliminary profit and loss account.

### Section 123

(1) According to Subsection (2) of Section 122, the assets and liabilities to be included in the consolidated balance sheet of a company included in the consolidation shall be evaluated uniformly and in accordance with the valuation rules applicable in the annual balance sheet of the parent company. Where any company that is included in the consolidation deviate from the valuation methods applicable in the annual accounts of the parent company, any differences due to changing over to the valuation methods applicable by the parent company shall also be entered in the preliminary profit and loss account of the company concerned.

(2) \* If the assets and liabilities included in the consolidation have been evaluated by the company included in the consolidation in its financial reports using a method other than that applied by or prescribed in respect of the parent company, then the assets and liabilities evaluated using a different method shall be evaluated in accordance with the methods of the parent company, and such new opening value shall be included in the consolidated financial report.

(3) The valuation defined in Subsection (2) shall be construed as the valuation defined in this Act. Any differences in the valuation methods that may be opted for in accordance with this Act - in due observation of the principle of operating as a single company as defined in Subsection (5) of Section 120 - need not be standardized.

(4) The provision described in Subsection (2) may be disregarded, if the result of valuation is not significant from the point of view of financial position and performance, or if the company included in the consolidation has assets and liabilities which the parent company does not have, and also if the valuation of the assets and liabilities of the company included in the consolidation is based upon the separate provisions of law applying to credit institutions, insurance companies or securities traders.

(5) Any derogation from the provision defined in Subsection (2) shall be described and appropriately justified in the consolidated notes on the accounts.

(6) If Subsection (2) of Section 20 applies to the parent company, the items of the consolidated company's balance sheet drawn up in a foreign currency shall be translated to forints prior to the consolidation according to the following:

a) \* the components of fixed assets and equity, with the exception of the results after tax, at the cost (which, however, may not be higher than the value calculated by the official foreign exchange rate published by the Magyar Nemzeti Bank as of the balance sheet date) - established by the exchange rate defined under Section 60 that was used for the annual accounts of the parent company - as of the date selected in accordance with Subsection (7) of Section 124, while other assets and liabilities, accrued or deferred expenses or income, and the results after tax by the official exchange rate published by the Magyar Nemzeti Bank as of the balance sheet date;

b) all items of the balance sheet by the official exchange rate published by the Magyar Nemzeti Bank as of the balance sheet date.

(7) Any difference arising as a result of the valuation defined in Paragraph a) of Subsection (6) shall be entered in the preliminary balance sheet or the preliminary profit and loss account of the company in question according to the following:

a) if the difference arising as a result of the valuation defined in Paragraph a) of Subsection (6) is other than the amount of the difference established in the previous year under such pretext, the amount of such difference shall be entered in the preliminary profit and loss account of the company in question among other income and other operating charges, as items amending the profit or loss for the year;

b) from the difference arising as a result of the valuation defined in Paragraph a) of Subsection (6), an amount equal to the difference established in the previous year under such pretext shall be shown as a change in (adjustment to) the retained earnings in the preliminary balance sheet of the company in question (in accordance with the direction of such change).

(8) The items of the profit and loss account drawn up in a foreign currency of the company included in the consolidation shall be translated to forints prior to the consolidation according to the following:

a) depreciation, loss in the value of financial investments and current assets, other losses thereof, and material costs at the exchange rate applying to the corresponding balance sheet item;

b) \* the results after tax by the official foreign exchange rate published by the Magyar Nemzeti Bank as of the balance sheet date;

c) all other items through annual consolidation of the monthly values in forints (as at month-end), translated using the exchange rate defined under Section 60 that was used for the annual accounts of the parent company.

(9) The difference arising as a result of the valuation defined in Subsection (8) shall be entered in the preliminary profit and loss account of the company in question among other income and/or other operating charges, as the difference of conversion to forints.

(10) If using the exchange rates defined in Subsections (6) and (8) frustrates the requirement of true and fair view in the consolidated annual accounts, the parent company may use the exchange rates specified in its accounting policy, which differ from those defined in Subsections (6) and (8). The exchange rate used and the reasons for any difference shall be illustrated in the consolidated notes on the accounts.

(11) \* If the financial report of the parent company falls within the scope of Subsections (3)-(5) of Section 20, then the provisions set forth in Subsections (6)-(10) shall be duly applied when determining the reciprocal rates for translating the figures in the financial reports of the companies included in the consolidation.

## Capital Consolidation

### Section 124

(1) The value of the share due to the parent company from the equity of the subsidiary included in the consolidation shall be taken into consideration in the amount of the proprietary ratio of the parent company. Before calculation, the book value of the own shares and own partnership shares repurchased by the subsidiary company shall be deducted from the equity of the subsidiary company. If any impairment loss is claimed for the share in question, and if required for the true and fair view of the consolidated annual accounts, the impairment loss, if it is shown in the profit and loss account, shall be reversed by the impairment loss of the shares, securities and bank deposits, or against retained earnings if it is not shown in the profit and loss account before calculation.

(2) Capital consolidation shall not be applied to the shares and partnership shares of the parent company which are held by the parent company itself or the subsidiary included in the consolidation. Such shares and partnership shares shall be shown in the consolidated balance sheet under own shares and partnership shares separately under current assets.

(3) In determining the proprietary ratio of the parent company, the proprietary ratios of the subsidiary held by another subsidiary included in the consolidation shall also be taken into consideration.

(4) The assets of the subsidiary reduced by the share calculated among the assets and liabilities of the subsidiary shall be transferred from the balance sheet of the subsidiary included in the consolidation to the column of the share due to the parent company and calculated in accordance with Subsection (1) in the consolidated balance sheet, provided that the parent company may recognize such assets in accordance with this Act, and the unique nature of the consolidated annual accounts requires no departures therefrom.

(5) \* When calculating the share due to the parent company in accordance with Subsection (1) from the equity of the subsidiary, the equity of the subsidiary may be established upon involvement in the consolidation for the first time, through one of the following methods [the method so employed and significant changes therein relative to the previous year shall be demonstrated in the consolidated notes on the accounts]:

a) that amount shall be taken into consideration in the calculation which is entered in the preliminary balance sheet of the consolidated annual accounts as the equity of the subsidiary, at book value [which, in the case of Subsections (2)-(4) of Section 123, is the opening value defined therein]; or

b) that amount shall be taken into consideration in the calculation which is the value pertaining to the date of involvement selected in accordance with Subsection (7) (updated value).

(6) If the method defined in Paragraph b) of Subsection (5) is used, the value of equity in respect of the proprietary ratio of the parent company may not exceed the original cost of this share of the parent company following revaluation, that is to say after the updated value is determined.

(7) For the calculation described in Subsection (1) above, the value of comparison may be defined at the date of the acquisition of the share, or when the subsidiary is included in the preparation of the consolidated annual account for the first time. If the shares were acquired at different dates, the

basis of settlement as defined in Subsection (1) may be defined with regard to the value conditions prevailing either at such different dates, or at the date when the company became a subsidiary. The date selected shall be indicated in the consolidated notes on the accounts.

(8) Depending on the decision of the parent company, the difference between the shares of the subsidiary included in the consolidation shown in the books of the parent company and the part of the equity of the subsidiary defined by the methods described in Subsections (5)-(6), in proportion of the proprietary ratio, may be accounted for according to the following:

a) in the case of a positive balance (upon being included in consolidation for the first time, the book value of the share is higher), the value of the assets or liabilities concerned shall be increased by the "hidden" reserves that may be assigned to the individual assets, and by the "hidden" liabilities that may be charged to the individual liabilities, from the amount of the difference, that is, by the difference between the value defined in the period of involvement and the book value; thereafter the amount so remaining shall be shown separately as a capital consolidation difference under assets;

b) in the case of a negative balance (the book value of the share is lower), the value of the assets or liabilities concerned shall be decreased by the "hidden" reserves that may be assigned to the individual assets, and by the "hidden" liabilities that may be assigned to the individual liabilities, from the amount of the difference, that is, by the difference of the value defined in the period of involvement and the book value; thereafter the difference so remaining shall be shown separately as a capital consolidation difference under liabilities;

c) differences of an identical nature (positive or negative balances) arising from the consolidation of several subsidiaries may be consolidated, but the positive and negative balances of capital consolidation differences appearing among assets and liabilities may not be consolidated or offset against one another.

(9) \* The capital consolidation difference shown under assets in accordance with Paragraph a) of Subsection (8) above shall be written off in accordance with the provisions of this Act concerning goodwill.

(10) \* The capital consolidation difference shown under liabilities in accordance with Paragraph b) of Subsection (8) above may only be recognized as profit, if it can be ascertained certain on the consolidated balance sheet date that such difference represents a profit actually realized. This requirement is usually fulfilled, once the subsidiary concerned is excluded (also if by transformation,

merger, division) from the group of consolidated companies, or the asset to which the difference is related is sold to persons not included in the consolidation.

(11) The difference of the share due to the parent company from the equity of the subsidiary in accordance with Subsection (1), at the date of drawing up the consolidated annual accounts, and the share taken into consideration in accordance with Subsection (5) shall be shown in the consolidated balance sheet as an adjustment of equity - that of the subsidiary company.

(12) \* The amount of the share not due to the parent company from the equity of the subsidiary included in the consolidation at the date of drawing up the consolidated annual accounts shall be shown in the consolidated balance sheet as the share of external members (other shareholders), under liabilities, separately within equity.

(13) \* If a business association that is associated with the share of the parent company is transformed, merged, divided, and the share capital has been consolidated in the consolidated annual accounts filed for the previous year(s), the share acquired upon transformation, merger, division shall be deemed a new acquisition for the purposes of capital consolidation.

## Debt Consolidation

### Section 125

(1) Receivables, provisions and liabilities of companies included in consolidation among one another, and the items of accrued or deferred expenses or income shall not be entered in the consolidated balance sheet.

(2) If there is no agreement between the amounts of receivables and liabilities existing on the same grounds and shown in the annual balance sheets of the debtor and the creditor, the difference arising therefrom shall be shown in the consolidated balance sheet according to the following:

a) if the difference deviates from the amount of the difference established in the previous year on the same grounds, the amount of deviation from the amount of the difference shall be shown in the consolidated profit and loss account separately under other income or other operating charges, as an item changing profits;

b) an amount identical to the difference established in the previous year on the same grounds shall be shown in the consolidated balance sheet as changes due to consolidation from the difference of

debt consolidation (in accordance with the sign of such change) as a change in (adjustment to) the equity.

(3) Subsection (1) shall not apply if the items to be eliminated are negligible (not significant) from the point of view of a true and fair view on the financial position and performance of the companies included in the consolidation.

#### Elimination and Exclusion of Interim Results within Companies Included in Consolidation

##### Section 126

(1) The assets originating from supplies of goods and/or services by companies included in the consolidation to one another shall be adjusted to a value in the consolidated balance sheet at which they could have been shown in the annual balance sheets of the companies included in the consolidation in respect of the same balance sheet date, if the companies included in the consolidation had jointly and legally formed one single company (that is to say, their assets should be shown at cost).

(2) If the assets referred to in Subsection (1) are entered in the preliminary balance sheet of the subsidiary at a value other than the cost claimed by the companies included in the consolidation, the difference arising as a fluctuation in assets shall be shown in the consolidated balance sheet according to the following:

a) if the difference deviates from the amount of difference established in the previous financial year under the same title, the amount of deviation from the amount of the difference shall be contained in the consolidated profit and loss account;

b) an amount identical to the difference established in the previous financial year under the same title shall be shown in the consolidated balance sheet as changes due to consolidation from the difference of the interim result (depending on the sign of such change) as a change in (adjustment to) equity.

(3) The provisions of Subsection (1) shall not apply if a separate description of interim results is not important from the point of view of the financial position and performance of the companies included in the consolidation.

#### Consolidation of Expenditures and Revenues

## Section 127

(1) In the consolidated profit and loss account:

a) in respect of revenues, revenues originating from supplies of goods and/or services by companies included in the consolidation to one another, as well as the direct costs falling thereon shall be eliminated. If the consolidated profit and loss account is prepared using the nature of expense method, the direct costs falling on the consolidated revenues need not be eliminated, if such direct costs increase the stock of semi-finished and finished products, or that of capitalized own performance;

b) \* other income not originating from supplies of goods and/or services to one another, income from financial transactions between one another, as well as the expenditures thereof may not be shown in the consolidated profit and loss account.

(2) Sales revenues and revenues, as well as direct costs and expenditures need not be eliminated in accordance with Subsection (1), if they do not represent a significant amount from the point of view of the assessment of the financial position and performance of the companies included in the consolidation.

(3) \*

(4) \* The share of external members (other shareholders) from the profit of subsidiaries after tax shown in the consolidated profit and loss account consists of the share of external members according to their percentage of ownership from the taxed profit of subsidiaries included in the consolidation.

## Consolidation of Jointly Controlled Entities

### Section 128

(1) The assets and liabilities, and revenues and expenditures of jointly controlled entities shall be included in the consolidated annual accounts in the percentage of equity interest held by the parent company.

(2) \* Consolidation by equity interest is permitted, if in the course of drawing up the financial reports of the jointly controlled entity, the valuation rules governing the consolidation have been duly taken

into consideration. If it is not possible to enforce the principle of uniform valuation, the share in the jointly controlled entity shall be included in the consolidation in accordance with the provisions contained in Sections 129 and 130.

(3) The provisions of Sections 124-127 shall also apply to consolidation in proportion to equity interest.

## Consolidation of Associated Companies

### Section 129

(1) Where a company included in consolidation exercises substantial influence on the business and financial decisions of a company mentioned in Point 4 of Subsection (2) of Section 3, such share shall be shown in a separate row in the consolidated balance sheet.

(2) Subsection (1) and Section 130 need not be applied if the share of the associated company is not significant from the perspective of the true and fair view of the financial position and performance of the companies included in the consolidation. \*

### Section 130

(1) Where the share in an associated company is not included in full, it may be shown in the books in accordance with the following methods [the method selected shall be indicated in the consolidated notes on the accounts]:

a) at the book value shown either in the balance sheet of the parent company, or in the balance sheet of the subsidiary included in the consolidation, or

b) at a value pertaining to the proprietary ratio of the company included in the consolidation from the equity of the associated company as of the date described in Subsection (4) of this Section. This amount, however, may not be higher than the cost of the share shown in the books of the company included in the consolidation.

(2) In the event of using the method defined in Paragraph a) of Subsection (1), the amount commensurate for the proprietary share in the equity of the associated company shall be established when the associated company is first included in the consolidation. The difference between the book

value of the share and the amount proportionate to the share of the equity of the associated company shall be shown separately in the consolidated notes on the accounts.

(3) In the event that the method defined in Paragraph b) of Subsection (1) is employed, the difference between the book value of the share and the (proportionate) equity pertaining to the proprietary ratio from the equity of the associated company shall be shown separately under assets, as a capital consolidation difference, and the provisions contained in Subsection (9) of Section 124 shall apply to accounting of the amount of such difference.

(4) The comparison value and the amount of the difference of the share defined in Subsection (1) above may be determined as of the date of the acquisition of the share, or when the associated company is first included in drawing up the consolidated annual account. If the shares were acquired at different dates, the share defined in Subsection (1) may be defined taking into consideration the value conditions prevailing either at such different dates, or at the date of the transformation of the business association into an associated company. The date selected shall be indicated in the consolidated notes on the accounts.

(5) The value of the share (participating interest) in the associated company defined in accordance with Subsection (1) shall be amended in subsequent years:

a) by the amount of the change in the equity of the associated company in the percentage of the share;

b) \* by the amount of the (anticipated) dividend and profit-sharing contained in the decision on the appropriation of the taxed profit (declaration of dividends), and to be received from the associated company (this amount shall be deducted in the following year);

c) \* by the amount of the dividend and profit-sharing from the associated company shown in the decision on the appropriation of the taxed profit (declaration of dividends) but not received by the consolidated balance sheet date (this amount shall be deducted in the following year);

d) by the amount written off of the share and the capital consolidation difference.

(6) \* Where the associated company has used in its financial reports a valuation method other than those described in Section 123, the assets and liabilities valued in a different manner may be

revalued in accordance with the valuation method of the consolidated financial reports, for the purposes defined in Subsections (1)-(5). If, in this case, no revaluation is effected, this fact shall be indicated in the consolidated notes on the accounts.

(7) Section 126 shall duly apply to the elimination of interim results, as long as the required information is available and known. Interim results may be excluded, depending on the equity interest of associated companies.

(8) \* For the purposes of Subsections (1)-(7), in every case the last financial reports of the associated company shall be taken as the basis. If the associated company is liable to draw up consolidated financial reports, and it is available, such consolidated financial reports shall be taken as the basis.

#### Section 131

The share of a company linked by virtue of participating interests, as defined in Point 5 of Subsection (2) of Section 3, with the parent company or a subsidiary included in the consolidation shall be shown in the consolidated balance sheet at the book value contained in the annual balance sheet of the parent company or the subsidiary company included in the consolidation.

#### Corporate Tax Changes Due to Consolidation

##### Section 132

If the annual profit before tax calculated on the basis of the consolidated annual accounts is, as a consequence of the consolidation, lower or higher than the total amount of the profit before tax of the companies included in the consolidation, the amount of the tax difference payable according to the companies included in the consolidation and according to the consolidated profit and loss account which arises from the negative tax base of the companies included in the consolidation, from previous financial years and the consolidation measures taken in the current year, and is expected to be settled in subsequent years, shall be shown under corporate tax difference due to consolidation. If the tax payable according to the profit and loss accounts of the companies included in the consolidation is more than the tax payable according to the consolidated profit and loss account, the difference shall be shown separately in the consolidated balance sheet as tax receivables carried forward, or vice versa, as tax liabilities carried forward. The tax difference shall be entered in a separate row (as a separate item) as corporate tax difference arising from consolidation in the consolidated profit and loss account.

#### Consolidated Notes on the Accounts

##### Section 133

(1) In addition to the provisions specified above, the consolidated notes on the accounts shall contain the following:

a) the balance sheet valuation methods used in the consolidated balance sheet and the consolidated profit and loss account;

b) \* the method used for conversions to forints or to foreign currencies, if the companies included in the consolidation prepared their financial reports in foreign currencies, or if the consolidated financial reports contain items which were not contained in the financial reports of the companies included in the consolidation, and which were originally denominated in foreign currencies;

c) if, compared with the previous financial year, the valuation and consolidation methods have changed, the reasons for such changes and an explanation of the effect thereof on the financial position and performance of the companies included in the consolidation.

(2) In addition to what is contained in Subsection (1), the following shall also be indicated:

a) names and registered offices of the subsidiaries included in the consolidation, the rate and amount of the share of the parent company and other companies included in the consolidation in the subscribed capital of such subsidiaries, and the rate and amount of the share of such subsidiaries in the subscribed capital of any other companies included in the consolidation;

b) names and registered offices of jointly controlled entities, the rate and amount of the share of the parent company and other companies included in the consolidation in the subscribed capital of such jointly controlled entities, and the rate and amount of the share of such jointly controlled entities in the subscribed capital of any other companies included in the consolidation;

c) names and registered offices of associated companies, the rate and amount of the share of the parent company and other companies included in the consolidation in the subscribed capital of such companies, and the rate and amount of the share of such associated companies in the subscribed capital of any other companies included in the consolidation. Application of Subsection (2) of Section 129, shall, at all times, be explained and justified;

d) \* the entitlements defined in Subsections (2) and (3) of Section 115 shall be highlighted separately in respect of Paragraphs a)-c), indicating also the grounds for such entitlements.

(3) The data defined in Subsection (2) above need not be provided, if, due to the provision of such data by the parent company, a subsidiary company or another company indicated in Subsection (2) may incur a detriment as a result of the provision of such data. The reasons for the application of this provision shall be illustrated in the consolidated notes on the accounts.

(4) In addition to the provisions of Subsections (1) and (2), the following data shall also be indicated in the consolidated notes on the accounts:

a) the full amount of liabilities shown in the consolidated balance sheet, the maturity of which is longer than five years, and the full amount of liabilities shown in the consolidated balance sheet which are secured, on the part of the companies included in the consolidation, by a lien or similar rights, indicating the type and form of such collateral;

b) the full amount of any financial liabilities which are of importance from the point of view of evaluating the financial situation, but are not shown in the consolidated balance sheet. Of such liabilities, the amount of liabilities against subsidiaries not fully included in the consolidation shall be entered separately;

c) the average statistical number of employees employed in the current year by the companies included in the consolidated annual accounts, wage costs and other related employee benefits, each in a breakdown of groups of staff;

d) in respect of the parent company, the amount of the remuneration payable in the financial year for the activities of members of the board of directors, executive staff (management), and the supervisory board, including wage costs, other employee benefits, and amounts assumed by the company and so paid for in their stead, consolidated by groups, including also remuneration for activities performed at the subsidiary companies;

e) date, size and maturity of loans and advance payments provided by the parent company and by its subsidiary companies for the members of the parent company's board of directors, executive staff (management) and supervisory board, indicating the rate of interest, all key terms and conditions, the amounts repaid in the current year, and any obligations assumed in the name of persons under guarantee;

f) \* a breakdown of sales revenues by major activity (products and product types typical for the companies included in the consolidation) as well as a breakdown of net external sales according to markets inside and outside the European Union and separated on a geographical basis if the companies included in the consolidation incur no considerable detriment as a result thereof. In this latter case, reference shall be made thereunto;

g) \* the information prescribed under Subsection (7) of Section 90 with respect to the entire company group;

h) \* separately, the total fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of the consolidated accounts, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services;

i) \* nature and business purpose of any items and arrangements that are not included in the consolidated balance sheet and the financial impact on the company of those arrangements, concerning which this Act contains no specific provisions, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the companies included in the consolidation taken as a whole;

j) \* transactions, save for intra-group transactions, entered into by the parent company, or by other companies included in the consolidation, with related parties, concerning which this Act contains no specific provisions, if such transactions are material and have not been concluded under normal market conditions, including the amounts of such transactions, the nature of the related party relationship as well as other information about the transactions necessary for an understanding of the financial position of the companies included in the consolidation taken as a whole. Information about individual transactions may be aggregated according to their nature except where separate information is necessary for an understanding of the effects of related party transactions on the financial position of the companies included in the consolidation taken as a whole.

(5) \* The notes on the accounts shall indicate the face value of all shares and partnership shares held by the parent company that are in the possession of the parent company itself, its subsidiary or a third person who exercises ownership rights in his own name but on behalf of these companies.

(6) \* It is not mandatory to apply the provisions laid down in Paragraphs b) and c) of Section 91 and in Subsection (2) of Section 92 to the consolidated notes on the accounts.

(7) \* Any company that prepares the consolidated annual accounts in accordance with IFRSs pursuant to Subsections (2)-(3) of Section 10 shall:

a) demonstrate in the notes on the accounts of the consolidated annual accounts the procedures for the transfer of basic data in the first financial year of using IFRSs from the consolidated annual account to the balance sheet and profit and loss account prepared in accordance with IFRSs, and the impact it generates on profits;

b) demonstrate in the notes on the accounts or as an independent enclosure for the consolidated annual accounts the key provisions of its accounting policy pertaining to the consolidated annual accounts to be prepared in accordance with international accounting standards, such as:

ba) the components of the consolidated annual accounts;

bb) breakdown of the balance sheet and profit and loss account used in the consolidated annual accounts, and the contents of the items;

bc) the definition of affiliated companies;

bd) the consolidation methods employed;

be) the evaluation methods applied and their conditions;

bf) the provisions selected from the optional features afforded by IFRSs;

bg) the exemptions from consolidation.

Consolidated Annual Report

Section 134

(1) \* The consolidated annual report shall contain the aggregate situation and the course of business of the entire group of companies included in the consolidation - including the key risk factors and uncertainties imminent in the company's activities - in a manner that provides a true and fair view reflecting the actual circumstances.

(2) \* In addition to the information specified in Subsections (2)-(7) of Section 95 and in Sections 95/A-95/B, the consolidated annual report shall also describe the foreseeable development of the companies included in the consolidation.

(3) \* A company included in the consolidation whose transferable securities are admitted to trading on a regulated market of any Member State of the European Economic Area shall include in the consolidated annual report a description of the main features of any existing internal risk management systems and controls in relation to the process for preparing consolidated accounts.

(4) \* The consolidated annual report shall be prepared in Hungarian and must be signed by the authorized representative of the parent company, with the date and place indicated.

(5) \* Public-interest entities which are parent companies drawing up annual accounts on a consolidated basis where:

a) \* on the balance sheet dates of two consecutive financial years before the given financial year, either two of the following three indices exceed the limits indicated below:

aa) the balance sheet total exceeds 6,000 million forints,

ab) the annual net turnover exceeds 12,000 million forints,

ac) the average number of employees in the financial year exceeds 250 persons; and

b) the average number of employees in the given financial year exceeds 500 persons;

shall publish a non-financial statement provided for in Section 95/C in its consolidated annual report relating to companies included in the consolidation.

(6) \* The limit referred to in Subsection (5) hereof shall be determined according to Subsection (2) of Section 117.

Chapter VI/A \*

REPORT ON PAYMENTS TO GOVERNMENTS \*

Section 134/A \*

For the purposes of this Chapter:

1. 'company active in the extractive industry' shall have the same meaning as defined in Point 1 of Article 41 of Directive 2013/34/EU of the European Parliament and of the Council;
2. 'company active in the logging of primary forests' shall have the same meaning as defined in Point 2 of Article 41 of Directive 2013/34/EU of the European Parliament and of the Council;
3. 'government' shall have the same meaning as defined in Point 3 of Article 41 of Directive 2013/34/EU of the European Parliament and of the Council;
4. 'project' shall have the same meaning as defined in Point 4 of Article 41 of Directive 2013/34/EU of the European Parliament and of the Council;
5. 'payment' shall have the same meaning as defined in Point 5 of Article 41 of Directive 2013/34/EU of the European Parliament and of the Council.

Section 134/B \*

(1) Companies active in the extractive industry or the logging of primary forests shall prepare a report on payments made to governments on an annual basis if:

a) on the balance sheet date in two consecutive financial years, either two of the following three indices exceed the following limits:

aa) the balance sheet total exceeds 6,000 million forints;

ab) the annual net sales revenue exceeds 12,000 million forints;

ac) the average number of employees in the financial year exceeds 250 persons; or

b) recognized as a public-interest entity.

(2) The obligation referred to in Subsection (1) shall not apply to any company if:

a) the payments to governments made by the company are included in the consolidated report on payments to governments drawn up by the parent company in accordance with Section 134/C; and

b) the parent company is subject to the laws of a Member State of the European Union.

(3) In preparing a report on payments made to governments any payment, whether made as a single payment or as a series of related payments, need not be taken into account in the report if it is below thirty million forints within a financial year.

(4) The report on payments made to governments shall disclose the following information in relation to activities of companies active in the extractive industry and companies active in the logging of primary forests in respect of the relevant financial year:

a) the total amount of payments made to each government;

b) the total amount per type of payment as specified in Directive 2013/34/EU of the European Parliament and of the Council made to each government; and

c) where those payments have been attributed to a specific project, the total amount per type of payment as specified in Directive 2013/34/EU of the European Parliament and of the Council, made for each such project and the total amount of payments for each such project.

(5) Payments made by the company in respect of obligations imposed at entity level may be disclosed - by way of derogation from Paragraph c) of Subsection (4) - at the entity level rather than at project level.

(6) Where payments are made in kind, the method used for determining value shall be shown in the report on payments made to governments separately.

(6a) \* The disclosure of information relating to the payments referred to in Subsections (4) and (5) shall reflect the substance, rather than the form, of the activity concerned. Payments and activities may not be artificially split or aggregated.

(7) The company is required to deposit and publish the report on payments made to governments in accordance with Sections 153-154/B.

#### Section 134/C \*

(1) Any company active in the extractive industry or the logging of primary forests, that is a parent company, shall draw up a consolidated report on payments to governments on an annual basis if, based on the individual annual account:

a) on the balance sheet date in two consecutive financial years, either two of the following three size-related indices exceed the following limits:

aa) the balance sheet total exceeds 6,000 million forints,

ab) the annual net sales revenue exceeds 12,000 million forints,

ac) the average number of employees in the financial year exceeds 250 persons; or

b) recognized as a public-interest entity.

(2) The provisions on reports on payments made to governments shall also apply to consolidated reports on payments to governments subject to the exceptions set out in Subsections (3)-(7).

(3) In the application of Subsection (1) a parent company is considered to be active in the extractive industry or the logging of primary forests if any of its subsidiary companies are active in the extractive industry or the logging of primary forests. The report provided for in Subsection (1) of such parent company shall only include payments resulting from extractive operations and/or operations relating to the logging of primary forests.

(4) \* The obligation referred to in Subsection (1) shall not apply to any company that is a parent company, if on the balance sheet date in two consecutive financial years, either two of the following three size-related indices shown in the consolidated report does not exceed the following limits:

a) the balance sheet total exceeds 6,000 million forints;

b) the annual net sales revenue exceeds 12,000 million forints;

c) the average number of employees in the financial year exceeds 250 persons;

except if either of its companies included in the consolidation is a public-interest entity.

(5) The obligation provided for in Subsection (1) shall not apply to a company that is a parent company which is also a subsidiary of a parent company that is governed by the law of a Member State of the European Union.

(6) When determining the indices defined in Paragraph a) of Subsection (1) and Paragraphs a) and b) of Subsection (4), the consolidated figures of the parent company, its subsidiary companies and jointly controlled entities (including those under Section 119) prior to consolidation shall be taken into consideration. The particulars of jointly controlled entities shall be taken into consideration in the percentage of equity interest.

(7) A subsidiary need not be included in a consolidated report on payments to governments where:

a) severe long-term restrictions substantially and persistently hinder the parent company in the exercise of its rights provided for in Point 1 of Subsection (2) of Section 3; or

b) the subsidiary concerned can provide the information necessary for the preparation of the consolidated report on payments to governments only at an unreasonably high cost and with delay, since it has not yet been able to establish its data supply system necessary for that purpose in the year of its inclusion in consolidation for the first time, or has not made up for data missing as a result of vis major; or

c) the share in the subsidiary (equity shares, participating interest) are held exclusively with a view to their subsequent resale and is shown under current assets.

## Chapter VII

### SPECIAL REPORTING OBLIGATIONS

#### Pre-Company Period

##### Section 135

(1) Companies established without a predecessor shall prepare a financial statement - in accordance with Subsections (2)-(4) - concerning the pre-company period described under Subsection (5) of Section 11, supported by an accounting system prescribed in this Act.

(2) \* Companies shall discharge the obligation of reporting (financial reporting, publication and disclosure) described in Subsection (1) within ninety days of being registered in the register of companies, or the last day of the third month following the date when their application for registration is rejected by final decision or the company registration procedure is terminated.

(3) \* The period described in Subsection (1) shall be extended insofar as the company registration procedure is in progress, if an application for registration was resubmitted in accordance with the relevant provisions of the Act on Public Company Information, Company Registration and Winding-up Proceedings.

(4) Upon being registered by the court of registry, the opening data on assets and liabilities of the company existing as of the day of registration in the register of companies shall coincide with the closing data on assets and liabilities shown in the financial statement referred to in Subsection (1).

(5) If the company's application for registration is rejected by final decision or by termination of the registration proceeding, settlement with the creditors from the pre-company period shall, in essence, be accomplished following the completion of the financial statement defined in Subsection (1), according to the regulations pertaining to termination without succession, and in due observation of the regulations on voluntary dissolution.

(6) \* No annual account is required on the pre-company period, as a separate financial year, if the company did not commence operations during this period and if registration took place before the balance sheet date of the financial year consistent with the calendar year, or as selected according to Subsection (2) of Section 11. In this case, the financial year shall commence on the day when the instrument of constitution is signed, sealed and notarized and shall end on the balance sheet date of the financial year of the company registered.

Transformation, Merger, Division of Business Associations \*

Statement of Assets and Liabilities, Inventory of Holdings

Section 136

(1) \* During the transformation or fusion (merger, acquisition) or demerger (division, separation) (for the purposes of this Chapter hereinafter referred to collectively as "transformation") of business associations a statement of assets and liabilities shall be prepared for establishing the financial standing (equity capital) of the transforming, merging or demerging (for the purposes of this Chapter hereinafter referred to collectively as "transforming") (predecessor) business associations and of the (successor) business associations established by the transformation. The statement of assets and liabilities shall be supported by an inventory of holdings. The inventory of holdings shall contain an itemized list of the assets and liabilities of the predecessor and the successor business association(s).

(2) \* The statement of assets and liabilities and the inventory of holdings described in Subsection (1) shall be prepared twice during the transformation process; first for the decision on transformation, to be attached for the registration procedure for the balance sheet date specified by the company's supreme body (draft statement of assets and liabilities and draft inventory of holdings), while the second one is for the date of transformation (final statement of assets and liabilities, final inventory of holdings).

(3) \* The statement of assets and liabilities (draft statement of assets and liabilities and final statement of assets and liabilities) and the inventory of holdings (draft inventory of holdings and final inventory of holdings) shall be prepared according to the regulations on the balance sheet and the underlying inventory of the financial statement described in this Act, in accordance with the provisions of Subsections (4)-(9) of this Section and Sections 137-141.

(4) Unless otherwise prescribed by law, the statement of assets and liabilities described in Subsection (3) shall be completed in a three-column formula where:

a) the statement of assets and liabilities of the predecessor business association is to contain the book value, in accordance with Subsection (2) of Section 137 and Subsection (3) of Section 139 - the revaluation difference, and the total of the first two as the appraised asset value;

b) the statement of assets and liabilities of the business association established by way of transformation shall, in accordance with Subsections (6)-(7), include the total holdings of the predecessor business association (assets, liabilities and the equity capital as the differential of the two) [third column of the statement of assets and liabilities described in Paragraph a)], the variations ("differentials") described in Subsections (2)-(5) of Section 139 and the total holdings of the successor business association(s) (assets, liabilities and the equity capital as the differential of the two).

(5) The statement of assets and liabilities described in Paragraph a) of Subsection (4) shall be prepared separately by:

a) the acquired and by the acquiring business association in respect of acquisitions;

b) the merging business associations in respect of mergers.

(6) The statement of assets and liabilities described in Paragraph b) of Subsection (4) shall contain the assets of the predecessor business associations:

a) broken down per the acquired and acquiring business association, and collectively, in respect of acquisitions;

b) broken down per each merging business association, and collectively, in respect of mergers.

(7) In order to establish the total value of the assets and liabilities of business associations established by way of transformation, the statement of assets and liabilities described in Paragraph a) of Subsection (4) shall be itemized as decided by the supreme body of the business association:

a) in the case of separation, to include the statement of assets and liabilities of the remaining business association and the successor business association;

b) in the case of division, to include the statement of assets and liabilities for the new companies created.

(8) \* The book value described in Paragraph a) of Subsection (4) shall be determined in accordance with the regulations pertaining to the financial statement to be filed with the balance sheet of the transforming business association described in this Act, with the exception that no value adjustment or valuation reserve or valuation difference and fair value reserve may be shown in the statement of assets and liabilities, and the results after tax shall be reclassified and shown under profit reserve.

(9) \* The statement of assets and liabilities (both the draft statement of assets and liabilities and the final statement of assets and liabilities) and the underlying inventory of holdings (both the draft inventory of holdings and the final inventory of holdings) shall be reviewed by an auditor. The purpose of the audit is to ascertain that the draft and the final statement of assets and liabilities and the underlying draft and final inventory of holdings has been drawn up in accordance with Sections 136-143. The audited statement of assets and liabilities shall function as the accounting document of the transformation procedure.

(10) \* In the cases of separation by acquisition and division by acquisition the provisions on mergers shall also apply, in addition to the rules of separation and division, as regards the drafting of statement of assets and liabilities and the underlying inventories of holdings.

## Section 137

(1) The business association undergoing transformation may revalue its assets and liabilities (including provisions and accruals and deferred items) recorded by value in its balance sheet (books), while those not recorded in the books by value, which conform to the requirements set forth in

Section 23, and the business association's liabilities may be entered in the statement of assets and liabilities (revaluation of assets).

(2) In the case of merger by acquisition and division, the acquiring business association and the business association continuing operation in the same legal form, respectively, may not revalue the assets and liabilities, and the revaluation of assets defined in Subsection (1) above may not be applied.

(3) In the case of revaluation, assets shall be recorded in the statement of assets and liabilities at market value, while liabilities in the amount approved or estimated.

(4)-(5) \*

#### Draft Statement of Assets and Liabilities of Business Associations Undergoing Transformation

##### Section 138

(1) \* Business associations undergoing transformation shall prepare a draft statement of assets and liabilities for the balance sheet date (which cannot be later than the date of the decision on the transformation) specified by the supreme body of the company. Such draft statement of assets and liabilities shall be supported by a draft inventory of holdings (with the same balance sheet date).

(2) The draft statement of assets and liabilities of business associations undergoing transformation shall contain, relating to the balance sheet date described in Subsection (1), the values of assets and liabilities, and as the difference thereof, the equity capital as shown in the books and in the value adjusted by the revaluation difference according to Section 137.

(3) \* The amounts of revaluation difference shall be recorded in a separate column of the draft statement of assets and liabilities, whereby the third column shall indicate the appraised value of assets and liabilities and the equity capital.

(4) In the draft statement of assets and liabilities of business associations undergoing transformation equity capital shall be adjusted by the consolidated value of revaluation differences recorded separately per assets and liabilities, if:

a) the consolidated revaluation difference is negative (that is to say the assets are depreciated) the difference shall be deducted from the capital reserve up to the positive amount of the capital reserve, and from the retained earnings in excess thereof,

b) the consolidated revaluation difference is positive (that is to say the assets are appreciated), the difference shall be added to the capital reserve.

(5) If the business association to be transformed chooses not to exercise revaluation [or is not permitted to do so pursuant to Subsection (2) of Section 137], in the draft statement of assets and liabilities the value of equity capital (third column) shall equal the book value of equity capital (first column).

(6) In the third column of the draft statement of assets and liabilities of a business association to be transformed only the subscribed capital, capital reserve and retained earnings (the latter also if negative), and tied-up reserve may be included as equity, for which reason the necessary transfers between accounts shall be completed as well.

(7) In respect of the accounting date of the draft statement of assets and liabilities of business associations undergoing transformation the analytical and ledger records shall not be closed; they shall be carried on without interruption.

#### Draft Statement of Assets and Liabilities of Business Associations Established by Way of Transformation

##### Section 139

(1) The entries in the column, containing the assets of the predecessor business association, of the draft statement of assets and liabilities of business associations established by way of transformation shall, in accordance with Subsections (6)-(7) of Section 136, be the same as the entries in the third column of the draft statement of assets and liabilities (Section 138) of business association(s) to be transformed.

(2) The "differences" column of the draft statement of assets and liabilities of business associations established by way of transformation shall contain:

a) the cash and non-monetary (in kind) contributions of new members (shareholders) joining upon transformation, broken down per assets, and, at the same values, the increase in equity capital (subscribed capital, capital reserve) as per the instrument of constitution;

b) the cash and non-monetary (in kind) additional contributions payable by the former members (shareholders) resolved as a condition of transformation, broken down per assets, and, in the same values, the increase in equity capital (subscribed capital, capital reserve) as per the instrument of constitution;

c) the value of assets and liabilities, as recorded in the draft statement of assets and liabilities, to be disbursed to members (shareholders) wishing to withdraw from the company established through transformation, and, at the value of difference of such values, the decrease in equity capital (subscribed capital, capital reserve, retained earnings) as per the instrument of constitution;

d) \* the amount of supplementary cash disbursement payable to the shareholders of the merging or demerging public limited company and concurrently the reduction in the capital reserve and the retained earnings according to the instrument of constitution.

(3) Business associations established by separation, if revaluation was employed, shall record the revaluation difference separately in the “differences” column of the draft statement of assets and liabilities, according to the provisions of Subsection (4) of Section 138.

(4) \* In the case of merger, the value, as indicated in the draft statement of assets and liabilities of the successor business association, of business shares (shares, capital contributions) not to be applied when determining the subscribed capital of the successor business association shall be recorded - having regard to Subsections (4a) and (4b) - in the “differences” column of the draft statement of assets and liabilities of the business association established by way of transformation as a reduction in equity capital (the amount being the same as the face value as a reduction in the subscribed capital, while the difference between the face value and the asset value as indicated in the draft statement of assets and liabilities as a change in the retained earnings). The “differences” column shall also be used for other items not specified by law.

(4a) \* In the case of merger by acquisition, the book value of the share held by the acquiring (absorbing) business association in the acquired (absorbed) business association in the draft statement of assets and liabilities of the successor business association that is in excess of the acquired (absorbed) business association’s equity capital shown in the draft statement of assets and

liabilities provided for in Subsection (3) of Section 137 may be shown under goodwill (with the share held in the acquired business association being derecognized in the same amount), provided that:

a) the cost of the share held in the acquired (absorbed) business association was determined at the time of acquisition by the commercial assessment, income capacity method,

b) the acquired (absorbed) business association exercised the option of revaluation of assets under Section 137 and the goodwill is expected to be recovered in revenues in the future.

The goodwill thus shown in the draft statement of assets and liabilities of the successor business association may not exceed the goodwill included in the cost at the time of the acquisition of a share in the acquired (absorbed) business association.

(4b) \* In the case of merger by formation of a new company, in the draft statement of assets and liabilities of the successor business association, goodwill may be accounted also in the elimination of shares held in the absorbed business association(s) in due observation of the provisions of Subsection (4a).

(5) \* In the case of mergers, the itemized receivables and liabilities, provisions shown in the draft statement of assets and liabilities of the merging (predecessor) business association shall be eliminated in the "differences" column of the draft statement of assets and liabilities of business associations established by way of transformation by reducing the receivables and liabilities, provisions between one another, and the accrued and deferred items, and the equity capital shall be amended by the difference in the values of such receivables and liabilities, provisions and accrued and deferred items (as a change in the capital reserve).

(6) \* The draft statement of assets and liabilities of business association(s) established by way of transformation, closed on the balance sheet date described in Subsection (1) of Section 138, shall be supported by an itemized draft statement of inventory (closed on the same balance sheet date).

## Section 140

(1) Only subscribed capital, capital reserve, retained earnings and tied-up reserve, and only in positive amounts, may be shown under equity capital in the column showing the consolidated assets of the successor business association, of the draft statement of assets and liabilities of a business association established by way of transformation.

(2) Where the parties deviate from the values, calculated in accordance with the previous provisions and in due observation of Subsections (3)-(7), of equity capital components or if deviation is prescribed by law, for the rearrangement of the equity capital, to coincide with the division described in the instrument of constitution, another column ("settlement" column) shall be added to the draft statement of assets and liabilities.

(3) \* In respect of the division of the equity capital into subscribed capital, capital reserve, retained earnings and tied-up reserve in the draft statement of assets and liabilities, the provisions of the Civil Code governing business associations and the provisions of Section 139 and the provisions of Subsections (1)-(2) and (4)-(7) of this Section shall apply, with the exception that the amount of the subscribed capital shall not exceed the amount of the equity capital as reduced by the tied-up reserve.

(4) \*

(5) In the draft statement of assets and liabilities of business associations established by way of transformation, provisions shall be created within the equity capital as a separate account of the retained earnings to cover any losses expected to incur before the day of transformation.

(6) \*

(7) The amount of retained earnings in the draft statement of assets and liabilities of business associations established by way of transformation may only exceed the amount of retained earnings otherwise included in the draft statement of assets and liabilities of a business association to be transformed by the consolidated positive value of the increasing-decreasing items, based on Subsections (1), (3)-(6), or Paragraph a) of Subsection (4) of Section 138 and Subsections (3)-(5) of Section 139, also in observation of the provisions of Subsection (1).

Final Statement of Assets and Liabilities

Section 141

(1) \* A final statement of assets and liabilities and a final inventory of holdings shall be prepared for the day of transformation and deposited with the competent court of registry within ninety days

following the day of transformation, both for the business association to be transformed and for the business association established by way of transformation.

(2) The final statement of assets and liabilities and the final inventory of holdings shall be prepared in accordance with the provisions of Sections 136-140 and 142-143, subject to the exceptions described in Subsections (3)-(4) and (7) of this Section.

(3) \* A business association being dissolved by transformation shall draw up, deposit and publish the annual accounts prescribed in the Accounting Act within ninety days from the date of transformation, for the day of transformation - as the balance sheet date - before completion of the final statement of assets and liabilities, and close out its analytical and ledger accounts. The business association to be transformed, which is not dissolved upon transformation (upon acquisition the acquiring party, and in the case of division the business association continuing operation in the same legal form), shall prepare its final statement of assets and liabilities on the basis of its continuous accounting records, shall not close its analytical and ledger accounts and shall continue to maintain such accounts, and shall settle the assets and liabilities (including provisions and accruals and deferred items) received or transferred, and its equity capital as the difference, within the framework of continuous bookkeeping, as of the date of transformation.

(3a) \* A business association established by way of transformation (excluding the acquiring party in the case of acquisition, and in the case of division the business association continuing operation in the same legal form) shall open its accounting records from the day following the date of transformation on the basis of its final statement of assets and liabilities and final inventory of holdings.

(4) \* The difference between the equity capital shown in the final statement of assets and liabilities of the business association established by way of transformation and the equity capital indicated in the draft statement of assets and liabilities shall be applied to correct the capital reserve, the retained earnings or the tied-up reserve, according to the nature of the change as appropriate. If such correction would render the capital reserve negative, the amount up to the positive amount of the capital reserve or the amount in excess of the capital reserve shall be deducted from the capital reserve and from the retained earnings, respectively.

(5) \* If the amount of equity capital shown in the final statement of assets and liabilities of a business association established by way of transformation, decreased by the items described in Subsection (3) of Section 140 and increased by the unpaid subscribed capital described in Subsection (7) hereof, remains below the subscribed capital indicated in the draft statement of assets and liabilities (registered by the court of registry), the subscribed capital shall be decreased in accordance

with Subsection (2) of Section 11 of Act CLXXVI of 2013 on the Transformation, Merger and Division of Legal Entities.

(6) \*

(7) \* In the final statement of assets and liabilities of business associations established by way of transformation, the portion of cash and non-monetary (in kind) contributions, described in Paragraphs a) and b) of Subsection (2) of Section 139, to be disbursed to such business association, but unpaid by the day of transformation and the proportion of assets, described in Paragraph c) of Subsection (2) of Section 139, not surrendered by the aforementioned date shall be recognized as unpaid subscribed capital or as a liability.

(8) If the court of registry rejects (refuses) registration of the transformation or cancels the registration procedure due to the application for registration being withdrawn, the business association filing for transformation shall continue to operate in its previous form and shall not be required to prepare a final statement of assets and liabilities, and the items related to the aborted transformation may not be included in its accounting records described in this Act.

(9) \* In the case of the merger of a business association, the equity of the receiving (merger) business association shall be adjusted in accordance with the instrument of constitution by the difference between the value of the assets received and the liabilities assumed (including provisions and accruals and deferred items) - as indicated in the statement of assets and liabilities of the dissolved business association - in the course of the merger. In the process of adjustment of the equity capital, in addition to the above, the value of shares - less the goodwill provided for in Subsections (4a)-(4b) of Section 139 - not to be applied when determining the subscribed capital as described in Subsection (4) of Section 139, and the difference between the receivables and liabilities, provisions vis-à-vis one another and the accrued and deferred items - described in Subsection (5) of Section 139 - shall be eliminated against the equity capital.

Sections 142-143 \*

Other Transformations

Section 144 \*

During the transformation of economic entities other than business associations, if such transformation is permitted by law, the provisions of Sections 136-143 shall apply, in observation of the regulations set out in the underlying act.

## Accounting Regulations Relating to Switching Between Currencies

### Section 145

(1) \* In accordance with Subsections (2) and/or (3)-(5) of Section 20, companies shall indicate the figures in the annual account or in the simplified annual account in forints or in the foreign currency specified in its instrument of constitution.

(2) \* If, pursuant to Subsections (3)-(5) of Section 20, a company is required or has the option to supply the data defined in Subsection (1) above in the foreign currency specified in its instrument of constitution instead of forints, or in forints instead of the foreign currency specified in its instrument of constitution, or in another foreign currency instead of the one specified in the amendment of its instrument of constitution, the provisions of Subsections (3)-(5) shall be applied when switching from forints to a foreign currency, or from a foreign currency to forints.

(3) At the time of the transition (as the balance sheet date) according to Subsection (2), an annual account or simplified annual account shall be drawn up in the original currency in compliance with the provisions of this Act.

(4) \* The annual account, or simplified annual account as defined in Subsection (3) shall be filed by the last day of the fifth month following the time of transition, in accordance with the provisions of Section 153, and shall be published in accordance with Section 154.

(5) \* The figures shown in the balance sheet of the annual account, or simplified annual account, as defined in Subsection (3), approved by the body entitled thereunto, shall be translated from a foreign currency to forints or from forints to a foreign currency, or from one foreign currency to another according to Sections 146-149. On the basis of and in accordance with such translation, a separate balance sheet shall be prepared in the foreign currency specified in the instrument of constitution, and/or in forints as of the date of transition, and the books shall be opened on the basis of this balance sheet as certified by the auditor, in the foreign currency specified in the instrument of constitution, and/or in forints.

(6) \* In the application of the option contained in Subsections (4) and (5) of Section 20, transition must be effected at the end of the financial year, as of the balance sheet date of the financial year.

### Transition from Forints to a Foreign Currency

#### Section 146

(1) Subject to the exceptions laid down in Subsections (2)-(6), all entries of the balance sheet of the annual accounts, or simplified annual accounts drawn up in forints shall be translated by the reciprocal of the official exchange rate in effect for the date of transition as published by the Magyar Nemzeti Bank in respect of the foreign currency specified in the instrument of constitution.

(2) Receivables and liabilities denominated in the foreign currency specified in the instrument of constitution, and the foreign currency and foreign exchange holdings - whether on hand or on account - shall be recognized in the amount of foreign currency of record.

(3) If the value of receivables recorded in the foreign currency specified in the instrument of constitution and the foreign currency holdings - whether on hand or on account - as translated into forints by the reciprocal of the official exchange rate in effect for the date of transition as published by the Magyar Nemzeti Bank differs from the foreign currency value of such receivables and holdings, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(4) If the value of liabilities recorded in the foreign currency specified in the instrument of constitution as translated into forints by the reciprocal of the official exchange rate in effect for the date of transition as published by the Magyar Nemzeti Bank differs from the foreign currency value of such liabilities, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(5) If the value, calculated as the forint value of receivables and/or liquid assets recorded in a foreign currency other than that specified in the instrument of constitution by the reciprocal of the official exchange rate in effect for the date of transition as published by the Magyar Nemzeti Bank, is more than the foreign exchange value, corresponding to the foreign currency specified in the instrument of constitution, of the foreign exchange value of said receivables and/or foreign currency holdings - whether on hand or on account - calculated by the relevant cross rates, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(6) If the value, calculated as the forint value of liabilities in foreign currency, other than that specified in the instrument of constitution by the reciprocal of the official exchange rate in effect for the date of transition as published by the Magyar Nemzeti Bank, is less than the foreign exchange value, corresponding to the foreign currency specified in the instrument of constitution, of the foreign currency of the said liabilities calculated by the relevant cross rates, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

## Transition from Foreign Currency to Forints

### Section 147

(1) Subject to the exceptions laid down in Subsections (2)-(6), all entries of the balance sheet of the annual accounts, or simplified annual accounts drawn up in the foreign currency specified in the instrument of constitution shall be translated to forints by the official exchange rate in effect for the date of transition as published by the Magyar Nemzeti Bank.

(2) Receivables, liquid assets and liabilities in forints shall be translated in the amount of forints of record.

(3) If the forint value of receivables and liquid assets recorded in forints and shown in a foreign currency differs from the forint value of record of such receivables and liquid assets as translated by the official foreign exchange rate in effect for the date of transition published by the Magyar Nemzeti Bank, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(4) If the forint value of liabilities recorded in forints and shown in a foreign currency differs from the forint value of record of such liabilities as translated by the official foreign exchange rate in effect for the date of transition published by the Magyar Nemzeti Bank, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(5) In respect of receivables and liquid assets recorded - prior to the transition - in a foreign currency other than that specified in the instrument of constitution, if the forint value (as per Subsections (4)-(6) of Section 60, calculated using the rate of exchange for the date of transition) of such receivables and liquid assets shown in a foreign currency other than that specified in the instrument of constitution prior to the transition differs from their forint value as translated by the official foreign exchange rate published by the Magyar Nemzeti Bank for the date of transition, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(6) In respect of the liabilities recorded - prior to the transition - in a foreign currency other than that specified in the instrument of constitution if the forint value (as per Subsections (4)-(6) of Section 60, calculated using the rate of exchange for the date of transition) of such liabilities shown in a foreign currency other than that specified in the instrument of constitution prior to the transition differs from their forint value as translated by the official exchange rate in effect for the date of transition published by the Magyar Nemzeti Bank, the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

## Switching from One Foreign Currency to Another

### Section 148

(1) Subject to the exceptions laid down in Subsections (2)-(7), all entries of the balance sheet of the annual accounts, or simplified annual accounts drawn up in the foreign currency specified in the instrument of constitution prior to transition shall be translated by the cross rate between the original currency and the currency specified in the amendment of the instrument of constitution.

(2) Receivables, liquid assets, securities, and liabilities shown in the foreign currency specified in the amendment of the instrument of constitution shall be converted in the foreign currency specified therein, in the amounts shown in the special records made prior to the transition.

(3) The difference between the value of receivables, liquid assets, securities, and liabilities shown in the foreign currency specified in the amendment of the instrument of constitution as defined in Subsection (2) and their translation value defined in Subsection (1) shall be shown under translation difference in accordance with Subsection (1) of Section 149.

(4) Receivables, liquid assets and securities denominated in a foreign currency that is different from the foreign currency specified in the instrument of constitution before or after the amendment thereof shall be translated by the cross rate between such currency and the currency specified in the amendment of the instrument of constitution in effect for the day of the transition.

(5) Liabilities denominated in a foreign currency that is different from the foreign currency specified in the instrument of constitution before or after the amendment thereof shall be translated by the cross rate between such currency and the currency specified in the amendment of the instrument of constitution in effect for the day of the transition.

(6) Receivables, liquid assets and securities shown in forints shall be translated by the official exchange rate in effect for the date of transition published by the Magyar Nemzeti Bank for the currency specified in the amendment of the instrument of constitution.

(7) Liabilities shown in forints shall be translated by the official exchange rate in force for the date of transition published by the Magyar Nemzeti Bank for the currency specified in the amendment of the instrument of constitution.

(8) If the value calculated according to Subsections (4)-(7) differs from their translated value defined in Subsection (1), the difference shall be shown under translation difference in accordance with Subsection (1) of Section 149.

#### Section 149

(1) The translation differences as defined under Subsections (3)-(6) of Section 146, Subsections (3)-(6) of Section 147 and under Subsections (3) and (8) of Section 148 shall be consolidated and shall be applied:

a) to increase the capital reserve, if there is a profit,

b) to decrease the retained earnings, if there is a loss.

(2) If, following translation to a foreign currency according to Subsection (1) of Section 146, the subscribed capital translated to forints differs from the foreign currency value of the subscribed capital registered by the court of registry in the currency specified by the amendment of the instrument of constitution:

a) the difference (if the translated amount is lower) shall be deducted from the capital reserve up to the positive amount of the capital reserve, while the portion in excess of such amount shall be deducted from the retained earnings,

b) the difference (if the translated amount is higher) shall be added to the capital reserve.

(3) If the amount of the subscribed capital as translated to forints according to Subsection (1) of Section 147 differs from the forint value of the subscribed capital registered by the court of registry in forints as specified by the amendment of the instrument of constitution in forints:

a) the difference (if the translated amount is lower) shall be added to the subscribed capital, as translated, against the capital reserve up to the positive amount of the capital reserve, and against the retained earnings concerning the amount in excess of such positive amount,

b) the difference (if the translated amount is higher) shall be deducted from subscribed capital, as translated, against the capital reserve.

(4) The difference between the amount of the subscribed capital as translated according to Subsection (1) of Section 148 and that registered by the court of registry:

a) if the translated amount is lower, shall be added to the subscribed capital, as translated, against the capital reserve up to the positive amount of the capital reserve, and against the retained earnings concerning the amount in excess of such positive amount,

b) if the translated value is higher, shall be deducted from subscribed capital, as translated, against the capital reserve.

## Chapter VIII

### ACCOUNTING SERVICES

#### Section 150

(1) For the purposes of this Act, “accounting services” shall mean all functions to be performed in connection with bookkeeping, accounting and reporting obligations prescribed by this Act and by the related government decrees (hereinafter referred to as “accountancy services”), and auditing activities.

(2) Accountancy services shall, in particular, include:

a) the services for formulating schemes and methods in connection with accounting policies, bookkeeping and reporting (including internal information systems), establishing and updating rules and procedures concerning the system of accounts, bookkeeping and reporting, including ledger accounts and records, drafting executive summaries and reports and annual accounts, analysis of data shown in the annual accounts, in accounting records, including scripts of conclusions based on which to make economic decisions,

b) compiling and supplying true and reliable information, internal and external, whereby maintaining and ensuring that the data disclosed in the financial and annual accounts conform with legal provisions, provide a true and fair view and are sufficiently documented in compliance with accounting principles.

(3) Providers of accounting services for drawing up the annual accounts to companies in due compliance with legal provisions to satisfy the requirement of true and fair view concerning the financial position and performance of the company, and the auditors of these reports shall be licensed and certified to engage in such activities in line with specific requirements laid down by law.

(4) \* The activities of auditors and the professional qualification requirements for auditors are governed in other acts.

#### Section 151

(1) \* In connection with the functions related to drawing up the annual accounts, the simplified annual accounts or the consolidated annual accounts, and to supervising and managing the accounting services defined in Subsection (2) of Section 150:

a) \* companies shall contract the services of or employ natural persons certified as auditors or chartered accountants, holding professional qualifications, including those holding a degree that is recognized as the equivalent of chartered accountants for the purposes of registration (the latter hereinafter referred to collectively as “chartered accountants”) and, accordingly, holding a license (certificate) of entitlement to provide such services, or who made the notification referred to in Section 152/B; or

b) companies shall contract the services of an accounting firm whose member or employee appointed to supervise and manage accounting services and draw up annual accounts is able to meet the requirements set out in Paragraph a).

(2) \* Any company whose (annualized) average net sales in the two financial years preceding the given financial year or, in the absence of such, the net sales expected in the current financial year do not exceed ten million forints, shall be exempt from the obligation described in Subsection (1).

(3) \* A register shall be maintained of persons authorized to provide accounting services. The registers of chartered accountants and certified auditors, holding professional qualifications, including those who are not members of the competent chamber shall be maintained by the body operating the register of providers of accounting services (hereinafter referred to as “body operating the registration system”), whereas the register of auditors who are members of the competent chamber (including those whose membership is temporarily suspended) shall be maintained by the Magyar Könyvvizsgálói Kamara (Chamber of Hungarian Auditors). Upon granting the authorization for

providing accounting services, the body operating the registration system shall ex officio issue an official certificate as well. The registers are intended to provide authentic and reliable evidence that the natural persons registered as authorized to provide accounting services have the knowledge and experience prescribed by law. Disclosure of the particulars of the natural persons admitted to the register - to the extent available to the public - and any changes therein is performed with a view to providing facilities for control and for supplying up-to-date information at all times.

(4) \* The provisions relating to the authorizations granted to non-member chartered accountants and certified auditors holding professional qualifications to engage in providing accounting services, including the withdrawal of such authorization, and to the registration of persons authorized to engage in providing accounting services and to their removal from the register, furthermore, to the notification prescribed in Section 152/B and to the registration of providers of cross-border accounting services and to their removal from the register, to the appointment of the organization that keeps such register and the keeping of such registers, furthermore, to the mandatory continuous professional development of registered persons and the supervision thereof, to the accreditation procedures for the bodies entering to arrange and carry out such development programs, and the rules for the credit-point certification of those development programs and professional publications shall be decreed by the Government, with the proviso that no petition for special consideration may be lodged in such proceedings.

(5) \* Chartered accountants and non-member certified auditors, holding professional qualifications:  
\*

a) when applying for authorization to engage in providing accounting services shall indicate in the application:

aa) their natural identification data,

ab) \* their home address and mailing address,

ac) \* their professional qualification (for chartered accountants including the faculty as well),

ad) \* the number of the certificate to verify the qualification referred to in Subparagraph ac), name of the issuing institution and the date of issue,

ae) \* the place and duration of experience in the field of accountancy, finances or controlling, as prescribed for authorization, and the description of the position or activity in which most of the experience was obtained, and

af) their special field registered;

b) \* shall be granted authorization based on the application referred to in Paragraph a) for engaging in the provision of accounting services, and shall be simultaneously admitted into the register mentioned in Subsection (3) if:

ba) they have the necessary professional qualification to provide services as a chartered accountant or certified auditor,

bb) they have at least three years of experience following the time of having received the professional qualification referred to in Subparagraph ba), from before the time of submission of the application under Paragraph a), obtained as documented, in the field of accountancy, finances or controlling,

bc) they have no prior criminal record and have not been restrained by court order from exercising the profession of accountancy, and

bd) they are able to provide proof of compliance with the requirement of continuous professional development under Subsection (1) of Section 152, prescribed for the profession indicated in the application, within a period of twelve months before the time of submission of the application under Paragraph a).

(6) \* A natural person whose authorization for engaging in the provision of accounting services is withdrawn shall - at the same time - be excluded from the register for the following reasons: \*

a) \* upon his failure to comply with the requirement of continuous professional development under Subsection (1) of Section 152, if he fails to provide a proper excuse for not participating in the training;

b) \* upon having a criminal record;

c) authorization to practice his profession has been suspended by court order relating to accounting services;

d) \* for having provided any information that is false or misleading before or after the authorization is granted, upon failure to report within thirty days any circumstance serving grounds for the withdrawal of his authorization, when it is established subsequently that false information has been provided or notification has been defaulted;

e) \* upon the natural person's request;

f) \* upon being placed under guardianship or conservatorship by final court ruling;

g) upon the natural person's death;

h) \* upon his failure to notify the changes in his particulars on record despite of receipt of notice from the body operating the registration system;

i) \* his removal from the register is pending pursuant to Paragraph e) of Subsection (1) of Section 69 of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

(7) \* A natural person whose authorization to engage in providing accounting services has been withdrawn may apply for having his authorization reinstated and for re-admission into the register of providers of accounting services, if able to satisfy the requirements specified in Paragraph b) of Subsection (5) of Section 151:

a) after the date of withdrawal, if withdrawn for the reason under Paragraph a) of Subsection (6);

b) upon being exonerated from the detrimental consequences attached to prior convictions, if the authorization was withdrawn for the reason under Paragraph b) of Subsection (6);

c) upon being exonerated from the suspension of practicing his profession, if the authorization was withdrawn for the reason under Paragraph c) of Subsection (6);

d) \*

e) \* after the date of withdrawal, if withdrawn for the reason under Paragraphs d), e), h) or i) of Subsection (6);

f) upon the termination of guardianship or conservatorship, if the authorization was withdrawn for the reason under Paragraph f) of Subsection (6).

g) \*

(7a) \* If the register of providers of accounting services contains more than one special field for the authorized service provider, of the special fields:

a) the one requested by the registered operator,

b) the one in respect of which the registered person failed to satisfy the requirement of continuous development prescribed by the government decree referred to in Subsection (4) of Section 151 for the special field in question,

shall be deleted, provided that at least one special field remains in the register pertaining to the authorized service provider in question.

(8) \* The register of providers of accounting services shall contain the following information of the accountants authorized:

a) registration number;

b) natural identification data;

c) \* home address and mailing address;

d) \* number of official certificate, date of issue of the official certificate;

e) \* qualification - for chartered accountants including the faculty as well -, or an appropriate university or college degree that is recognized as the equivalent of a chartered accountant certificate for the purposes of authorization;

f) number of the diploma or certificate to verify the qualification referred to in Paragraph e), name of the issuing institution and the date of issue;

g) \* place and duration of experience in the field of accountancy, finances or controlling, as prescribed for authorization, and the description of the position or activity in which most of the experience was obtained;

h) the special field registered; and

i) \* an indication of compliance with the requirement of continuous professional development.

(8a) \* The register of providers of accounting services shall be construed as an official public register, with the exception of the data under Paragraphs b) and c) of Subsection (8).

(9) \* The register of providers of accounting services may also contain the following information of the accountants admitted, at the discretion of the registered accountant:

a) phone number;

b) electronic address;

c) \* any other professional qualification that may be beneficial for the purposes of accounting, number of the diploma or certificate to verify such professional qualification, name of the issuer and the date of issue;

d) any state-approved language certificate, type and degree of language proficiency examination.

(10) \* The name, birth name of natural persons registered to provide accounting services, including their mother's birth name, registration number, number of official certificate, and the special field registered shall be public information, as well as any other data contained in the register, subject to the registered accountant's consent.

(11) \* The body operating the registration system shall annually publish the particulars of natural persons registered - including those removed from the register - during the current year, which are deemed public information, and any changes in the data on records in the single Government website, and shall post on its official website the above-mentioned data of all registered natural persons, and shall ensure that such public information is made available by the body operating the registration system to the general public at all times.

(12) \* The professional and examination requirements for chartered accountants shall be decreed by the minister in charge of accounting regulations (hereinafter referred to as "minister").

(13) \* The registration body shall retain the data of natural persons removed from the register for a period of ten years following the date when removed.

(14) \* The administrative time limit of the proceedings shall be sixty days, with the proviso that - by way of derogation from the provisions of the Act on the General Provisions Relating to the Taking Up and Pursuit of the Business of Service Activities -, if the body operating the registration system fails to comply with its obligation to adopt a resolution relating to the authorization within the relevant administrative time limit, the applicant shall not become entitled thereby to take up and pursue the activity to which the application pertains, and the general provisions of the Act on General Public Administration Procedures relating to the authority's failure to act shall apply.

(15) \* If the application for the proceedings contains any error or is insufficient, or is lacking the documents and enclosures prescribed by the decree adopted under authorization by this Act, the

body operating the registration system shall - within twenty-one days of receipt of the application - request the applicant to supply the missing information. The applicant shall comply with such request within eight days.

#### Section 151/A \*

(1) \*

(2) The body operating the registration system shall check in the course of a regulatory inspection conducted during the period of exercising the activities for the pursuit of accounting services as to whether the person authorized to provide accounting services has no prior criminal record and that he is not restrained by court order from exercising the profession of accountancy. The body operating the registration system shall have powers to request information from the penal register for the purpose of regulatory inspection. The data request shall be limited to the information necessary to determine as to whether the person authorized to provide accounting services has no prior criminal record and that he is not restrained by court order from exercising the profession of accountancy.

(3) \* The body operating the registration system shall be authorized to process the personal data obtained under Subsection (2):

a) until the authority's definitive decision for the authorization to provide accounting services, or

b) for the duration of the regulatory inspection if the authorization to provide accounting services is granted, or until the authority's definitive decision in the procedure for the withdrawal of the authorization.

#### Section 152 \*

(1) Providers of accounting services shall be required to attend training courses on a regular basis so as to upgrade their knowledge and to improve their expertise to correspond with the latest developments. To this end they are required to participate in continuous professional development programs.

(2) \* The continuous development referred to in Subsection (1) - save where Subsection (3) applies - may be provided by an institution accredited by the body operating the registration system, based on

a continuous professional development program verified by the body operating the registration system in a credit-point certification process.

(2a) \* For the purposes of this Act, an institution may not be accredited if either of the following conditions apply:

a) it has its tax domicile in a State other than any Member State of the European Economic Area or any Member State of the Organization for Economic Cooperation and Development (OECD), or other than a State with which Hungary has an agreement on double taxation;

b) the income it acquires from the organization and provision of training courses referred to in Subsection (1) would be taxed in a State other than any Member State of the European Economic Area, where established for tax purposes, under better rates (taking into account the final amount of income tax paid, after tax credits and refunds) compared to the economic operator's other income earned in the given country; or

c) \* it is a company listed on a non-regulated exchange market, whose true owner cannot be identified according to Point 38 of Section 3 of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

(2b) \* For the purposes of this Act, accredited organization status may not be granted to an economic operator in which a legal person or unincorporated organization controls directly or indirectly more than 25 per cent of the shares or voting rights, to whom the provisions under Subsection (2a) apply. If the business association that controls over 25 per cent of the shares or voting rights is taxed as a partnership, the condition under Paragraph a) of Subsection (2a) applies to the owner companies of such partnership.

(2c) \* The body operating the registration system shall register the institution accredited according to Subsection (2) as an organization participating in the further education of providers of accounting services. The register of accredited institutions providing further education shall contain:

a) the institution's name, tax number,

b) the institution's register number or court registration number;

c) the name of the institution's representative;

d) the institution's registered address, mailing address;

e) the institution's phone number, electronic contact information;

f) the institution's registration number (accreditation number);

g) the date of the institution's registration (accreditation);

h) the outcome of the inquiries made by the body operating the registration system in connection with the institution's further education activities;

i) the date of withdrawal of the institution's registration (withdrawal of accreditation), including the reasons.

(2d) \* The body operating the registration system shall keep the data contained in the register of accredited institutions providing further education for a period of six years after the accredited institution providing further education is removed from the register for the purpose of monitoring attendees of further training courses and for use in other administrative and court proceedings.

(3) The requirement of continuous development referred to in Subsection (1) may also be satisfied by other means specified in the government decree mentioned in Subsection (4) of Section 151.

(4) \* The accredited institution referred to in Subsection (2) shall keep records on completed further education programs and on the attendees of such training courses, and shall keep all documents connected to the further education programs for a period of six years. These records shall contain:

a) the number, name and address of the accredited institution;

b) particulars of the participants, such as:

ba) registration number,

bb) surname and forename,

bc) surname and forename by birth,

bd) date and place of birth,

be) mother's surname and forename by birth,

bf) home address (postal code, town, street, number);

c) identification data of the further education program and the credit point value;

d) number of the certificate of performance.

(5) \* The institution accredited according to Subsection (2) hereof shall send the data of attendees - provided for in Paragraphs b) and c) of Subsection (4) hereof - to the body operating the registration system for the purpose of verifying their compliance with the requirement of further development, by way of the means specified in the government decree mentioned in Subsection (4) of Section 151.

Section 152/A \*

The authorization and registration procedures, deregistration procedures, procedures for the exchange and replacement of official certificates, for making changes in the records and for the notification of the taking up and pursuit of activities in the form of cross-border services, furthermore, procedures for the accreditation of institutions providing continuing training, for the credit-point certification procedure and for recognition as a professional organization shall be subject to the payment of an administrative service fee.

## Section 152/B \*

(1) \* Any natural person with the right to exercise the freedom to provide services according to the Act on the General Provisions Relating to the Taking Up and Pursuit of the Business of Service Activities shall notify the body operating the registration system of his intention to provide accounting services under Subsection (1) of Section 151 in the territory of Hungary in the form of cross-border services in due application of the relevant provisions of the Act on the Recognition of Foreign Diplomas and Certificates. The body operating the registration system shall register the notifier with entitlement to engage in the provision of accounting services. The above-specified register shall be construed as an official public register with the exception of natural identification data, home addresses and mailing addresses.

(2) Any accounting services firm with the right to exercise the freedom to provide services according to the Act on the General Provisions Relating to the Taking Up and Pursuit of the Business of Service Activities may engage in the provision of accounting services under Subsection (1) of Section 151 in the form of cross-border services, if its member or employee appointed to supervise and manage accounting services and draw up annual accounts met the requirement of notification referred to in Subsection (1).

(3) \* The provisions of Subparagraphs aa)-ad) and af) of Paragraph a) and Subparagraph bc) of Paragraph b) of Subsection (5), Paragraphs b)-i) of Subsection (6), Paragraphs b)-f) of Subsection (7), Paragraphs a)-c), e), f) and h) of Subsection (8) and Subsections (9)-(11) and (13) of Section 151, and Section 152/A shall also apply to the notification requirements referred to in Subsection (1) and to the registration of notifiers.

(4) \* In connection with cross-border services, the temporary and occasional nature of the provision of services shall be assessed by the body operating the registration system case by case, in particular in relation to its duration, its frequency, its regularity and its continuity.

## Chapter IX

### DISCLOSURE AND PUBLICATION

#### Deposit

### Section 153

(1) \* Companies keeping double-entry books and registered in the register of companies shall deposit the annual account or simplified annual account approved by the body entitled thereunto and, in the case of statutory audits of accounting documents together with the independent auditor's report containing an audit certificate or qualified audit certificate, as well as the decision on the appropriation of the taxed profit (declaration of dividends) by the last day of the fifth month

following the balance sheet date of the financial year in question. The annual accounts or simplified annual accounts deposited shall be of the same form and content (text) as the one examined by the auditor.

(2) \* A parent company shall deposit its consolidated annual account approved by the body entitled thereunto, together with the independent auditor's report containing an audit certificate or qualified audit certificate, by the last day of the sixth month following the balance sheet date of the consolidated annual account. The consolidated annual account deposited shall be of the same form and content (text) as the one examined by the auditor.

(3) \*

(4) \* The data contained in the annual account, simplified annual account, simplified report, consolidated annual account as deposited and, in the case of statutory audits of accounting documents, the independent auditor's report containing an audit certificate or qualified audit certificate, shall be made available to the general public, and any person may receive information and may make copies thereof.

(5) \* The Hungarian branches of nonresident companies shall deposit the annual account, simplified annual account approved by the nonresident company, together with the independent auditor's report containing an audit certificate or qualified audit certificate, as well as the decision on the appropriation of the taxed profits (declaration of dividends) by the last day of the fifth month following the balance sheet date of the financial year in question.

## Publication

### Section 154

(1) \* All companies keeping double-entry books (including the Hungarian branches of nonresident companies) shall publish their annual account or simplified annual account, and, in the case of statutory audits of accounting documents, together with the independent auditor's report containing an audit certificate or qualified audit certificate.

(1a) \* The fiduciary shall be exempt from the obligation provided for in Subsection (1) hereof, and from the statutory audit provided for in Section 155 as regards the audit and publication of the annual account and simplified annual account of the trust fund.

(2) \* Companies shall be required to ensure that their employees and members have access to the company's annual account, the simplified annual account and the consolidated annual account and, in the case of statutory audits of accounting documents, to the independent auditor's report containing an audit certificate or qualified audit certificate, at the registered office of the company (parent company) and to make copies of all or parts of these accounts.

(3) \* If the annual account or simplified annual account of the company was not audited, or, in the case of statutory audits of accounting documents, the auditor has refused its seal of approval, the company shall insert the following message on all copies of the balance sheet, profit and loss account and notes on the accounts of the annual account or simplified annual account: "The data published have not been reviewed by an auditor.

(4) \* The parent company shall publish its consolidated annual account together with the independent auditor's report containing an audit certificate or qualified audit certificate.

(5)-(6) \*

(7) \* Companies and the Hungarian branches of nonresident companies shall be considered to have fulfilled the obligation of publication once they have forwarded - by way of electronic means - the annual account, simplified annual account, and, if the company is subject to statutory audit, the independent auditor's report containing an audit certificate or qualified audit certificate, in the case of parent companies, the consolidated annual account, to the company information service by way of the means specified in the Act on Public Company Information, Company Registration and Winding-up Proceedings.

(8) \* Companies recognized as public-interest entities, who prepares his annual account, consolidated annual account in accordance with IFRSs shall be required to disclose the documents listed in Subsection (7) above, together with the annual report or the consolidated annual report - at the time specified therein - on their official websites as well, and to keep them posted and available until the data pertaining to the next second financial year are published.

(9) \* If a company publishes its annual account and the related annual report by virtue of this Act or specific other legislation or under its own discretion on its website or by any other method, the provisions of Subsection (3) of this Section shall be observed in terms of reference to the audit of accounting documents.

(10) \* Any company that is not registered in the register of companies shall - if publication and the method of publication is governed expressly by law - satisfy its obligation of publication by the last day of the fifth month following the balance sheet date of the current year.

(11) \* In the event of a company's failure to discharge its obligation of deposit, where the lack of such deposition or publication has any bearing on the legitimate interest of any third party, such third party may request the court of registry to open judicial oversight proceedings.

(12) \* The annual report that is not part of the annual account, the consolidated annual report shall be made available for review to all interested parties without discrimination, and for making copies thereof in part or in whole, at the registered office of the company, or at the registered office of the parent company.

#### Section 154/A \*

(1) The Hungarian branch of a company that is established in a Member State of the European Union shall be exempted from the obligation of deposit prescribed in Subsection (5) of Section 153, the obligation of publication prescribed in Section 154, and the obligation of audit prescribed in Section 155.

(2) \* The obligations referred to in Subsection (1) shall not apply to the Hungarian branch of a nonresident company that is established in a non-Member State of the European Union; however, the legal provisions on the obligations of annual accounts, audit, deposit and publication afforded by the national laws of the home country are in conformity with the relevant regulations of the European Union. A list of such countries shall be published by the minister on the Single Government Portal.

(3) The branches exempted from the obligations referred to in Subsections (1) and (2) shall be subject to the obligation of publication and deposit solely with respect to the annual account or consolidated annual account drawn up by the foreign parent company in accordance with laws of their home countries on condition that these accounts have been prepared, audited, published and deposited in harmony with the relevant directives of the European Union.

(4) Branches shall comply with the obligations of publication and deposit referred to in Subsection (3) in the Hungarian language.

(5) \* The branches exempted from the obligations of publication, deposit and audit under Subsections (1) and (2) shall be required to provide access to their annual accounts, simplified annual accounts and tax records on their operations as well as facilities for making copies to the parties concerned at their registered addresses.

(6) The obligations of publication, deposit and audit of the annual accounts of the Hungarian branches of foreign credit institutions and financial companies are governed in the government decree containing the special accounting regulations for such companies.

#### Section 154/B \*

(1) Companies (including parent companies and the Hungarian branches of foreign companies) shall satisfy the obligations of deposit and publication prescribed under Sections 153-154/A in electronic format, in due observation of the relevant provisions of the Act on Public Company Information, Company Registration and Winding-up Proceedings.

(2) \* Companies shall comply with the obligations of deposit and publication simultaneously with sending their annual account, simplified annual account, and consolidated annual account to the company information service.

(3) \* Where withdrawal of an independent audit report of an annual account, simplified annual account, consolidated annual account is permitted or mandated by the law, along with the issue of a new independent audit report, the company affected shall abide by the obligations of publication and deposit provided for in this Act as regards the withdrawn and the new independent audit report.

## Chapter X

### AUDIT

#### Purpose of Audit, Obligation of Audit

#### Section 155

(1) The purpose of an audit is to ascertain that the annual account, simplified annual account, or consolidated annual account of a company has been drawn up in accordance with the provisions of this Act and, accordingly, provides a true and fair view of the financial position and performance and of the operations of the company (and that of the companies included in the consolidation). The audit shall also investigate whether there is agreement between the annual account, the consolidated annual account and the associated annual report.

(2) With the exception set out in Subsection (3) below, the auditing of accounting documents shall be statutory for all companies keeping double-entry books. In all cases when an audit is not statutory on the basis of this Act or another legislation, the company shall be free to decide whether to employ an auditor to review its accounting documents or not.

(3) \* The auditing of accounting documents shall not be statutory if both of the conditions below are satisfied:

a) \* the company's annual net sales (calculated for the period of one year) did not exceed 300 million forints on the average of the two financial years preceding the financial year under review, and

b) the average number of employees of the company of the two financial years preceding the financial year under review did not exceed 50 persons.

(4) \* For the purposes of Subsection (3) above, if the data of a company established without legal predecessor are not available for either or both of the two financial years preceding the given financial year, or if such data is incomplete, the data estimated for the current year and, if available, the data of the two previous financial years (calculated for the period of one year) shall be taken into consideration.

(5) The provisions contained in Subsection (3) may not be applied:

a) by companies keeping double-entry books, where an audit is prescribed by law;

b) by mutual savings banks;

c) by consolidated companies;

d) by Hungarian branches of nonresident companies;

e) by companies that are permitted, under special circumstances, to derogate from the provisions of this Act pursuant to Subsection (4) of Section 4 for the purposes of true and fair view;

f) \* by public-interest entities.

(5a) \* The provisions contained in Subsection (3) may not be applied during the following financial year, if the company has any outstanding public dues - as provided for in the Act on the Rules of Taxation - on the balance sheet date of the financial year owed in excess of 10 million forints which are more than sixty days overdue.

(6) \* Where the auditing of accounting documents is statutory, the supreme body of the company must - at the time of approval of the annual account or simplified annual account of the previous financial year or, in respect of companies established without legal predecessor, prior to the balance sheet date of the financial year - appoint a registered statutory auditor or audit firm in accordance with Subsection (7) to review the company's annual account or simplified annual account on the financial year from the point of view of legitimacy and authenticity.

(7) \* The auditor or audit firm appointed in accordance with Subsection (6) must be a member of the Chamber of Hungarian Auditors or must be registered by the Chamber of Hungarian Auditors, respectively.

(7a) \* Any contract term or other legal act pertaining to the company, intended to oblige with regard to appointment for activities falling within the scope of statutory audit the supreme body to appoint a specific auditor or audit firm shall be null and void.

(8) \* The statutory auditor or audit firm - registered according to Subsection (7) - shall be appointed by the owners of the parent company for the statutory audits of accounting documents of the consolidated annual account. The registered statutory auditor or the audit firm shall be appointed at the time specified under Subsection (6), before the balance sheet date of the financial year to be consolidated.

(9) \* If a registered statutory auditor or an audit firm has not been appointed as defined in Subsection (8) to review the company's consolidated annual account, auditing the consolidated annual account is to be carried out by the auditor or the audit firm of the parent company. A written agreement for this purpose shall be concluded with the auditor or the audit firm of the parent company within the timeframe specified in Subsection (8).

(10) \* Concerning other issues, registered statutory auditors and audit firms shall be subject to the provisions of the Civil Code governing business associations, the Act on Public Company Information, Company Registration and Winding-up Proceedings, and the Act on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

#### Section 155/A \*

(1) Statutory auditors or audit firms [Subsection (6) of Section 155] may be dismissed only where there are proper grounds. Divergence of opinions on accounting treatments or audit procedures shall not be proper grounds for dismissal.

(2) \* The audited entity shall inform the authority in charge of the public oversight of auditors concerning the dismissal or resignation of the registered statutory auditor or audit firm during the term of appointment.

#### Section 155/B \*

(1) Where the supreme body of a company opted to appoint an audit firm for the statutory audit of its accounts, in the event of any extended absence of the registered auditor who is designated to be personally responsible for carrying out the audits, a substitute auditor may be appointed.

(2) Substitute auditors must hold membership in the chamber, and shall satisfy all requirements that applies to the auditor being substituted.

(3) The substitute and the substituted auditors are required to cooperate with a view to ensuring that the statutory audit of accounting documents is carried out appropriately.

(4) In the case of substitution, the substitute auditor shall have the same rights and obligations as the substituted auditor in carrying out the audit activities.

#### Section 155/C \*

Where withdrawal of an independent audit report of an annual account, simplified annual account, consolidated annual account is permitted or mandated by the law, the company affected shall -

unless otherwise provided for by law - take measures within ninety days from the time of withdrawal for having the audit repeated.

## Audit Report and Audit Certificate

### Section 156

(1) \* The responsibility of the auditor independent of the company is to verify the authenticity and conformity of the annual account, simplified annual account (the balance sheet, profit and loss account and the notes on the accounts), as well as compliance with the provisions of this Act and the instrument of constitution, and, based on its findings, to form an opinion in summary of such findings concerning the annual account or simplified annual account, and to draw up the independent audit report.

(1a) \* The scope of statutory audit shall not include the assurance on the future viability of the audited entity nor the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.

(2) \* The auditor of consolidated annual accounts shall cooperate with the auditor of the consolidated companies so that the figures of the financial reports shown in the consolidated annual account meet the requirements prescribed for consolidated annual accounts, and the companies included in the consolidation take into consideration the rules applying to them in regard to drawing up the consolidated annual account. The auditor of consolidated annual accounts shall bear responsibility for the audit report issued on the consolidated annual account and for submission of additional report to the audit committee referred to in Article 11 of Regulation No. 537/2014/EU.

(3) The auditor of a company included in the consolidation must cooperate with the auditor of the consolidated annual account so that the consolidated annual account gives a true and fair view of the collective financial position and performance of the companies included in the consolidation.

(4) The auditor shall prepare a written report containing the findings of the audit of the annual account, simplified annual account or the consolidated annual account, together with an audit certificate or qualified audit certificate, and shall deliver the report to its employer.

(5) \* The independent auditor's report shall include the following:

a) the title and the addressee of the independent audit report;

b) the identification data of the reviewed annual account, simplified annual account or consolidated annual account (in particular, the name of the company to whom and the financial year to which the given account pertains, along with the balance sheet date and the key characteristics for the financial year), including an indication of the financial reporting framework that has been applied in their preparation;

c) a description of the scope of the audit, including an indication of the auditing standards in accordance with which the audit was conducted;

d) the method of auditing employed based on which the audit certificate or qualified audit certificate is attached, including the opinion of the auditor supported by a summary report;

e) an audit opinion which shall state clearly the opinion of the auditor expressed in the audit certificate or qualified audit certificate provided for the annual account, simplified annual account or consolidated annual account as to whether the consolidated accounts is in compliance with this Act and with the provisions of other relevant legislation that govern the duties of the auditor concerning the data and information provided in the report;

f) an indication of the audit certificate granted (unqualified, qualified, adverse opinion) or a disclaimer of opinion;

g) reference to any matters to which the auditor expressly wishes to draw attention by way of emphasis without qualifying the audit opinion (explicit remark);

h) the auditor's opinion whether the annual report is consistent with the annual accounts, and whether it is in compliance with the relevant provisions of this Act and other legislation;

i) the auditor's statement whether, he/she has identified any material misstatements in the annual report and the consolidated annual report, and if yes, shall give an indication of the nature of any such misstatements;

j) \* the auditor's opinion regarding information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, and the auditor's statement whether the information referred to in Paragraphs a)-d), g) and h) of Subsection (2) of Section 95/B has been provided;

k) date of the audit report;

l) the name, signature and chamber registration number of the auditor who is responsible for auditing the accounts;

m) in respect of audit firms - in addition to the requirements laid down in Paragraph l) - the name and signature of the firm's authorized representative, as well as the name and address and the chamber registration number of the firm;

n) \* the auditor's statement on whether the annual report contains the non-financial statement provided for in Section 95/C or in Subsection (5) of Section 134.

(5a) \* In addition to what is contained in Subsection (5) hereof, Article 10 of Regulation No. 537/2014/EU shall also apply to independent audit reports on the annual accounts, simplified annual accounts and consolidated annual accounts of public-interest entities.

(6) If the notes on the accounts of the company (or the parent company in the notes on the accounts of the consolidated annual account) contains no valuation, or if the valuation provided is false, the auditor shall demonstrate its facts and findings in the written audit report, describing the previous year, any major events and, especially, any negative changes that have taken place following the balance sheet date of the annual account, simplified annual account or consolidated annual account, and any factors having an adverse affect on the profit or loss for the year.

## Section 157

(1) The auditor is entitled to request the company and its employees to provide data and information for the purposes of the audit.

(2) If, in the course of the audit of accounting documents, the auditor ascertains any infringement of the provisions of the relevant legislation or those laid down in the instrument of constitution, or any negative circumstances that may effect the current situation and future prospects of the company,

the auditor shall, without delay, inform its employer, and in justified cases, shall request that the board of directors, the supervisory board or the company's supreme body be convened.

(2a) \* The auditor shall provide a statement in the independent audit report on any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern.

(3) The auditor shall be required to maintain confidentiality in respect of the facts, data and business information obtained in the course of its respective activities.

(4) If the principle of diligent audit of accounting documents so requires, the auditor of the consolidated annual account shall have the rights prescribed in Subsections (1) and (2), and the obligations defined in Subsection (3) also towards the parent company and its subsidiary companies, as well as the auditors of such companies.

#### Section 158

(1)-(4) \*

(5) \* If the annual account, consolidated annual account was prepared in accordance with IFRSs under Section 9/A and Subsections (2) and (3) of Section 10, it shall be duly indicated in the audit certificate as well.

(6) \* In the case of statutory audits of accounting documents, the annual account, simplified annual account or consolidated annual account audited by the auditor may be presented to the supreme body of the company (general meeting of a public limited company or the members' meeting of a private limited-liability company) together with an independent audit report.

(7) \* In the event that the general meeting or the members' meeting alters any data or information in the annual account, simplified annual account or the consolidated annual account, or if the auditor has received any information in consequence of which the audit report issued prior to the general meeting or members' meeting no longer meets the requirement of true and fair view, the auditor shall draw up an independent audit report containing the proper auditor's opinion for the annual account, simplified annual account or consolidated annual account in question - prior to deposit or publication - to reflect the latest development from the standpoint of true and fair view.

## Chapter XI

### ACCOUNTANCY AND DOCUMENTATION

#### Double-Entry Bookkeeping

##### Section 159

An economic entity keeping double-entry books shall operate an accounting records system on the assets it manages, uses or owns, and the sources thereof, as well as on its business operations, with facilities to show the changes in assets and liabilities corresponding to the facts on a continuous basis, and in a concise and transparent manner.

#### Standard Chart of Accounts

##### Section 160

(1) The purpose of the standard chart of accounts is to facilitate the organization of the accounting of the economic entity by incorporating into a standard system the assets and liabilities of the economic entity and the effect of business operations on its profits and losses, and to provide basic information necessary for the annual account to be prepared in accordance with this Act and with the government decree issued by authorization granted in this Act.

(2) Sections 1-4 of the accounts contain the balance sheet accounts, sections 1-3 contain the assets, and section 4 contains the liabilities. The accounts of these sections provide the figures necessary for the preparation of the balance sheet.

a) Section 1 of the accounts includes the accounts used for the registration of intangible assets, tangible assets (including also assets not put into operation and assets in course of construction), and financial investments.

b) Section 2 of the accounts includes purchased and self-constructed assets.

c) Section 3 of the accounts includes current assets, with the exception of inventories (liquid assets, securities, trade debtors, debtors, employees and members, the central budget and other organizations), and deferred expenses and accrued income.

d) Section 4 of the accounts contains the sources of assets. It includes equity, provisions, long-term and short-term liabilities, and accrued expenses and deferred income.

(3) \* The data necessary for the profit and loss account, and for determining the results after tax are contained in sections 5 and 8-9 of the accounts.

(3a) \* Section 5 of the accounts contains the expenses, itemized by cost type. In section 5 of the accounts the cost types are broken down per the following categories: cost of raw materials and consumables, cost of services received, cost of other services, wages costs, other employee benefits, contributions on wages and salaries, and depreciation. A company drawing up its profit and loss account using the nature of expense method shall enter separately within this section of the accounts any change in the capitalized value of own performance in the current year not otherwise qualifying as a cost type or cost recovery, as to cover direct costs of the same amount, as well as the value of unsold performance equaling their direct costs.

(3b) \* Section 8 of the accounts:

a) contains material costs - including raw materials and consumables, cost of services received, cost of other services, the cost of goods sold, and the value of services sold (intermediated) -, staff costs - including wage costs, other employee benefits, contributions on wages and salaries -, depreciation write-off and other operating charges, expenses on financial transactions and the amount of tax payable for the profit and loss account prepared by the nature of expense method;

b) contains, for the profit and loss account prepared by the function of expense method, the direct costs of sales, the cost of goods sold, the value of services sold (intermediated), and the indirect costs of sales (including sales, marketing, administration costs and other general overhead), other operating charges, expenses on financial transactions and the amount of tax payable.

(3c) \* Sales revenues, other income and income from financial transactions shall be shown under section 9 of the accounts.

(4) Depending on the decision of the economic entity, sections 6-7 of the accounts may be used for providing information to management. The free use of these sections of accounts permits settlement within the company, as well as the formation of an internal system of cost management and prime cost calculations.

(5) \* Section 0 of the accounts contains the records of accounts, items of which do not affect the results after tax of the financial year in question nor the amount of equity on the balance sheet date. Off-balance-sheet items shall also be shown under section 0 of the accounts, such as contingent liabilities, commitments emphasizing the contract value of the forward parts of futures, options and swaps transactions as long as the liability remains outstanding, the transaction is performed (concluded), not yet expired as contracted, and the liabilities outstanding due to any commitment in connection with futures, options or swaps.

## System of Accounts

### Section 161

(1) Economic entities keeping double-entry books shall establish a system of accounts in accordance with the provisions related to the standard chart of accounts, containing facilities for drawing up the annual accounts in full compliance with the relevant provisions prescribed in this Act.

(2) The system of accounts shall contain the following:

a) number and description of all accounts designated for use;

b) content of the account, where it does not follow clearly from the description of the account, and the titles of any increase or decrease in the amount under the account, the economic events that affect the account and their relation with other accounts;

c) connection between the general ledger account and the analytic registers;

d) the system of documentation in support of the system of accounts.

(3) Analytic registers shall be closely related to the general ledger, and shall be kept in a manner containing facilities for comparison of the values, numbers and figures recorded in both.

(4) Responsibility for drawing up the system of accounts, keeping it up to date at all times and for ascertaining the correctness of accountancy lies with the person authorized to represent the company.

(5) A newly founded economic entity, which falls under the scope of this Act and keeps double-entry books, shall draw up its system of accounts within ninety days of the date of its foundation, while an economic entity switching from single-entry to double-entry bookkeeping, by the date of such transition. In the event of any amendment to this Act, the necessary revisions in the system of accounts shall be carried out within ninety days of the entry into force of the amendment.

#### Section 161/A \*

(1) The internal regulations of economic entities concerning accounting and documentation shall contain elaborate facilities, apart from supporting the balance sheet and the profit and loss account, to directly support the data and information contained in the notes on the accounts.

(2) In order to facilitate the transparency and control of the appropriation of public funds and public property, the records (accounting systems) of economic entities shall contain additional subsystems sufficient to convey data and information as prescribed in specific other legislation.

#### Single-Entry Bookkeeping

##### Section 162

(1) An economic entity keeping single-entry books shall maintain accounting records (liquid assets flow records) of the liquid assets managed, used and owned by the business association, and the sources thereof, as well as of any financial deals and transactions, and on any changes in assets resulting from said financial deals and transactions, but which do not involve transfer or receipt of funds, furthermore, on income and expenses settled without money, which reflect any variation in such assets and liabilities, corresponding to the facts on a continuous basis in a clear and transparent system. In connection with such accounting records, it is necessary for the economic entity to maintain analytic registers on its assets and liabilities in a true and continuous fashion for the compilation of its simplified annual accounts.

(2) The obligation of keeping accounting records on the liquid assets and the sources thereof, as well as on any changes therein may be satisfied by keeping a general ledger, or any other register meeting the relevant requirements. The applied system of records shall be sufficient to show all financial transactions as part of regular business operations and any variation in the company's assets and profit or loss in connection with said financial transactions that, however, do not involve the movement of funds, so as to permit agreement between the accounts.

(3) Responsibility for the continuity and correctness of accountancy lies with the person authorized to represent the company.

## Transition Between Accounting Systems

### Section 163

(1) \* When switching from single-entry bookkeeping to double-entry bookkeeping, the opening balance sheet shall be drawn up on the basis of the simplified balance sheet in leaving the balance sheet total unaltered. The retained earnings box in the opening balance sheet shall contain the sum total of the retained earnings and the provisions shown in the simplified balance sheet. The results after tax shown in the simplified balance sheet shall be entered in the results after tax box of the opening balance sheet. Following opening,

a) the amount of sales revenue corresponding to the amount shown under trade debtors - excluding any value added tax payable - shall be accounted for against the retained earnings;

b) from the amount shown under trade accounts payable in the balance sheet - without the amount of value added tax deductible - the items which are not shown under purchased inventories in the opening balance sheet (services, purchased inventories used or sold during the previous financial year), shall be accounted for as cost against the retained earnings;

c) the sum of the items listed under Paragraph a) of Subsection (6) of Section 102, which were included in the provisions, shall be accounted for as other income against the retained earnings;

d) the amount of reserves contained in the opening balance sheet shall be accounted for as other operating charges against the retained earnings;

e) from the liabilities under Subsection (2) of Section 103 - in respect of provisions the liabilities taken into account on the basis of Paragraph b) of Subsection (6) of Section 102 - those which could not have been recognized as costs or expenses in the single-entry system, shall be accounted for as other operating charges against the retained earnings following opening of the books;

f) the unused portion of any non-repayable financial support received by the company on the basis of the relevant legislation or intergovernmental agreement as defined in Subsection (4) of Section 103 shall be accounted for as other income, and thus removed from liabilities. This other income shall be shown under deferred income in accordance with Subsection (1) of Section 45.

(2) No profit and loss account is required for the year before transition on the basis of the profit and loss statement.

#### Section 163/A \*

(1) A business association switching from double-entry to single-entry bookkeeping shall prepare a simplified balance sheet on the basis of the balance sheet of the annual account or simplified annual account of the year immediately preceding the year of transfer, in due observation of the provisions laid down in Subsections (2)-(4).

(2) Prior to the preparation of the annual account or simplified annual account for the year immediately preceding the year of transfer, the following items shall be terminated in the following manner: the capitalized value of formation/restructuring as well as any deferred or accrued expenses or income - with the exception of the accruals or deferrals based on the titles defined under Subsection (1) of Section 33, Paragraphs b) and c) of Subsection (1) of Section 45 or in the titles defined in Paragraph a) of Subsection (1) of Section 45 corresponding to the conditions contained in Subsection (4) of Section 103 - by accounting for such to the debit and credit of profits; any deferred expenses or accrued income as per Subsection (1) of Section 33 against assumed liabilities; any accrued expenses or deferred income as per Paragraphs b) and c) of Subsection (1) of Section 45 against the assets providing the basis thereof; any accrued expenses or deferred income due to liquid assets received under the conditions laid down in Subsection (4) of Section 103, from among the accrued expenses or deferred income as per Paragraph a) of Subsection (1) of Section 45, against long-term liabilities; value corrections shall be offset against the valuation reserve and valuation differences against the fair value reserve.

(3) \* The data received as a result of the adjustments referred to in Subsection (2) shall be shown in the simplified balance sheet where appropriate. Other receivables from trade debtors and other trade accounts payable that do not originate from any transfer of funds shall be shown under receivables and liabilities not connected to any movement of funds. The retained earnings and the results after tax shall be entered in the retained earnings and the results after tax boxes in the simplified balance sheet. At the time of switching over, the line for provisions in the simplified balance sheet shall be left blank.

(4) Following the opening of accounts in the single-entry system, the purchased inventories that were paid for prior to switching over, as shown in the simplified balance sheet, shall be accounted for as costs of raw materials and goods, while the stock of self-constructed assets shall be recognized as other production and administration charges.

#### Closing of Books

## Section 164

(1) At the end of the financial year, the closing of books includes the supplementary, corrective, cross-referencing and summarizing tasks related to accountancy, and performed in the interest of making the system of continuous bookkeeping complete.

(2) An economic entity keeping double-entry books shall prepare a general ledger statement based on the accounting records for the periods determined by the economic entity, but before making the annual account and before disclosure of any data based on the books of account as prescribed by other provisions of law, for the purpose of supporting the annual account.

(3) An economic entity keeping single-entry books shall balance the general ledger or other similar register that is in conformity with the requirements of this Act concerning the periods determined by the economic entity, but at least for the purpose of supporting the simplified annual account, or for the disclosure of data based on the accounting records as prescribed by other legislation.

## Documentary Principle and Documentary Discipline

### Section 165

(1) All economic transactions and events that result in any change in the inventories or composition of assets, or the sources thereof shall be documented (recorded). The data of all documents reflecting the process of economic transactions (events) shall be entered in the accounting records.

(2) Figures may only be entered in the accounting (accountancy) records on the basis of documents drafted according to regulations. A document shall be deemed duly drafted, if it contains the data to be entered in the course of accounting, and prescribed by other legislation, which are related to the economic transaction (event) concerned, fully in accordance with the facts; if it satisfies the general formal and content requirements of accounting documents; and - in the case of any errors - it has been corrected in accordance with the relevant regulations.

(3) When establishing the processing order of accounting documents, the following shall also be taken into consideration:

a) the documents on economic transactions and events affecting liquid assets shall be recorded in the books without delay, or, in respect of liquid assets transactions, simultaneously with any monetary movement, or upon receipt of the notification by the financial institution in respect of

transactions through a bank account; while the items affecting other liquid assets within fifteen days of the end of each month;

b) the documents of other economic transactions and events shall be recorded in the books when the economic transaction or event to which it pertains took place, or at least in every quarter, until the date specified in the accounting policy (unless prescribed otherwise by other legislation), no later than the end of the month following the given quarter.

(4) Irrespective of the type of carrier medium and the method of data processing (manual or mechanical) employed, facilities to permit cross-referencing and control the data of the general ledger, the analytic registers and the documents shall be provided through a logically closed system.

## Accounting Documents

### Section 166

(1) \* Accounting documents shall mean all instruments drafted or issued by the economic entity, or by natural persons and other economic entities in business or other relationship with the economic entity (invoice, contract, agreement, statement, credit institution certificate, bank statement, legal provision, and other instruments regarded as such) - irrespective of whether they have been printed or produced in some other way - which have been prepared for the purpose of recording the economic transactions and events in the books.

(2) The data of accounting documents shall be authentic, reliable and adequate both in terms of form and contents. When drafting documents, the principle of clarity shall be observed.

(3) \* Accounting documents shall be prepared in the Hungarian language, at the time or in the process of the economic transaction or event to which they pertain, or when the economic action in question is taken or implemented. (Data and information on documents made out in Hungarian may also be indicated in other language(s) as well.)

(4) \* By way of derogation from what is contained in Subsection (3), if derogation is justified upon the characteristics of the economic transaction or event, or economic action, the accounting document may be made out in a foreign language as well. On the documents, issued or received, made out in foreign languages the data and information which are essential for authenticity, for reliable and factual data processing, for accounting and for subsequent control shall also be indicated - as governed in the internal regulations - in the Hungarian language before the document is filed in the accounting records.

(5) \* In the case of transformation, merger, division, documents created by the predecessor before the successor company is registered in the register of companies, and the economic events based on documents issued to the name of the predecessor shall be recorded in the books of the successor (if there is more than one successor, by the one where the impact of the economic event prevails), provided they could not have been taken into consideration for the annual account or simplified annual account of the predecessor, or if the predecessor was unable to take them into consideration.

(6) The correctness of data of all accounting documents shall be provided for within the preservation period defined in Section 169.

#### Section 167

(1) The general formal and content requirements of accounting documents used directly for accountancy are as follows:

a) description and serial number, or other identification mark of the document;

b) name of economic entity (indicating also the department thereof) issuing the document;

c) name of the person or body ordering the economic transaction, signatures of persons effecting payment and verifying execution, as well as, depending on the organization, the signature of the inspector; in documents of movements of inventories and liquid assets receipts, the signature of the recipient, and the signature of payer in counter-receipts;

d) \* date of issue of the document, and, depending on the nature of the economic transaction and the time effect thereof, description of the period to which the data of the document apply (the date or period of performance of the economic transaction);

e) description or designation of the (executed) economic transaction, information on quantity, quality and, depending on the nature of the economic transaction and the system of accounting, the value of changes caused by the economic transaction;

f) in the case of external documents, the document shall include (among others): the name and address of the company making out the document;

g) in the case of the consolidation of the data of documents, description of the documents serving as the basis for consolidation and the period covered by consolidation;

h) reference to the accountancy system applied and to the accounting documents involved;

i) date and verification of entry into the accounting records;

j) furthermore, all other data prescribed by the relevant legislation.

(2) \* As regards invoices, simplified and abridged invoices, additional requirements may be prescribed by other legislation as well.

(3) \* In terms of formal and content requirements of accounting documents (whether issued or received) their authenticity and reliability may be verified - if there is no other way - by the signature of the person authorized to represent the company (including presumed representation as defined in the Civil Code).

(4) \*

(5) \* Electronic documents and instruments may be used for accounting documents, provided they satisfy the requirements set out in this Act. The conditions for using electronic documents and instruments as accounting documents and the requirements for their authenticity and reliability may be prescribed in specific other legislation.

(6) When a document is generated for the accounting records by some technical or optical procedure, the following shall be provided:

a) a hardcopy of such document to ensure the visual display of data, if necessary, without delay,

b) a list of codes to ensure the clear identification of data.

(7) \* Companies may comply with the obligations set out in Paragraphs h) and i) of Subsection (1) of this Section and in Subsection (4) of Section 166 by way of attaching - physically or logically - the prescribed data and information and certificates containing a clear indication of the (electronic or paper-based) original to which they pertain, with safeguards to prevent the stored contents from being manipulated. Logical attachment may be implemented by means of electronic records as well.

### Obligation of Strict Accounting

#### Section 168

(1) \* The documents related to handling cash or to other economic events established under the relevant provisions of other legislation (including invoices, simplified invoices and cash receipts), as well as all other forms for which a consideration exceeding the value of the form or corresponding to the face value indicated in the form is payable, or the unauthorized use of which may give rise to misuse, shall be subject to the obligation of strict accounting.

(2) The obligation of strict accounting shall lie with the issuer of the document or form.

(3) The persons authorized to handle or entitled to issue documents or forms which are subject to the obligation of strict accounting shall keep such registers, which ensure that the documents and forms are duly accounted for.

### Retaining Documents

#### Section 169

(1) \* Economic entities shall be required to retain in a legible form the annual account on the financial year, the annual report, along with the inventory, valuation, the ledger statement and the general ledger and other registers maintained in compliance with the requirements of this Act in support of the annual account, for a period of at least eight years.

(2) \* The accounting documents underlying the accounting records directly or indirectly (including ledger accounts, analytical records and registers) shall be retained for minimum eight years, shall be legible and retrievable by means of the code of reference indicated in the accounting records.

(3) The obligation to retain documents according to Subsection (2) shall also apply to the void copies of documents of strict accounting.

(4) Any organizational change (including termination without succession) within the period of retention shall not constitute an exemption from this obligation, hence measures shall be taken to retain the documents specified under Subsections (1) and (2) at the time of the implementation of the organizational change.

(5) \* Accounting documents made out in electronic format shall be retained in electronic format, in due observation of the legislation on digital archiving, with sufficient facilities to permit the swift retrieval of all information contained in the original document in a perfectly legible form and to contain safeguards to prevent the stored contents from being manipulated or corrupted.

(6) \* In connection with accounting documents originally made out in a format other than electronic, the obligation of retaining documents may be satisfied, in due observation of the legislation laying down provisions on making copies of paper-based documents by way of electronic means, if the applied method of reproduction contains facilities to permit the swift retrieval of all information contained in the original document in a perfectly legible form and safeguards to prevent the stored contents from being manipulated or corrupted.

## Chapter XII

### LEGAL RAMIFICATIONS

#### Section 170

(1) The provisions of the Civil Code on general liability shall apply to the liability for any violation of the accounting rules and regulations defined in this Act.

(2) In addition to what is contained in Subsection (1), in the case of any infringement of the provisions of this Act the infringer shall be subject to liability under the provisions of other acts (Criminal Code, Act on Misdemeanor Offenses) as well.

(3) If the tax authorities establish that the annual account or simplified annual account published according to Subsection (3) of Section 154 fails to comply with the provisions of this Act in full or in part, a default penalty may be imposed upon the company in question according to the Act on the Rules of Taxation.

## Chapter XIII \*

### NATIONAL ACCOUNTING COMMITTEE \*

#### Establishment of the Committee \*

##### Section 171 \*

(1) The minister shall set up a National Accounting Committee composed of experts (hereinafter referred to as "Committee") for the development of accounting principles and methodologies, and to facilitate the practical implementation of the basic accounting principles defined in this Act.

(2) The minister is vested with authority to appoint and dismiss the Chairman and members of the Committee.

(3) The minister shall appoint at least two-thirds of the Committee members by recommendation from the appropriate trade associations.

#### Functions of the Committee \*

##### Section 172 \*

Functions of the Committee are:

a) making recommendations on a regular basis to the minister for initiating any amendments to this Act, for revising accounting directives and for drawing up new ones;

b) performing the functions conferred by the government decree referred to in Paragraph e) of Subsection (1) of Section 178 relating to the preparation, approval and interpretation of national accounting standards provided for in Section 176;

c) monitoring the implementation of the accounting system, making proposals to the minister on solving any problems related thereto that may arise in the process;

d) making recommendations on a regular basis for drawing up accounting directives to facilitate also the performance of audit services, and for reviewing such directives;

e) monitoring foreign accounting regulations and practice, and to inform Hungarian companies thereof.

#### Operation of the Committee \*

##### Section 173 \*

(1) The work of the Committee is directed by the Chairman, who shall be served by the Secretariat.

(2) The minister shall provide for the performance of the functions of the Secretariat.

(3) The Committee shall establish its organizational and operational system in compliance with the relevant legislation and shall fix it in writing.

(4) The Committee's work shall be public subject to the exceptions contained in the organizational and operational regulations.

#### Chapter XIV

##### CLOSING PROVISIONS

##### Entry Into Force

##### Section 174

(1) This Act, with the exceptions set forth in Subsections (2)-(4), shall enter into force on 1 January 2001; its provisions shall be applied to the annual accounts drawn up for the financial year commencing in 2001.

(2) Subsection (5) of Section 4 shall enter into force upon Hungary's accession to the European Union.

(3) \* A superior parent company whose registered office is located in a Member State of the European Economic Area may - pursuant to Subsection (1) of Section 116 - exempt its resident subordinated parent company in the financial year following Hungary's accession to the European Union.

(4) Subsection (1) of Section 151 shall enter into force on 1 January 2003.

(5) \*

Compliance with the Acquis \*

Section 175 \*

(1) This Act contains provisions for the implementation of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

(2) \* This Act serves the purpose of compliance with the following legislation of the European Union:

a) Eleventh Council Directive 89/666/EEC of 21 December 1989 concerning disclosure requirements in respect of branches opened in a Member State by certain types of companies governed by the law of another State;

b) Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids;

c) \* Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC;

d) Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC;

e) \* Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups;

f) \* Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

#### Hungarian Accounting Standards \*

##### Section 176 \*

The detailed regulations, methods and procedures related to statutory provisions, which are necessary for the principle of true and fair view, shall be prescribed in national accounting standards.

#### Transitional Provisions

##### Section 177

(1) \* Companies keeping single-entry books as at 31 December 2003 shall be required to switch from single-entry to double-entry bookkeeping as of 1 January 2004.

(2) Advances/prepayments on intangible assets according to Subsection (9) of Section 25, rights in immovables defined under Subsection (3) of Section 26 and the breeding stock defined in Subsection (6) of Section 26 shall be transferred as of 1 January 2001, following the recording of opening accounts.

(3) Sums tied up from the capital reserves defined in Subsections (2) and (3) of Section 38, or from retained earnings, and supplementary payments previously credited to retained earnings shall be transferred and shown under tied-up reserves as of 1 January 2001, following the recording of opening accounts. If the assets of a cooperative society that cannot be divided are shown as subscribed capital, they shall be transferred to the tied-up reserve account, whereby to reduce the subscribed capital, within 180 days of the entry into force of this Act.

(4) \*

(5) Where the valuation difference of foreign currency holdings, whether on hand or on account, the receivables, financial investments, securities and liabilities denominated in foreign currencies, as

determined on the basis of Subsection (3) of Section 60 on the balance sheet date of the financial year ending in 2001, shown any exchange gains on the aggregate, the company in question shall have the option to either:

a) enter such gains under accrued and deferred assets according to Paragraph b) of Subsection (3) of Section 60, or

b) use this sum to offset the exchange losses shown under deferred expenses and accrued income which were not realized in the previous financial year according to Subsection (2) of Section 33, and consequently not enter such gains under accrued and deferred assets according to Paragraph b) of Subsection (3) of Section 60.

(6) When determining whether the conditions defined under Subsection (1) of Section 117 for the obligation of filing a consolidated annual account for 2001 are satisfied, the data of the companies defined in Subsection (2) of Section 117 pertaining to 1999-2000 period shall be compared to the indices specified in Subsection (1) of Section 117.

(7) The provisions of Subsection (3) of Section 155 may be applied prior to the entry into force of Subsection (1) of Section 151 of this Act only if the accounting records and the annual account (simplified annual account) of the company are maintained and drawn up by a chartered accountant or a person of higher qualifications, or if the annual net sales revenues (revenues calculated for the period of one year) of the company do not exceed five million forints on average of two years preceding the current year (or in the absence of such in the current year as estimated).

(8) Provisions for expected losses of receivables, shown as such in the balance sheet on 31 December 2000, shall be terminated on or before the balance sheet date of the financial year following the date of entry into force of this Act.

(9) \* The three years of professional experience to be obtained following certification – as specified in Paragraph b) of Subsection (5) of Section 151 – may be substituted by:

- a maximum of two years experience in 2002 and 2003,

- a maximum of one year experience in 2004

obtained in the fields of accounting, finance and/or auditing prior to receiving certification.

(10) \* The combined positive balance resulting from the evaluation [performed in accordance with Subsection (2) of Section 60] of foreign currency holdings and assets and liabilities denominated in foreign currencies, as shown under accruals and deferred income pursuant to the regulations in force before 1 January 2003, shall be terminated within a maximum of five years in the manner specified in the accounting policy.

(11) \* Any business association that is no longer treated as a nonresident within the meaning of foreign exchange regulations by virtue of the amendments of the relevant legislation for the purpose of approximation shall be required to comply with the general provisions contained in Section 20 by the date of accession of Hungary to the Economic and Monetary Union. These companies shall be permitted to prepare their financial reports in the currency, referred to in Subsection (3) of Section 20, adopted in the instrument of constitution up to the above-specified date, even if no longer in compliance with the requirements set out in Subsection (3) of Section 20.

(12) \* In the application of the provisions of Subsection (11) above, the loss of nonresident status due to any change in the person of the member (owner) with majority control shall also be considered a change for the purpose of approximation.

(13) \* The provisions of Subsection (2) of Section 10 shall be first applied with respect to the consolidated annual accounts drawn up for the financial year beginning in 2007 by any company (parent company) whose debt securities are the only form of securities authorized to be traded on a recognized (regulated) market (exchange) of any Member State of the European Union.

(14) \* Any company that is required to prepare annual accounts for the 2005 financial year pursuant to the provisions in force by 31 December 2004 that has the option to file a simplified annual account for the 2005 financial year in accordance with the limits set out in Subsection (2) of Section 9, as amended by Section 49 of Act XXVI of 2005 on the Amendment of Certain Acts Concerning Taxes and Mandatory Contributions (by revising the data of the previous financial year in light of the increased limit values), may switch over directly - by way of derogation from Subsection (2) of Section 97 - to filing a simplified annual account for the 2005 financial year as well.

(15) \* Where a company applies the provisions of Subsection (2) of Section 55 of this Act, as amended by Section 292 of Act CXXVI of 2007 on the Amendment of Tax Laws, for the first time in

connection with the financial year in question, the adjustments claimed as on the first day of this financial year in connection with such receivables shall be shown under other income (reversed).

(16) \* The provisions of Point 10e) of Subsection (4) of Section 3, Point 12 of Subsection (8) of Section 3, Subsections (3)-(4) of Section 9, Subsection (3) of Section 11, Subsection (6) of Section 33, Subsection (8) of Section 47, Subsection (2) of Section 59/C, Subsection (2) of Section 60, Subsection (6) of Section 60, Subsection (10) of Section 60, Subsection (8) of Section 84, Subsection (4) of Section 85, Subsection (9) of Section 86, Paragraph b) of Subsection (1) of Section 93, Subsections (4)-(6) of Section 96, the introductory sentence to Subsection (1) of Section 116, Subsection (2) of Section 116, Subsection (6) of Section 116, Subsection (6) of Section 140, Subsection (4) of Section 141, Subsection (5) of Section 153, Subsection (5) of Section 154/A of this Act and Schedule No. 6 to this Act, as amended by Act CXXIII of 2010 on the Amendment of Certain Acts Concerning Taxes and Mandatory Contributions, the Accounting Act, the Act on the Chamber of Hungarian Auditors, and on the Amendment of Tax and Customs Laws in Compliance with the Requirement for Harmonization of Community Legislation, shall be applied initially for the annual accounts prepared for the financial year beginning in 2011.

(17) \* The provisions of this Act referred to in Subsection (16) above, as amended by Act CXXIII of 2010 on the Amendment of Certain Acts Concerning Taxes and Mandatory Contributions, the Accounting Act, the Act on the Chamber of Hungarian Auditors, and on the Amendment of Tax and Customs Laws in Compliance with the Requirement for Harmonization of Community Legislation, may be applied for the annual accounts prepared for the financial year beginning in 2010 as well.

(18) \* Providers of accounting services shall comply with the requirement of continuous development for 2012 at institutions accredited on 1 April 2012, by attending continuous development programs implemented according to the regulations in force on 1 April 2012.

(19) \* The credit points earned in 2012 upon completion of continuous development programs within the credit systems under Section 152 may be taken into consideration in respect of the requirement of continuous development for 2013.

(20) \* Paragraph a) of Subsection (3) of Section 155 of this Act, as amended by Paragraph i) of Section 25 of Act XCVI of 2011 on the Amendment of Regulations Relating to the Economy, shall be applied initially for the annual accounts prepared for the financial year beginning in 2012.

(21) \* Paragraph a) of Subsection (3) of Section 155 of this Act, as amended by Paragraph j) of Section 25 of Act XCVI of 2011 on the Amendment of Regulations Relating to the Economy, shall be applied initially for the annual accounts prepared for the financial year beginning in 2014.

(22) \* In proceedings for the authorization of activities of those not previously authorized under Subsection (1) of Section 151, the provisions set out in Subparagraph bd) of Paragraph b) of Subsection (1) of Section 151 shall apply only in respect of the applications submitted after 31 December 2014.

(23) \* Points 2-4 of Subsection (4), Paragraph c) of Point 1 of Subsection (5) and Subsection (13) of Section 3, Subsection (4) of Section 6, Section 7/A, Subsections (3)-(4) and (6) of Section 9, Subsection (2) of Section 11, Subsection (3) of Section 25, Subsection (10) of Section 35, Subsection (4) of Section 45, Subsection (3) of Section 46, Paragraph e) of Subsection (4) of Section 47, Subsections (7)-(9) of Section 48, Subsection (2) of Section 49, Paragraph e) of Subsection (1) of Section 53, Subsection (5a) of Section 60, Section 69, Paragraph a) of Subsection (2) and Paragraph b) of Subsection (4) of Section 72, Subsection (2) of Section 87, Subsection (1) of Section 96, Subsection (2) and Paragraph c) of Subsection (3) of Section 98/A, Subsection (3) of Section 127, Subsection (2) of Section 135, Subsection (4) of Section 145, Subsections (1)-(2) and (5) of Section 153, Subsection (10) of Section 154, Subsections (1)-(4) of Section 158, Subsection (1) of Section 169, Point 12 of Subsection (8) of Section 3, Subsection (9) of Section 14, Section 31, Subsection (4) and Paragraph b) of Subsection (5) of Section 39, Subsection (1) of Section 40, Subsection (4) of Section 41, Paragraph a) of Subsection (1) of Section 53, Section 73, Paragraph a) of Subsection (3) of Section 98/A, Section 144, Subsection (13) of Section 11, Subsection (11) of Section 123, Subsection (2) of Section 128, Subsections (1)-(3) of Section 121, Subsections (1) and (2) of Section 122, Subsection (2) of Section 123, Subsection (12) of Section 124, Subsection (6) of Section 130, Subsection (8) of Section 130, Subsection (11) of Section 177, Paragraph b) of Subsection (1) of Section 133, Subsection (2) of Section 156, Paragraph b) of Subsection (3) of Section 38, Paragraph f) of Subsection (2) of Section 81, Paragraph f) of Subsection (3) and Paragraph b) of Subsection (6) of Section 86 of this Act, as established by Act CLVI of 2011 on the Amendment of Tax Laws and Other Related Regulations, shall for the first time apply to the annual accounts drawn up for the financial year commencing in 2012.

(24) \* Paragraph c) of Point 1 of Subsection (5) and Subsection (13) of Section 3, Subsections (3)-(4) of Section 9, Subsection (3) of Section 25, Subsection (4) of Section 45, Subsection (3) of Section 46, Paragraph e) of Subsection (4) of Section 47, Subsections (7)-(9) of Section 48, Subsection (2) of Section 49, Paragraph e) of Subsection (1) of Section 53, Subsection (5a) of Section 60, Section 69, Paragraph a) of Subsection (2) and Paragraph b) of Subsection (4) of Section 72, Subsection (1) of Section 96, Subsection (2) and Paragraph c) of Subsection (3) of Section 98/A, Subsection (3) of Section 127, Subsection (2) of Section 135, Subsection (4) of Section 145, Subsections (1)-(2) and (5) of Section 153, Subsection (10) of Section 154, Subsections (1)-(4) of Section 158, Subsection (1) of Section 169, Point 12 of Subsection (8) of Section 3, Section 31, Subsection (4) of Section 41, Paragraph a) of Subsection (1) of Section 53, Section 73, Paragraph a) of Subsection (3) of Section

98/A, Section 144, Subsection (13) of Section 11, Subsection (11) of Section 123, Subsection (2) of Section 128, Subsections (1)-(3) of Section 121, Subsections (1) and (2) of Section 122, Subsection (2) of Section 123, Subsection (12) of Section 124, Subsection (6) of Section 130, Subsection (8) of Section 130, Subsection (11) of Section 177, Paragraph b) of Subsection (1) of Section 133, Subsection (2) of Section 156 and Paragraph b) of Subsection (3) of Section 38 of this Act, as established by Act CLVI of 2011 on the Amendment of Tax Laws and Other Related Regulations, may be applied to the annual accounts drawn up for the financial year commencing in 2011. If a company opted to apply Subsections (3)-(4) of Section 9 of the Accounting Act in connection with the financial report filed for the financial year commencing in 2011, as established by Act CLVI of 2011 on the Amendment of Tax Laws and Other Related Regulations, Subsection (13) of Section 11, Subsection (11) of Section 123, Subsection (2) of Section 128, Subsections (1)-(3) of Section 121, Subsections (1) and (2) of Section 122, Subsection (2) of Section 123, Subsection (12) of Section 124, Subsection (3) of Section 127, Subsection (6) of Section 130, Subsection (8) of Section 130, Subsection (11) of Section 177, Paragraph b) of Subsection (1) of Section 133 and Subsection (2) of Section 156 of the Accounting Act, as established by Act CLVI of 2011 on the Amendment of Tax Laws and Other Related Regulations, shall also be applied.

(25) \* Subsections (5)-(6) of Section 10 of this Act, as established by Act CLVI of 2011 on the Amendment of Tax Laws and Other Related Regulations, shall for the first time apply to the annual accounts drawn up for the financial year commencing in 2014.

(26) \* Subsections (2) and (3) of Section 33 and Subsection (4) of Section 41 of this Act, as established by Act CXLVI of 2012 on the Amendment of Regulations Required for the Implementation of the Action Plan for Employment Protection, shall first apply to the financial statements prepared for the financial year beginning in 2013.

(27) \* Subsections (2) and (3) of Section 33 and Subsection (4) of Section 41 of this Act, as established by Act CXLVI of 2012 on the Amendment of Regulations Required for the Implementation of the Action Plan for Employment Protection, may be applied to the financial statements prepared for the financial year beginning in 2012 as well.

(28) \* Where the cost of a company's asset in connection with which any deferred income was recorded has been increased before the entry into force of Subsection (2a) of Section 45, the company may cancel the deferred income in accordance with the method previously selected, instead of the procedure defined in Subsection (2a) of Section 45.

(29) \* Any company that draws up the simplified annual account for the 2012 financial year in accordance with the specific method defined in Subsection (6) of Section 9 of this Act, as effective on 31 December 2012, shall prepare its financial account for the 2012 financial year in accordance with Section 98/A of this Act, as effective on 31 December 2012, and shall draw up its financial account for the 2013 financial year in accordance with the provisions of this Act in effect on 1 January 2013.

(30) \* Subsections (5)-(6) of Section 154 of this Act, repealed by Act CLXXVIII of 2012 on the Amendment of Tax Laws and Other Related Regulations, shall not apply to errors having a significant impact on true and fair view discovered in 2012.

(31) \* Point 3 of Subsection (3) of Section 3, Subsection (7) of Section 25, Paragraph d) of Subsection (3) of Section 28, Subsection (2a) of Section 45, Subsection (4) of Section 46, Paragraph e) of Subsection (4) of Section 47, Subsection (2) of Section 52, Subsection (5) of Section 87, Subsection (5) of Section 117, Point 2 of Subsection (1) and Point 2 of Subsection (7) of Section 3, Subsection (1) of Section 6, Subsections (2) and (3) of Section 11, Subsection (4) of Section 117, Paragraph b) of Subsection (1) of Section 178, Subsection (1) of Section 72, Paragraph c) of Subsection (2) of Section 72, Subsections (2) and (4) of Section 79, Paragraph o) of Subsection (7) of Section 84, Paragraph o) of Subsection (3) of Section 85 and Paragraph c) of Subsection (2) of Section 103 of, and Schedule No. 7 to this Act, as amended by Act CLXXVIII of 2012 on the Amendment of Tax Laws and Other Related Regulations, shall for the first time apply to financial statements prepared for the financial year beginning in 2013.

(32) \* Point 3 of Subsection (3) of Section 3, Subsection (7) of Section 25, Paragraph d) of Subsection (3) of Section 28, Subsection (2a) of Section 45, Subsection (4) of Section 46, Paragraph e) of Subsection (4) of Section 47, Subsection (2) of Section 52, Subsection (5) of Section 87, Point 2 of Subsection (1) and Point 2 of Subsection (7) of Section 3, Subsection (1) of Section 6, Subsections (2) and (3) of Section 11, Subsection (4) of Section 117, Paragraph b) of Subsection (1) of Section 178, Subsection (1) of Section 72, Paragraph c) of Subsection (2) of Section 72, Subsections (2) and (4) of Section 79, Paragraph o) of Subsection (7) of Section 84, Paragraph o) of Subsection (3) of Section 85 and Paragraph c) of Subsection (2) of Section 103 of, and Schedule No. 7 to this Act, as amended by Act CLXXVIII of 2012 on the Amendment of Tax Laws and Other Related Regulations, may be applied to financial statements prepared for the financial year beginning in 2012.

(33) \* Subsection (10) of Section 47, Subsection (4) of Section 73, and Subsection (8) of Section 78 of this Act, as established by Act CIII of 2013 on the Amendment of Certain Acts Relating to the Calculation of Absentee Pay and to the Regulation of Public Funds, may be applied to financial statements prepared for the financial year beginning in 2013 as well.

(34) \* Subsections (4) and (5) of Section 20, Paragraph g) of Subsection (2) of Section 37, Subsection (2a) of Section 39, Subsections (4) and (5) of Section 60, Paragraph b) of Subsection (2) of Section 77, Paragraph b) of Subsection (2) of Section 81, and Subsection (1) of Section 117 of this Act, as established by Act CC of 2013 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, shall for the first time apply to financial statements prepared for the financial year beginning in 2014.

(35) \* Paragraph g) of Subsection (2) of Section 37, Subsection (2a) of Section 39, Subsections (4) and (5) of Section 60, Paragraph b) of Subsection (2) of Section 77, and Paragraph b) of Subsection (2) of Section 81 of this Act, as established by Act CC of 2013 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, may be applied to financial statements prepared for the financial year beginning in 2013 as well.

(36) \* As regards the organizations which have previously been accredited, the provisions set out in Subsections (2a) and (2b) of Section 152 of this Act, as established by Act CC of 2013 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, shall apply from 1 January of the year following the date of entry into force thereof.

(37) \* In accordance with Subsection (1) of Section 171 of this Act, as established by Act CC of 2013 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, the minister shall provide for the establishment of the National Accounting Committee by 1 April 2014.

(38) \* If the foreign exchange debts referred to in Subsection (3) of Section 33 are repaid in full by 31 December 2014, before maturity, the amount of deferred expenses provided for in Subsection (2) of Section 33 - calculated in accordance with Subsection (4) of Section 33 - may be eliminated, by way of derogation from Subsection (3) of Section 33, at the company's discretion during the financial year of repayment and during the following two financial years, in three equal installments.

(39) \* Point 2 of Subsection (3) and Point 13 of Subsection (8) of Section 3, Subsection (5a) of Section 20, Subsection (5) of Section 23, Paragraph d) of Subsection (1), Paragraph e) of Subsection (2) and Subsection (7) of Section 37, Subsections (4) and (10) of Section 38, Paragraph c) of Subsection (4) and Subsection (6a) of Section 40/A, Subsection (10) of Section 50, Subsection (11) of Section 54, Subsection (2) of Section 60, Paragraph e) of Subsection (4) of Section 72, Paragraph b) of Subsection (2) and Subsection (7) of Section 77, Paragraph b) of Subsection (2) and Subsection (5) of Section 81 of this Act, as established by Act LXXIV of 2014 on the Amendment of Tax Laws and Other Related

Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, shall for the first time apply to financial statements prepared for the financial year beginning in 2015.

(40) \* Point 2 of Subsection (3) and Point 13 of Subsection (8) of Section 3, Subsection (5a) of Section 20, Subsection (5) of Section 23, Paragraph d) of Subsection (1), Paragraph e) of Subsection (2) and Subsection (7) of Section 37, Subsections (4) and (10) of Section 38, Paragraph c) of Subsection (4) and Subsection (6a) of Section 40/A, Subsection (10) of Section 50, Subsection (11) of Section 54, Subsection (2) of Section 60, Paragraph e) of Subsection (4) of Section 72, Paragraph b) of Subsection (2) and Subsection (7) of Section 77, Paragraph b) of Subsection (2) and Subsection (5) of Section 81 of this Act, as established by Act LXXIV of 2014 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, may also apply to financial statements prepared for the financial year beginning in 2014.

(41) \* Subsection (3) of Section 74 of this Act, repealed by Act LXXIV of 2014 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, shall not apply to financial statements prepared for the financial year beginning in 2014 either.

(42) \* Points 4, 4a, 5, 7 and 9 of Subsection (2), Points 1 and 2 of Subsection (5), Point 11 of Subsection (9) and Subsection (15) of Section 3, Subsections (2), (3) and (6a) of Section 9, Subsection (4) of Section 14, Section 18, Subsections (3a), (3b) and (4)-(6) of Section 27, Subsections (2), (3), (3a) and (4) of Section 29, Subsections (2), (2a) and (3) of Section 30, Subsections (1) and (6) of Section 33, Subsections (2) and (7) of Section 35, Paragraph a) of Subsection (1), Paragraphs a) and d) of Subsection (2) and Subsection (5) of Section 37, Subsections (3)-(5) of Section 39, Subsection (1) of Section 40, Subsection (1), Paragraph a) of Subsection (3), Paragraphs a) and c) of Subsection (4) and Subsections (7) and (8) of Section 40/A, Subsections (7a) and (8) of Section 42, Subsections (1) and (4) of Section 45, Subsection (3) of Section 49, Subsections (1) and (4) of Section 52, Subsection (3) of Section 53, Subsections (11) and (12) of Section 59/A, Paragraph b) of Subsection (5) of Section 68, Section 70, Subsection (2) of Section 71, Subsection (2) of Section 76, Subsection (1), Paragraphs k)-o) of Subsection (3) and Subsections (4), (4a) and (7) of Section 77, Subsection (1), Paragraphs k)-p) of Subsection (2) and Subsections (5) and (6) of Section 81, Subsections (2) and (3) of Section 83, Subsections (1), (2), (2a), (3), (3a) and (4), Paragraph v) of Subsection (7) and Subsection (8) of Section 84, Subsection (1) and (1a), Paragraph v) of Subsection (3) and Subsection (6) of Section 85, Subsection (1) of Section 87, Subsections (4a), (7) and (10) of Section 88, Subsection (1) of Section 89, Paragraph b) of Subsection (4) and Subsection (6) of Section 90, Section 91, Subsection (3) of Section 92, Subsections (5), (5a) and (6) of Section 93, Paragraph d) of Subsection (4) of Section 95, Subsections (3), (3a), (4) and (4a) of Section 96, Subsections (1), (3) and (4) of Section 102, Subsection (1) of Section 108, Subsection (4) of Section 109, Subsection (4) of Section 111, Section 114, Subsection (1) of Section 117, Paragraph c) of Subsection (1) of Section 119, Subsection (6) and Paragraph b) of Subsection (8) of Section 123, Subsection (12) of Section 124, Paragraph b) of Subsection (1) and Subsection (4) of Section 127, Chapter VI/A, Paragraphs b) and c) of Subsection (5)

of Section 130, Subsection (2) of Section 134, Subsection (8) of Section 136, Subsection (9) of Section 141, Paragraph f) of Subsection (5) of Section 155, Subsection (5) of Section 156, Subsections (3), (3a)-(3c) and (5) of Section 160, Subsection (1) of Section 163 and Subsection (3) of Section 163/A of, and Schedules Nos. 1-6 to this Act, as established by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations, shall for the first time apply to the annual accounts drawn up for the financial year beginning in 2016.

(43) \* Subsection (6) of Section 37, Subsection (2) of Section 39, Subsection (6a) of Section 40/A, Section 86, Subsections (4) and (5) of Section 87, Subsection (6) of Section 96 and Subsection (3) of Section 127 of this Act, repealed by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations, shall not apply to the annual accounts drawn up for the financial year beginning on or after 1 January 2016.

(44) \* In drawing up the annual account for the financial year beginning in 2015 the provisions in effect on the day preceding the date of entry into force of Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations shall apply.

(45) \* In the annual account of the financial year beginning in 2016, data in effect on the balance sheet date of the previous financial year shall be used as data carried over from the previous financial year according to the breakdown prescribed for the balance sheet and profit and loss account in this Act, as established by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations. This process shall cover assets and liabilities arising in connection with affiliated companies and other companies linked by virtue of participating interest, income from financial transactions - except dividends received (due) - and expenses on financial transactions, dividends declared (payable) - including sums withdrawn from retained earnings -, and extraordinary income and extraordinary expenses. Following the opening of the financial year that begins in 2016, of the items to be settled only the assets and liabilities arising in connection with affiliated companies and other companies linked by virtue of participating interest shall be recorded in the books.

(46) \* Any company that enters in the opening data of the financial year the goodwill calculated under Paragraphs b) and c) of Point 1 and Paragraphs b) and c) of Point 2 of Subsection (5) of Section 3 in effect on the day preceding the date of entry into force of Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations, the related participation shown in the opening data of the 2016 financial year shall be adjusted by that goodwill, or the book value thereof.

(47) \* The extraordinary income and extraordinary expenditure as shown in the opening data of the 2016 financial year, deferred and accrued in accordance with the provisions in effect on the day

preceding the date of entry into force of Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations, shall be carried forward as provided for in Subsection (4a) of Section 77 and Subsections (2a), (3a) and (8) of Section 84, as amended by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations.

(48) \* As regards goodwill established in accordance with Paragraph a) of Point 1 of Subsection (5) of Section 3 of this Act in effect on the day preceding the date of entry into force of Subsection (4) of Section 52, as amended by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations, and shown in the opening data of the 2016 financial year, and the capital consolidation surplus established in accordance with Paragraph a) of Subsection (8) of Section 124, and shown in the opening data of the 2016 financial year, the provisions in effect on the date of entering said goodwill and capital consolidation surplus into the books may be applied in place of Subsection (4) of Section 52 of this Act, as amended by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations.

(49) \* In the application of Subsection (46), if the book value of the related participation is below the book value of the negative goodwill in the opening data of the 2016 financial year, the provisions in effect on the date of entering said goodwill and capital consolidation surplus into the books may be applied in connection with the negative goodwill remaining after consolidation in place of Subsection (4) of Section 45 of this Act, as amended by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations.

(50) \* In the application of Subsection (46), if the goodwill shown in the opening data of the 2016 financial year, or the participation related to negative goodwill is no longer on the books, the provisions in effect on the date of entering said goodwill into the books may be applied in connection with the goodwill, or negative goodwill remaining after consolidation in place of Subsection (4) of Section 52 and/or Subsection (4) of Section 45 of this Act, as amended by Act CI of 2015 on the Amendment of Act C of 2000 on Accounting and Other Financial Regulations.

(51) \* Subsection (6) of Section 6 of this Act, as established by Act CLXXVIII of 2015 on Amendments Relating to the Adoption of International Financial Reporting Standards for Use in Hungary for Individual Reporting Purposes, and on the Amendments of Financial Regulations, and Section 9/A and Chapter V/A, as established by Subsection (1) of Section 4 thereof shall for the first time apply to annual accounts drawn up for the financial year beginning in 2016.

(52) \* Paragraph e) of Subsection (3) of Section 77 and Subsections (1) and (2) of Section 97 of this Act, as established by Act CLXXVIII of 2015 on Amendments Relating to the Adoption of International Financial Reporting Standards for Use in Hungary for Individual Reporting Purposes, and on the

Amendments of Financial Regulations, may also apply to annual accounts drawn up for the financial year beginning in 2015.

(53) \* Economic entities applying IFRSs for the first time in connection with annual accounts drawn up for the financial year beginning in 2016, shall make the notification referred to in Subsection (4) of Section 114/C within fifteen days from the date of transition.

(54) \* Section 9/A of this Act, as established by Subsection (2) of Section 4 of Act CLXXVIII of 2015 on Amendments Relating to the Adoption of International Financial Reporting Standards for Use in Hungary for Individual Reporting Purposes, shall for the first time apply to annual accounts drawn up for the financial year beginning in 2017, subject to the exception specified in Subsection (55).

(55) \* Credit institutions, financial enterprises equivalent to credit institutions under prudential requirements - whether or not their securities are admitted to trading on a regulated market of any Member State of the European Economic Area -, insurance companies whose securities are admitted to trading on a regulated market of any Member State of the European Economic Area shall for the first time apply Section 9/A of this Act, as established by Subsection (2) of Section 4 of Act CLXXVIII of 2015 on Amendments Relating to the Adoption of International Financial Reporting Standards for Use in Hungary for Individual Reporting Purposes, to annual accounts drawn up for the financial year beginning in 2018, and optionally to annual accounts drawn up for the financial year beginning in 2017.

(56) \* At the time Act IX of 2016 on Fixed Recovery Costs enters into force, liabilities shown in the accounts (balance sheet) as fixed recovery costs shall be written off against other income if the party to whom it is payable is yet to demand payment before that time.

(57) \* Subsection (1a), Subsection (2) and Subsection (5a) of Section 156 and Subsection (2a) of Section 157 of this Act, as established, respective, by Section 53 and Section 54 of Act XLIV of 2016 on the Amendment of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors and Other Financial Regulations, shall apply for the first time to independent audit reports on financial reports made for any financial year commencing after 16 June 2016.

(58) \* Point 2 of Subsection (3) of Section 3, Points 1 and 2 of Subsection (5) of Section 3, Subsection (8) of Section 25, Subsection (8) of Section 29, Paragraph h) of Subsection (2) of Section 37, Subsections (3) and (4) of Section 45, Subsection (2) of Section 49, Subsection (4) of Section 52, Subsection (2) of Section 77, Paragraph l) of Subsection (2) of Section 81, Paragraph b) of Subsection

(3) of Section 81, Subsection (3) of Section 83, Subsection (3) of Section 84, Subsection (1a) of Section 85, Subsection (2) of Section 85, Paragraphs m) and v) of Subsection (3) of Section 85, Paragraph a) of Section 91, Paragraph h) of Subsection (2) of Section 95/B, Section 95/C, Subsections (1) and (2) of Section 97, Subsections (1) and (3) of Section 102, Subsection (1) of Section 108, Paragraph e) of Subsection (4) of Section 114/B, Paragraph b) of Subsection (5) of Section 114/B, Subsection (4) of Section 114/D, Subsections (5) and (6) of Section 134, Subsection (7) of Section 154, Paragraphs j) and n) of Subsection (5) of Section 156, Subsection (1) of Section 163, Subsection (3) of Section 163/A, Paragraph e) of Subsection (2) of Section 175 of, and Annexes 1, 2, 4 and 5 to this Act, as established by Act LXVI of 2016 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, shall for the first time apply to financial statements made for the financial year beginning in 2017.

(59) \* Point 2 of Subsection (3) of Section 3, Points 1 and 2 of Subsection (5) of Section 3, Subsection (8) of Section 25, Subsection (8) of Section 29, Paragraph h) of Subsection (2) of Section 37, Subsections (3) and (4) of Section 45, Subsection (2) of Section 49, Subsection (4) of Section 52, Subsection (2) of Section 77, Paragraph l) of Subsection (2) of Section 81, Paragraph b) of Subsection (3) of Section 81, Subsection (3) of Section 83, Subsection (3) of Section 84, Subsection (1a) of Section 85, Subsection (2) of Section 85, Paragraphs m) and v) of Subsection (3) of Section 85, Paragraph a) of Section 91, Subsections (1) and (2) of Section 97, Subsections (1) and (3) of Section 102, Subsection (1) of Section 108, Paragraph e) of Subsection (4) of Section 114/B, Paragraph b) of Subsection (5) of Section 114/B, Subsection (4) of Section 114/D, Subsection (7) of Section 154, Paragraph j) of Subsection (5) of Section 156, Subsection (1) of Section 163, Subsection (3) of Section 163/A of, and Annexes 1, 2, 4 and 5 to this Act, as established by Act LXVI of 2016 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal, may also apply to financial statements made for the financial year beginning in 2016.

(60) \* Subsection (7a) of Section 155 of this Act, as established by Act LXVI of 2016 on the Amendment of Tax Laws and Other Related Regulations, and on the Amendment of Act CXXII of 2010 on the Nemzeti Adó- és Vámhivatal (hereinafter referred to as "Act LXVI/2016"), shall apply to contracts and other legal acts in effect at the time of entry into force thereof from the first day of the financial year beginning after the date of entry into force of Act LXVI/2016.

(61) \* If the competent body did not agree before 1 January 2018 to communicate electronically in accordance with Subsection (2) of Section 108 of Act CCXXII of 2015 on the General Rules for Trust Services for Electronic Transactions, until the time of validity of any previous agreement the provisions of Subsection (7) of Section 154 and Subsection (2) of Section 154/B in effect on 31 December 2016 shall apply.

(62) \* Point 4 of Subsection (1), Points 10, 10/a and 10/b of Subsection (8), Paragraph b) of Point 1, Paragraph a) of Point 2, Points 11, 11/a, 12/a, 13/a and 14 of Subsection (9) of Section 3, Subsection

(7) of Section 29, Subsections (5)-(7) of Section 32, Subsection (2) of Section 43, Subsections (5) and (6) of Section 44, Subsection (11) of Section 47, Subsection (6) and Paragraph f) of Subsection (7) of Section 59/A, Subsection (6) of Section 59/B, Subsections (1), (2) and (10) of Section 59/D, Subsections (1), (1a), (4), (6), (11) and (12) of Section 59/E, Subsection (11) of Section 60, Paragraphs o) and p) of Subsection (2) of Section 81, Paragraphs f) and g) of Subsection (5) and Paragraphs f), j), k) and s) of Subsection (7) of Section 84, Paragraphs c), e) and f) of Subsection (2) and Paragraphs f), j), k) and s) of Subsection (3) of Section 85, Paragraphs a) and c) of Subsection (4) of Section 90, Subsection (6) of Section 114/B, Subsections (7)-(9) of Section 114/C, as established by Act CXXV of 2016 on the Amendment of Tax Laws and Other Related Acts, shall for the first time apply to financial statements prepared for the financial year beginning in 2017.

(63) \* Point 4 of Subsection (1), Points 10, 10/a and 10/b of Subsection (8), Paragraph b) of Point 1, Paragraph a) of Point 2, Points 11, 11/a, 12/a, 13/a and 14 of Subsection (9) of Section 3, Subsection (7) of Section 29, Subsections (5)-(7) of Section 32, Subsection (2) of Section 43, Subsections (5) and (6) of Section 44, Subsection (11) of Section 47, Subsection (6) and Paragraph f) of Subsection (7) of Section 59/A, Subsection (6) of Section 59/B, Subsections (1), (2) and (10) of Section 59/D, Subsections (1), (1a), (4), (6), (11) and (12) of Section 59/E, Subsection (11) of Section 60, Paragraphs o) and p) of Subsection (2) of Section 81, Paragraphs f) and g) of Subsection (5) and Paragraphs f), j), k) and s) of Subsection (7) of Section 84, Paragraphs c), e) and f) of Subsection (2) and Paragraphs f), j), k) and s) of Subsection (3) of Section 85, Paragraphs a) and c) of Subsection (4) of Section 90, Subsection (6) of Section 114/B, Subsections (7)-(8) of Section 114/C, as established by Act CXXV of 2016 on the Amendment of Tax Laws and Other Related Acts, may also apply to financial statements prepared for the financial year beginning in 2016.

(64) \* Subsections (4) and (5) of Section 114/C, as established by Act CXXV of 2016 on the Amendment of Tax Laws and Other Related Acts, may also apply in connection with the transition to annual accounts prepared in accordance with IFRSs that takes place in the 2017 financial year, with the proviso that if the economic entity notified - in accordance with the provisions previously in force - its intention of transition to annual accounts prepared in accordance with IFRSs in the 2017 financial year before the time of Act CXXV of 2016 on the Amendment of Tax Laws and Other Related Acts entering into force, such transition plan may be withdrawn by 15 December 2016.

(65) \* Point 11 of Subsection (9) of Section 3, Subsection (3a) of Section 19, Subsection (2) of Section 45, Subsection (12) of Section 47, Subsections (14) and (15) of Section 59/B, Paragraph j) of Subsection (7) of Section 84, and Paragraph j) of Subsection (3) of Section 85, as established by Act LXXVII of 2017 on the Amendment of Tax Laws and Other Related Regulations, shall for the first time apply to financial statements prepared for the financial year beginning in 2018.

(66) \* Point 11 of Subsection (9) of Section 3, Subsection (3a) of Section 19, Subsection (2) of Section 45, Subsection (12) of Section 47, Subsections (14) and (15) of Section 59/B, Paragraph j) of

Subsection (7) of Section 84, and Paragraph j) of Subsection (3) of Section 85, as established by Act LXXVII of 2017 on the Amendment of Tax Laws and Other Related Regulations, may be applied to financial statements prepared for the financial year beginning in 2017 as well.

(67) \* Credit institutions set up as cooperative societies and other credit institutions which participate in the integration of credit institutions set up as cooperative societies - whether or not their securities are admitted to trading on a regulated market of any Member State of the European Economic Area, and the Magyar Export-Import Bank Zrt. (Hungarian Export-Import Bank Zrt.) - shall for the first time apply Section 9/A of this Act to annual accounts prepared for the financial year beginning in 2019, and optionally to annual accounts drawn up for the financial year beginning in 2018.

(68) \* Subsection (5) of Section 72, Paragraph w) of Subsection (7) of Section 84, Paragraph w) of Subsection (3) of Section 85, as established by Act CLIX of 2017 on the Amendment of Acts Relating to the Implementation of the Act on General Public Administration Procedures and Certain Other Acts, shall for the first time apply to financial statements prepared for the financial year beginning in 2018.

(69) \* Subsection (5) of Section 72, Paragraph w) of Subsection (7) of Section 84, Paragraph w) of Subsection (3) of Section 85, as established by Act CLIX of 2017 on the Amendment of Acts Relating to the Implementation of the Act on General Public Administration Procedures and Certain Other Acts, may also be applied to financial statements prepared for the financial year beginning in 2017.

(70) \* Subsections (4), (4a) and (4b) of Section 139 and Subsection (9) of Section 141 of this Act, as established by Act XLI of 2018 on the Amendment of Tax Laws and Other Related Regulations, and on the Special Tax on Immigration may be applied to mergers by acquisition and mergers by formation of a new company opened after the date of entry into force of Act XLI of 2018 on the Amendment of Tax Laws and Other Related Regulations, and on the Special Tax on Immigration.

(71) \* Subsections (1)-(5) of Section 2/A, Points 3 and 4 of Subsection (3) of Section 3, Subsection (3) of Section 11, Subsection (4) of Section 16, Subsections (4) and (5b) of Section 20, Subsection (7) of Section 33, Paragraphs d) and k) of Subsection (3) of Section 77, Subsection (4) of Section 78, Paragraph k) of Subsection (2) of Section 81, Paragraph f) of Subsection (3) of Section 81, Subsection (1) of Section 84, Paragraph g) of Subsection (3) of Section 84, Paragraph m) of Subsection (7) of Section 84, Paragraph e) of Subsection (1a) of Section 85, Paragraph n) of Subsection (3) of Section 85, Subsection (7) of Section 88, Subsection (3) of Section 95/B, Subsection (4) of Section 96, Subsection (1) of Section 114, Points 9 and 17 of Section 114/A, Paragraphs e) and f) of Subsection (4) of Section 114/B, Section 114/I, Subsections (1)-(2) of Section 116, Paragraphs b) and c) of

Subsection (5) of Section 130, Subsections (2) and (5) of Section 134, Subsection (6a) of Section 134/B, Subsection (3) of Section 136, Subsections (1) and (5) of Section 153, Subsection (8) of Section 154, Paragraph f) of Subsection (1) of Section 178 of, and Annexes 6 and 7 to this Act, as established by Act XLI of 2018 on the Amendment of Tax Laws and Other Related Regulations, and on the Special Tax on Immigration, shall for the first time apply to financial statements made for the financial year beginning in 2019.

(72) \* Subsections (1)-(5) of Section 2/A, Points 3 and 4 of Subsection (3) of Section 3, Subsection (3) of Section 11, Subsection (4) of Section 16, Subsections (4) and (5b) of Section 20, Subsection (7) of Section 33, Paragraphs d) and k) of Subsection (3) of Section 77, Subsection (4) of Section 78, Paragraph k) of Subsection (2) of Section 81, Paragraph f) of Subsection (3) of Section 81, Subsection (1) of Section 84, Paragraph g) of Subsection (3) of Section 84, Paragraph m) of Subsection (7) of Section 84, Paragraph e) of Subsection (1a) of Section 85, Paragraph n) of Subsection (3) of Section 85, Subsection (7) of Section 88, Subsection (3) of Section 95/B, Subsection (4) of Section 96, Subsection (1) of Section 114, Points 9 and 17 of Section 114/A, Paragraphs e) and f) of Subsection (4) of Section 114/B, Section 114/I, Subsections (1)-(2) of Section 116, Paragraphs b) and c) of Subsection (5) of Section 130, Subsection (2) and (5) of Section 134, Subsection (6a) of Section 134/B, Subsection (3) of Section 136, Subsections (1) and (5) of Section 153, Subsection (8) of Section 154, Paragraph f) of Subsection (1) of Section 178 of, and Annex 6 and Annex 7 to this Act, as established by Act XLI of 2018 on the Amendment of Tax Laws and Other Related Regulations, and on the Special Tax on Immigration, may also apply to financial statements made for the financial year beginning in 2018.

(73) \* Points 1, 2 and 2a of Subsection (5) of Section 3, Subsections (4) and (14)-(15) of Section 11, Paragraph e) of Subsection (4) of Section 72, Paragraph p) of Subsection (3) of Section 77, Paragraph q) of Subsection (2) of Section 81 and Subsection (4) of Section 92 of this Act, as established by Act LXXXII of 2018 on the Amendment of Tax Laws in Connection with Union Obligations and Certain Other Acts Relating to Tax Administration, shall for the first time apply to financial statements prepared for the financial year beginning in 2019.

(74) \* Points 1, 2 and 2a of Subsection (5) of Section 3, Subsections (4) and (14)-(15) of Section 11, Paragraph e) of Subsection (4) of Section 72, Paragraph p) of Subsection (3) of Section 77, Paragraph q) of Subsection (2) of Section 81 and Subsection (4) of Section 92 of this Act, as established by Act LXXXII of 2018 on the Amendment of Tax Laws in Connection with Union Obligations and Certain Other Acts Relating to Tax Administration, may be applied to financial statements prepared for the financial year beginning in 2018 as well.

Authorizations

Section 178

(1) The Government is hereby authorized to decree:

a) \* the reporting and accounting obligations of budgetary organizations, the special turnover related definitions used for their annual accounts and accountancy in line with the provisions laid down in the Act on Public Finances; \*

b) \* the special regulations concerning the annual accounts and accounting obligations of the Magyar Nemzeti Bank, credit institutions, financial firms, investment firms, insurance companies (including reinsurance companies), the stock exchange, bodies pursuing central securities depository and central counterparty activities, investment funds and other funds, institutions for occupational retirement provision, and health insurance funds following consultation with the Magyar Nemzeti Bank;

c) the special regulations concerning the annual accounts and accounting obligations of entities defined in Point 4 of Subsection (1) of Section 3, other than those mentioned in Paragraph b); \*

d) \* the detailed provisions relating to the authorizations granted to non-member chartered accountants and certified auditors holding professional qualifications to engage in providing accounting services, including the withdrawal of such authorization, and to the registration of persons authorized to engage in providing accounting services and to their removal from the register, furthermore, to the notification prescribed in Section 152/B and to the registration of providers of cross-border accounting services and to their removal from the register, the appointment of the organization that keeps such register and the keeping of registers, and the detailed provisions relating to the supervision of mandatory continuous professional development, and the accreditation procedures for the bodies entering to arrange and carry out such development programs, and the detailed rules for the credit-point certification process;

e) the conditions for the drafting and preparation of national accounting standards, and the requirements for the approval, introduction and implementation of such standards; \*

f) \* the procedures of accountancy relating to dissolution and liquidation proceedings; \*

g) \* the special provisions regarding the annual accounting and bookkeeping obligations of other companies which are engaged in providing certain money and capital market services as well;

h) \* the special requirements relating to the simplified annual accounts of micro-entities.

(2) \* The minister is hereby authorized to decree professional and examination requirements for chartered accountants.

(3) \* The minister is hereby authorized to publish the list of countries referred to in Subsection (2) of Section 154/A. \*

(4) \* The minister is hereby authorized to adopt - taking into account the provisions of the government decree referred to in Paragraph e) of Subsection (1) - the international accounting standards by decree.

(5) \* The minister is hereby authorized to decree - in agreement with the minister in charge of taxation - the amount of the administrative service fee payable for authorization and registration procedures, deregistration procedures, procedures for the exchange and replacement of official certificates, for making changes in the records and for the notification of the taking up and pursuit of activities in the form of cross-border services, furthermore, for procedures for the accreditation of organizations applying for the arrangement and implementation of continuous professional development, for the credit-point certification of development programs and professional publications and for recognition as a professional organization and the detailed rules for the payment of such fees.

(6) \* The minister is hereby authorized to decree the detailed regulations of accountancy relating to the assistance provided for the acquisition of cash registers fitted for online connection and with tax control module, during 2013.

Schedule No. 1 to Act C of 2000 \*

Layout of the balance sheet

Version "A"

Assets

A. Fixed assets

## I. Intangible assets

1. Capitalized value of formation/restructuring expenses
2. Capitalized value of research and development
3. Concessions, licenses and similar rights
4. Intellectual property products
5. Goodwill
6. Advances and payments on account in respect of tangible assets
7. Adjusted value of intangible assets

## II. Tangible assets

1. Land and buildings and rights to immovables
2. Plant and machinery, vehicles
3. Other fixtures and fittings, tools and equipment, vehicles
4. Breeding stock
5. Assets in the course of construction

6. Payments on account and tangible assets in the course of construction

7. Adjusted value of tangible assets

### III. Financial investments

1. Long-term participations in affiliated companies

2. Long-term loans to affiliated companies

3. Long-term major participating interests

4. Long-term loans to companies linked by virtue of major participating interests

5. Other long-term participations

6. Long-term loans to other companies linked by virtue of participating interests

7. Other long-term loans

8. Long-term debt securities

9. Adjusted value of financial investments

10. Valuation margin of financial investments

## B. Current assets

### I. Stocks

1. Raw materials and consumables
2. Work in progress and intermediate goods
3. Rearing animals, hogs and other livestock
4. Finished products
5. Goods
6. Payments on account for inventories

### II. Debtors

1. Trade debtors
2. Amounts owed by affiliated companies
3. Amounts owed by companies with which the company is linked by virtue of major participating interests
4. Receivables from other companies linked by virtue of participating interests
5. Notes receivable

6. Other debtors

7. Valuation margin of receivables

8. Valuation margin of derivative instruments

### III. Securities

1. Shares in affiliated companies

2. Major participating interests

3. Other participating interests

4. Own shares and own partnership shares

5. Debt securities held for trading

6. Valuation margin of securities

### IV. Cash at bank and in hand

1. Cash in hand, checks

2. Cash at bank

C. Accrued and deferred assets

1. Accrued income

2. Accrued expenses

3. Deferred expenses

Total assets

Liabilities

D. Equity

I. Subscribed capital

Showing separately: ownership shares repurchased at nominal value

II. Subscribed capital unpaid (-)

III. Capital reserve

IV. Retained earnings

V. Tied-up reserve

VI. Revaluation reserve

1. Valuation reserve for adjustments

2. Fair value reserve

VII. Profit or loss for the year

E. Provisions

1. Provisions for contingent liabilities

2. Provisions for future expenses

3. Other provisions

F. Creditors

I. \* Subordinated liabilities

1. Subordinated liabilities to affiliated companies

2. Subordinated liabilities to companies linked by virtue of major participating interests

3. Subordinated liabilities to other companies linked by virtue of participating interests

4. Subordinated liabilities to other economic entities

## II. Long-term liabilities

1. Long-term loans

2. Convertible and equity bonds

3. Debenture loans

4. Investment and development credits

5. Other long-term credits

6. Long-term liabilities to affiliated companies

7. Long-term liabilities to companies linked by virtue of major participating interest

8. Long-term liabilities to other companies linked by virtue of participating interests

8. Other long-term liabilities

## III. Current liabilities

1. \* Short-term loans

- showing separately: convertible or equity bonds

2. Short-term credits

3. Advances received from customers

4. Trade creditors

5. Bills payable

6. Short-term liabilities to affiliated companies

7. \* Short-term liabilities to companies linked by virtue of major participating interest

8. Short-term liabilities to other companies linked by virtue of participating interests

9. Other short-term liabilities

10. Valuation margin of liabilities

11. Valuation margin of derivative instruments

G. Accruals and deferred income

1. Accrued and deferred income

2. Deferred costs and expenses

3. Deferred income

Total liabilities

Layout of the balance sheet

Version "B"

A. Fixed assets

I. Intangible assets

1. Capitalized value of formation/restructuring expenses

2. Capitalized value of research and development

3. Concessions, licenses and similar rights

4. Intellectual property products

5. Goodwill

6. Advances and payments on account in respect of tangible assets

7. Adjusted value of intangible assets

II. Tangible assets

1. Land and buildings and rights to immovables

2. Plant and machinery, vehicles

3. Other equipment, tools, fixtures and fittings, vehicles

4. Breeding stock

5. Assets in course of construction

6. Payments on account and tangible assets in the course of construction

7. Adjusted value of tangible assets

### III. Financial investments

1. Long-term participations in affiliated companies

2. Long-term loans to affiliated companies

3. Long-term major participating interests

4. Long-term loans to companies linked by virtue of major participating interests

3. Other long-term participations

6. Long-term loans to other companies linked by virtue of participating interests

7. Other long-term loans

8. Long-term debt securities

9. Adjusted value of financial investments

10. Valuation margin of financial investments

B. Current assets

I. Stocks

1. Raw materials and consumables

2. Work in progress and intermediate goods

3. Rearing animals, hogs and other livestock

4. Finished products

5. Goods

6. Payments on account for inventories

II. Debtors

1. Trade debtors

2. Amounts owed by affiliated companies

3. Amounts owed by companies with which the company is linked by virtue of major participating interests

4. Receivables from other companies linked by virtue of participating interests

5. Notes receivable

6. Other debtors

7. Valuation margin of receivables

8. Valuation margin of derivative instruments

### III. Securities

1. Shares in affiliated companies

2. Major participating interests

3. Other participating interests

4. Own shares and own partnership shares

5. Debt securities held for trading

6. Valuation margin of securities

#### IV. Cash at bank and in hand

1. Cash in hand, checks

2. Cash at bank

#### C. Accrued and deferred assets

1. Accrued income

2. Accrued expenses

3. Deferred expenses

#### D. Amounts becoming due and payable within one year

1. Short-term loans

- showing separately: convertible or equity bonds

2. Short-term credits

3. Advances received from customers

4. Trade creditors

5. Bills payable

6. Short-term liabilities to affiliated companies

7. Short-term liabilities to companies linked by virtue of major participating interests

8. Short-term liabilities to other companies linked by virtue of participating interests

9. Other short-term liabilities

10. Valuation margin of liabilities

11. Valuation margin of derivative instruments

E. Accruals and deferred income

1. Accrued and deferred income

2. Deferred costs and expenses

3. Deferred income

F. Balance of current assets - short-term liabilities (B+C-D-E)

G. Total assets less liabilities due and payable within one year (A+F)

H. Amounts becoming due and payable after more than one year

## I. Long-term liabilities

1. Long-term loans

2. Convertible and equity bonds

3. Debenture loans

4. Investment and development credits

5. Other long-term credits

6. Long-term liabilities to affiliated companies

7. Long-term liabilities to companies linked by virtue of major participating interest

8. Long-term liabilities to other companies linked by virtue of participating interests

9. Other long-term liabilities

## II. Subordinated liabilities

1. Subordinated liabilities to affiliated companies

2. Subordinated liabilities to companies linked by virtue of major participating interests

3. Subordinated liabilities to other companies linked by virtue of participating interests

#### 4. Subordinated liabilities to other economic entities

##### I. Provisions

###### 1. Provisions for contingent liabilities

###### 2. Provisions for future expenses

###### 3. Other provisions

##### J. Equity

###### I. Subscribed capital

Showing separately: ownership shares repurchased at nominal value

###### II. Subscribed capital unpaid (-)

###### III. Capital reserve

###### IV. Retained earnings

###### V. Tied-up reserve

###### VI. Revaluation reserve

1. Valuation reserve for adjustments

2. Fair value reserve

VII. Profit or loss for the year

Schedule No. 2 to Act C of 2000 \*

Layout of the profit and loss account (nature of expense method)

01. Net domestic sales

02. Net external sales

I. Total net sales (01+02)

03. Variation in stocks of finished goods and in work in progress

04. Own work capitalized

II. Work performed by the company for its own purposes and capitalized (+03+04)

III. Other income

Showing separately: impairment loss reversed

05. Raw materials and consumables

06. Value of services consumed

07. Cost of other services

08. Cost of goods sold

09. Value of services sold (mediated)

IV. Material costs (05+06+07+08+09)

10. Wages and salaries

11. Other employee benefits

12. Contributions on wages and salaries

V. Staff costs (10+11+12)

VI. Depreciation

VII. Other operating charges

Showing separately: impairment loss

A. Results of operating activities (I+II+III-IV-V-VI-VII)

13. Dividends and profit-sharing receivable

Showing separately: from affiliated companies

14. Income from participating interests, capital gains

Showing separately: from affiliated companies

15. Income from financial investments (equity shares, loans), capital gains

Showing separately: from affiliated companies

16. Other interest receivable and similar income

Showing separately: from affiliated companies

17. Other income from financial transactions

Showing separately: valuation margin

VIII. Income from financial transactions (13+14+15+16+17)

18. Expenses and losses on participating interests

Showing separately: to affiliated companies

19. Expenses on financial investments (equity shares, loans), losses

Showing separately: to affiliated companies

20. Interest (paid) payable and similar charges

Showing separately: to affiliated companies

21. \* Losses on shares, securities, long-term loans and bank deposits

22. Other expenses on financial transactions Showing separately: valuation margin

IX. Expenses on financial transactions (18+19+20+21+22)

B. Profit or loss from financial transactions (VIII-IX)

C. Profit or loss before tax (+A+B)

X. Tax expense

D. Profit after tax (+C-X)

Schedule No. 3 to Act C of 2000 \*

Layout of the profit and loss account (function of expense method)

01. Net domestic sales

02. Net external sales

I. Total net sales (01+02)

03. Direct cost of sales

04. Cost of goods sold

05. Value of services sold (mediated)

II. Direct cost of sales (03+04+05)

III. Gross profit or loss (I-II)

06. Sales and distribution costs

07. Administrative expenses

08. Other general overhead costs

IV. Indirect cost of sales (06+07+08)

V. Other income

Showing separately: impairment loss reversed

VI. Other operating charges

Showing separately: impairment loss

A. Results of operating activities (+III-IV+V-VI)

The following rows are the same as in Schedule No. 2, rows 13-22 and VIII-X, and rows B-D.

Schedule No. 4 to Act C of 2000

Prescribed breakdown of the simplified balance sheet

Assets:

A. Fixed assets

I. Intangible assets

II. Tangible assets

III. Financial investments

B. Current assets

I. Inventories

II. Liabilities

including: receivables originating from the transfer of funds

receivables without any movement of funds \*

III. Securities

IV. Liquid assets

Liabilities:

C. Equity capital

I. Subscribed capital

II. Capital reserve

III. Retained earnings

IV. Tied-up reserve

V. \* Profit or loss for the year

D. Reserve

E. Provisions

F. Liabilities

I. Long-term liabilities

II. Current liabilities

including: liabilities from the receipt of funds

liabilities without any movement of funds \*

Schedule No. 5 to Act C of 2000

Prescribed breakdown of the profit and loss statement

A. Non-repayable cash receipts, income recognized (III+IV)

1. Financially settled net sales revenues

2. Other financially settled taxable income

I. Taxable liquid assets receipts (1+2)

3. Net receipts from sales settled by means other than money

4. Other income by means other than money

II. Taxable non-cash income (3+4)

III. Taxable income (I+II)

5. Tax-free income received in cash

6. Tax-free non-cash income

IV. Tax-free income (5+6)

B. Definitive expenditures, costs recognized (VIII+IX)

7. Costs of raw materials and goods

8. Staff costs

9. Other production and administration costs and expenses

V. Paid expenses (7+8+9)

10. Non-investment inventories acquired without any movement of funds

11. \* Benefits provided in kind to employees or members

12. Non-monetary expenses

VI. Fluctuation of assets applied as expenses (10+11+12)

13. Depreciation

14. Impairment loss

15. Variation in purchased and financially settled inventories +

VII. Deductible expenses (13+14+15)

VIII. Total expenses (V+VI+VII)

16. Payments on account

17. Other costs

IX. Non-deductible expenses (16+17)

C. Adjusted taxable income from operations for the year (I-V)

D. Adjusted non-taxable income for the year (5-IX)

E. Adjusted income for the year (+C+D)

F. Non-monetary income (II+6-VI-VII)

G. Profit before tax (C+F-6)=(III-VIII)

18. Corporate tax liabilities

H. \* Profit or loss for the year (G-18)

19. \*

I. \*

Schedule No. 6 to Act C of 2000 \*

I. Additions for the layout of the consolidated balance sheet in comparison to Version "A" of the breakdown of the balance sheet illustrated under Schedule No. 1

1. Az A/III. pont kiegészül az alábbi 11. sorral:

“11. Capital consolidation difference

- from subsidiary companies

- from affiliated companies”

2. A B/II. pont kiegészül az alábbi 9. sorral:

“9. (Calculated) corporate tax receivables arising from consolidation”

3. A „VII. Profit or loss for the year” sor helyett a „VII. Adjusted profit or loss for the year” sort kell felvenni.

4. A D. Saját tőke sor az alábbi sorokkal egészül ki:

“VIII. Changes in subsidiary’s equity (+)

IX. Changes due to consolidation (+)

- from the balance of debt consolidation

- from the difference of the interim result

X. Share of external members (other owners)”

5. Az F/I. pont az alábbi 5. sorral egészül ki:

“5. Capital consolidation difference from subsidiary companies”

6. Az F/III. pont az alábbi 12. sorral egészül ki:

“12. (Calculated) delinquent corporate tax arising from consolidation”

This breakdown shall apply as appropriate to Version “B” of the balance sheet illustrated under Schedule No. 1.

II. \* Additions for the layout of the consolidated profit and loss account in comparison to the layout of the profit and loss account illustrated under Schedule No. 2

1. A „III. Egyéb bevételek” sor az alábbi sorral egészül ki:

“III/A. Consolidation difference increasing profits arising from debt consolidation”

2. A „VII. Egyéb ráfordítások” sor az alábbi sorral egészül ki:

“VII/A. Consolidation difference decreasing profits arising from debt consolidation”

3. “13. Dividends and profit-sharing (received or due)” shall be replaced by:

“13/a. Dividends received from associated companies”

“13/b. Dividends received from other companies linked by virtue of participating interests”

4. The following row shall be added to “XII. Tax payable”:

“X/A. (Calculated) corporate tax difference arising from consolidation (+)”

5. After the “Profit or loss for the year” row the following lines shall be included:

“Profit or loss for the year

Share of external members (other owners) from the profit of subsidiaries

Adjusted profit or loss for the year

This breakdown shall apply as appropriate to the profit and loss account contained under Annex 3 as well.

Schedule No. 7 to Act C of 2000 \*

Cash-flow statement

Breakdown of cash-flow statement

I. Operating cash flow

(rows 1-13)

1a. 1. Profit before tax +

showing separately: financially settled aid received for operation funding

1b. Adjustments in profit before tax +

1. Adjusted profit before tax (1a+1b) +

2. Depreciation write-off +

3. Impairment loss and reversal +

4. Difference between formation and utilization of provisions +

5. Fixed assets sold +

6. Changes in accounts payable +

7. Changes in other short-term liabilities +

8. Changes in accrued and deferred liabilities +

9. Changes in trade receivables +

10. Changes in current assets (without receivables and liquid assets) +

11. Changes in accrued and deferred assets +

12. Tax paid (on profit) -

13. Dividends and profit-sharing paid -

II. Investment cash flow

(rows 14-18)

14. Purchase of fixed assets -

15. Sale of fixed assets +

16. Repayment, termination or redemption of long-term loans and bank deposits +

17. Long-term loans and bank deposits -

18. Dividends and profit-sharing received +

III. Financial cash flow

(rows 19-26)

19. Receipts from shares issue, capital raising (capital increase) +

20. Receipts from the issue of bonds and debt securities +

21. Borrowings +

22. Non-repayable assets received +

23. Cancellation of shares, disinvestment (capital reduction) -

24. Redeemed bonds and debt securities -

25. Loan installment payments, repayment of loans -

26. Non-repayable liquid assets transferred -

IV. Changes in liquid assets (rows I+II+III) +

27. Revaluation of funds held in foreign currencies +

V. Changes in funds as shown in the balance sheet (rows IV+27) +

Contents of headings in the cash-flow statement

The cash-flow statement shall indicate the company's data for the previous year and the current year.

The cash-flow statement requires more extensive information than what is available in the balance sheet and in the profit and loss account. On general principle, the main headings of the cash-flow statement shall indicate variations in the assets to which the particular heading pertains by way of adjustments so as to eliminate any accumulation that may arise in consequence.

Investments and financing items not associated with movement of cash entail adjustments in operating cash flows. Adjustments in the balance sheet items affected shall be executed by inserting an adjustment line. When an item belongs to investment cash flow (such as dividends received, receipts from the sale of tangible assets), it may not be shown under operating cash flow, and the effect of any such item must be eliminated. Non-repayable assets received shall be shown under financing cash flow, thus its deferred portion may not be shown under accrued and deferred liabilities in the operating cash flow section.

In connection with the cash-flow statement, the notes on the accounts shall contain a detailed account of the adjustments shown in row 1b broken down by title, and shall offer the reason for any differences in the cases where the sum shown under rows 6-11 differs from the variations shown under the corresponding balance sheet items.

An adjustment line is to be inserted if the sum thereof is considered significant according to the accounting policy. Adjustments shall include, but not be limited to, the following:

1. Under "1b. Adjustments in profit before tax" the profit before tax shall be adjusted, among others, by dividends and profit-sharing received in accordance with ownership shares, profit made on assets provided as equity contributions in kind, non-repayable assets received, and/or non-reimbursable capital contribution provided for the purpose of development, and liabilities cancelled in connection with the assets.

2. Under "3. Impairment loss and reversal" the sums recognized as impairment loss for the period in question and extraordinary depreciation write-offs shall be shown by positive sign, while any reversal thereof shall be indicated by negative sign. This item shall also include expenditures (inventory shortages, surplus, losses, accounting for irrecoverable receivables, etc.) that cannot be considered impaired, however, they are considerably diverting accounting profit from the movement of funds.

3. "4. Difference between formation and utilization of provisions" shall contain the surplus amount of provisions for the given period with a positive sign, or the surplus amount of provisions used with a negative sign.

4. "5. Fixed assets sold" shall indicate the difference between the ask price of fixed assets (the ask price less accumulated interest in respect of interest-bearing securities) and their book value as gains with a negative sign, or as losses with a positive sign.

5. "7. Variation in other short-term liabilities" shall contain any increase in bills payable and in other short-term liabilities with a positive sign and the reduction with a negative sign. The difference between the amount of tax paid on profit and tax liability shown in the profit and loss account shall be adjusted in this row with the sign reversed.

6. "9. Changes in trade receivables" shall contain any increase or reduction in trade receivables (debtors) with a positive sign or with a negative sign, respectively, and/or any increase or reduction advances received from customers with a positive sign or with a negative sign, respectively. This item shall not include any changes in "3. Impairment loss and reversal".

7. Changes in other assets (other than those falling under investment cash flow or financing cash flow) shall be shown with a negative sign if it is an increase or with a positive sign if it is a decrease; on the other hand, any changes in liabilities (other than those falling under investment cash flow or

financing cash flow) shall be shown with a positive sign if it is an increase or with a negative sign if it is a decrease.

8. "13. Dividends and profit-sharing paid or payable" shall contain the amount of dividends and profit-sharing paid and the amount of interest paid on interest-bearing securities. Declared dividends payable shall be entered in that row of the cash-flow statement (with a negative sign if it is an increase or with a positive sign if it is a decrease) such that contains the liability of that nature.

9. "14. Purchase of fixed assets" shall indicate the cost of fixed assets acquired and financially settled during the given period. The related liabilities shall be eliminated by adjustment of accounts payable.

10. "15. Sale of fixed assets" shall contain the price of fixed assets sold and financially settled during the given period, in respect of interest-bearing securities, as decreased by the accumulated interest built into the sale price. The amount of face value actually received for debt securities, recorded under fixed assets, when redeemed shall also be shown in this row. The related receivables shall be eliminated by adjustment of trade debtors and/or other receivables.

11. "16. Repayment, termination or redemption of long-term loans and bank deposits" shall contain the sums received during the given period in connection with any repayment, termination or redemption of placements in the form of long-term loans and bank deposits.

12. "17. Long-term loans and bank deposits" shall contain the amounts of placements in the form of long-term loans and bank deposits.

13. "19. Receipts from shares issue, capital raising" shall contain the sums actually received from the increase of subscribed capital during the given period.

14. "20. Receipts from the issue of bonds and debt securities" shall contain the amounts actually received during the given period from the issue of short and long term bonds and other debt securities.

15. "21. Borrowings" shall indicate the sums borrowed whether in the form of loan or other credit.

16. "22. Non-repayable assets received" shall contain the sums received during the given period on the basis of the relevant legislation and credited to the capital or the retained earnings definitively, or credited to the profit or loss for improvement purposes.

17. "23. Cancellation of shares, disinvestment (capital reduction)" shall indicate any payments made to the owners during the given period through the reduction of subscribed capital, along with the repurchase (book) value of own shares and own partnership shares withdrawn in the financial year when repurchase took place. "10. Changes in current assets (without receivables and liquid assets)" shall be adjusted by own shares and own partnership shares repurchased in previous financial years and withdrawn in the current financial year in the negative.

18. "24. Redeemed bonds and debt securities" shall contain the amount of redemption or repayment during the given period of issued bonds and other debt securities.

19. "25. Loan installment payments, repayment of loans" shall indicate the total of installment payments made during the given period on outstanding loans and credits.

20. "26. Non-reimbursable capital contribution" shall contain the sums of non-repayable payments provided during the given period from the capital or from the retained earnings on the basis of the relevant legislation, or from profit.

Economic events involving the incurrence of additional adjustment items:

a) Impairment losses and reversal thereof, accounted under current assets and highlighted under "3. Impairment loss and reversal" entail adjustments in the related current asset rows with negative sign. Substantive expenditures not associated with movement of cash, such that were highlighted in this row, shall also entail adjustments in the related cash flows.

b) When making equity contributions in kind, the book value of derecognized current assets and the value of shares received shall be eliminated from the relevant balance sheet items with negative sign.

c) When making equity contributions in kind, the current asset's value at the time when entered into the books shall be eliminated, as well as any increment in subscribed capital, capital reserve with negative sign.

d) Reclassification of fixed assets to show them under current assets, and/or the reclassification of current assets to show them under fixed assets do not involve cash flows, hence the related cash flows shall be adjusted in the field of operations with the sign reversed.

e) Own produced fixed assets are to be shown under investment cash flows to the extent that financial settlement had in fact took place.

f) Year-end revaluation of funds held in foreign currencies shall not be considered as movement of cash, therefore its effects should be shown in the cash-flow statement separately, under "27. Revaluation of funds held in foreign currencies".

g) Revaluation of foreign currency items with impact on profit on the balance sheet date shall be eliminated from fixed assets and long-term liabilities. (Unrealized foreign exchange differences must not be shown under investment and financing cash flows.)

h) Time-proportionate (unpaid) interests, premiums shown in the balance sheet as cost must not be included in the investment cash flow, they shall be eliminated from other short-term liabilities.

The cash-flow statement to be attached with the notes on the accounts of a consolidated annual account may be completed by using the model illustrated in this Annex, based on the data and information contained in the balance sheet and in the profit and loss account of the consolidated annual account. The consolidation differences and any changes therein shall be shown in the appropriate heading of the cash flow statement to which they pertain in the consolidated annual account.

Boxes 14-26 shall contain only the data which are related to economic events concerning the companies which are not included in the consolidation.

If using the fair valuation system, additional adjustments shall be made to eliminate any effect of fair valuation on profits.