



**Independent Auditors' Report issued on the
2016
Annual Financial Statements
and Business Report
of M6 Duna Autópálya Koncessziós Zrt.**

This is an English translation of the Independent Auditors' Report on the 2016 annual financial statements of M6 Duna Autópálya Koncessziós Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete set of annual financial statements it refers to.





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Independent Auditors' Report

To the shareholders of M6 Duna Autópálya Koncessziós Zrt.

Opinion

We have audited the 2016 annual financial statements of M6 Duna Autópálya Koncessziós Zrt. (hereinafter referred to as "the Company"), which comprise the balance sheet as at 31 December 2016, which shows total assets of EUR 286,580,847 and profit after tax for the year of EUR 10,707,162, and the income statement for the year then ended, and supplementary notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance for the year then ended in accordance with Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the annual financial statements in Hungary, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

The other information comprises the 2016 Business Report of the Company. Management is responsible for the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements.

Our opinion on the annual financial statements expressed in the Opinion section of our report does not cover the business report.

In connection with our audit of the annual financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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With respect to the business report, based on the Act on Accounting, when reading the business report we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, if any.

Based on the work undertaken in the course of our audit, in our opinion:

- the 2016 business report of the Company is consistent with the 2016 annual financial statements of the Company; and
- the business report has been prepared in accordance with the provisions of the Act on Accounting.

Our opinion on the business report does not include an opinion based on Clause 156 (5) of Act on Accounting due to the fact that there are no other legal requirements that are applicable to the business report of the Company.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with the Act on Accounting, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 6 February 2017

KPMG Hungária Kft.

Registration number: 000202


Gábor Agócs
Partner, Professional Accountant
Registration number: 005600

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13368254-4523-114-01

Statistical number

Cg.01-10-045198

Registration number

Company name:

M6 Duna Autópálya Koncessziós Zrt.

Company address:

1117 Budapest, Fehérvári út 50-52.

ANNUAL REPORT

for the period from 01.01.2016-31.12.2016

This is an English translation of the Annual Report
In case of any differences or controversies, the Hungarian language original prevails

Date: 6 February 2017

Cg.01-10-045198
Registration number

M6 Duna Autópálya Koncessziós Zrt.
BALANCE SHEET Assets

amounts in EUR

No.	Description	31.12.2015	Modification(s) of previous year	31.12.2016
a	b	c	d	e
1.	A. Fixed assets (lines 2+10+18)	255 521 914		233 362 120
2.	I. INTANGIBLES (lines 03-09)	783		2 253
3.	Capitalized value of formation/restructuring	-		-
4.	Capitalized value of research and development	-		-
5.	Concessions, licenses and similar rights	783		2 253
6.	Intellectual property	-		-
7.	Goodwill	-		-
8.	Advances and prepayments on intangible assets	-		-
9.	Adjusted value of intangible assets	-		-
10.	II. TANGIBLES (lines 11-17)	249 791 875		226 822 901
11.	Land and buildings and rights to immovables	249 601 083		226 636 865
12.	Plant and machinery, vehicles	183 997		176 185
13.	Other equipment, tools, fixtures and fittings, vehicles	6 795		9 851
14.	Breeding stock	-		-
15.	Assets in course of construction	-		-
16.	Payments on account	-		-
17.	Adjusted value of tangible assets	-		-
18.	III. FINANCIAL INVESTMENTS (lines 19-28)	5 729 256		6 536 966
19.	Long-term participations in affiliated companies	-		-
20.	Long-term loans to affiliated companies	-		-
21.	Long-term participations in a significant owned companies	-		-
22.	Long-term loan to significant owned companies	5 308 312		5 696 413
23.	Other long-term participations	-		-
24.	Long-term loan to other companies linked by virtue of participating interests	420 944		840 553
25.	Other long-term loans	-		-
26.	Long-term debt securities	-		-
27.	Adjusted value of financial investments	-		-
28.	Valuation difference of financial investments	-		-

Date: 6 February 2017

M6 Duna Autópálya Koncessziós Zrt.
BALANCE SHEET Assets

amounts in EUR

No.	Description	31.12.2015	Modification(s) of previous year	31.12.2016
a	b	c	d	e
29.	B. Current assets (lines 30+37+46+53)	38 916 591		35 364 001
30.	I. STOCKS (lines 31-36)	-		-
31.	Raw materials and consumables	-		-
32.	Unfinished production, semi-finished products	-		-
33.	Young, fatted and other livestock	-		-
34.	Finished products	-		-
35.	Goods	-		-
36.	Advances and prepayments for stocks	-		-
37.	II. RECEIVABLES (lines 38-45)	45 349		154 466
38.	Accounts receivables	22 840		109 188
39.	Receivables from affiliated companies	-		-
40.	Receivables from significant owned companies	-		-
41.	Receivables from other companies linked by virtue of participating interest	-		-
42.	Bill receivable	-		-
43.	Other receivables	22 509		45 278
44.	Valuation difference of receivables	-		-
45.	Valuation difference of derivative instruments	-		-
46.	III. SECURITIES (lines 47-52)	-		-
47.	Participating interests in affiliated companies	-		-
48.	Other significant participating interests	-		-
49.	Other participating interests	-		-
50.	Own shares and own partnership shares	-		-
51.	Debt securities held for trading	-		-
52.	Valuation difference of securities	-		-
53.	IV. CASH AND BANK (lines 54-55)	38 871 242		35 209 535
54.	Cash and cheques	-		-
55.	Bank accounts	38 871 242		35 209 535
56.	C. Prepayments (lines 57-59)	18 992 473		17 854 726
57.	Prepayments of the incomes/revenues	8 903 203		8 764 072
58.	Prepayments of the costs and expenses	10 089 270		9 090 654
59.	Deferred costs and expenses	-		-
60.	TOTAL ASSETS (lines 1+29+56)	313 430 978		286 580 847

Date: 6 February 2017

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M6 Duna Autópálya Koncessziós Zrt.
BALANCE SHEET Liabilities and equity

amounts in EUR

No.	Description	31.12.2015	Modification(s) of previous year	31.12.2016
a	b	c	d	e
61.	D. Owners equity (lines 62+64+65+66+67+68+71)	28 932 310		39 639 472
62.	Issued capital	28 932 310		28 932 310
63.	from line 54: par value of own shares bought back by the Company	-		-
64.	Registered capital, but not paid yet	-		-
65.	Capital reserve	-		-
66.	Retained earnings	- 10 130 950		-
67.	Tied-up capital	-		-
68.	Revaluation reserve	-		-
69.	1. Valuation reserve for adjustments	-		-
70.	2. Fair value valuation reserve	-		-
71.	Profit/loss for the year	10 130 950		10 707 162
72.	E. Provisions (lines 73-75)	-		-
73.	Provisions for expected losses	-		-
74.	Provision for expected liabilities	-		-
75.	Other provisions	-		-
76.	F. Liabilities (lines 77+82+92)	271 265 746		235 059 898
77.	I. DEFERRED LIABILITIES (lines 68-70)	18 420 792		18 420 792
78.	Deferred liabilities to associated company	-		-
79.	Deferred liabilities to other companies linked by significant of participating interests	16 083 193		16 083 193
80.	Deferred liabilities to other companies linked by virtue of participating interests	2 337 599		2 337 599
81.	Deferred liabilities to other parties	-		-

Date: 6 February 2017

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M6 Duna Autópálya Koncessziós Zrt.
BALANCE SHEET Liabilities and equity

amounts in EUR

No.	Description	31.12.2015	Modification(s) of previous year	31.12.2016
a	b	c	d	e
82.	II. LONG-TERM LIABILITIES (lines 72-79)	215 383 190		188 820 352
83.	Long-term loans received	-		-
84.	Convertible bonds	-		-
85.	Liabilities from issue of bonds	83 433 652		72 824 376
86.	Investment and development credits	124 444 093		108 620 017
87.	Other long-term credits	-		-
88.	Long-term liabilities to associated company	-		-
89.	Long-term liabilities to significantly interest company	-		-
90.	Long-term liabilities to other companies linked by virtue of participating interests	-		-
91.	Other long-term liabilities	7 505 445		7 375 959
92.	III. SHORT-TERM LIABILITIES (lines 92-104)	37 461 764		27 818 754
93.	Short-term loans	-		-
94.	from line 81: convertible bonds	-		-
95.	Short-term credits	25 256 977		26 433 356
96.	Advances from customers	3 407		3 431
97.	Accounts payable	28 248		40 020
98.	Liabilities on drafts	-		-
99.	Short-term liabilities to associated company	-		-
100.	Short-term liabilities to significantly interest company	8 845 332		-
101.	Short-term liabilities to minority-interest company	1 285 618		-
102.	Other short-term liabilities	2 042 182		1 341 947
103.	Valuation difference of liabilities	-		-
104.	Valuation difference of derivative instruments	-		-
105.	G. Accruals (lines 106-108)	13 232 922		11 881 477
106.	Accruals of incomes	4 379 636		4 001 058
107.	Accruals of costs and expenses	3 845 414		3 335 441
108.	Deferred incomes	5 007 872		4 544 978
109.	TOTAL LIABILITIES AND EQUITY (lines 62+72+76+105)	313 430 978		286 580 847

Date: 6 February 2017

Cg.01-10-045198
Registration number

M6 Duna Autópálya Koncessziós Zrt.

PROFIT AND LOSS STATEMENT

Type A (full cost method)

amounts in EUR

No	Description	2015.01.01.- 2015.12.31.	Modification(s) of previous year	2016.01.01.- 2016.12.31.
a	b	c	d	e
1.	Net domestic sales	53 894 629		53 701 748
2.	Net export sales	-		-
I.	Total sales (01+02)	53 894 629		53 701 748
3.	Change in self-manufactured stocks.	-		-
4.	Own work capitalised	-		-
II.	Own performance capitalised (03±04)	-		-
III.	Other revenues	311 290		226 087
	from line III. rewrite of impairment loss	-		-
5.	Cost of materials	21 260		19 968
6.	Value of rendered services	1 783 765		1 809 106
7.	Value of other services	441 193		261 220
8.	Cost of goods sold	-		-
9.	Value of sold (intermediated) services	2 499 023		2 604 928
IV.	Material-type costs (05+06+07+08+09)	4 745 241		4 695 222
10.	Wages and salaries	272 327		247 813
11.	Other staff costs	21 918		17 323
12.	Social security contributions	77 770		79 324
V.	Staff costs (10+11+12)	372 015		344 460
VI.	Depreciation	23 355 378		23 373 562
VII.	Other expenses	1 101 190		1 105 417
	from line VII. impairment loss	-		-
A.	OPERATING PROFIT/LOSS (I±II+III-IV-V-VI-VII)	24 632 095		24 409 174

Date: 6 February 2017

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M6 Duna Autópálya Koncessziós Zrt.

PROFIT AND LOSS STATEMENT

Type A (full cost method)

amounts in EUR

No	Description	2015.01.01.- 2015.12.31.	Modification(s) of previous year	2016.01.01.- 2016.12.31.
a	b	c	d	e
13.	Dividends and profit-sharing (received or due)	-		-
	from line 13. from associated company	-		-
14.	Capital gains on investments	-		-
	from line 14. from associated company	-		-
15.	Interest and capital gains on financial investments	149 087		87 864
	from line 15. from associated company	-		-
16.	Other interest and similar income (received or due)	-		-
	from line 16. from associated company	-		-
17.	Other income from financial transactions	487 005		303 240
		-		-
VIII.	Income from financial transactions (13+14+15+16+17)	636 092		391 104
18.	Losses on financial participations, shares	-		-
	from line 18. to associated company	-		-
19.	Losses on financial investment - expenses and FX losses	-		-
	from line 19. to associated company	-		-
20.	Interest payable and similar charges	12 177 610		11 185 760
	from line 20. to associated company	-		-
21.	Losses on shares, securities and bank deposits	-		-
22.	Other expenses from financial transactions	517 487		308 369
	from line 22. valuation difference	-		-
IX.	Expenses on financial transactions (18+19+20+21+22)	12 695 097		11 494 129
B.	RESULT OF FINANCIAL TRANSACTIONS (VIII-IX)	- 12 059 005		- 11 103 025
C.	PROFIT/LOSS BEFORE TAXATION (±A±B)	12 573 090		13 306 149
X.	Corporation tax	2 442 140		2 598 987
D.	PROFIT/LOSS AFTER TAXATION (±C-X)	10 130 950		10 707 162

Date: 6 February 2017

Company name:
Company address:
Statistical number

Cash flow - statement		amounts in EUR	
No	Description	2015.01.01.- 2015.12.31.	2016.01.01.- 2016.12.31.
I. cash-flow of ordinary activities (Operational cash flow)		27 007 276	22 942 421
	lines 1-13		
1	Profit before tax	(+)/(-) 12 573 090	13 306 149
2	Depreciation	(+) 23 355 378	23 373 562
3	Impairment loss and rewrite of impairment loss	(+)/(-) 0	0
4	Change in the amount of provision	(+)/(-) 0	0
5	Result of sale of fixed assets	(+)/(-) 0	3 901
	Cost of disposals	24 257	0
6	Change of accounts payable	(+)/(-) -133 336	11 772
7	Change of other short term liabilities	(+)/(-) 1 727 813	-10 831 161
8	Change of accruals	(+)/(-) 1 016 025	-1 351 445
9	Change of accounts receivable	(+)/(-) 98 032	-86 348
	Change in current assets (excl. Cash and acc. receivable)	(+)/(-) -14 242	-22 769
11	Change of prepayments	(+)/(-) 933 349	1 137 747
12	Tax paid on result	(-) -2 442 140	-2 598 987
13	Dividend paid	(-) -10 130 950	0
II. Cash flow of investment activities (Investment cash flow)		-129 543	-409 959
	lines 14-16		
14	Purchase of fixed assets	(-) -129 543	-420 665
15	Sale of fixed assets	(+) 0	10 706
16	Dividend received	(+) 0	0
III. Cash flow on financial transactions (Financing cash flow)		-21 213 748	-26 194 169
	lines 17-27		
17	Issuing of shares, capital inflow	(+) 0	0
18	Cash from issue of bonds, credit letters	(+) 0	0
19	Loan, credit received	(+) 0	0
20	Repayments of long-term loans and bank deposits.	(+) 3 537 982	-807 710
21	Cash received	(+) 0	0
22	Decrease of registered capital	(-) 0	0
23	Repayments of bonds, credit letters	(-) -13 809 707	-11 936 557
24	Repayments of loan, credit	(-) -10 243 251	-13 320 416
25	Given loans, bank deposits for long-term	(-) 0	0
26	Cash given	(-) 0	0
	Change of liabilities to shareholders and other long term liabilities	(+)/(-) -698 772	-129 486
IV. Change in the amount of cash (lines I. + II. + III.)		5 663 985	-3 661 707
	(+)/(-)		

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

SUPPLEMENTARY NOTES TO THE ANNUAL REPORT FOR 2016

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

1. GENERAL BACKGROUND INFORMATION

M6 Duna Autópálya Koncessziós Zrt. (the “Company”) has its legal at 1117 Budapest, Fehérvári út 50-52.

The Company was founded on 7 October 2004.

From the original founders, the companies belonging to the Porr and Bilfinger-group have sold their shares in M6 Duna in December 2015, while the company belonging to the Swietelsky group has sold its shares in October 2016. Moreover the shareholder M6 Duna Holding GmbH has merged into the shareholder M6 Duna B.V. in September 2016.

Therefore the owners of the Company as of 31 December 2016 were as follows (“Shareholders”):

- M6 Duna B.V. (Amsterdam, the Netherlands)
- Aberdeen Infrastructure (HoldCo) B.V. (Amsterdam, the Netherlands)
- Intertoll Infrastructure Developments B.V. (Rotterdam, , the Netherlands).

The owners of M6 Duna BV are the Aberdeen investment group and EBRD (European Bank for Reconstruction and Development).

The Company is a private company limited by shares established for a fixed term, which is the concession period set out in the Concession Agreement concluded with the Hungarian State. The concession period is 22 years, lasting until 8 October 2026. The rights and obligations set by the Concession Agreement were transferred to the Company via the Transfer Agreement dated 13 October 2004 by the consortium originally obtaining the concession.

Accordingly, the Company is solely engaged in the design, construction, renovation, operation and maintenance under concession of the section of the M6 Motorway between Érdi tető and the intersection of the M6 and M8 Motorways at Dunaújváros, and the financing of the above activities. The interim completion of the motorway occurred on 11 June 2006. The relevant Traffic Authority issued the final licence to operate for this section of the M6 Motorway on 31 October 2006. The Final Acceptance Certificate issued by the Minister of Economy and Transport –acting on behalf of the Hungarian State – became effective on 13 December 2006.

During the term of the concession, the Company is entitled to possess and utilize certain assets under exclusive state property (e.g. main road) and to receive the benefits derived from those assets. Accordingly, starting from interim completion, the Company is receiving monthly availability fees from the Hungarian State for the use of the motorway. The availability fee amounts are determined by the calculation formulae contained in the Concession Agreement.

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

2. ACCOUNTING POLICY

The books and records of the Company are maintained in accordance with Law C of 2000 on Accounting, as amended (the “Law”) and generally accepted accounting principles in Hungary. In accordance with the requirements of the Law, from 1 January 2008 the books and records of the Company are maintained in EUR.

The accounting policy, the valuation method and process of the Company with the modifications introduced during this period are as follows:

Financial statement preparation date

The preparation date of the financial statements for the year ended 31 December 2015, the preparation date was 8 January 2016 (except for the declared dividend, for which the respective date is 25 February 2016), while for the year ended 31 December 2016, the preparation date was 8 January 2017.

Intangible fixed assets

Purchased software, included in Rights of property value, are amortised over 3 years. Intangible fixed assets below purchase price of 100 000 HUF are fully depreciated when put into use.

Tangible fixed assets

According the paragraph 23 (3) of the Law, the Company records the acquisition cost of the assets purchased or created under the Concession Agreement as tangible fixed assets in its books.

The acquisition cost includes:

- upfront fees, commitment fees, handling fees etc. stipulated in the financing contracts directly linked to the design and construction of the motorway
- interest due until the interim completion of the motorway minus interest received on funds dedicated to the project
- banking fees and bank advisors’ (technical, financial, legal, etc.) fees directly linked to the project as stipulated by the financing contracts
- insurance costs directly linked to the project, until interim completion
- direct salaries and related taxes of company officers and employees exclusively working on the project, until interim completion
- design, construction, monitoring, environmental, safety, documentation etc. advisory fees, until final completion of the construction contract
- realised and unrealised FX differences on foreign currency liabilities in direct connection with the construction, until project completion

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

Tangible fixed assets are stated at acquisition costs less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the related asset. The useful lives of the motorway and the ancillary facilities are calculated from the interim completion date (11 June 2006) until the end of the concession period, which is 20.3 years. The depreciation rates applied are as follows:

Motorway and ancillary facilities	4.9%
Vehicles	20.0%
Office and IT equipment	33.3%
Furniture	14.5%

Tangible assets below purchase price of 100,000 HUF are fully depreciated when put into use.

Format of statements of operations

The accompanying statement of operations is prepared according to the “A” version of the Law. Assets and liabilities denominated in HUF are valued at the daily FX rates set by the National Bank of Hungary. The consequent valuation gains/losses are recorded net as Result on financial transactions.

Material errors

In accordance with the Law, amounts exceeding 2% of total assets are considered as material errors resulting of tax audits, self-revisions and errors effecting prior years (the corresponding figure in 2015 was 6.3 mEUR and in 2016 it was 5.7 mEUR).

The Company considers exceptional those cost or revenue items, regardless to their amount, which are outside of the normal scope of operations.

There were no such exceptional items in the year ended 31 December 2016.

3. FINANCIAL POSITION, PROFITABILITY AND LIQUIDITY

In March 2006 the project was successfully refinanced: the previous syndicated long-term bank loan was replaced by cheaper funds from a new loan from the European Investment Bank („EIB”) and the proceeds of the issuance of floating rate Notes (see Point 11). Due to the refinancing, the project’s feasibility and profitability is even more secure and robust, per the underlying Financial Model. The Company has fulfilled its debt service obligations in 2015 and 2016 as well, in full compliance with the credit agreements.

The interim completion of the motorway occurred on 11 June 2006 that is with 71 days of delay compared to the target interim completion date of 31 March 2006. Since the Company was not responsible for that delay, therefore the budgeted Availability fees for such „deemed operation” period have been fully reimbursed (see Point 13 and 14) by the Ministry of Economy and Transport („GKM”), in accordance with the agreement dated 17 May 2007.

The change in the cash balance in 2016 was the result of the reduction of the Maintenance Reserve Account (“MRA”).

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Supplementary Notes for 2016

4. INTANGIBLE FIXED ASSETS

The changes in intangibles during 2015 and 2016 are detailed as follows (in EUR):

	<u>Concessions, licenses and similar rights</u>
<u>Gross value</u>	
Opening balance at 1 January 2015	13 627
Additions	741
Disposals	0
Closing balance at 31 December 2015	<u>14 368</u>
Additions	2 152
Disposals	-3 439
Closing balance at 31 December 2016	<u>13 081</u>
<u>Accumulated depreciation</u>	
Opening balance at 1 January 2015	13 202
Depreciation-straight line method	383
Disposals	0
Closing balance at 31 December 2015	<u>13 585</u>
Depreciation-straight line method	682
Disposals	-3 439
Closing balance at 31 December 2016	<u>10 828</u>
Net Book Value at 31 December 2015	<u>783</u>
Net Book Value at 31 December 2016	<u>2 253</u>

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

5. TANGIBLE FIXED ASSETS

The changes in tangible fixed assets during 2015 and 2016 are detailed as follows (in EUR):

	<u>Land & Buildings</u>	<u>Machinery & vehicles</u>	<u>Other equipment</u>	<u>Construction- in-progress</u>	<u>Total</u>
<u>Gross value</u>					
Opening balance at 1					
January 2015	471 410 654	1 529 834	57 813	0	472 998 301
Additions	106 153	17 588	5 061	0	128 802
Disposals	0	-88 304	0	0	-88 304
Closing balance at 31					
December 2015	<u>471 516 807</u>	<u>1 459 118</u>	<u>62 874</u>	<u>0</u>	<u>473 038 799</u>
Additions	324 862	85 465	8 186	0	418 513
Disposals	0	-39 385	-9 435	0	-48 820
Closing balance at 31					
December 2016	<u>471 841 669</u>	<u>1 505 198</u>	<u>61 625</u>	<u>0</u>	<u>473 408 492</u>
<u>Accumulated depreciation</u>					
Opening balance at 1					
January 2015	198 638 007	1 270 742	47 227	0	199 955 976
Depreciation-straight					
line method	23 277 717	68 426	8 852	0	23 354 995
Disposals	0	-64 047	0	0	-64 047
Closing balance at 31					
December 2015	<u>221 915 724</u>	<u>1 275 121</u>	<u>56 079</u>	<u>0</u>	<u>223 246 924</u>
Depreciation-straight					
line method	23 289 080	78 670	5 130	0	23 372 880
Disposals	0	-24 778	-9 435	0	-34 213
Closing balance at 31					
December 2016	<u>245 204 804</u>	<u>1 329 013</u>	<u>51 774</u>	<u>0</u>	<u>246 585 591</u>
Net Book Value at 31					
December 2015	<u>249 601 083</u>	<u>183 997</u>	<u>6 795</u>	<u>0</u>	<u>249 791 875</u>
December 2016	<u>226 636 865</u>	<u>176 185</u>	<u>9 851</u>	<u>0</u>	<u>226 822 901</u>

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

6. FINANCIAL INVESTMENTS

In line with its Financial Model, the Company is providing a loan facility to its Shareholders from its surplus cash, in proportion to their shareholdings.

Any amount (interest plus principal) payable under this upstream loan facility may, at the election of either party, be offset against any dividend which is declared to the borrower in its capacity as Shareholder of the Company.

Accordingly, the changes in long-term loans during 2015 and 2016 were as follows (in EUR):

Opening balance at 1 January 2015	9 267 238
Offset against dividend payable on 1 Apr 2015	-8 922 764
New loans advanced in June 2015	2 884 768
New loans advanced in December 2015	<u>2 500 014</u>
Closing balance at 31 December 2015	5 729 256
New loans advanced in January 2016	1 666 676
Offset against dividend payable on 25 Febr 2016	-7 395 932
New loans advanced in November 2016	<u>6 536 966</u>
Closing balance at 31 December 2016	<u>6 536 966</u>

The final maturity of the facilities is the date on which the Concession Agreement expires, i.e. in October 2026. The floating interest rates of the loans are linked to the applicable interbank rate (12M Euribor) (see Point 8).

7. RECEIVABLES

As of 31 December 2015 and 31 December 2016, Other receivables mainly included overpayment of various taxes.

8. PREPAYMENTS

As of 31 December 2015 and 31 December 2016 the not invoiced income items were as follows (in EUR):

	2015.12.31	2016.12.31
Availability fee from NFM	8 750 391	8 648 695
Leaseholding fee and overweight fee	67 868	96 217
Interest on current accounts and bank deposits	9 473	10 093
Interest on upstream loan	25 470	9 067
Lender's fee to be recharged	<u>50 000</u>	<u>0</u>
Total	<u>8 903 203</u>	<u>8 764 072</u>

In accordance with the VAT law, receivables from the legal successor of GKM, the Ministry of National Development („NFM”) as of 31 December 2015 and 31 December 2016 are not recorded as Accounts Receivable, but included as deferred income.

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Supplementary Notes for 2016

As of 31 December 2015 and 31 December 2016 prepayments of costs were as follows (in EUR):

	2015.12.31	2016.12.31
Deferred concession fee	9 975 788	9 047 457
Insurance premium	103 119	41 396
Other	<u>10 363</u>	<u>1 801</u>
Total	<u>10 089 270</u>	<u>9 090 654</u>

The deferred part of the additional concession fee paid to NFM (see Point 11) in accordance with the second amendment of Concession Agreement is recorded among Prepayments. This concession fee is deferred over the concession period (until 2026) and charged as an expense on a straight line basis.

9. ISSUED CAPITAL

The respective shareholdings as of 31 December 2016 were as follows (in EUR):

<u>”Shareholder”</u>	<u>Amount</u>	<u>Portion</u>
M6 Duna B.V.	19 474 321	67.31%
Aberdeen Infrastructure (HoldCo) B.V.	5 786 462	20.00%
<u>Intertoll Infrastructure Developments B.V.</u>	<u>3 671 527</u>	<u>12.69%</u>
Total	<u>28 932 310</u>	<u>100%</u>

10. SUBORDINATED LIABILITIES

The Shareholders provided subordinated loans totalling to 18 420 792 EUR to the Company, in proportion to their shareholdings. The loans expire in October 2026. The interest on these loans is linked to the Company's EBIT (6%) and payable semi-annually.

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Supplementary Notes for 2016

11. LONG-TERM LIABILITIES

As of 31 December 2015, the outstanding debts with maturity over one year were as follows:

Lender	Type of debt	Expiry date	Total original facility	Outstanding amount LT portion
EIB	Loan	2025.03.31	200 000 000 €	124 444 093 €
Noteholders	Notes	2025.03.31	212 000 000 €	83 433 652 €
Total				207 877 745 €

As of 31 December 2016, the outstanding debts with maturity over one year were as follows:

Lender	Type of debt	Expiry date	Total original facility	Outstanding amount LT portion
EIB	Loan	2025.03.31	200 000 000 €	108 620 017 €
Noteholders	Notes	2025.03.31	212 000 000 €	72 824 376 €
Total				181 444 393 €

Interest and principal repayments on the EIB loan and the Notes are due semi-annually on each 31 March and 30 September. Accordingly, the repayments due on the EIB loan and the Notes in 2017 have been reclassified to Short-term credits (see Point 12).

The floating interest rates of the EIB loan and the Notes are linked to the applicable interbank rate (6M Euribor). The entire debt service under the EIB loan and the Notes is guaranteed by the monoline insurer Assured Guaranty (Europe) Ltd. (formerly called: Financial Security Assurance UK Ltd.).

However, the effective interest charge on the EIB loan and the Notes are fixed for the whole term via swap deals concluded with BNP Paribas SA (Paris). The notional amounts of the swaps follow the repayment profile of the loan and the Notes.

In 2016 the Company paid a net amount of 9 217 577 EUR on the interest swaps and incurred a net loss of 9 096 016 EUR as difference between the fixed and floating rates of these swaps.

The EIB loan and the Notes are guaranteed by the Company's shares held in custody. All the assets and future receivables of the Company are pledged as security for these borrowings as well.

Upon refinancing, the Company made an obligation to pay in total 19 013 067 EUR of additional concession fee to GKM at predetermined dates, ending on 30 September 2024. Up to 31 December 2016, 11 507 622 EUR of that has been paid to GKM in total. Of the remaining 7 505 445 EUR liability, the scheduled payments in 2017 (in total 129 486 EUR) are reclassified to Other short-term liabilities as of 31 December 2016.

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Supplementary Notes for 2016

12. SHORT-TEM CREDITS

The short-term credits as of 31 December 2015 were as follows:

Lender	Type of debt	Expiry date	Total original facility	Outstanding amount ST portion
EIB	Loan	2025.03.31	200 000 000 €	13 320 420 €
Noteholders	Notes	2025.03.31	212 000 000 €	11 936 557 €
Total				25 256 977 €

The short-term credits as of 31 December 2016 were as follows:

Lender	Type of debt	Expiry date	Total original facility	Outstanding amount ST portion
EIB	Loan	2025.03.31	200 000 000 €	15 824 080 €
Noteholders	Notes	2025.03.31	212 000 000 €	10 609 276 €
Total				26 433 356 €

13. ACCRUALS

As of 31 December 2015 and 31 December 2016 accruals included the following items (in EUR):

	2015.12.31	2016.12.31
Accrued income from "deemed operation"	5 007 872	4 544 978
Accrued interest & swap costs and guarantee fee	3 240 260	2 703 043
Accrued income from petrol station leaseholding contracts	2 645 228	2 433 804
Guarantee payment to cover defect rectification	1 734 408	1 567 254
Motorway operation & maintenance cost	510 805	521 590
Fee for Lenders' legal advisor	0	58 376
Technical and financial advisory costs	13 718	17 409
Audit fee	15 134	15 134
Seconded director's fee	22 488	11 244
Commitment fees	13 253	0
Other	29 755	8 645
Total	13 232 922	11 881 477

The above accrued leaseholding income and the accrued income from "deemed operation" is released to profit and loss on a straight line basis over the remaining part of the concession period.

The guarantee payment is released to profit and loss in line with the yearly actual defect rectification costs (see Point 15).

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

14. NET SALES

Net sales in 2015 and 2016 consisted of the following items (in EUR):

	2015	2016
Availability fee income	52 781 209	52 406 730
Released income of "deemed operation"	464 220	465 727
Leaseholding income	340 756	342 311
Reinvoiced items	115 866	282 796
Secondment fee income	124 200	124 200
Other operational income from the motorway	68 378	79 983
Total	53 894 629	53 701 748

15. OTHER REVENUES

Other revenues in 2015 and 2016 consisted of the following items (in EUR):

	2015	2016
Released guarantee payment	255 307	167 155
Previous year's corporate tax credit	0	48 200
Proceeds from sales of fixed assets	4 295	10 706
Self-correction of previous years' corporate tax	51 677	0
Other	11	26
Total	311 290	226 087

16. VALUE OF RENDERED SERVICES

The value of rendered in 2015 and 2016 consisted of the following items (in EUR):

Concession fee	950 579	952 269
Legal, technical & financial advisory cost	241 014	421 941
Defect rectification cost	255 307	167 155
Seconded officers' fees	119 693	106 146
Commitment fee	52 012	42 321
Vehicle rental	44 359	40 176
Audit fee	25 250	25 266
Office rent	23 780	23 286
Bookkeeping, payroll calculation etc.	16 456	15 798
Other	55 315	14 748
Total	1 783 765	1 809 106

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

17. VALUE OF OTHER SERVICES

Other services in 2015 and 2016 consisted of the following items (in EUR):

	2015	2016
Insurance premiums	432 737	253 313
Bank charges	6 313	6 408
Authority fees	1 588	1 499
Other	<u>555</u>	<u>0</u>
Total	<u>441 193</u>	<u>261 220</u>

18. OTHER EXPENSES

Other in 2015 and 2016 consisted of the following items (in EUR):

	2015	2016
Local business tax	915 983	932 177
Innovation contribution	154 122	153 231
Book of value of sold fixed assets	24 257	14 607
Donations	1 917	1 928
Other	<u>4 911</u>	<u>3 474</u>
Total	<u>1 101 190</u>	<u>1 105 417</u>

19. STAFF

The average statistical staff number for 2015 and 2016 as well was 5 persons. At the end 2015 and 2016 as well the Company had 5 employees, working in intellectual jobs.

20. BOARD OF DIRECTORS, SUPERVISORY BOARD

No remuneration, advances or loan were provided by the company to the members of the Board of Directors or the Supervisory Board in 2015 and 2016.

The original Hungarian version of this annual report has been signed by:

Fáskerti Zsolt – Member of the Board of Directors

Belle Örs – Chairman of the Board of Directors

Their business address is 1117 Budapest, Fehérvári út 50-52.

The person in charge of bookkeeping is Szolga Bálint, who is a registered accountant at the Ministry of Finance under registration number 193874.

M6 DUNA AUTÓPÁLYA KONCESSZIÓS ZRT.

Supplementary Notes for 2016

21. CORPORATE TAX

The following is the calculation of the corporate tax charge for 2015 and 2016 (in EUR):

	2015	2016
Profit before tax	12 573 090	13 306 149
<u>Adjusting items:</u>		
Proportional part of previous years' unrealised foreign exchange gain	1 073 369	1 179 014
Difference in net book value of disposed assets under statutory and tax accounts	12 953	2 766
Non-deductible expenses	1 377	490
Self-correction of previous years' corporate tax	-51 016	0
Previous year's tax credit	0	-48 029
	<hr/>	<hr/>
Corporate tax base for 10% & 19% rate	13 609 773	14 440 390
	<hr/>	<hr/>
Corporate tax payable	2 442 140	2 598 987
	<hr/>	<hr/>

Budapest, 6 February 2017

BUSINESS REPORT FOR 2016

M6 Duna Autópálya Koncessziós Zrt. (the “Company”) was founded on 7 October 2004. The Company is a private company limited by shares, established for a fixed term of 22 years, which is the concession period as set out in the Concession Agreement concluded with the Hungarian State.

In accordance with the Concession Agreement, the Company is engaged in the design, construction, renovation, operation and maintenance of the 58.6 km long section of the M6 Motorway between Érdi tető and the intersection of the M6 and M8 Motorways at Dunaújváros, and the financing of the above activities.

The construction works started in October 2004. The interim completion – so the opening of the motorway – took place on 11 June 2006. The relevant Traffic Authority issued the final licence to operate on 31 October 2006. The Final Acceptance Certificate issued by the Minister of Economy and Transport –acting on behalf of the Hungarian State – became effective on 13 December 2006. On 31 March 2010 the further sections of the M6 Motorway has been opened for traffic. Consequently, the M6 Motorway gives direct access to the city of Pécs.

In the 10.5 years that elapsed since the opening, the motorway has been operated in an orderly manner, without significant performance point events or unavailability incidents. The motorway is properly operated, maintained etc., in accordance with the routine maintenance plans and Hungarian road standards, by our operation subcontractor, Duna-Intertoll Zrt. The contract with Duna-Intertoll Zrt. is valid until the end of 2020.

The operation of the motorway is regularly checked by the relevant Hungarian authorities.

During the term of the concession, the Company is entitled to possess and utilize certain assets under exclusive state property (e.g. main road) and to receive the benefits deriving from those assets. Accordingly, the Company receives revenues starting from 11 June 2006, in the form of monthly availability fees paid by the Hungarian State, calculated with the formulas set out in the Concession Agreement. These fees have been fully received and in time in 2016 as well.

In addition, the ancillary facilities of the motorway also generate revenues for the Company. Accordingly, 2*2 petrol stations are operated by MOL and OMV, respectively, in the Complex Rest Areas at km 30 and 70 of the motorway.

The Company has fulfilled its debt service obligations in 2016 as well, in full compliance with the credit agreements.

In October 2016 the previous minority owner, Swietelsky International Baugesellschaft has sold its shares in M6 Duna to the Aberdeen investment group.

The Hungarian State and the lenders of the project have approved this share purchase transaction.

The Aberdeen investment group and EBRD are committed to the long-term successful operation of the Company and already in 2016 they took various measures to increase the efficiency of the project.

Budapest, 6 February 2017