Budapest Keleti pu.–Eastern station, 15:51

EUROFIMA®

Annual report 2006

Important data

	2002	2003	2004	2005	**2006**
Balance sheet					
Total	28 613	28 611	29 204	33 501	**34 344**
Assets					
Equipment financing contracts	23 319	23 232	23 921	28 433	**28 787**
Unpaid subscribed share capital	2 080	2 080	2 080	2 080	**2 080**
Liabilities					
Borrowings (1)	24 454	24 501	25 156	29 344	**30 121**
– of which subordinated liabilities	100	100	100	100	**0**
Equity capital	2 980	3 005	3 027	3 053	**3 078**
– Subscribed share capital	2 600	2 600	2 600	2 600	**2 600**
– Reserves + unappropriated surplus to be carried forward (2)	380	405	427	453	**478**
Profit, cash flow and appropriation to reserves					
Net profit for the financial year	47	46	43	47	**45**
Cash flow	62	60	49	50	**47**
Appropriation to reserves	26	25	23	25	**25**
Ratios in %					
Operating cost (3)/Net operating income	11.3	11.5	14.2	14.0	**15.1**
Net profit/Equity capital (4)	5.3	5.0	4.6	4.9	**4.6**
Cash flow/Equity capital (4)	7.0	6.6	5.2	5.2	**4.7**
Equity capital/Borrowings	12.2	12.3	12.0	10.4	**10.2**
(Equity capital + subordinated liabilities)/Borrowings	12.6	12.7	12.4	10.7	**10.2**
(Equity capital + subordinated liabilities + joint shareholders' guarantee)/Borrowings	23.2	23.3	22.8	19.6	**18.9**
Guarantees					
Equipment financing contracts with guarantee (5)	25 121	24 465	24 978	29 777	**30 252**
Joint shareholders' guarantee	2 600	2 600	2 600	2 600	**2 600**
Financing and repayments					
Financing	4 224	4 015	5 112	5 330	**3 422**
Repayments	4 600	4 557	3 823	2 470	**2 169**
Repayment rate in %	108.9	113.5	74.8	46.3	**63.4**
Railway equipment financed during the financial year					
Locomotives	252	284	414	369	**348**
Multiple-unit trains					
– Motor units	191	177	399	600	**150**
– Trailer cars	316	182	689	675	**149**
Passenger cars	137	745	96	1 365	**1 387**
Freight cars	1 328	176	259	59	**0**
Other equipment	27	0	0	0	**0**

Financial data: in million CHF

Railway equipment financed: in units

(1) Amounts due to credit institutions and customers and debts evidenced by certificates
(2) After appropriation of surplus according to proposal on page 29
(3) Including financial operations charges and depreciation on fixed assets
(4) Equity capital: average of two consecutive year-end figures, after appropriation of net profit and deduction of unpaid subscribed share capital
(5) Original values before adjustment for valuation difference of related swaps

EUROFIMA® European Company for the Financing of Railroad

EUROFIMA is a supranational organization. Its shareholders, which are also its customers, are the railways of its member States. EUROFIMA fulfills a task of public interest. It is located in Basle, Switzerland.

EUROFIMA's mission is to further the development of rail transportation in Europe and to support the railways which are its shareholders as well as other railway bodies in renewing and modernizing their equipment.

Constitution and mission

EUROFIMA was established on November 20, 1956 based on an international treaty (the "Convention") between sovereign States. It is governed by the Convention signed by its member States, its articles of association ("Statutes") and in a subsidiary manner by the law of the country in which it is located. It was originally founded for a period of 50 years. The decision taken by the extraordinary General Assembly of February 1, 1984 to extend this period for an additional 50 years, until 2056, was approved by all member States. EUROFIMA's shareholders are railways of the European member States which are parties to the Convention.

Activity

EUROFIMA finances railway equipment through borrowings or equity capital and encourages joint purchases. EUROFIMA secures title to or obtains security interests deemed equivalent (in particular pledges) on or in respect of equipment. The general principles of EUROFIMA's activity are defined in an agreement (the "Basic Agreement") between the railways and EUROFIMA. The Basic Agreement remains valid for the entire duration of EUROFIMA's existence and can only be altered with the consent of all the railways and EUROFIMA. EUROFIMA's equity capital (paid-in share capital and reserves) is utilized principally for investments in money market paper or bonds and, to a limited extent, for financing railway equipment.

Shareholders' distribution at December 31, 2006

Shareholders		Number of shares	in % of share capital
Deutsche Bahn AG	DB AG	61 360	23.60
French National Railways	SNCF	61 360	23.60
Ferrovie dello Stato S.p.A.	FS	35 100	13.50
SNCB Holding	SNCB	25 480	9.80
NV Nederlandse Spoorwegen	NS	15 080	5.80
RENFE Operadora	RENFE	13 572	5.22
Swiss Federal Railways	SBB	13 000	5.00
Železnice Srbije	ŽS	5 824 (1)	2.24
Swedish State Railways	SJ	5 200	2.00
Luxembourg National Railways	CFL	5 200	2.00
ÖBB-Holding Ltd.	ÖBB	5 200	2.00
Portuguese Railways	CP	2 600	1.00
České dráhy, a.s.	ČD	2 600	1.00
Hellenic Railways	OSE	2 600	1.00
Hungarian State Railways Ltd.	MÁV	1 820	0.70
Slovak Republic Railways	ZSSK	1 300	0.50
Croatian Railways	HŽ	520	0.20
Holding Slovenske Železnice d.o.o.	SŽ	520	0.20
Bosnia and Herzegovina Railways	ŽBH	520	0.20
Bulgarian State Railways Ltd.	BDZ	520	0.20
Railways of FYR Macedonia	CFARYM	260	0.10
Željeznica Crne Gore a.d.	ŽCG	156	0.06
Turkish State Railways	TCDD	104	0.04
Danish State Railways	DSB	52	0.02
Norwegian State Railways	NSB	52	0.02
Total		**260 000**	**100.00**

(1) 2 830 shares of which EUROFIMA holds in trust

Rolling Stock

Equipment

EUROFIMA ever holds title to the equipment until the financing has been completely reimbursed or it holds a direct or indirect security interest deemed equivalent, particularly pledges. The equipment is recorded in the company's register with its number and type. Each railway is responsible for maintaining the equipment. In case of damage or loss, the equipment must be replaced without delay and at the railway's expense. If a railway does not fulfill its obligations, EUROFIMA has the right to repossess the equipment to cover its exposure. The railway continues to assume responsibility for all contracts into which it has entered with the company. EUROFIMA has never experienced a loss due to the failure of a railway to assume its contractual obligations.

Guarantee reserve and joint shareholders' guarantee

In the event of default by a railway, the guarantee reserve described in Article 30 of the Statutes may be called upon. According to this article, the yearly allocation to the guarantee reserve corresponds to the balance of the net annual profit, after allocation to the ordinary reserve of 5 % of the net profit and the payment of a dividend, statutorily fixed at a maximum of 4 % of the paid-in share capital. After appropriation of the surplus, the guarantee reserve reached CHF 417.0 million at December 31, 2006.
In addition, according to Article 27 of the Statutes, each shareholder guarantees the performance of all of EUROFIMA's equipment financing contracts in proportion to its holding in EUROFIMA's share capital and up to a maximum amount equal to the par value of its holding. This joint shareholders' guarantee is invoked only if the obligations due by a railway exceed the guarantee reserve and are not covered by its member State.

State guarantee

The railway shareholders' obligations towards EUROFIMA benefit from a double guarantee. Firstly, each member State is either directly liable for or guarantees the obligations of its railway under the equipment financing contracts. Secondly, each member State is either directly liable for or guarantees the obligations of its railway in such railway's capacity as a shareholder of EUROFIMA. In addition, the member States take the necessary measures to assure transfer of funds arising from the company's activity.
At December 31, 2006, borrowings were 119 % covered by equity capital and the various guarantees.

Rating of the member States

at December 31, 2006

	Moody's Investors Service Inc.	Standard & Poor's Corporation
Germany	Aaa	AAA
France	Aaa	AAA
Italy	Aa2	A+
Belgium	Aa1	AA+
Netherlands	Aaa	AAA
Spain	Aaa	AAA
Switzerland	Aaa	AAA
Serbia	–	BB–
Sweden	Aaa	AAA
Luxembourg	Aaa	AAA
Austria	Aaa	AAA
Portugal	Aa2	AA–
Czech Republic	A1	A–
Greece	A1	A
Hungary	A2	BBB+
Croatia	Baa3	BBB
Slovenia	Aa2	AA
Bosnia and Herzegovina	B2	–
Bulgaria	Baa3	BBB+
Slovakia	A1	A
FYR Macedonia	–	BB+
Montenegro	–	BB
Turkey	Ba3	BB–
Denmark	Aaa	AAA
Norway	Aaa	AAA

Rating of EUROFIMA's liabilities

at December 31, 2006

	Moody's Investors Service Inc.	Standard & Poor's Corporation
Senior borrowings	Aaa	AAA
Programme for the Issuance of Debt Instruments	Aaa	AAA
Commercial Paper	P–1	A–1+

Budapest Keleti pu.–Eastern station, 16:00

Report of the Board of Directors to the General Assembly

Annual report 2006
50th financial year

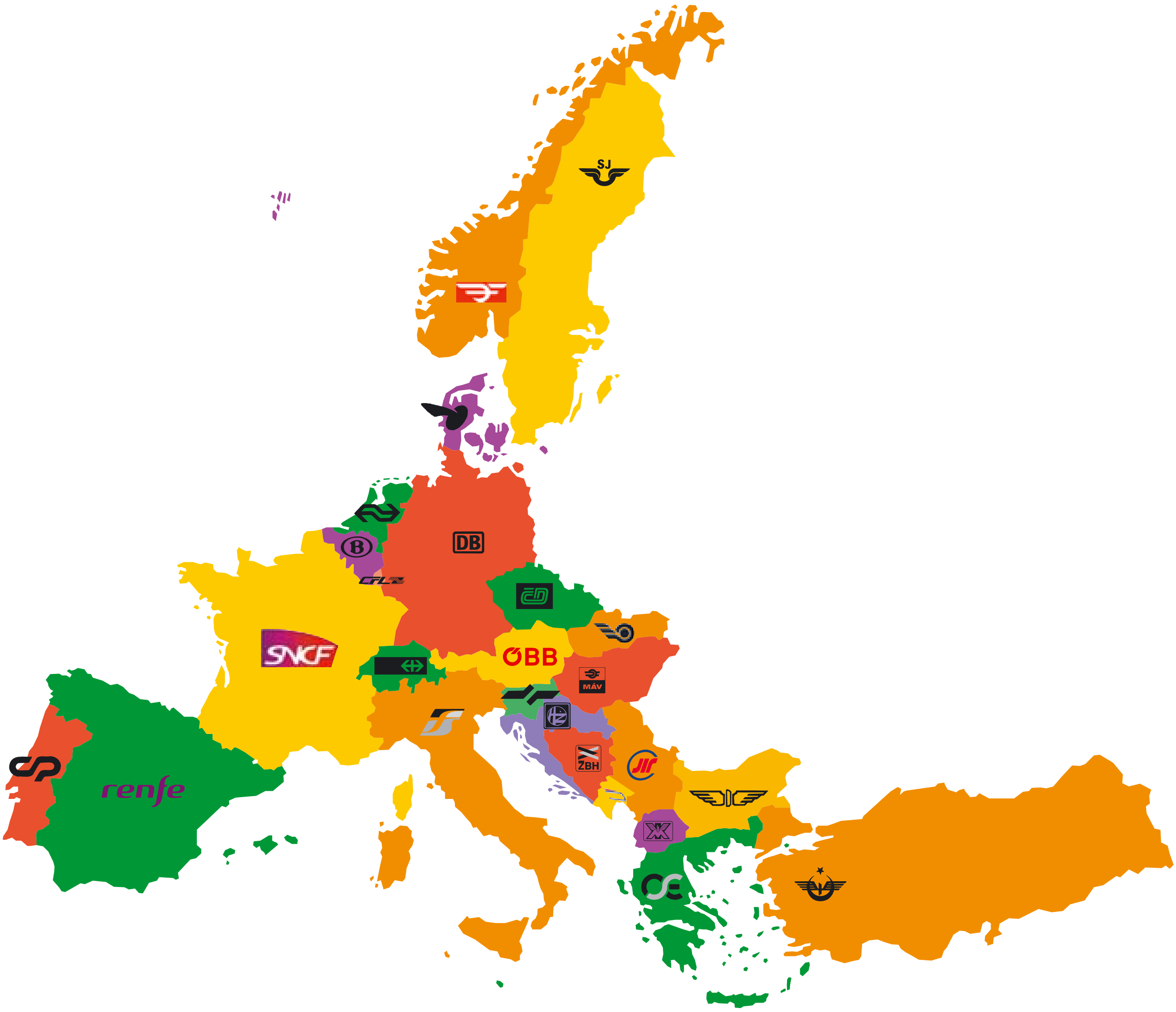
EUROFIMA®

European Company
for the Financing
of Railroad Rolling Stock

Société européenne
pour le financement
de matériel ferroviaire

Europäische Gesellschaft
für die Finanzierung
von Eisenbahnmaterial

Società europea
per il finanziamento
di materiale ferroviario



This annual report is available on EUROFIMA's website www.eurofima.org
or upon request at the company's office.
It is also published in German and French. In case of inconsistencies in the German
or French translation, the English original version shall prevail.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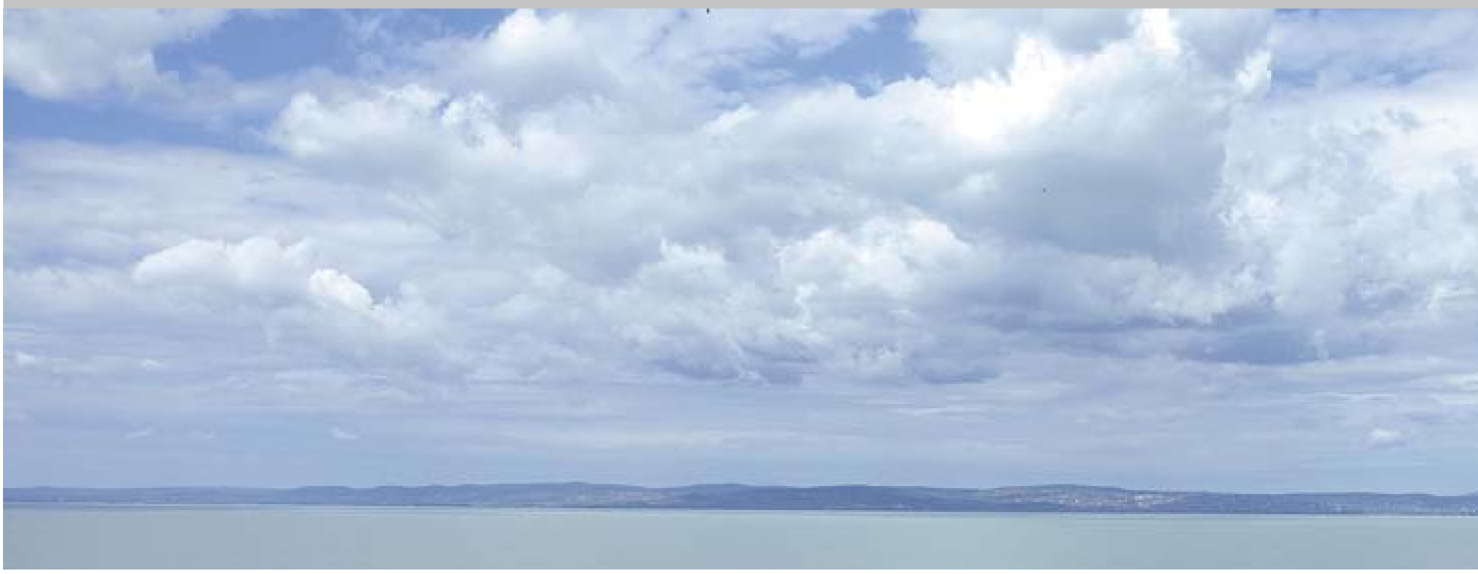


Budapest Keleti pu.–Eastern station, 16:25

Budapest Keleti pu.–Eastern station, 16:11

Lake Balaton, 11:02

Contents

Foreword

Global warming is probably the most serious challenge that we have to face at the beginning of the XXIst century.
The causes of this phenomenon remain subject to discussion; the appropriate political decisions are still fiercely debated. Nevertheless, three-quarters of the international scientific community now agree on the fact that the present substantial increase in temperatures of the earth's atmosphere and oceans mainly results from the steep increase in greenhouse gasses produced by human activities.
Life is of course subject to multiple and complex cycles, smooth or brutal, which sometimes suddenly reverse. Indeed, nowadays everybody understands that something fundamental is being disrupted in the climate process: Arctic and Antarctic ice caps are quickly receding; Alpine glaciers are massively melting; rain seasons are disappearing in East Africa; climate instability is becoming chronic.
Uncertainty about the pace of climate changes should not be an excuse for inertia. The Academies of Science in each of the G8 countries have unanimously underlined "the need to start immediate action" in order to try to curb the process of deterioration, that could cost some EUR 5 500 billion according to the economist Nicholas Stern.
The lack of a rational use of energy is at the root of this problem: we all need to change our complacent attitudes. In the sector of transportation in particular, substantial progress has still to be made: today means of transportation are the largest consumer of the world's petroleum production. In France for example, private and public transportation generates today not less than 27% of the air pollution. The British Ministry of Transport has calculated the emission of pollutants for a standard 600-kilometer travel. The results speak for themselves:

Tokaj–Budapest, 16:02

Budapest Keleti pu.–Eastern station, 17:52

71 kg of pollutants per passenger for a car, 96.4 kg per passenger for a plane, only 11.9 kg for an express train.
It means that the railway world cannot miss this crucial and exciting challenge, especially in Europe and Asia where railway transportation covers daily mobility needs for millions of passengers and millions of tons of freight.
In 2006, EUROFIMA celebrated the 50th anniversary of its founding as a Public International Body. We have come a long way in 50 years. Our task remains immense: huge investments in energy efficient rolling stock must contribute tomorrow to a better environment and a sustainable development. Our duty is to fight against greenhouse gas pollution. We have to do more; we have to do better.
The results for 2006 illustrate once again the internationally well-known capacity of EUROFIMA to mobilize substantial funds for the development of railways' activities. New equipment financing contracts reached CHF 2.3 billion, with a new USD 1 billion-benchmark issue and a first Icelandic Krona issue.
I therefore convey to our shareholders and to the EUROFIMA team my congratulations for the work done; tomorrow, we will deliver even more and even better, for the benefit of the railways' users. Let us remember: there is no substitute to excellence, not even success.

Claire DREYFUS-CLOAREC
Chairwoman of the Board

Governing bodies

As a public international body, EUROFIMA is governed in the first place by an International Treaty (the "Convention") concluded between 25 sovereign member States, its articles of association ("Statutes") and only subsidiarly by Swiss law. The member States have reserved extensive corporate governance rights over EUROFIMA. The following changes to EUROFIMA's organization require the consent of the member States: head office, objective, duration, conditions for admission of shareholders, quora applicable to important shareholders' resolutions, equal voting rights of directors, all terms dealing with the shareholders' liability and the establishment of branches. EUROFIMA has to report on its activities to the member States annually.
EUROFIMA is managed and administered by the General Assembly, the Board of Directors and the Management. The General Assembly convenes at least once annually. It decides on the maximum amount of borrowings to be contracted during a given period. It approves the management rules established by the Board of Directors and the annual accounts. Decisions are taken by the majority of votes of the shares represented. However, to amend the Statutes, to reduce or to increase the stated share capital, to transfer shares and subscription rights, to dissolve the company, to appoint liquidators and to extend the company's duration, a majority representing at least seven-tenths of the stated share capital is required.

The Board of Directors is responsible for conducting the company's business. It adopts decisions in matters that involve lending, borrowing and administrative matters. It meets at least once quarterly, taking decisions on the basis of the majority of the directors present or represented. With the exception of certain reserved powers, the Board of Directors is authorized to entrust all or part of the management of the company to one or several of its members (representatives) or third persons who need not necessarily be directors (members of the Management). As a result, the day to day management has been delegated to members of the Management. In this regard, the Board of Directors establishes management rules and guidelines determining the rights and responsibilities of the Board of Directors, its representatives and the Management. The Board of Directors authorizes all equipment financing contracts and all borrowings within the limits laid down by the General Assembly. Board members are appointed by the General Assembly, with two members for each shareholder holding at least 2 % of the share capital. They are appointed for a period of three years and are eligible for re-election. The Board of Directors consists of 22 members. The Chairman and Vice-Chairmen of the Board of Directors are designated by the General Assembly.
The company's body of Auditors is composed of five members appointed by the General Assembly. It usually meets twice a year in connection with the examination of the internal control reports, the drawing up of the company's annual accounts and their audit by the independent auditors.

Board of Directors
at January 1, 2007

Honorary Chairmen:
Etienne Schouppe
Liedekerke
Wolfgang Vaerst
Frankfurt am Main

Chairwoman:
Claire Dreyfus-Cloarec
Member of the Executive Committee,
French National Railways Company,
Paris
Chairwoman and Chief Executive Officer,
SNCF Participations, Paris

Vice Chairmen:
Claude Alain Dulex
Chief Financial Officer,
Member of the General Management,
Swiss Federal Railways SBB, Bern
Luigi Lenci
Financial Director,
Ferrovie dello Stato S.p.A., Rome
Marcel Niggebrugge
Member of the Board,
Chief Financial Officer,
NV Nederlandse Spoorwegen, Utrecht
Diethelm Sack
Member of the General Management,
Deutsche Bahn AG, Berlin

Members:
Michel Allé
General Director,
SNCB Holding, Brussels
Pilar Cutanda González
Financial Director,
RENFE Operadora, Madrid
Lennart Dahlborg
President,
Swedish State Railways, Stockholm
Mats Hanser
Member of the Board of Directors,
Swedish State Railways, Stockholm

Reto Feissli
Head Corporate Treasury,
Swiss Federal Railways SBB, Bern
Natalia Garzón Pacheco
General Manager of Finance and
Planning, RENFE Operadora, Madrid
Jannie Haek
Chief Executive Officer,
SNCB Holding, Brussels
Ronald Klein Wassink
Corporate Treasurer, NV Nederlandse
Spoorwegen, Utrecht
Alex Kremer
General Director, Luxemburg National
Railways, Luxemburg
Gerhard Leitner
Chief Financial Officer,
Rail Cargo Austria AG, Vienna
Jean-Pierre Menanteau
Member of the Executive Committee,
in charge of Finance, Purchase,
IT and Telecommunications, French
National Railways Company, Paris
Wolfgang Reuter
Group Treasurer,
Deutsche Bahn AG, Berlin
Milanko Šarančić
General Director,
Železnice Srbije, Belgrade
Erich Söllinger
Chief Financial Officer,
ÖBB-Holding Ltd., Vienna
Jeannot Waringo
Chairman of the Board of Directors,
Luxemburg National Railways,
Luxemburg

Secretary:
Bernard de Closset
Senior Vice President, EUROFIMA

College of Auditors:
Dolores Herrero Perez de Castro
Director of Budgets,
RENFE Operadora, Madrid
Alfred Lutschinger
Director of Finance and Participations,
ÖBB-Infrastruktur Betrieb AG, Vienna
Stefano Pierini
Head of Financial Markets,
Ferrovie dello Stato S.p.A., Rome
Dick Snel
Director Corporate Audit,
NV Nederlandse Spoorwegen, Utrecht
Marc Wengler
Director, Luxemburg National Railways,
Luxemburg

Management:
André Bovet
Chief Executive Officer
Bernard de Closset
Senior Vice President,
Head of Treasury
Martin Fleischer
Senior Vice President,
Head of Capital Markets
Marco Termignone
Senior Vice President,
Head of Accounting, IT, Payments

Independent auditors:
PricewaterhouseCoopers AG
St. Jakobs-Strasse 25
P.O. Box
CH-4002 Basle
Tel: + 41 58 792 51 11
Fax: + 41 58 792 58 82

Changes in the Board of Directors and Auditors during 2006:
The following members resigned:
Maurizio Basile
Vice-President of the Board of Directors
Hugo De Haes
Member of the Board of Directors
Peter-Olov Dejfors
Member of the Board of Directors
Gerhard Leitner
Auditor
Aleksa Miličić
Member of the Board of Directors
Nicolas Welsch
Member of the Board of Directors

The outgoing members were thanked sincerely for their active service.

Report on the company's situation

MÁV passenger car

Economic environment

Financing and repayments during the financial year 2006

Equipment financed during the financial year 2006

Equipment financing contracts at December 31, 2006

Equipment at December 31, 2006

Results in 2006 and outlook for 2007

Economic environment

International context
As in 2004 and 2005, the world economy grew strongly in 2006, in terms of both gross domestic product and international trade. The list of countries contributing to this positive global evolution was even enlarged, with Japan and the European Union joining the club of world growth catalysts like the *BRIC* countries (Brazil, Russia, India and China), the United States as well as oil and commodity producing countries.
It is quite remarkable that inflation remained globally well contained last year. Expensive oil and rising commodity prices in a context of sustained world growth did not succeed in significantly deteriorating costs and prices. While central banks and most analysts expected a non-negligible price slippage here, it remained remarkably muted. The deterioration in terms of producing costs was limited, due to the effects of globalization, substantial investment by corporations and strong productivity gains. Despite the strong growth outlook, the resilient tendency towards disinflation in the world economy remained alive in 2006. Even the geopolitical events could not derail the global growth pattern, the world getting cynically used to chronic instability in Iraq or the Middle East.
The labour market in general clearly benefited from this positive environment in the European Union. Stronger personal income, a renewed widespread wealth effect derived from the stellar performance of world stock markets and an ebullient real estate sector contributed to boost consumer confidence and final demand. Contrary to 2005, exports were no longer the only bright spot in Japan or the EU zone: the growth was much better distributed.
Large global imbalances remained in place in 2006, without too much attention from anyone. The lack of savings or the excessive trade deficit in the US, the over-investment in China or the speculative bubbles in various asset classes remained unsolved.

Exchange rates and financial markets
Troughout the year, most central banks – still confronted with a very ample global liquidity – warned the financial markets of their will to normalize the situation. They pre-emptively tightened their monetary policies in order to avoid any significant surge of inflation.
In the United States, the new Chairman of the Federal Reserve cautiously continued the gradual tightening initiated by his predecessor, pushing the Federal Fund rate to 5.25 %, before adopting a-wait-and-see stance. The Bank of Japan decided as an inital step to put an end to the zero interest rate policy, before starting to tighten very cautiously its monetary policy. In Europe, Mr. Trichet constantly justified the gradual hiking process by the need to curb the excess liquidity.
Long-term interest rates were accordingly on the rise till summer, before slipping again. On an historical basis, long-term interest rates remained abnormally low – probably by 100 basis points – despite the flattening of the yield curves. Ten year Government bonds in 2006 could hardly exceed 2 %, 3 %, 4 % and 5 % in JPY, CHF, EUR and USD respectively. The very long-term declining trend of bond yields remained in place.
Equity markets around the world enthusiastically celebrated the very favourable performance of the world economy, corporate earnings substantially exceeding expectations in a context of frenzy merger and acquisition transactions. The high record levels of 2000 of many stock indices were surpassed, with the exception of the NASDAQ.
On the foreign exchange front, interest rate differentials heavily influenced the evolution of the exchange rates. Currencies with low interest rates and positive carry – like JPY and CHF – suffered substantially; countries with high interest rates – like the UK – saw their currency on the rise. The USD itself benefited from that fact; but the anticipation of a soft landing for the US economy during the second half of the year pushed the EUR up again, alarming European exporters and governments.
The economic outlook for 2007 remains fairly good, especially in Europe and Japan. Analysts are still hesitant about the US softening of the business cycle: is it a simple mid-cycle soft patch or the start of the inevitable correction of long dated structural imbalances?

Financing and repayments during the financial year 2006

In 2006 EUROFIMA borrowed in total CHF 2.6 billion from the public capital markets, consistently pursuing its three-pillar strategy of:

1. US dollar benchmark issues;
2. Continuous and consistent offering in its key Swiss franc and Australian dollar markets;
3. Currency diversification.

In the US dollar market, a 1 billion benchmark with a maturity of 10 years was brought to the market. Since US dollar appearances in the previous years also resulted in sizes of 1 billion, but only after several increases, this represented the company's very first true US dollar benchmark, significantly broadening EUROFIMA's investor base and strenghtening its profile.

In the Swiss franc market, EUROFIMA responded to strong demand for longer maturities and opened a 2026 line. This bond was successively increased and stood per year-end at over 800 million, making it the biggest supra/agency bond in this maturity segment.

In the Australian dollar market, the company offers the most complete curve in the "Kangaroo"-market with maturities ranging from 2007 up to 2020. In 2006, two existing bonds were increased to add additional liquidity. As a result, the bonds maturing in 2011, 2014, 2016 and 2018 all reach or surpass the amount of 500 million.

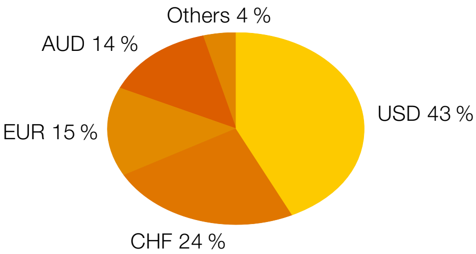
Beyond the focus on the above three markets, arbitrage-focused funding and the ongoing aim for diversification led to a very first bond in Icelandic Krona. With this issuance, EUROFIMA had per year-end outstanding bonds in 14 currencies.

Financing

Based on the exchange rates fixed at the date of the balance sheet, financing in 8 different currencies reached the equivalent of CHF 3 422 million. This total is distributed as follows:

Type of financing	Equivalent in million CHF
Bond issues	812
Programme for the Issuance of Debt Instruments	1 831
Loans	43
Commercial Paper	736
Total	**3 422**

Distribution of financing according to currencies

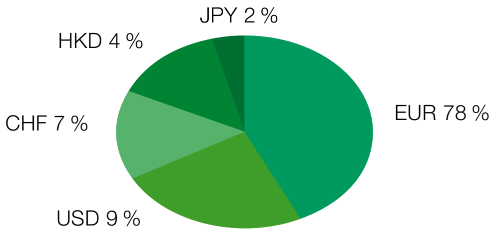


Evolution of financing (in million CHF)

Repayments

Based on the exchange rates fixed at the date of the balance sheet, repayments reached the equivalent of CHF 2 169 million, CHF 289 million of which are due to repayments on short-term financing.

Distribution of repayments according to currencies



Budapest Keleti pu.–Eastern station, 12:00

Equipment financed during the financial year 2006

EUROFIMA concluded 19 contracts with 12 shareholders or their affiliates for the financing of railway equipment or leasing contracts concluded by the shareholders. The railway equipment and the related financing amounts are given below.

Country	Railway/ Company	Locomotives			Multiple-unit trains			Passenger cars	Amount of financing (in million CHF)
		main-line		shunting	motor units		trailer cars		
		diesel	electric		diesel	electric			
France	SNCF		76						284
Italy	FS		147			26	26	1 273	964
Spain	RENFE		44					39	321
Serbia	ŽS		10	10					20
Austria	ÖBB		19			86	86		361
Portugal	CP		16			8	15		120
Hungary	MÁV	22						24	56
Croatia	HŽ							11	16
Slovakia	ZSSK				18			39	48
Czech Republic	ČD					4	8	1	48
Montenegro	ŽCG	4				4	4		6
Switzerland	CISALPINO AG					4	10		50
Total		**26**	**312**	**10**	**18**	**132**	**149**	**1 387**	**2 294**

EUROFIMA holds title or security interests deemed equivalent (in particular pledges) to the railway equipment until the funds have been fully reimbursed.
For the distribution of the railway equipment see page 13.

Equipment financing contracts at December 31, 2006

The following tables show the breakdown of the financing provided by EUROFIMA.

Currency distribution

Currency	Equipment financing contracts		
	in currency units	equivalent in CHF	in %
	(in million)	(in million)	
CHF	1 844.4	1 844.4	6.10
EUR	11 106.2	17 835.4	58.95
JPY	3 300.0	33.8	0.11
SEK	4 633.0	822.6	2.72
USD	7 969.6	9 716.2	32.12
	–	30 252.4	100.00
Valuation difference of swap agreements		–1 465.4	
Total	**–**	**28 787.0**	

Geographical distribution

Country	Railway/Company	Total financed	
		in million CHF	in %
Germany	DB AG	2 583.3	8.54
France	SNCF	4 941.8	16.33
Italy	FS	3 490.5 [1]	11.54
Belgium	SNCB	3 816.7	12.62
Netherlands	NS	1 159.2	3.83
Spain	RENFE	3 000.0	9.92
Switzerland	SBB	2 698.6	8.92
	CISALPINO AG	186.7 [2]	0.62
	Hupac AG	20.0 [3]	0.07
Serbia	ŽS	206.0	0.68
Montenegro	ŽCG	23.5	0.08
Sweden	SJ	1 979.2	6.54
Luxembourg	CFL	295.8	0.98
Austria	ÖBB	2 341.5 [4]	7.74
	CRL	24.1 [5]	0.08
	IWAG	69.1 [5]	0.23
Portugal	CP	1 186.8	3.92
Hungary	MÁV	483.1 [6]	1.60
	ROeEE/GySEV	4.0 [7]	0.01
Czech Republic	ČD	216.8	0.72
Slovakia	ZSSK	125.3	0.41
Greece	OSE	974.4	3.22
Croatia	HŽ	141.3	0.47
Slovenia	SŽ	247.3	0.82
Bosnia and Herzegovina	ŽBH	13.3	0.04
Bulgaria	BDZ	16.1	0.05
FYR Macedonia	CFARYM	8.0	0.02
Total		**30 252.4**	**100.00**

(1) 130.3 million of which assumed by the Italian State
(2) Obligations guaranteed by FS and SBB
(3) Obligations guaranteed by SBB
(4) Equipment financing contracts concluded with ÖBB until December 31, 2004
and with ÖBB-Holding Ltd. and its direct and indirect holdings since January 1, 2005
(5) Obligations guaranteed by ÖBB
(6) 229.4 million of which assumed by the Hungarian State
(7) 2.4 million of which assumed by the Hungarian State
The remaining 1.6 million is guaranteed by MÁV

Székesfehérvár–Tárnok, 15:53

Equipment at December 31, 2006

The following table indicates the equipment of each shareholder or their affiliates to which the company holds title or in which it has a direct or indirect security interest deemed equivalent, in particular pledges.

Country	Railway/ Company	Locomotives			Multiple-unit trains			Passenger cars	Freight cars	Other equip-ment
		main-line		shunting	motor units		trailer cars			
		diesel	electric		diesel	electric				
Germany	DB AG		443	12	14	40	260		3 161	5
France	SNCF		235	9		312	1 214		17	
Italy	FS	1	549		75	258	378	2 712	335	
Belgium	SNCB	101	166	11	152	283	225	871	3 260	28
Netherlands	NS		49	80		63	140	246		
Spain	RENFE		310		9	409	535	39		
Switzerland	SBB		110	26		230	535			
	CISALPINO AG					18	39			
	Hupac AG								144	
Serbia	ŽS	2	65	44	3	29	38	86	118	
Montenegro	ŽCG	4	9	4		4	4	22	10	
Sweden	SJ	50	238			83	210	425	6 102	
Luxembourg	CFL		19			27	39		470	
Austria	ÖBB	86	407	98	23	179	210	375	284	
	CRL								175	
	IWAG								6 979	
Portugal	CP	28	50	46	128	252	402	81	1 496	
Greece	OSE	36	6		43	40	136	106	278	
Hungary	MÁV	167	255	144	177	21		95		
	ROeEE/GySEV		4	6						
Croatia	HŽ	12	15	14	9	14	13	127	921	22
Slovenia	SŽ		20			60	20			
Bosnia and Herzegovina	ŽBH							3	58	
Slovakia	ZSSK				33			102		
FYR Macedonia	CFARYM		3		2		4	1		
Czech Republic	ČD		5			11	22	26		
Bulgaria	BDZ	5	8							
Total		**492**	**2 966**	**494**	**668**	**2 333**	**4 424**	**5 317**	**23 808**	**55**
of which under construction			60		18	242	270	97		

Results in 2006 and outlook for 2007

Results 2006
Financial results for the year 2006 exceeded the budgeted targets but remained below the level of the previous year. EUROFIMA recorded a net profit of CHF 45.4 million for 2006, compared to CHF 47.2 million for 2005. The principal factors explaining the development of the net profit were a lower net interest income and a lower income from other financial operations.

Profit and loss account
At CHF 31.0 million, net interest income decreased by 6.6 %. This source of income continued to be negatively influenced by investments carrying historically high yields coming to maturity in the interest-bearing security holdings.
The commissions income on equipment financing contracts developed strongly for the second year in a row. At CHF 16.6 million, the commissions income on equipment financing contracts rose by 9.0 %. The high volume of new railway equipment financing concluded in 2006 and in the year before was the major factor contributing to this rise in the commissions income.
At CHF 7.0 million, income from other financial operations decreased by 23.8 %. This evolution originated both in lower security gains and lower fees on leasing transactions.
Total operating cost, which comprises operating expenses, financial operations charges and depreciation on fixed assets, amounted to CHF 8.3 million. Thanks to an effective control of internal costs and ongoing budgetary discipline, the progression of total operating cost remained modest (+2.4 %).
The total allocation to the provisions reached CHF 1.0 million (previous year: CHF 2.3 million). New provisioning was dedicated exclusively to the coverage of swap counterparty risks.

Balance sheet
Total assets expanded for the third consecutive year. At CHF 34.3 billion, total assets grew by CHF 842.9 million (+2.5 %). Based on the same exchange rates used at the end of the previous year, total assets would have reached CHF 35.0 billion (+4.5 %).
The portfolio of equipment financing contracts remained the largest single asset representing 83.8 % of the total balance sheet. At CHF 28.8 billion, equipment financing contracts increased by CHF 353.9 million (+1.2 %). The risk profile of the portfolio continued to be

Net profit and cash flow (in million CHF)

very sound. It is noteworthy that no equipment financing contract or any other financial asset had to be written off during the year. As of December 31, 2006, no payment under any equipment financing contract was overdue.
The structure of the balance sheet remained solid. After appropriation of the surplus, equity capital amounted to 10.2 % of total borrowings compared to 10.4 % in 2005. As to the sum of provisions and reserves, it reached CHF 730.0 million (2005: CHF 704.8 million).

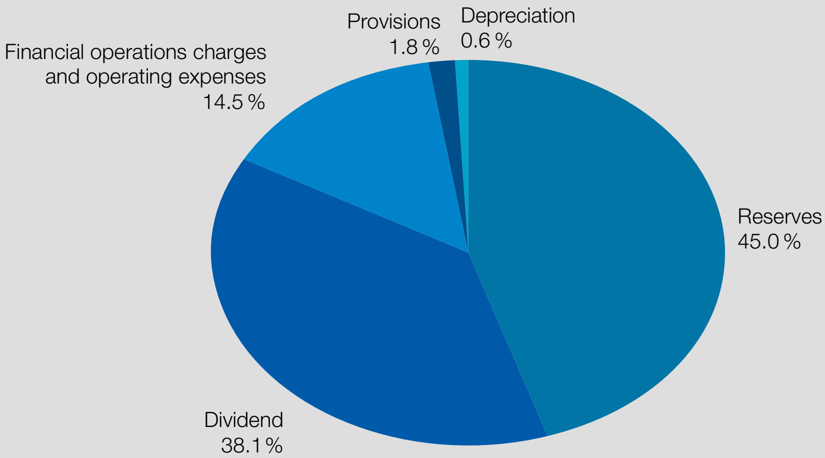
Financial risk management

EUROFIMA's financial risk management aims to ensure sustainable profitability and to maintain financial viability. Consequently, risk management activities seek to appropriately identify and measure financial risks as well as to minimize their potential adverse effect on the financial performance of EUROFIMA.
A comprehensive set of internal policies is in place, covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk and the use of derivative financial instruments. These policies are reviewed on a regular basis.
EUROFIMA's exposure to foreign exchange risk, interest rate risk and counterparty risk is controlled by a system of pre-approved limits. Such limits are reviewed and adjusted periodically in the light of external developments and experience.
EUROFIMA is an end-user of derivative financial instruments. It uses derivative financial instruments such as interest rate and currency swaps, forward rate agreements and foreign exchange contracts to protect itself against market risks in its borrowing, lending and investment activities. EUROFIMA is not a user of credit derivatives.

(i) Foreign exchange and interest rate risks

EUROFIMA's exposure to foreign exchange and interest rate risks arises primarily from the fact that borrowing operations are often carried out in a currency and with interest rate terms differing from those of the equipment financing contracts. The resulting foreign exchange and interest rate risks are hedged by using interest rate and currency swaps systematically on a back-to-back basis. As a result, the currency and interest rate risk profile of the borrowings is matched synthetically with the profile of the equipment financing contracts.
An open exposure to foreign exchange and interest rate risks exists only in the investment of the equity and the management of the liquidity. Such exposure is kept within very narrow limits.
The largest part of EUROFIMA's equity is invested in interest-bearing securities and placements with credit institutions. It is also engaged to a limited extent (at year end: CHF 192.8 million) to fund individual equipment financing contracts. These investments are exposed to changes in market interest rates. Indeed, the interest income derived from these investments is influenced by the level of market interest rates prevailing at the time of their investment or re-investment. The company's earnings are also affected by the fluctuations in the market value of the marked-to-market security holdings which are induced by changes in market interest rates.

Use of net operating income



Pre-funding is limited to a maximum amount of EUR 1 billion. Pre-funding allows to tap into the capital markets when borrowing conditions are favourable. All pre-funding operations are executed (after swaps) on a variable interest rate basis so that these funds can be warehoused with a minimum interest rate risk until they are needed for lending disbursement.

(ii) Credit risk

Credit risk corresponds to the potential loss that could result from a deterioration in the credit-worthiness of counterparties or their default. EUROFIMA is exposed to credit risk in its borrowing, lending and investment activities. It follows a prudent approach towards credit and counterparty risk. Only financial counterparties with a high credit standing are accepted. Individual counterparty limits are monitored and reviewed on a regular basis. EUROFIMA pays special attention to the credit exposure associated with swaps having positive replacement values. Such swap counterparty exposure is carefully monitored. EUROFIMA follows a policy of provisioning for its counterparty risk with financial swap counterparties. In 2006 it started to rely on Credit Support Annex which provides for the posting of collateral by the swap counterparty once EUROFIMA's exposure exceeds a given threshold.
The credit risk inherent in the portfolio of equipment financing contracts is reviewed and monitored regularly. EUROFIMA aims at adequately covering the potential counterparty exposure with the weakest railways by the sum of the country risk provision and the guarantee reserve.

(iii) Liquidity risk

EUROFIMA's goal is to maintain an adequate pool of liquidity to cover any short-term cash requirements. This pool of funds is invested in placements with credit institutions as well as highly rated debt instruments. EUROFIMA strives to secure a level of net liquidity that would meet its liquidity needs under distressed conditions for a period of twelve months into the future.

Outlook for 2007

EUROFIMA aims to achieve a stable financial performance over the next twelve months. Earnings and business volume should approximate the level of 2006. Strict risk management and control of operating costs will remain key objectives. The quality of the balance sheet is expected to remain high.

Borrowings [1] and equity capital in million CHF

(1) Amounts due to credit institutions and customers and debts evidenced by certificates

Budapest, 16:33

Budapest, MÁV maintenance hall

Annual accounts

Profit and loss account 2006

Balance sheet at December 31, 2006

Flow of funds statement 2006

Füzesabony–Vámosgyörk, 16:37

Miskolc–Füzesabony, 15:22

Profit and loss account 2006

	Notes	2005 CHF	**2006** **CHF**
Interest and similar income	(1)	1 405 097 274	1 566 560 839
Interest and similar charges	(2)	–1 371 932 326	–1 535 568 997
Net interest income		**33 164 948**	**30 991 842**
Commissions income	(3)	15 238 459	16 605 293
Income from other financial operations	(4)	9 231 943	7 035 401
Net operating income		**57 635 350**	**54 632 536**
Financial operations charges	(5)	–1 064 480	–858 498
Operating expenses	(6)	–6 846 550	–7 047 292
a) Personnel expenses		*–5 463 755*	*–5 785 871*
b) Other operating expenses		*–1 382 795*	*–1 261 421*
Gross operating profit		**49 724 320**	**46 726 746**
Depreciation on fixed assets	(7)	–163 998	–361 054
Provisions and other value adjustments	(8)	–2 318 000	–1 000 000
Net profit for the financial year		**47 242 322**	**45 365 692**

Gárdony–Lepsény, 10:36

Balance sheet at December 31, 2006 Before appropriation of surplus

Assets	Notes	2005 CHF	%	**2006 CHF**	**%**
Cash, postal account, due from banks and money market paper	(9)	1 069 777 752	3.2	**1 679 341 040**	**4.9**
Fixed income and other securities	(10)	1 078 601 371	3.2	**928 206 377**	**2.7**
Equipment financing contracts	(11)	28 433 175 730	84.9	**28 787 038 312**	**83.8**
Fixed assets	(12)	1	.	**1**	**.**
Unpaid subscribed share capital	(13)	2 080 000 000	6.2	**2 080 000 000**	**6.1**
Other assets	(14)	7 714 530	.	**7 454 438**	**.**
Accrued income and prepaid expenses	(15)	831 788 197	2.5	**861 901 022**	**2.5**
Total		33 501 057 581	100.0	**34 343 941 190**	**100.0**
Liabilities					
Amounts due to credit institutions and customers	(16)	4 775 330 664	14.2	**4 315 696 484**	**12.6**
Debts evidenced by certificates	(17)	24 568 227 723	73.3	**25 805 276 303**	**75.1**
a) Senior borrowings		*23 022 247 494*		***24 024 598 050***	
b) Subordinated borrowing		*100 000 000*		***0***	
c) Other debts evidenced by certificates		*1 445 980 229*		***1 780 678 253***	
Other liabilities	(18)	22 869 389	0.1	**28 470 335**	**0.1**
Accrued expenses and deferred income	(19)	807 476 191	2.4	**842 341 368**	**2.5**
Provisions for liabilities and charges	(20)	252 888 733	0.8	**253 326 127**	**0.7**
Subscribed share capital	(21)	2 600 000 000	7.8	**2 600 000 000**	**7.6**
Reserves	(22)	426 577 000	1.3	**451 940 000**	**1.3**
Surplus to be distributed		47 687 881	0.1	**46 890 573**	**0.1**
a) Unappropriated surplus previous year		*445 559*		***1 524 881***	
b) Net profit for the financial year		*47 242 322*		***45 365 692***	
Total		33 501 057 581	100.0	**34 343 941 190**	**100.0**

Flow of funds statement 2006

	2005 CHF	**2006 CHF**
Net profit for the financial year	47 242 322	45 365 692
Depreciation on fixed assets	163 998	361 054
Provisions and other value adjustments	2 318 000	1 000 000
Cash flow	*49 724 320*	*46 726 746*
Accrued income and prepaid expenses	–101 726 209	–30 112 825
Accrued expenses and deferred income	98 108 765	34 865 177
Other	–16 727 384	4 695 228
Net flow of funds resulting from operating activity	**29 379 492**	**56 174 326**
Borrowings	5 329 786 153	3 422 046 137
Repayments	–2 470 059 673	–2 168 718 432
Equipment financing contracts	–3 823 669 266	–2 294 442 300
Repayments from the railways on equipment financing contracts	741 936 694	1 539 464 995
Adjustment of book value and valuation difference of swap agreements	–102 327 881	–74 556 432
Net flow of funds resulting from financing activity	**–324 333 973**	**423 793 968**
Dividend	–20 800 000	–20 800 000
Net flow in equity capital	**–20 800 000**	**–20 800 000**
Increase (+)/Decrease (–) in liquid assets and securities holdings	–315 754 481	459 168 294
Liquid assets and securities holdings at the beginning of the financial year	2 464 133 604	2 148 379 123
Liquid assets and securities holdings at the end of the financial year	**2 148 379 123**	**2 607 547 417**

Appendix

SNCB (passenger car I-11)

FS (ALe.501)

CP (UQE series 2400)

CP (series 3250)

Accounting and valuation principles

General principles
The company's annual accounts include the profit and loss account, the balance sheet, the flow of funds statement and the appendix. Even though not subject to legislation by the European Union, EUROFIMA prepares its annual accounts in conformity with the fourth directive of the European Union (78/660/EEC) as well as with the directive of December 8, 1986 relating to annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC).
The items of the profit and loss account and the balance sheet are detailed in the explanatory notes.

Assessments made in preparing the annual accounts
In the process of preparing the company's annual accounts, the management has to make estimates affecting the company's net profit and its financial situation as well as other information disclosed in the annual report. Such assessments are based on the available information and the management's best estimates of the situation. Therefore, the future financial outcome may deviate from the assessments made.

Introduction of the euro
The introduction of the euro in 1999 led to a change in the distribution by currency of certain elements in the balance sheet. The euro, the former ECU, and all the currencies which joined the European Monetary Union are presented in a consolidated manner. However, debts evidenced by certificates, which are not subject to redenomination by EUROFIMA, continue to be listed under their original currencies and denominations.

Accounting conventions
The annual accounts are prepared in accordance with the historical cost convention, except some items described in the explanatory notes, which are recorded at their market value. All transactions concluded up to the closing of the books are recorded. Transactions are booked on the balance sheet on a value date basis. They are recorded off-balance sheet upon conclusion until their value date. Their total is indicated under the item "Off-balance sheet business".

Foreign currency conversion
The annual accounts are expressed in Swiss francs. All book entries are recorded in their original currencies. Income and expenses are converted at the exchange rates prevailing on the day of their booking. As of the closing of the books, the accounts on the balance sheet and the outstanding foreign exchange contracts are revalued at the exchange rates prevailing on the balance sheet date. Profits and losses resulting from this revaluation are taken to the profit and loss account. Exchange rates used for the closure of the financial year are listed in the explanatory notes.

Amounts due from banks and money market paper
Amounts due from banks are recorded at their nominal values. Money market paper is valued at adjusted cost, while the difference between the effective cost and redemption value is included linearly in the profit and loss account over its residual life.

Fixed income and other securities
Within the framework of its liquidity management and the reinforcement of its creditworthiness, EUROFIMA has split its holdings of debt securities into two categories:

a) Investment securities holdings
These securities are purchased with the intention of holding them on a durable basis and for use on a continuous basis in the activities of the company (financial investments). The risks associated with these securities, related funding and risk hedging are managed to generate a steady profit stream from the investment securities holdings. These securities are divided into two categories: first, those intended to be kept until their final maturity; second, those available for sale, but not constituting trading positions. They are booked at the cost at which they were acquired, excluding the accrued coupon. Premiums or discounts are amortized linearly over the remaining life. Interest rate related fluctuations are not taken into account. At every closing of the books, a global value adjustment is made on the securities' book value for possible diminution in value of a permanent nature.

b) Marked-to-market securities holdings
These security positions are held for the shorter term against first liquidity requirements or for temporary hedging purposes (current assets). These securities are part of the item "Cash, postal account, due from banks and money market paper" which constitutes the first liquidity of the company. They are marked to market and the resulting unrealized profits and losses are taken to the profit and loss account.

Equipment financing contracts
Equipment financing contracts are recorded on the balance sheet at their nominal values. Interest relating thereto is booked in the profit and loss account under “Interest and similar income”. When the proceeds from a borrowing in a given currency are transformed by a currency swap into the currency desired by the railways, the equipment financing contracts concerned are booked in the currencies resulting from the exchanges. Contrarily, the borrowings are booked in the original currencies. At every closure of the accounts, the valuation of the related currency swaps adjusts the item “Equipment financing contracts”.

Fixed assets
Fixed assets are recorded on the balance sheet at their acquisition cost increased by the appreciation resulting from investments and after deduction of cumulative depreciation. Fixed assets acquired in the course of normal replacement are written off fully during the year of their acquisition.

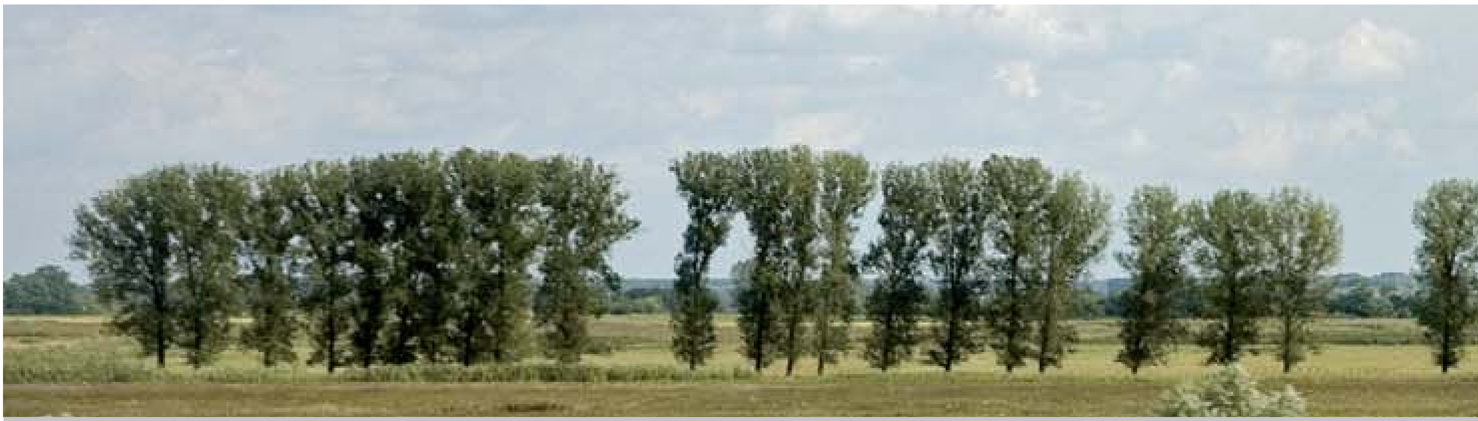
Provisions
General risk provisions are maintained to cover prudently the overall counterparty risks inherent in the equipment financing contracts and swaps portfolios. The accumulated provisions are based on a periodic review and assessment of the existing and anticipated collectibility risks in the total portfolios. While EUROFIMA has not written off any of its outstanding equipment financing contracts, a 100 % interest and other charges provisioning is established with respect to principals and interests overdue by more than 180 days. Adjustments to the accumulated provisions are recorded in the profit and loss account.

Reverse repurchase transactions (reverse repos)
These consist of transactions through which the company invests part of its short-term liquidity with credit institutions, which in turn provide collateral in the form of debt securities. This type of transaction constitutes an irrevocable engagement to terminate the transaction at a predetermined date and price. They are recorded in the balance sheet at the net amount paid under “due from banks”.

Derivative financial instruments
In the normal course of its borrowing, lending and investment activities, EUROFIMA is a careful end-user of financial derivatives. These instruments include primarily swaps, foreign exchange forward contracts, options and forward rate agreements. They are used by EUROFIMA to protect or hedge itself against interest rate and foreign exchange risks associated with its assets, liabilities and anticipated future cash flows. The total amount of the outstanding contracts with external counterparties (i.e. non-shareholders) is given under the item “Off-balance sheet business”.
Derivative instruments used for such protection or hedging purposes are generally valued in the same way as the underlying items they are designed to hedge. Most of these instruments are held on a long-term basis, with no turnover before maturity. Derivative transactions treated in the accounts as hedges are clearly designated as such at the inception of the contract. Realized net profits resulting from the early termination of a hedge are spread over the remaining term of the instrument, i.e. up to the original final maturity.

Taxation
The Additional Protocol to the Convention relative to EUROFIMA’s constitution of October 20, 1955 and amended March 4, 1998 defines the tax exemptions to which the company is entitled in Switzerland.

Depreciation
The railway equipment represented by the equipment financing contracts is depreciated directly by the railways.



Explanatory notes

The financial year coincides with the calendar year (January 1 – December 31). The amounts are indicated in CHF.

Exchange rates at the date of the balance sheet

Currency	CHF	Currency	CHF
1 AUD	0.961450	100 MXN	11.197000
1 CAD	1.051100	100 NOK	19.490000
100 DKK	21.537450	1 NZD	0.857050
1 EUR	1.605900	100 SEK	17.755000
1 GBP	2.392200	1 TRY	0.861200
1 HKD	0.156850	1 USD	1.219150
100 ISK	1.710850	1 ZAR	0.173750
100 JPY	1.024800		

Profit and loss account

1 Interest and similar income

This position includes interest from equipment financing contracts (1 506 553 539), bank deposits (5 044 217), money market paper (21 661 430) as well as fixed income and other securities (36 224 091). The foreign exchange result (8 485) and other interest and similar income (–2 930 923) are also included in this position.
This item increased by 161.5 million or +11.5 %.

2 Interest and similar charges

This item is composed of interest on amounts due to credit institutions and customers (224 365 248), interest on debts evidenced by certificates (1 225 077 477), net interest balance on swap agreements (85 915 875) as well as other interest and similar charges (210 397).
This item increased by 163.6 million or +11.9 %.

3 Commissions income

Income from commissions on equipment financing contracts is reported here. The commission rate is based on the borrower's creditworthiness, varying between 0.025 % and 0.5 % per annum.
These commissions increased by 1.4 million or +9.0 %.

4 Income from other financial operations

This item is composed of income on securities transactions (6 529 033) and commissions from leasing transactions (287 743). The remaining amount contains earnings from swap agreements as well as various other sources of income (218 625).
This item decreased by 2.2 million or –23.8 %.

5 Financial operations charges

These are bank and borrowing charges.
This item decreased by 0.2 million or –19.4 %.

6 Operating expenses

Personnel expenses

This item includes salaries (4 284 835) and employee benefits (1 405 779), particularly contributions to the pension funds for the personnel. The employees' retirement plans are guaranteed by a multi-employer plan independent of the company. Net allocations to the provisions for accrued holiday (83 000) and seniority allowances (12 257) are also booked as personnel expenses.

Other operating expenses

This item contains primarily IT services, legal and other expertise provided by third parties as well as the maintenance of the company's premises.
The operating expenses increased by 0.2 million or +2.9 %.

7 Depreciation on fixed assets

This depreciation applies to the furnishings, hardware and software as well as other fixed assets.
This item increased by 0.2 million or +120.2 %.

8 Provisions and other value adjustments

This item includes allocations to the provision for swap risks (1 000 000).
This item decreased by 1.3 million or –56.9 %.

Balance sheet

Assets

9 Cash, postal account, due from banks and money market paper

This item consists of cash and postal account (31 970), amounts due from banks on demand (5 260 904), amounts due from banks on time (366 113 315), money market paper (1 055 686 033) as well as the marked-to-market securities holdings (252 248 818).
The maturity structure of these assets was as follows:

– Amounts due from banks on demand and marked-to-market securities holdings	257 541 692	15.3 %
– Other assets having a maturity of less than 3 months	789 672 274	47.0 %
– Other assets having a maturity of more than 3 months	632 127 074	37.7 %
	1 679 341 040	100.0 %

The increase of this item was 609.6 million or +57.0 %.

10 Fixed income and other securities

These securities constitute the investment securities holdings.
They can be analyzed as follows:

– EUROFIMA's securities	0	0.0 %
– Third-party securities	928 206 377	100.0 %
Book value at 31.12.2006	928 206 377	100.0 %
Nominal value at 31.12.2006	940 378 700	

Third-party securities consist exclusively of first-class counterparties. The average rating of these securities is Aaa/AAA. None of these is pledged or subordinated and the predominant part (89.4 %) is listed on stock exchanges. None of these securities are related to swaps. The nominal value of securities due in less than one year amounted to 75 000 000.
The global value adjustment included in the book value was 12 424 000 or 1.3 %.
EUROFIMA participates in the program of loans and borrowings of securities managed by Euroclear. At 31.12.2006, the market value of the securities on-lent reached 2 546 136.
This position decreased by 150.4 million or –13.9 %.

11 Equipment financing contracts

These equipment financing contracts were concluded exclusively with the shareholders or their guaranteed affiliates.

Balance at 01.01.2006	28 433 175 730	
Valuation difference of swap agreements at 31.12.2005	1 343 707 723	
	29 776 883 453	
Equipment financings 2006	2 294 442 300	
	32 071 325 753	
Amortization 2006	–1 539 464 995	
	30 531 860 758	
Difference resulting from a currency change of some equipment financing contracts	–304	
Adjustment of the book value at 01.01.2006 at the foreign currency exchange rates at 31.12.2006	–279 402 541	
Valuation difference of swap agreements at 31.12.2006	–1 465 419 601	
Net book value of the equipment financing contracts	28 787 038 312	
The maturity structure of these amounts was as follows:		
– less than 1 year	1 312 685 881	4.4 %
– from 1 to 5 years	6 723 273 257	22.2 %
– more than 5 years	22 216 498 775	73.4 %
		100.0 %
– valuation difference of swap agreements at 31.12.2006	–1 465 419 601	
	28 787 038 312	

The nominal amount of equipment financing contracts represented by debt securities was 3 360 185 160.
The net value of the equipment financing contracts increased by 353.9 million or +1.2 %.

12 Fixed assets

Fixed assets are listed as follows:

Premises “Ritterhof”, the company’s offices	
Purchase price (investments included)	4 393 466
. /. cumulative depreciation	4 393 465
Net book value	1
Fire insurance value at 01.01.2007	9 551 000
IT systems and other fixed assets	
Purchase price	2 692 312
. /. cumulative depreciation	2 692 312
Net book value	–

13 Unpaid subscribed share capital

The unpaid subscribed share capital may be called in unconditionally at any time by decision of the Board of Directors.

14 Other assets

These assets pertain to the refinancing of amounts due by a railway (5 000 000) as well as various other assets (2 454 438).
This item decreased by 0.3 million or –3.4 %.

15 Accrued income and prepaid expenses

This item covers mainly accrued, but at 31.12.2006 not yet matured, interest and commissions on equipment financing contracts (846 894 312), interest on bank deposits, fixed income and other securities (15 005 561) as well as other accrued income and prepaid expenses (1 149).
The increase was 30.1 million or +3.6 %.

28

Liabilities

16 Amounts due to credit institutions and customers

The total of these liabilities was:

Balance at 01.01.2006	4 775 330 664	
Financing during 2006	43 052 065	
	4 818 382 729	
Redemptions during 2006	–241 658 975	
	4 576 723 754	
Adjustment of the book value at 01.01.2006 at the foreign exchange rates at 31.12.2006	–261 027 270	
	4 315 696 484	
The structure according to the maturities was as follows:		
– less than 1 year	139 905 208	3.3 %
– from 1 to 5 years	954 933 713	22.1 %
– more than 5 years	3 220 857 563	74.6 %
	4 315 696 484	100.0 %

Amounts due to shareholders and related entities included in this item came to 2 522 231 079.

The amount due to credit institutions and customers payable on demand was 0.

17 Debts evidenced by certificates

The sum of debts evidenced by certificates was:

Balance at 01.01.2006	24 568 227 723	
Financing during 2006	3 378 994 072	
	27 947 221 795	
Redemptions during 2006	–1 927 059 457	
	26 020 162 338	
Adjustment of the book value at 01.01.2006 at the foreign exchange rates at 31.12.2006	–214 886 035	
	25 805 276 303	
The structure according to maturities was as follows:		
– less than 1 year	3 352 358 220	13.0 %
– from 1 to 5 years	6 778 796 123	26.3 %
– more than 5 years	15 674 121 960	60.7 %
	25 805 276 303	100.0 %

A table with details on the debts evidenced by certificates at 31.12.2006 can be found on pages 30 to 33.

18 Other liabilities

This item contains future fiscal agency costs on outstanding issues (1 873 200), withholding tax to be paid (15 176 875) as well as other liabilities (11 420 260).

These liabilities increased by 5.6 million or +24.5 %.

19 Accrued expenses and deferred income

This item consists of accrued, but at 31.12.2006 not yet matured, interest on amounts due to credit institutions and customers (173 457 667) as well as on debts evidenced by certificates (492 176 494), net interest on swap agreements (175 573 206) and other accrued expenses and deferred income (1 134 001).

The increase was 34.9 million or +4.3 %.

20 Provisions for liabilities and charges

This item includes provisions covering country risks (168 250 000), risks on swaps (81 118 388) as well as expenses for various projects (3 277 700). Provisions for possible claims of the collective pension plan for the personnel (241 420), for accrued holiday (369 000) and seniority allowances (69 619) are also included in this item.

The provisions increased by 0.4 million or +0.2 %.

21 Subscribed share capital

The subscribed share capital is made up of 260 000 registered shares of a nominal value of 10 000, 20 % of which are paid in.

22 Reserves

This item is composed of the ordinary reserve (57 440 000) and the guarantee reserve (394 500 000).

Budapest–Máriabesnyö, 10:03

Off-balance sheet business		31.12.2005	**31.12.2006**	Change	31.12.2005	**31.12.2006**	Change
Contingent liabilities		0	0	0			
Transactions with value date after balance sheet date			**Settlement amounts**				
Loans, security sales		0	12 810 257	12 810 257			
Deposits, security purchases		0	14 284 720	14 284 720			
			Notional amounts				
Off-balance liabilities for which recourse is limited to or which are offset by a matching off-balance asset of the company		1 269 885 971	1 208 022 855	–61 863 116			
Open derivative contracts			**Notional amounts**			**Gross replacement values**	
Interest rate contracts		**2 917 316 551**	**5 038 776 373**	**2 121 459 822**	**183 002 746**	**280 124 881**	**97 122 135**
OTC	FRAs	0	363 072 600	363 072 600	0	83 468	83 468
	Swaps	2 917 316 551	4 675 703 773	1 758 387 222	183 002 746	280 041 413	97 038 667
	Options	0	0	0	0	0	0
Exchange traded	Futures	0	0	0	0	0	0
	Options	0	0	0	0	0	0
Foreign exchange contracts		**19 839 996 583**	**23 020 590 804**	**3 180 594 221**	**1 119 209 381**	**306 806 792**	**–812 402 589**
OTC	Forward contracts	388 270 984	498 483 580	110 212 596	840 338	1 265 872	425 534
	Swaps	19 451 725 599	22 522 107 224	3 070 381 625	1 118 369 043	305 540 920	–812 828 123
	Options	0	0	0	0	0	0
Exchange traded	Futures	0	0	0	0	0	0
	Options	0	0	0	0	0	0
Total open derivative contracts		**22 757 313 134**	**28 059 367 177**	**5 302 054 043**	**1 302 212 127**	**586 931 673**	**–715 280 454**
Positive net replacement value of swaps taking into account legally enforceable netting arrangements					973 968 731	233 913 212	–740 055 519
Total net present value of swaps					709 712 271	–840 146 725	–1 549 858 996

The gross replacement value is the sum of the positive marked-to-market values of contracts without taking into account any netting arrangements. For exchange traded contracts subject to daily margin posting, no replacement value is computed. Only external counterparties are taken into account.

Proposed appropriation of surplus

With last year's unappropriated surplus of 1 524 881 carried forward, the surplus to be distributed is 46 890 573. According to Article 30 of the Statutes, the Board of Directors proposes the following allocation of the surplus to the General Assembly:

Appropriation to the ordinary reserve	2 269 000
Dividend of 4 % (statutory maximum) on the paid-in share capital of 520 millions	20 800 000
Appropriation to the guarantee reserve	22 500 000
Unappropriated surplus to be carried forward	1 321 573

Debts evidenced by certificates

Maturity	Callable	Interest rate in %	Initial amount	Year(s) of issuance	Outstanding amounts at December 31, 2006
Bond issues					
AUD					
17.01.2007		9.875	335 000 000	1992	335 000 000
15.09.2009		5.5	335 000 000 (1)	2004/2005	335 000 000
15.08.2010		6	300 000 000 (1)	2005	300 000 000
22.08.2011		6.5	1 000 000 000 (1)	2001/2002	1 000 000 000
28.01.2014		6	900 000 000 (1)	2004/2005/2006	900 000 000
29.07.2015		5.625	100 000 000 (1)	2005	100 000 000
24.10.2016		5.625	500 000 000 (1)	2005/2006	500 000 000
28.12.2018		6.25	1 000 000 000 (1)	2003/2004/2005	1 000 000 000
30.06.2020		5.5	300 000 000 (1)	2005	300 000 000
CAD					
30.12.2008		3.625	195 000 000 (1)	2003	195 000 000
30.01.2009		4	150 000 000 (1)	2004	150 000 000
18.07.2012		5.25	200 000 000 (1)	2002/2003	200 000 000
04.12.2012		4.875	200 000 000 (1)	2002	200 000 000
12.05.2014		4.875	100 000 000 (1)	2004	100 000 000
13.12.2019		5.15	250 000 000 (1)	2004	250 000 000
CHF					
30.04.2007		4	685 000 000	1997	685 000 000
30.06.2008		3.375	200 000 000	1998	200 000 000
03.07.2008		2	215 000 000	2003	215 000 000
30.10.2009		2.75	600 000 000	1999	600 000 000
27.07.2010		3.375	250 000 000	2001	250 000 000
26.09.2011		2.625	200 000 000	2003	200 000 000
16.11.2011		3.375	250 000 000	2001	250 000 000
19.12.2011		2.5	445 000 000	2003/2004	445 000 000
27.02.2012		3.5	500 000 000	2002	500 000 000
09.08.2012		4.375	200 000 000	2000	200 000 000
04.12.2012		2.375	515 000 000	2003	515 000 000
19.06.2015		2.75	565 000 000	2003/2004	565 000 000
15.06.2016		2.25	350 000 000	2005	350 000 000
28.12.2018		3.25	450 000 000	2003/2004	450 000 000
03.08.2020		2.375	345 000 000	2005	345 000 000
29.12.2020		3.375	115 000 000	2004	115 000 000
15.05.2026		3	812 000 000	2006	812 000 000
04.02.2030		2.875	200 000 000	2005	200 000 000

Miskolc Tiszai pu., 11:55

Maturity	Callable	Interest rate in %	Initial amount	Year(s) of issuance	Outstanding amounts at December 31, 2006
Bond issues (continued)					
EUR					
10.04.2007		FRN	120 202 000 (2) (4)	1997	120 202 000
27.10.2009		5.75	400 000 000 (1)	1999	400 000 000
27.12.2012		4.02	120 202 400 (4)	1998	120 202 400
17.09.2014		5.41	300 000 000 (1)	2001	300 000 000
18.11.2014		11	120 202 400 (4)	1994	120 202 400
03.11.2015		10.68	120 202 000 (4)	1995	120 202 000
25.02.2019	2009	10.75/5/			
		4.25/4/FRN	75 000 000 (1) (2)	1999	75 000 000
21.10.2019		4.375	500 000 000 (1)	2004	500 000 000
(DEM) (3)					
18.12.2009		5.625	525 000 000	1997	525 000 000
(FRF) (3)					
13.03.2007		FRN	1 000 000 000 (1) (2)	1997	1 000 000 000
(ITL) (3)					
30.12.2009		12.5/8/FRN	100 000 000 000 (1) (2)	1997	100 000 000 000
16.02.2011		11.5/7/FRN	200 000 000 000 (1) (2)	1998	200 000 000 000

(1) Issued under the Programme for the Issuance of Debt Instruments
(2) With special conditions
(3) The ISO codes in parentheses correspond to the original currencies of bond issues which have not been re-denominated by EUROFIMA
(4) Re-denominated / originally ESP

Debts evidenced by certificates

Maturity	Callable	Interest rate in %	Initial amount		Year(s) of issuance	Outstanding amounts at December 31, 2006
Bond issues (continued)						
(PTE) [3]						
16.07.2007		FRN	10 000 000 000	(1) (2)	1997	10 000 000 000
28.05.2008		FRN	2 864 000 000	(1)	1998	2 864 000 000
(XEU) [3]						
04.06.2007		8.5	500 000 000		1992	500 000 000
GBP						
11.02.2013		4.375	100 000 000	(1)	2003	100 000 000
14.10.2014		6.125	265 000 000	(1)	1999/2000	265 000 000
07.06.2032		5.5	150 000 000	(1)	2001/2002	150 000 000
ISK						
03.11.2008		10	3 000 000 000	(1)	2006	3 000 000 000
JPY						
14.05.2009		3.35	3 000 000 000	(1) (2)	1997	3 000 000 000
21.05.2009		3.355	400 000 000	(1) (2)	1997	400 000 000
MXN						
21.12.2010		10	700 000 000	(1)	2005	700 000 000

Maturity	Callable	Interest rate in %	Initial amount		Year(s) of issuance	Outstanding amounts at December 31, 2006
Bond issues (continued)						
NOK						
15.04.2009		6.625	400 000 000	(1)	2002	400 000 000
NZD						
21.10.2010		6.5	200 000 000	(1)	2004/2005	200 000 000
SEK						
05.02.2008		5.625	750 000 000	(1)	1998	750 000 000
29.12.2011		4.375	500 000 000	(1)	2004	500 000 000
TRY						
20.09.2007		14.25	50 000 000	(1)	2005	50 000 000
USD						
15.12.2009		4.36	140 000 000	(1)	2003	140 000 000
15.12.2009		3.92	100 000 000	(1)	2003	100 000 000
02.08.2012		5.125	500 000 000	(1)	2002	500 000 000
14.12.2012		4.39	100 000 000	(1)	2004	100 000 000
04.02.2014		4.25	1 000 000 000	(1)	2004	1 000 000 000
06.03.2015		4.5	1 000 000 000	(1)	2005	1 000 000 000
07.04.2016		5.25	1 000 000 000	(1)	2006	1 000 000 000
25.03.2022	2010	6.31	20 000 000	(1)	2002	20 000 000
ZAR						
30.06.2008		7	250 000 000	(1)	2005	250 000 000
15.06.2011		8.5	460 000 000	(1)	2006	460 000 000
					Equivalent in CHF	24 024 598 050
Other debts evidenced by certificates						
Unlisted issues					Equivalent in CHF	294 244 000
Programme for the Issuance of Debt Instruments					Equivalent in CHF	750 565 680
Commercial Paper					Equivalent in CHF	735 868 573
Total debts evidenced by certificates					Equivalent in CHF	**25 805 276 303**

(1) Issued under the Programme for the Issuance of Debt Instruments
(2) With special conditions
(3) The ISO codes in parentheses correspond to the original currencies of bond issues which have not been re-denominated by EUROFIMA
(4) Re-denominated / originally ESP

Distribution by currency of the amounts due to credit institutions and customers and of debts evidenced by certificates at December 31, 2006

Currency	Currency units (in million)	Equivalent in CHF (in million)	in %
AUD	4 770.0	4 586.1	15.23
CAD	1 095.0	1 150.9	3.82
CHF	7 697.9	7 697.9	25.56
EUR	3 372.8	5 416.3	17.98
GBP	515.0	1 232.0	4.09
HKD	1 232.0	193.2	0.64
ISK	3 000.0	51.3	0.17
JPY	151 900.0	1 556.7	5.17
MXN	700.0	78.4	0.26
NOK	400.0	78.0	0.26
NZD	200.0	171.4	0.57
SEK	2 280.9	405.0	1.34
TRY	50.0	43.1	0.14
USD	6 018.3	7 337.3	24.36
ZAR	710.0	123.4	0.41
Total	**–**	**30 121.0**	**100.00**

Máriabesnyö–Kai-Kápolna, 11:53

Auditors' reports

Report of the independent auditors

Report to the Board of Directors and the Auditors of EUROFIMA European Company for the Financing of Railroad Rolling Stock, Basle

In accordance with the mandate given to us, we have audited, as independent auditors, the accounting records and the financial statements consisting of the profit and loss account, the balance sheet, the flow of funds statement and the notes for the year ended December 31, 2006 (on pages 20 to 34).

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements for the year then ended give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the general directives of the European Union and the accounting and valuation principles described in the annual report. Furthermore, the accounting records and the financial statements comply with the international Convention for the establishment of the company, the Statutes and the Swiss law.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Martin Frei
Auditor in charge

Philipp Rieder

Basle, March 2, 2007

Report of the auditors

to the General Assembly of the shareholders of EUROFIMA European Company for the Financing of Railroad Rolling Stock, Basle

Mrs. Chairwoman, Ladies and Gentlemen

As auditors of your company, elected by the General Assembly according to Article 28 of the Statutes, we have audited the accounting records and the financial statements, consisting of the profit and loss account, the balance sheet, the flow of funds statement and the appendix for the year ended December 31, 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we have the professional qualification and independence necessary to fulfill this task.

We believe that our own examination and the review of the independent auditors' report of March 2, 2007 prepared by PricewaterhouseCoopers AG, Basle, constitute a reasonable basis for our opinion.

In our opinion, the financial statements for the year then ended give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the general directives of the European Union and the accounting and valuation principles described in the annual report. Furthermore, the accounting records and the financial statements comply with the international Convention for the establishment of the company, the Statutes and the Swiss law.

We recommend that the financial statements submitted to you be approved.

Stefano Pierini

Alfred Lutschinger

Dick Snel

Marc Wengler

Basle, March 2, 2007

Milestones in development

1957 First issue in Swiss francs
1961 First issue in Dutch guilders
1962 First share capital increase from 50 to 100 million Swiss francs
1964 First issue in Deutsche Mark
1967 First issue in US dollars in the Euromarket
1970 Second share capital increase from 100 to 300 million Swiss francs
1971 First issue in French francs
First issue in Luxembourg francs
1972 First issue in Belgian francs
1974 First issue in US dollars in the Middle East
1975 First issue in US dollars in the "Yankee" market: Aaa/AAA ratings
1976 Third share capital increase from 300 to 500 million Swiss francs
1978 First issue in yen in the "Samurai" market
1979 First issue in Austrian shillings
1982 First issue in Sterling
1984 Extension of the duration of the company for another 50 years, until 2056
Fourth share capital increase from 500 to 750 million Swiss francs
First issue in ECU
1986 Total assets exceed 10 billion Swiss francs for the first time
Aaa/AAA ratings for various Eurobond issues
First issue in Italian lira
1987 EUROFIMA opens the Spanish "Matador" market
First issue in Australian, Canadian and New Zealand dollars
1988 Multi-currency Euro and US commercial paper programs: P-1/A-1+ ratings
1989 First issue in Swedish krona
First issue in Portuguese escudos
1990 Fifth share capital increase from 750 to 1 050 million Swiss francs
1991 Total assets exceed 20 billion Swiss francs for the first time
Programme for the Issuance of Debt Instruments in various currencies: Aaa/AAA ratings
1992 First global bond issue in Australian dollars
Admission of the Hungarian State Railways (MÁV)
1993 Sixth share capital increase from 1 050 to 2 100 million Swiss francs
1994 Total assets exceed 30 billion Swiss francs for the first time
Admission of the Croatian (HŽ) and the Slovenian Railways (SŽ)
1995 First issue in Hong Kong dollars
1996 First subordinated issue in Swiss francs to strengthen the equity capital basis
Admission of the Railways of Bosnia and Herzegovina (ŽBH) and the Railways of the Former Yugoslav Republic of Macedonia (CFARYM)
1997 First issue in South African rands
Seventh share capital increase from 2 100 to 2 600 million Swiss francs
First financing of other railway equipment
1998 First issue in Czech koruna
First issue in Polish zlotys
First issue in Greek drachmas
1999 First issue in Euro
Admission of the Bulgarian State Railways (BDZ)
2000 Adhesion of the Slovak Republic to EUROFIMA's Convention
2001 Admission of the Railways of the Slovak Republic (ZSSK)
2002 First issue in Norwegian krona
Admission of the Railways of the Czech Republic (ČD)
2003 Increase of Railway Company JSC's (ZSSK) participation in EUROFIMA's share capital
Increase of Hungarian State Railways Ltd.'s (MÁV) participation in EUROFIMA's share capital
2004 Increase of Czech Railways JSC's (ČD) participation in EUROFIMA's share capital
Increase of Hellenic Railways' (OSE) participation in EUROFIMA's share capital
First US dollar 1 billion benchmark issue
2005 First issue in Mexican pesos
First issue in Turkish lira
2006 Increase of Hungarian State Railways Ltd.'s (MÁV) participation in EUROFIMA's share capital
First issue in Icelandic Krona
50th Anniversary of EUROFIMA

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