

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholder of MÁV-Start Zrt.

Opinion

We have audited the accompanying 2018 annual financial statements of MÁV-Start Zrt ("the Company"), which comprise the balance sheet as at 31 December 2018 - showing a balance sheet total of HUF 344,341 million and a profit after tax for the year of HUF 6,779 thousand -, the related profit and loss account for the financial year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion the annual financial statements give a true and fair view of the equity and financial position of the Company as at 31 December 2018 and of the results of its operations for the financial year then ended in accordance with the Act C of 2000 on Accounting ("Hungarian Accounting Law").

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report.

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

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

Emphasis of matter

We draw attention to note V in the supplementary notes, in which it is disclosed that the Company is entitled to cost compensation with respect to its justifiable costs incurred in relation to the contracted services which are not covered with related revenues. At the balance sheet date the Company discloses open receivable of HUF 4,615 million for financial year 2014, HUF 3,494 million for financial year 2016, HUF 3,240 for financial year 2017. Receivables relating to prior period of 2014-2017 are approved however the timing of their financial settlements is not yet known as of the date of our report.

The Company recognized HUF 160,871 million current year cost refund, HUF 5,019 cost refund from previous years, altogether 165.890 income from cost refund and

and open receivable of HUF 28,040 million for financial year 2018. As approval of 2018 justifiable cost will occur after the submission of 2018 financial statements, these amounts may subject to change. Our opinion is not modified in respect of this matter.

Other matters

The annual financial statements as at 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 10 May 2018.

Other information

Other information consists of the 2018 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements 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.

Concerning the business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

In our opinion, the business report of the Company for 2018 is consistent, in all material respects, with the 2018 annual financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. 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 Hungarian Accounting Law, 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. Management is required to apply going concern principle unless the applicability of that principle is precluded by other provisions or there are facts and circumstances that contradict with the continuance of the Company's business activity.

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with 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 Auditing Standards and with applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional scepticism 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.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the 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.

Budapest, 29 April 2019

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

Lelkes Tamás
Registered auditor
Chamber membership No.: 007349

13834492-4910-114-01
Statistical code

01-10-045551
Company registration number

MÁV-START ZRT

1087 Budapest, Könyves Kálmán körút 54-60.

Balance sheet and Profit and loss account 31 December 2018

Translation of the Hungarian Financial Statements for 2018

Date: Budapest, 29 April 2019

Head of Company (representative)

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BALANCE SHEET Assets

31 December 2018

figures in million HUF

No.	Line item	Previous year	Correction of previous year	Current year
a	b	c	d	e
A.	A. Fixed assets	250 269	0	262 386
I.	I. Intangible assets	5 631	0	6 153
1.	1) Capitalised foundation/restructuring	0	0	0
2.	2) Capitalised research and development	172	0	66
3.	3) Concessions, licenses and similar rights	931	0	729
4.	4) Trade-marks, patents and similar assets	4 528	0	5 358
5.	5) Goodwill	0	0	0
6.	6) Advance payments for intangible assets	0		0
7.	7) Value adjustment of intangible assets	0	0	0
II.	II. Tangible assets	244 384	0	255 980
1.	1) Land and buildings and related property rights	2 914	0	3 030
2.	2) Plant, machinery, equipment and vehicles	201 002	0	200 146
3.	3) Other equipment, fixtures and fittings, vehicles	11	0	2
4.	4) Breeding stock	0	0	0
5.	5) Assets in the course of construction	3 972	0	10 021
6.	6) Prepayments for capital expenditures	36 485	0	42 781
7.	7) Value adjustment of tangible assets	0	0	0
III.	III. Long-term financial assets	254	0	253
1.	1) Long-term participations in related parties	252	0	252
2.	2) Long-term loans granted to related parties	0	0	0
3.	3) Long-term significant participating interests	0	0	0
4.	4) Loans to undertakings linked by virtue of significant participating interests	0	0	0
5.	5) Other long-term investments	1	0	1
6.	Long-term loans granted to other investments	0	0	0
7.	7) Other long-term loans granted	1	0	0
8.	8) Long-term debt securities	0	0	0
9.	9) Value adjustment of financial investments	0	0	0
10.	10) Valuation difference of financial investments	0	0	0

Date: Budapest, 29 April 2019

Head of Company (representative)

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BALANCE SHEET Assets

31 December 2018

figures in million HUF

No.	Line item	Previous year	Correction of previous year	Current year
a	b	c	d	e
B.	Current assets	68 856	0	77 597
I.	Stocks	16 929	0	23 916
1.	Raw materials and consumables	13 316	0	18 018
2.	Work in progress and semi-finished products	1 976	0	2 124
3.	Animals for breeding, fattening and other livestock	0	0	0
4.	Finished products	1 249	0	1 327
5.	Goods	11	0	12
6.	Advance payments for stocks	377	0	2 435
II.	Receivables	48 341	0	51 844
1.	Trade debtors	5 182	0	4 875
2.	Receivables from related companies	4 656	0	796
3.	Receivables from undertakings linked by virtue of significant participating interests	32	0	185
4.	Receivables from other investments	18	0	18
5.	Bills of exchange receivables	0	0	0
6.	Other receivables	38 453	0	45 970
7.	Valuation difference of receivables	0	0	0
8.	Positive valuation difference of derivative transactions	0	0	0
III.	Securities	0	0	0
1.	Participations in related companies	0	0	0
2.	Significant participating interests	0	0	0
3.	Other participations	0	0	0
4.	Treasury shares and own participation	0	0	0
5.	Marketable debt securities	0	0	0
6.	Valuation difference of securities	0	0	0
IV.	Liquid assets	3 586	0	1 837
1.	Cash, cheques	182	0	155
2.	Bank deposits	3 404	0	1 682
C.	Prepaid expenses and accrued income	8 523	0	4 358
1.	Accrued income	5 061	0	2 034
2.	Prepaid expenses	1 155	0	1 285
3.	Deferred expenses	2 307	0	1 039
Total assets		327 648	0	344 341

Date: Budapest, 29 April 2019

Head of Company (representative)

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BALANCE SHEET Liabilities and Shareholders' Equity

31 December 2018

figures in million HUF

No.	Line item	Previous year	Correction of previous year	Current year
a	b	c	d	e
D.	Shareholders' equity	122 193	0	126 771
I.	Issued capital	43 742	0	43 742
	of which: treasury shares redeemed at face value	0	0	0
II.	Issued capital not paid (-)	0	0	0
III.	Capital reserve	67 633	0	67 633
IV.	Retained earnings/(losses)	6 823	0	8 033
V.	Allocated reserves	787	0	584
VI.	Valuation reserve	0	0	0
1.	Valuation reserve from revaluations	0	0	0
2.	Valuation reserve from fair valuation	0	0	0
VII.	Profit or loss for the year after tax	3 208	0	6 779
E.	Provisions	7 572	0	6 299
1.	Provisions for contingent liabilities	3 034	0	2 147
2.	Provisions for future commitments	2 846	0	3 632
3.	Other provisions	1 692	0	520
F.	Liabilities	85 573	0	106 224
I.	Subordinated debts	0	0	0
1.	Subordinated debts to related parties	0	0	0
2.	Subordinated debts to undertakings linked by virtue of significant participating interests	0	0	0
3.	Subordinated debts to other investments	0	0	0
4.	Subordinated debts to third parties	0	0	0
II.	Long-term liabilities	12 908	0	16 988
1.	Long-term borrowings	0	0	0
2.	Convertible and converting bonds	0	0	0
3.	Debts from the issue of bonds	0	0	0
4.	Investment and development loans	12 787	0	10 785
5.	Other long-term loans	0	0	6 163
6.	Long-term debts to related parties	0	0	0
7.	Long-term debts to undertakings linked by virtue of significant participating interests	0	0	0
8.	Long-term debts to other investments	0	0	0
9.	Other long-term liabilities	121	0	40

Date: Budapest, 29 April 2019

Head of Company (representative)

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BALANCE SHEET Liabilities and Shareholders' Equity

31 December 2018

figures in million HUF

No.	Line item	Previous year	Correction of previous year	Current year
a	b	c	d	e
III.	Current liabilities	72 665	0	89 236
1.	Short-term borrowings	0	0	0
	- of which: convertible and converting bonds	0	0	0
2.	Other short-term loans	11 140	0	11 639
3.	Advance payments received from debtors	3	0	5
4.	Trade creditors	6 724	0	10 117
5.	Bills of exchange payable	0	0	0
6.	Short-term debts to related parties	12 750	0	18 813
7.	Short-term debts to undertakings linked by virtue of significant participating interests	1 228	0	2 040
8.	Short-term debts to other investments	12	0	9
9.	Other current liabilities	40 808	0	46 613
10.	Valuation difference of liabilities	0	0	0
11.	Negative valuation difference of derivative transactions	0	0	0
G.	Accrued expenses and deferred income	112 310	0	105 047
1.	Deferred income	443	0	311
2.	Accrued expenses	7 937	0	4 327
3.	Deferred extraordinary revenues and negative goodwill	103 930	0	100 409
Total liabilities		327 648	0	344 341

Date: Budapest, 29 April 2019

Head of Company (representative)

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PROFIT AND LOSS ACCOUNTS (with total cost method)

31 December 2018

figures in million HUF

No.	Line item	Previous year	Correction of previous year	Current year
a	b	c	d	e
01.	Domestic sales, net	84 043	0	85 916
02.	Export sales, net	15 843	0	14 352
I.	Total sales, net (01+02)	99 886	0	100 268
03.	Movements in self-produced stocks	613	0	226
04.	Capitalised self-manufactured assets	11 126	0	15 096
II.	Capitalised own performance (+03+04)	11 739	0	15 322
III.	Other income	160 396	0	174 644
	of which: reversed diminution in value	451		108
05.	Material costs	38 004	0	42 768
06.	Services used	120 917	0	121 017
07.	Other services	1 946	0	2 061
08.	Cost of goods sold	163	0	233
09.	Provision of (consignment) services	2 673	0	2 809
IV.	Material-type expenditures (05+06+07+08+09)	163 703	0	168 888
10.	Payroll	57 314	0	64 721
11.	Other payments to personnel	7 834	0	8 872
12.	Social security and similar deductions	14 972	0	15 330
V.	Payments to personnel (10+11+12)	80 120	0	88 923
VI.	Depreciation	20 054	0	19 989
VII.	Other expenditures	4 366	0	3 237
	of which: diminution in value	717	0	233
A.	Operating profit/(loss) (I+II+III-IV-V-VI-VII)	3 778	0	9 197

Date: Budapest, 29 April 2019

Head of Company (representative)

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PROFIT AND LOSS ACCOUNTS (with total cost method)

31 December 2018

figures in million HUF

No.	Line item	Previous year	Correction of previous year	Current year
a	b	c	d	e
13.	Dividends received or due	0	0	1
	of which: from related companies	0	0	1
14.	Revenues and exchange gains from participating interests	0	0	0
	of which: from related companies	0	0	0
15.	Revenues and capital gains from long-term financial assets (securities and loans granted)	0	0	0
	of which: from related companies	0	0	0
16.	Other interest and similar income (received or due)	18	0	23
	of which: from related companies	2	0	0
17.	Other revenues from financial transactions	342	0	464
	of which: valuation difference	0	0	0
VIII.	Financial revenues (13+14+15+16+17)	360	0	488
18.	Expenditures and exchange losses on participating interests	0	0	0
	of which: to related parties	0	0	0
19.	Expenditures and exchange losses on long-term financial assets (securities and loans granted)	0	0	0
	of which: to related parties	0	0	0
20.	Interest payable and similar charges	466	0	404
	of which: to related parties	0	0	0
21.	Impairment loss of participating interests, securities and bank deposits	0	0	0
22.	Other expenditures on financial transactions	462	0	2 502
	of which: valuation difference	0	0	0
IX.	Financial expenditures (18+19+20+21+22)	928	0	2 906
B.	Financial profit or loss (VIII-IX)	-568	0	-2 418
C.	Profit or loss before tax (±A±B)	3 210	0	6 779
X.	Tax payable	2	0	0
D.	Profit after tax (±C-X)	3 208	0	6 779

Date: Budapest, 29 April 2019

Head of Company (representative)

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**THIS IS A TRANSLATION OF THE HUNGARIAN FINANCIAL
STATEMENTS FOR 2018**



MÁV-START RAILWAY PASSENGER TRANSPORT COMPANY

**NOTES TO THE FINANCIAL
STATEMENTS FOR 2018**

Date: Budapest, 29 April 2019

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head of company (representative)

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I General Disclosures

I.1 The Company

Incorporation and business operations

MÁV-START Vasúti Személyszállító Zártkörűen Működő Részvénytársaság (MÁV-START Railway Passenger Transport Company, hereafter “MÁV-START Zrt.” or the Company) was founded by MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság (MÁV Hungarian State Railways Private Company Limited by Shares) as a single-shareholder company on 15 October 2006. By establishing MÁV-START Zrt., MÁV Zrt’s aim was to transfer its rail passenger transport business on its standard-gauge rail network to the newly set-up Company as of 1 July 2007.

In early 2014, MÁV-TRAKCIÓ Zrt., a company that carried out rail traction operations, and MÁV-GÉPÉSZET Zrt., a company that performed the repair and maintenance of rolling stock, merged into the Company. Thus, since January 2014, MÁV-START Zrt. has encompassed rail activities that are essential to rail passenger transport, such as the operations conducted by cashiers, conductors, carriage and wagon inspectors and train drivers as well as rolling stock repair and maintenance personnel. An integrated MÁV-START Zrt. is thus capable of performing all the activities essential and directly related to serving the travelling public and to delivering high quality passenger services.

The Articles of Association contain the key provisions for MÁV-START Zrt’s operations, organisation and governance system.

The Company does not elect a Board of Directors; the powers of the Board of Directors are exercised by the Chief Executive Officer who is considered a senior officer. The Company’s working organisation is managed by the Chief Executive Officer.

Key corporate details of the Company

- **Name of the Company in Hungarian**

MÁV-START Vasúti Személyszállító Zártkörűen Működő Részvénytársaság

- **Name in of the Company in foreign languages**

In English: MÁV-START Railway Passenger Transport Company

In French: MÁV-START Transport des Voyageurs Ferroviaires S.A.

In German: MÁV-START Bahnpersonenverkehrs AG

- **Short name of the Company**

MÁV-START Zrt.

- **Short name of the Company in foreign languages**

In English: MÁV-START Co

In French: MÁV-START S.A.

In German: MÁV-START AG

- **Registered office of the Company**

H-1087 Budapest, Könyves Kálmán körút 54-60., Hungary, phone: +36 (1) 511 3160

- **Website of the Company**

www.mavcsoport.hu

- **Founder of the Company**

MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság

- **The Company's**

Registration number: **Cg. 01-10-045551**

Tax number: **13834492-2-44**

Statistical code: **13834492-4910-114-01**

- **The Company's principal activity**

49.10'08 Interurban railway transport

- **Authorised representative**

The name and domicile of Company's authorised representative who is authorised to sign the annual financial statements: József Kerékgyártó, Chief Executive Officer (2000 Szentendre, Erdész köz 12.)

- **Personal details of the person responsible for bookkeeping and reporting**

Public particulars of the person responsible for the management of accounting tasks: Zsolt Karsai (H-2213 Monorierdő, Gyöngyvirág u. 13., Hungary), START reporting manager, MÁV Szolgáltató Központ Zrt., registration number: MK181680.

- **Auditors**

Auditors: Ernst & Young Könyvvizsgáló Kft.

Statutory auditor: Tamás Lelkes, registered auditor (MKVK 007349)

An audit of the annual financial statements is mandatory.

Contractual audit fee: HUF 17.25 million

- **Share capital and shareholder**

As at 31 December 2018, the share capital of MÁV-START Zrt. totalled HUF 43,741,514,000, all held by the founder, MÁV Zrt. (H-1087 Budapest, Könyves Kálmán krt. 54-60., Hungary).

In decision No. 32/280/2018 dated 12 December 2018, the Founder decided a share premium based capital increase of HUF 1,865,000,000 and the Company's share capital was increased by a cash contribution of HUF 58,486,000 to HUF 43,800,000,000. The capital increase was registered by the Companies Court on 10 January 2019.

1.2 Significant accounting policies

Key accounting policies used for the preparation of the financial statements

The Company's financial statements are prepared in accordance with the Hungarian accounting act and the books are kept under the double-entry accounting system, both in Hungarian.

In addition to meeting the requirements set out in the accounting act, the Company's accounting policies also complies with the provisions of Act CLXXXIII of 2005 on Railway Transport (hereinafter referred to as the Railway Transport Act) and Joint Decree 50/2007. (IV.26.) of the Transport Ministry and the Ministry of Finance on the unbundling of accounts for various railway activities within railway companies (hereinafter referred to as: the Decree). Accordingly, an annual supervisory report on the Company's separable activities must be disclosed in the notes to the financial statements (see Section IV).

The Company's financial year corresponds to the calendar year, i.e. the reporting date is 31 December.

The balance sheet, profit and loss account and notes to the annual report contains figures for monetary values in HUF millions (HUF M) in compliance with the accounting act, except for the statement on passenger transport activities, for which figures are provided in HUF thousands (HUF K) as per the Decree, and the tables presenting the Company's investments, for which monetary values are provided in HUF.

The balance sheet preparation date is 29 March of the year following the current year.

The Company keeps records of incurred expenses broken down by expense type in account class 5 and it does not perform any secondary cost-centre/cost-unit accounting in account classes 6 and 7.

The Company always capitalises the costs of establishment/restructuring and research & development, provided that the applicable legal conditions are met.

The Company keeps permanent records of the quantity and value of its inventories, with the exception of ticket inventories, coupons and gift vouchers.

The Company defines an error of substantial amount in accordance with Section 3(3)3. of the accounting act as follows:

An error is material if, in the year when the error is identified, the total value of errors and/or their impact increasing/decreasing the profit or loss and/or equity identified during an audit of the same year exceeds either 2% of the balance sheet total for the audited business year or HUF 1 million where 2% of the balance sheet total is less than HUF 1 million.

Under continuous bookkeeping, items for previous years are recognised in the same way as items from the current year, but are kept separate in terms of the period to which they apply. When an audit or self-audit reveals error(s) of a significant amount in the annual financial statements of previous years, adjustments of previous year(s) resulting from final findings that became known and were not challenged or appealed against until the balance sheet date are presented in the notes to the financial statements for each item on the balance sheet and the profit and loss account next to the previous year's figures for the 5 years preceding the reporting year, broken down by year. Adjustments for a period more than 5 years prior are presented in the notes in the aggregate with the figures for the 5th year. Items for previous years considered significant are recognised in retained earnings in the monthly accounts.

Transactions of an exceptional amount and occurrence

Income and expense items recognised in any line over HUF 10 million are classified as exceptional and presented item by item in the notes if arose from any of the following events:

- contribution in kind (capital contribution),
- assets transferred/received free of charge
- gifts, estate,
- discontinued operations without legal succession,
- discontinued operations with legal succession (transformation, merger, demerger),
- reducing share capital through disinvestment,
- cancelled debt,
- assigned liabilities,
- assumed debt,
- forgiven liabilities,
- cash received free of charge

- cash transferred free of charge
- services supplied free of charge,
- services used free of charge,
- operational subsidy received,
- development subsidy received,
- grants any legal grounds
- other items accounted for as other income and other expenses not listed above, presented in note II.2.4

Definition of significant value with regard to certain accounts and assets

- With regard to the extraordinary depreciation of tangible assets and amortisation of intangible assets, the difference between the book value and the market value is considered significant if it exceeds 5% of the asset's book value prior to the recognition/reversal of extraordinary depreciation or amortisation or HUF 1 million as a minimum.
- With regard to the recognition and reversal of impairment loss on equity investments and debt instruments, the difference between the book value and the fair value is significant if it exceeds 5% of the asset's book value prior to the recognition/reversal of impairment or HUF 1 million as a minimum, irrespective of whether they are held in non-current financial assets or current assets. In any case, the difference is considered significant if it exceeds HUF 500 million.
- With regard to the recognition and reversal of impairment loss on receivables (including trade and other receivables), the difference between the book value and the fair value will always be considered significant.
- With regard to the recognition and reversal of impairment loss on purchased supplies (materials, goods), the difference between the book value and the fair value is significant if it exceeds 20% of the asset's book value prior to the recognition/reversal of impairment. With regard to the recognition and reversal of impairment loss on produced inventories (work in progress, semi-finished and finished products), the difference between the fair value and the expected sales price, reduced by expected costs and increased by the expected support, is significant if it exceeds 20% of the asset's book value prior to the recognition/reversal of impairment.
- With a view to Section 16(5) of the accounting act (the principle of cost/benefit comparison), for economic transactions outside the corporate group influencing earnings, net items exceeding HUF 2 million are recognised as accruals or deferrals on the reporting date. An exception is made for network access charges, which are always recognised. For transactions related to invoices, an item represents the net total of the invoice, while for items not related to invoices, an item represents the amount indicated in the document (e.g. contract, decision, calculation, etc.) that serves as the basis for the recognition of the economic transaction in the accounting system. Intra-group transactions affecting the profit or loss, all accruals and deferrals are recognised at the reporting date, irrespective of their value.
- Provisioning principles are included in Chapter II.1.5.

With regard to the recognition of deferred income, all items are considered significant and will be recognised against other gains and income from financial transactions with respect to the offset costs/expenses.

1.3 Changes in the accounting policies in 2018

In 2017, a new set of MÁV Group accounting policies (including a new valuation policy) was adopted (EVIG Order 912017 (MÁV Notice No. 32 of 22 December) and EVIG Order 92/2017 (MÁV Notice No. 32 of 22 December)) and were first applied for the financial year started 1 January 2018. However, as there was

no significant change in the applied measurement procedures, the new policies have no material impact on the Company's equity and financial position and the results of its operations.

I.4 Unbundling of the accounts for the Company's railway activities

In compliance with Section 7 of the Decree 50/2007. (IV.26.) of the Transport Ministry and the Ministry of Finance on the unbundling of accounts for various railway activities within railway companies, the Company has **accounting unbundling rules** as part of its Accounting Policy.

Pursuant to the account unbundling rules, **the principles for unbundling the accounts** for railway activities are as follows:

1. Separate accounts are kept for:
 - a) passenger transportation performed as a public rail service,
 - b) passenger transportation not performed as a public service, and
 - c) other activities,while having central management (company overhead expenses) shared among public passenger transportation, non-public passenger transportation and other activities.
2. The Company recognises its activities as assigned to business lines and accounts for them in separate businesses:
 - a) **Public service passenger transport:** passenger transport service provided on the basis of a public service contract and ancillary services
Public service passenger transport division (SK),
 - *Public service passenger transport – suburban segment (SKE),*
 - *Public service passenger transport – regional segment (SKR),*
 - *Public service passenger transport – interurban segment (SKT);*
 - b) **Non-public passenger transport:** passenger transport services other than those provided on the basis of a public service contract and ancillary services, including
Non-public service passenger transport division (SN);
 - c) **Other activities:** services other than those related to passenger transport (e.g. traction, maintenance and cars testing for third parties).
Other activities division (E).
3. The various divisions and their unbundable activities are as follows:
 - a) **Public service passenger transport division:** this division includes the trains used for scheduled, ordered public service passenger transport (including scheduled, ordered public service passenger trains departing from or arriving at a foreign destination and railcars operated in public service passenger train vehicles (other than own buffet cars and sleepers) leased to or from partner railways;
 - b) **Non-public passenger transport division:** this division includes various activities that are related to passenger transport but are not attributable to public service:
 - the inland section of passenger train services operated on an arm's length basis (with a departure point or destination inland or abroad) and contractual passenger train services both inland and abroad (in the case of contracted services, the train operator company keeps the fare revenues in return for the contractor fee paid);
 - non-public service passenger train vehicles (other than own buffet cars and sleepers) leased to or from partner railway companies;
 - renting passenger trains (both public and non-public) with own sleepers and buffet cars to partner railways, domestic operations of these trains, and provision of on-board services;
 - c) **Other activities division:** according to a general system concept, this division includes all profitable activities that are not attributable to passenger transport:
 - contractual traction services;

- contractual shunting services;
 - renting out non passenger railcars to partner railways, private railways and other customers;
 - contractual freight railcar maintenance;
 - contractual train surveys and testing;
 - contractual on-call and other accident prevention services;
 - repairs, manufacturing and renovation of other rail vehicles and parts production on order.
4. All assets and liabilities related to the activities are separated on the basis of the use of the resource (asset, headcount) for the activity, and are accounted for in the applicable business. For underlying transactions (contracting, resolution, decision, etc.), classification is based on the activity typical for the originating organisation. Otherwise, when the transaction relates to a future business event (e.g. provisioning), it must be assigned to the activity that is expected to be concerned by the business event.
5. The revenues from and expenses on the activities are presented broken down by unbundable activity detailed in section 3 above. The Company's common operating expenses, other than central management cost, are allocated among public passenger transportation, non-public passenger transportation and other activities on the basis of typical passenger transport performance (e.g. seat-km) and other indicators (e.g. the mileage of rolling stock). The revenues and expenses related to trains are allocated based on the joint application of the following two methods:
- a) allocation of trains to unbundable activities based on train categories;
 - b) allocation of the relevant economic activities carried out on board of the trains to directly unbundable activities – irrespective of which unbundable activity the train itself is allocated to (e.g. operating own sleepers cars or buffet cars = SN).
6. Company overhead expenses are shared among public passenger transportation, non-public passenger transportation and other activities (recognised payroll costs) proportionately, using projection bases.
7. Headcount for the activity is determined on the basis of the organisation assignment of public passenger transportation, non-public passenger transportation and other activities.

The Company prepares an **annual supervisory report** as part of the notes to the financial statements. The annual supervisory report includes the following statements and explanatory narrative assessments compiled about the activities to be separated: balance sheet, profit and loss account, cash-flow statement, statement on activities with narrative assessment, average statistical headcount of employees employed in the current year, subsidies by title, gains from related companies and expenses incurred in relation to them by related company.

Amendments concerning accounting unbundling in 2018

In 2017, the Company's activities and their link to the accounting system were revised during the operations of the Company's bookkeeping and prime cost calculation systems and the unbundling rules for 2018 were changed as a result.

Key unbundling changes for 2018:

- Before 1 January 2018, revenues from international rail services for the Hungarian route sections were recognised as non-public service revenues irrespective of whether or not a train served a public or non-public service route in Hungary. Further to the new rules, in 2018, revenues from international railway services were allocated to the public service or the non-public service depending on function of the service in the Hungarian route section.
- Before 1 January 2018, revenues from and expenses on passenger car use were recognised among non-public services irrespective of whether or not a cross border train operated on an arm's length basis. In 2018, such revenues and expenses were recognised based on the train category

used by the user. This ensures that all related revenues and expenses are presented in line with the ordered train service.

- Before 1 January 2018, the revenues from cross border locomotives were recognised among other activities irrespective of the unbundable activity to which the hauled train belonged to. This issue was also addressed in 2018.
- No reimbursement is available for activities that are defined as non-public services, any profits or losses are based on the difference between the revenues earned and costs recognised, therefore these activities must be arm's length based. This fact called for a review of the substance of non-public service activities and their re-definition in light of the above.

I.5 Measurement methods applied by the Company

I.5.1 Standard measurement policies

When showing assets and liabilities denominated in foreign currency, the Company uses the official foreign exchange rates published by Hungarian Central Bank to convert the amounts to Hungarian forints.

For financial instruments, the Company does not apply the fair value method provided for in Section 59/A-F of the accounting act.

I.5.2 Measurement of non-current assets

The ordinary depreciation of tangible assets and amortisation of intangible assets is charged monthly on a straight line basis over the expected useful life of the asset per calendar day.

For the ordinary depreciation of „TRAXX locomotives”, all post-commissioning loan interest is also taken into consideration along with the expected foreign exchange losses on foreign exchange loans. When there is a material change in the expenses pre-calculated during the annual depreciation planning process, the annual amount is re-calculated. A change is considered material if its impact on the reporting year's depreciation equals or exceeds 1% of the cost of an asset.

In accordance with the Company's Accounting Policy, residual value is considered significant if it is expected to exceed 10% of the asset's original cost or HUF 1 million as a minimum. Residual value is significant in any case where its expected amount exceeds HUF 20 million.

The cost of Concessions, licences and similar rights intellectual property, and tangible assets with an individual purchase/production value under HUF 100,000 is accounted for in full as amortisation/depreciation when put to use.

When purchasing intangible or tangible assets, if the invoice or appropriate receipt is not received until commissioning, the difference between the cost determined from the available documents and the actual value determined from the final receipts will be considered significant and thus necessitates the correction of the preliminary cost if it exceeds 2% of the preliminary cost. There is a significant difference in any case where it exceeds HUF 20 million. With regard to the recognition of capital projects carried out by an appointed state-owned company, all items are considered correction items.

With regard to the impairment of investments representing participating interests and debt instruments and the reversal of such impairment loss, the difference between the book value and the market value is significant if it exceeds 5% of the asset's book value prior to the recognition/reversal of impairment loss or HUF 1 million as a minimum, irrespective of whether they are held in non-current financial assets or current assets. In any case, the difference is considered significant if it exceeds HUF 500 million.

The Company does not exercise the market value option under Section 57(3) of the accounting act and does not recognise any adjustment.

I.5.3 Measurement of current assets

The cost of self-produced inventories is accounted for as the prime cost that has a demonstrably close link to production and can be recognised for the product and/or asset on the basis of the relevant indicators. Stock inventories and any changes to them are recognised at their weighted average prices (clearing prices). The average price is calculated as the weighted average price for the opening reconciled inventory of any purchases made of the item in the relevant month.

With regard to rolling stock maintenance and repair needs, for inventories available at corporate level, the consumption of which is uncertain (slow-moving inventories), impairment is determined on the basis of consumption data for the previous 5 years, taking the expected turnover time into account, as one of the following percentages:

Expected turnover time	Rate of impairment
Within 1 year	0%
Within 5 years	50%
Over 5 years	80%

The Company does not recognise impairment loss on reasonably non-moving inventories (emergency stocks, first packed materials, strategic machine parts and tools). However, 95% impairment loss is recognised on inventories explicitly deemed superfluous and recommended for scrapping at the end of the year.

The amount of impairment loss on receivables (including trade and other receivables) to be recognised and reversed is determined as follows:

- 100% impairment loss is recognised on all receivables from a debtor if the debtor is subject to winding-up, voluntary liquidation, compulsory liquidation or bankruptcy proceedings.
- 100% impairment loss is recognised on all receivables otherwise acknowledged by a debtor if legal action is brought due to non-payment.

Impairment loss is recognised on the basis of individual rating for all receivables from an inter-rail debtor. If inter-rail receivables from an inter-rail debtor have a negative balance (inter-rail liability), the necessary amount of impairment will still be determined on the basis of individual rating for trade and other receivables from that debtor.

For any other debtors, rating is performed on the basis of average ageing. For this purpose, the weighted average of the due date of receivables from the debtor (average ageing) is determined for each debtor: the debtor's balance in each receivable category (not due, 1-30, 31-60, 61-90, 91-180, 181-365 days past due and more than 366 days past due) is multiplied by the first day for each category (zero for not-due receivables) and the result is then divided by the total amount of receivables.

Based on average ageing, one of the following impairment percentage is recognised for all receivables from a debtor:

Average ageing	Rate of impairment
1-30	0%
31-60	10%
61-90	25%
91-180	50%
181-365	75%
366+	100%

The amount of impairment loss recognised and reversed on receivables related parties is determined as follows:

100% impairment loss is recognised on all receivables from a debtor subject to involuntary liquidation, forced strike off or bankruptcy proceedings.

In any other cases, a debtor's individual rating is the basis for determining the percentage of impairment loss recognised and reversed on all our receivables from that debtor, except that no impairment loss will be recognised on receivables from other MÁV Group members.

Receivables from fare dodger reports presented among other receivables are fully impaired by MÁV START Zrt.

No impairment loss is recognised on receivables received before the balance sheet date.

When the information and documents available at the balance sheet date allow us to determine the expected recoverable amount of receivables more accurately than as described above, the amount of impairment and reversal will be established in an individual basis.

The Company accounts for the reduction of foreign exchange and currency reserves using moving average exchange rates.

I.6 Important information on and changes in the Company's operations

There was no change in 2018 which would have had a fundamental impact on the Company's operations.

I.7 Obligation to prepare consolidated financial statements

Name of the consolidating entity:

MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság.

Registered seat of the consolidating entity:

1087 Budapest, Könyves Kálmán krt. 54-60.

Pursuant to the accounting act, MÁV-START Zrt. qualifies as a parent company. However, MÁV Zrt., the superordinate parent company, prepares and publishes consolidated financial statements and a consolidated business report which include the financial statements of MÁV-START Zrt. and its subsidiary. Accordingly, with a view to Section 116(1) of the accounting act, MÁV-START Zrt. does not prepare consolidated financial statements or a consolidated business report.

The consolidated accounts of the MÁV Group are available on the Company's website at www.mavcsoport.hu.

II Specific disclosures

II.1 Notes to the balance sheet

The Company prepares the type “A” balance sheet as provided for in Annex 1 to the accounting act.

The Company does not add lines to, omit items from, nor combine anything in the balance sheet template specified in the Act.

The valuation methods applied to the individual balance sheet items are the same as used in the previous financial year so no consequential P&L impact can be identified in the current period either.

II.1.1 Non-current assets

In 2018, the balance sheet value of non-current assets stood at HUF 262,386m, up by HUF 12,117m on the previous year (a 4.84% increase).

Regarding the activities of our Company, rolling stock represents 76.31% of our tangible assets, amounting to HUF 195,337m at book value, which comprises of HUF 112,121m in railcars, HUF 23,228m in TRAXX locomotives, HUF 36,892m in traction vehicles, HUF 23,088m in passenger coaches, HUF 3m in wagons and HUF 5m in other self-propelled rail machines.

II.1.1.1 Changes in intangible assets

figures in HUF millions

ITEM	Capitalsd found., restruct.	Capitalsd R&D	Concessions and similar rights	Intellectual property	Goodwill	Advances for capital projects	Total
1. Cost, opening	3	516	2 979	6 581	0	0	10 079
2. Additions, improvements, advance payments	0	0	158	1 833	0	0	1 991
3. Self-produced assets	0	0	0	0	0	0	0
4. Received free of charge	0	0	0	0	0	0	0
5. Asset count surplus	0	0	0	0	0	0	0
6. Assigned free of charge	0	0	0	0	0	0	0
7. Contribution in kind	0	0	0	0	0	0	0
8. Disposal	0	0	-14	0	0	0	-14
9. Scrapped	0	0	-1	0	0	0	-1
10. Missing	0	0	0	0	0	0	0
11. Destroyed	0	0	0	0	0	0	0
12. FX revaluation (advance)	0	0	0	0	0	0	0
13. Reclassified (broken down, aggregated, deducted advance payment)	0	0	0	9	0	0	9
14. Cost, closing	3	516	3 123	8 423	0	0	12 064
15. Amortisation, opening	3	344	2 048	2 053	0	0	4 448
16. Ordinary charge for the year	0	106	352	1 012	0	0	1 470
17. Prior year ordinary charge	0	0	0	0	0	0	0
18. Extraordinary charge for the year	0	0	0	0	0	0	0
19. Reversed extraordinary amortisation	0	0	0	0	0	0	0
20. Assets received free of charge	0	0	0	0	0	0	0
21. Asset count surplus	0	0	0	0	0	0	0
22. Assigned free of charge	0	0	0	0	0	0	0
23. Contribution in kind	0	0	0	0	0	0	0
24. Disposal	0	0	-5	0	0	0	-5
25. Scrapped	0	0	-1	0	0	0	-1
26. Missing	0	0	0	0	0	0	0
27. Destroyed	0	0	0	0	0	0	0
28. Reclassified (broken down, aggregated)	0	0	0	0	0	0	0
29. Amortisation, closing	3	450	2 394	3 065	0	0	5 912
30. NBV, opening	0	172	931	4 528	0	0	5 631
31. NBV, closing	0	66	729	5 358	0	0	6 153

Table 1: Changes in intangible assets in the current year

The net value of intangible assets grew by HUF 522m compared to the previous year. This growth was a result of assets capitalised totalling HUF 1,368m in 2018. The most significant assets commissioned include a HUF 543m increase in the *Vontat* software, a HUF 497m increase in *JÉ* application and plans related to IC+ production totalling HUF 266m.

For intangible assets, amortisation is charged on a straight-line basis over the useful lives of the assets.

II.1.1.2 Changes in tangible assets

figures in HUF millions

ITEM	Properties and related rights	Technical machinery, equipment	Other equipment, fittings, vehicles	Breeding stock	Capital projects, improvements	Advances for capital projects	Total
1. Cost, opening	3 427	313 939	176	0	3 972	36 485	357 999
2. Acquisition, improvement, advances paid	0	0	0	0	9 353	6 296	15 649
3. Self-produced assets	0	0	0	0	14 519	0	14 519
4. Assets received free of charge	0	0	0	0	0	0	0
5. Asset count surplus	0	0	0	0	0	0	0
6. Taken into asset management	0	0	0	0	0	0	0
7. Increase due to asset settlement	0	0	0	0	0	0	0
8. Assigned free of charge	0	-12	0	0	0	0	-12
9. Contribution in kind	0	0	0	0	0	0	0
10. Disposal	0	-2	0	0	0	0	-2
11. Scrapped	0	-578	-60	0	0	0	-638
12. Missing	0	-1	-1	0	0	0	-2
13. Destroyed	0	0	0	0	0	0	0
14. Commissioned	283	17 527	5	0	-17 806	0	9
15. Resigned asset manager right	0	0	0	0	0	0	0
16. Decrease due to asset management	0	0	0	0	0	0	0
17. FX revaluation (advance)	0	0	0	0	0	0	0
18. Reclassified (broken down, aggregated, deducted advance payment)	0	0	0	0	-9	0	-9
19. Cost, closing	3 710	330 873	120	0	10 029	42 781	387 513
20. Depreciation, opening	513	112 937	165	0	0	0	113 615
21. Ordinary charge for the year	167	18 342	10	0	0	0	18 519
22. Prior year ordinary charge	0	0	0	0	0	0	0
23. Extraordinary charge for the year	0	0	0	0	8	0	8
24. Reversed extraordinary depreciation	0	0	0	0	0	0	0
25. Assets received free of charge	0	0	0	0	0	0	0
26. Asset count surplus	0	0	0	0	0	0	0
27. Assigned free of charge	0	-12	0	0	0	0	-12
28. Contribution in kind	0	0	0	0	0	0	0
29. Disposal	0	-2	0	0	0	0	-2
30. Scrapped	0	-537	-56	0	0	0	-593
31. Missing	0	-1	-1	0	0	0	-2
32. Destroyed	0	0	0	0	0	0	0
33. Resigned asset manager right	0	0	0	0	0	0	0
34. Decrease due to asset management	0	0	0	0	0	0	0
35. Reclassified (broken down, aggregated)	0	0	0	0	0	0	0
36. Depreciation, closing	680	130 727	118	0	8	0	131 533
37. NBV, opening	2 914	201 002	11	0	3 972	36 485	244 384
38. NBV, closing	3 030	200 146	2	0	10 021	42 781	255 980

Table 2: Changes in tangible assets in the reporting year

The net value of tangible assets grew by HUF 11,596m compared to the previous year.

The increase in the cost of tangible assets was due to five IC+ cars commissioned in 2018 totalling HUF 2,279m and railcar renovations (bogie replacements and major repairs totalling HUF 5,672m).

The decrease was due to extraordinary depreciation of HUF 18,519m.

Depreciation is charged on tangible assets (except for TRAXX locomotives) on a straight line basis over the useful lives of the assets.

Most of the advances for capital projects relate to major subsidised vehicle acquisitions, including a HUF 31,835m advance for KISS double-decker trains and HUF 7,954m for TRAM Train vehicles.

II.1.1.3 Movements in capital projects

figures in HUF million

Item	Capital projects in progress		
	Prior year	Rep. Year	Change
Opening	5 364	3 972	-1 392
Additions (+)	5 265	9 353	4 088
Self-produced (+)	10 957	14 519	3 562
Commissioned (-)	-17 614	-17 815	-201
Extraordinary deprec. (-)	0	-8	-8
Extraordinary deprec. reversed(+)	0	0	0
Other increase (+)	0	0	0
Other decrease (-)	0	0	0
Closing	3 972	10 021	6 049

Table 3: Movements in capital projects

A little more than 60% of the HUF 23,871m capital expenditure related to own production totalling HUF 14,519m.

The total expense of IC+ series production was HUF 4,285m in 2018. The first five cars were commissioned in 2018 in a total capitalised value of HUF 2,279m.

As part of an EU-funded high capacity train acquisition project, four carcasses were received in 2018 at a total annual project cost of HUF 2,224m.

Of renovation and improvement cost, bogie replacements totalled HUF 3,008m, CAF car overhauls and improvements (AC modernisation, restructuring CAF sleepers and buffet cars) totalled HUF 1,875m. The modernisation of the locomotive radio systems cost HUF 1,044m, maintenance and other tangible asset additions totalled HUF 518m, and IT hardware acquired totalled HUF 559m.

II.1.1.4 Impact of the recognition of depreciation in 2018

figures in HUF million

Item	Depreciation			
	Ordinary	Extraordi nary	As per accounting act	As per corporate tax act
Land	-	0	0	-
Porperties (less land)	167	0	167	210
Machinery, equipment	18 342	0	18 342	30 392
Other machines, equipment	10	0	10	10
Capital projects	-	8	0	-
Tangibles, total	18 519	8	18 519	30 612
Foundation, restructuring	0	0	0	0
Research and development	106	0	106	106
Concessions and similar rights	352	0	352	345
Intellectual property	1 012	0	1 012	983
Goodwill	0	0	0	0
Intangibles, total	1 470	0	1 470	1 434
Grand total:	19 989	8	19 989	32 046

Table 4: Amortisation of intangible assets and depreciation of tangible assets in the reporting year

The amortisation/depreciation rates for tangible/intangible assets were established on the basis of the identified useful life and are typically lower than the amortisation/depreciation rates set in corporate

income tax act. For the Company's tangible assets, the straight-line write-off method is used in any case, except for TRAXX locomotives.

The amount of recognised ordinary depreciation decreased by HUF 65 M compared to the previous year.

II.1.1.5 Assets transferred/received free of charge

In 2018, the Company granted 569 LG mobile phones to its employees free of charge. These assets are carried at a book value of HUF 0.

The Company did not receive assets free of charge in 2018.

II.1.1.6 Long-term investments

The table below shows the movements MÁV-START Zrt's long-term equity investments:

figures in HUF millions

Item	Investments, NBV			
	Opening	Increase	Decrease	Closing
Related parties	252	0	0	252
Material equity investments	0	0	0	0
Other investments	1	0	0	1
Other long-term loans granted	1	0	1	0
Total:	254	0	1	253

Table 5: Equity investments per category

Long-term participating interests of MÁV-START Zrt. are described in Section III.6.

II.1.1.7 Impairment of non-current financial assets

The Company did not recognise any impairment loss on its non-current financial assets shown in its accounts in 2018.

II.1.1.8 Subordinated assets

The Company did not record any subordinated assets in its books.

II.1.2 Current assets

In 2018, the balance sheet value of current assets stood at HUF 77,597m, up by HUF 8,741m compared to the previous year (a 12.69% increase).

II.1.2.1 Movements in inventories

figures in HUF millions

	ITEM	Materials	Work in progress	Livestock	Finished products	Goods	Advances for inventories	Total
1.	<i>Inventories, opening</i>	14 147	1 976	0	1 276	11	377	17 787
2.	Acquisition, advances paid	26 362	0	0	0	2 905	2 047	31 314
3.	Received free of charged	0	0	0	0	0	0	0
4.	Contribution in kind received	0	0	0	0	0	0	0
5.	Reclassified	0	0	0	0	0	0	0
6.	Recorded as inventory	0	2 118	0	11 152	0	0	13 270
7.	Surplus	0	0	0	0	0	0	0
8.	Other increase	60	0	0	0	0	0	60
9.	Used (expensed)	-21 495	-1 970	0	-11 062	-7	0	-34 534
10.	Reclassified, advance deducted	0	0	0	0	0	0	0
11.	Disposal	-149	0	0	0	-2 893	0	-3 042
12.	Assigned free of charge	0	0	0	0	0	0	0
13.	Contribution in kind	0	0	0	0	0	0	0
14.	Scrapped	-25	0	0	-2	-4	0	-31
15.	Missing	-10	0	0	0	0	0	-10
16.	Other decrease	-169	0	0	-3	0	11	-161
17.	<i>Inventories, closing</i>	18 721	2 124	0	1 361	12	2 435	24 653
18.	<i>Impairment, opening</i>	831	0	0	27	0	0	858
20.	Impairment in the reporting year	95	0	0	10	0	0	105
21.	Written off due to decrease	-118	0	0	-3	0	0	-121
22.	Reversed impairment loss	-105	0	0	0	0	0	-105
23.	<i>Impairment, closing</i>	703	0	0	34	0	0	737
24.	<i>NBV, opening</i>	13 316	1 976	0	1 249	11	377	16 929
25.	<i>NBV, closing</i>	18 018	2 124	0	1 327	12	2 435	23 916

Table 6: Inventories

The closing value of inventories grew by HUF 6,987m compared to 2017.

The HUF 4,702m increase in warehouse materials was due mostly to a significant increase in IC+ project materials.

Another significant factor was the increase in the warehoused project materials of the Vehicle Insurance Directorate (materials related to the installation of GSM radios).

The value of warehouse inventories increased primarily at the Vehicle Insurance Directorate in Budapest, and typically involved TRAXX locomotive and Desiro train parts.

Advance payments on inventories include the advance paid to Siemens Zrt. and Knorr-Bremse GmbH for bogies, brakes and braking system purchases as part of the IC+ project.

II.1.2.2 Receivables

II.1.2.2.1 Receivables and impairment loss

figures in HUF millions

Item	Receivables, gross						Impairment loss						Net book value 2018	Net book value 2017	Change
	Not overdue	Due over 1 90 days	91-180 days	181-365 days	over 365 days	Total	Opening	Impairment loss	Reversed	Collected impaired receivable	Other write-offs	Closing			
<i>Trade receivables (debtors)</i>	4 747	121	6	9	47	4 930	47	15	1	4	2	55	4 875	5 182	-307
<i>Related party receivables</i>	692	84	20	0	0	796	0	0	0	0	0	0	796	4 656	-3 860
of which: from parent company	230	42	10	0	0	282	0	0	0	0	0	0	282	4 571	-4 289
of which: from fully consolidated subsidiary	460	0	0	0	0	460	0	0	0	0	0	0	460	70	390
of which: from non-fully consolidated subsidiaries	2	42	10	0	0	54	0	0	0	0	0	0	54	15	39
<i>From significant related parties</i>	177	8	0	0	0	185	0	0	0	0	0	0	185	32	153
<i>From other investments</i>	18	0	0	0	0	18	0	0	0	0	0	0	18	18	0
<i>Bills of exchange</i>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Other receivables</i>	45 964	20	48	12	522	46 566	558	55	1	11	5	596	45 970	38 453	7 517
Receivables, total:	51 598	233	74	21	569	52 495	605	70	2	15	7	651	51 844	48 341	3 503

Table 7: Receivables and impairment loss

The closing balance of receivables grew by HUF 3,503m compared to 2017.

Reclaimed value-added tax from other receivables amounted to HUF 3,504m. Receivables related to social fare assistance totalled HUF 1,329m, public service cost reimbursement receivables HUF 39,389m, receivable health insurance and family benefits at HUF 285m, and reclaimed excise tax related to rail transport totalled HUF 763m.

Other receivables due over 365 days totalled HUF 522m and reflect receivables from post-payable fares carried in the Company's records.

In 2018, 100% impairment loss was recognised on receivables from penalised passengers for travelling without a ticket, the accumulated impairment loss totalled HUF 560m.

II.1.2.2.2 Related party receivables

The closing balance of receivables from related parties of MÁV-START Zrt. was as follows in 2018:

figures in HUF millions

Item	Parent company	Fully consolidated subsidiaries	Non-fully consolidated subsidiaries	Total
Advances for intangible assets	0	0	0	0
Advances for capital projects	0	0	0	0
Long-term loans to related parties	0	0	0	0
Advances for inventories	0	25	0	25
Related party debtors	282	460	54	796
Total:	282	485	54	821

Table 8: Related party receivables

Related party receivables totalled HUF 821m inclusive of advance payments for inventories. Of this amount, HUF 282m was receivable from MÁV Zrt.

Of the receivables from fully consolidated subsidiaries, HUF 414m was from MÁV VAGON Kft., of which HUF 381m were cash pool receivables (loans granted). Receivables from other fully consolidated subsidiaries include HUF 17m from MÁV Szolgáltató Központ Zrt., HUF 23m from ZÁHONY-PORT Zrt., HUF 20m from MÁV FKG Kft., HUF 7m from MÁV KFV Kft. and HUF 3m from MÁV-HÉV Zrt.

HUF 54m is receivable from a non-fully consolidated subsidiary, MÁV NOSZTALGIA Kft.

The classification of related parties is based on the Group categories defined from the perspective of the superordinate parent company (MÁV Zrt.).

II.1.2.2.3 Reclassification of receivables and liabilities in the balance sheet

The following items have been reclassified in the balance sheet:

- HUF 7m of trade receivables were reclassified as other current liabilities.
- HUF 18m of supplier liabilities were reclassified as other receivables.
- Of other current liabilities, employer's contributions to funds totalling 11m and HUF 3,504m of recoverable VAT were reclassified to other receivables.
- With regard to taxes and similar liabilities, HUF 28m were reclassified from other current liabilities to other receivables.
- Security deposit instalments payable to other companies over one year were reclassified to long-term liabilities.
- Instalments of long-term loans totalling HUF 3,086m due in 2019 were reclassified to short-term loans
- Short-term loans include overdrafts drawn totalling HUF 8,553m as a result of negative current account balances.

II.1.2.3 Securities

The Company does not have any securities on its books.

II.1.2.3.1 Impairment of securities

No impairment loss on securities is recorded in the Company's books.

II.1.3 Prepaid expenses & accrued income

figures in HUF millions

Accrued income			
RIC car rent	4 033	1 503	-2 530
Unsettled turnover	66	28	-38
Unbilled revenues	753	441	-312
Revenues relating to the next period	179	11	-168
Late payment penalty, penalties and damages related to the reporting year	21	50	29
Unrealised foreign exchange gain or loss on accrued income	9	1	-8
Accrued income, total:	5 061	2 034	-3 027
Prepaid expenses			
Pre-billed costs	366	430	64
Unbilled costs (credited)	789	855	66
Prepaid expenses, total:	1 155	1 285	130
Deferred expenses			
Unrealised FX loss on EUR 41,437,500 KfW Bank loan	447	540	93
Unrealised FX loss on EUR 38,250,000 EIB Bank loan	412	499	87
Unrealised FX loss on Eurofima loan No. 11. (Nr.2582)	1 448	0	-1 448
Deferred expenses, total:	2 307	1 039	-1 268
Total:	8 523	4 358	-4 165

Table 9: Prepaid expenses & accrued income

Of current-year settlements with international railway companies, prepayments related to leased RIC railcars and unsettled traffic fell by HUF 2,568m as the frequency of settlement changed from annual to quarterly in 2018.

Accrued unbilled revenues in 2018 shows a decrease of HUF 312m compared to 2017 as a result of the settlement of traction services with international railway companies.

The HUF 1,268m decrease in deferred expenses was due mainly to the derecognised deferral of a bullet paid Eurofima loan.

II.1.4 Equity

II.1.4.1 Movements in equity

figures in HUF millions

Item	Issued capital	Issued capital not paid	Capital reserve	Retained earnings	Undistributable reserves	Net profit after tax	Equity
Opening balance	43 742	0	67 633	6 823	787	3 208	122 193
Prior year profit reclassified to retained earnings	0	0	0	3 208	0	-3 208	0
Released non-distributable reserve for unrealised FX loss	0	0	0	97	-97	0	0
Released non-distributable reserve for R&D	0	0	0	106	-106	0	0
Net profit for the year	0	0	0	0	0	6 779	6 779
Dividends paid	0	0	0	-2 200	0		-2 200
Closing balance	43 742	0	67 633	8 033	584	6 779	126 771

Table 10: Movements in equity

II.1.4.2 Issued share capital

There was no change in the Company's issued share capital in 2018.

The Company's issued share capital comprises 100 registered ordinary shares with a face value of HUF 100,000,000 each and 33,741,514 registered ordinary shares with a face value of HUF 1,000 each.

At 12 December 2018, in founder's decision No. 32/280/2018, the Company's founder decided to increase the share capital from share premium. To this end, 58,486 new dematerialised shares of a face value of HUF 1,000 each were issued. The aggregate issue value of all the issued shares was HUF 1,865,000,000 and was duly paid on 12 December 2018. The capital increase was registered by the Companies Court on 10 January 2019.

MÁV-START Zrt. has no convertible or equity bonds.

II.1.4.3 Non-distributable reserves

figures in HUF millions

Non-distributable reserve	Opening	Release in current year	Creation in current year	Closing
Difference between the provision made for unrealised FX loss on FX loans and deferred expenses	615	126	29	518
<i>of which: Eurofima 11</i>	126	126	0	0
<i>KFW</i>	254	0	15	269
<i>EIB</i>	235	0	14	249
R&D related to BMPZ type IC+ cars, not written off	172	106	0	66
Total:	787	232	29	584

Table 11: Details of non-distributable reserves

II.1.5 Provisions

The provisioning principles applied by the Company are specified in the Company's accounting policies. The principles applied for the key categories are summarised in the table below.

Category	Provision is made
Liabilities related to redundancies	For the total amount of the payment commitments included in signed contracts for the subsequent years
Bonus earned for the current year but not yet approved	In the amount of the bonus and its taxes and contributions
Contingent liabilities in lawsuits in progress (also including interest and other incidental expenses)	When the payment liability is likely to occur and will exceed HUF 3m
Default interest	Based on the default interest calculation performed for the unbilled period prior to the balance sheet reporting date pursuant to the Civil Code
For expected expenses – in the case of demolition and maintenance expenses	When the expected expense is significant, based on an individual valuation.
In the case of periodically repeated maintenance expenses of TRAXX locomotives and FLIRT multiple unit trains	<p>The funding of the periodic maintenance expenses is defined with the following formula:</p> $\text{Provisions recognised for periodic maintenance expenses in the balance sheet} = \frac{\text{Period of the maintenance period by the reporting date / run km}}{\text{Length of the maintenance period (time / km)}} * \text{Estimated maintenance expenses}$

II.1.5.1 Provisions for expected liabilities

figures in HUF millions

Provisions for expected liabilities	Opening	Released	Made	Closing
for redundancy costs	220	220	289	289
for litigations	674	80	37	631
for damages	475	207	3	271
for uniform costs	784	272	184	696
for late payment penalties	4	4	16	16
for bonus payment (related to 2014)	33	33	0	0
for bonus payment (related to 2017)	182	182	0	0
for bonus payment (related to 2018)	0	0	185	185
for other litigated liabilities	648	589	0	59
for other liabilities (fleet replacement)	14	14	0	0
Total:	3 034	1 601	714	2 147

Table 12: Provisions for expected liabilities

HUF 220m provision was made in 2017 for employment-related liabilities and severance pays incurred in relation to rationalisation. This amount was released in 2018 partly because of use and partly due to losing relevance.

The HUF 182m premium provision made in 2017 was fully released in 2018.

II.1.5.2 Provisions for liabilities to related parties

figures in HUF millions

Liabilities to related parties	Opening	Released	Made	Closing
MÁV Szolgáltató Központ Zrt.	1	1	0	0
MÁV Zrt.	0	0	15	15
Total:	1	1	15	15

Table 13: Provisions for liabilities to related parties

The provisions made for liabilities to related parties include default interest payment liability. The figures were extracted from Table 12.

II.1.5.3 Provisions for future expenses

figures in HUF millions

Provisions for future expenses	Opening	Released	Made	Closing
TRAXX locomotive maintenance	1 247	384	493	1 356
FLIRT train maintenance	1 599	0	677	2 276
Total:	2 846	384	1 170	3 632

Table 14: Provisions for future expenses

A provision of HUF 439m was made for the periodical longer than annual maintenance costs of the TRAXX locomotives from the profit or loss for 2018 (a 8.74% increase on the previous year).

Based on a similar rationale, since 2014 the Company has also recognised provisions for the maintenance costs of FLIRT multiple unit trains (HUF 677m was made in 2018).

II.1.5.4 Other provisions

II.1.5.4.1 Provisions for foreign exchange loss

figures in HUF millions

Loan	Opening	Released	Made	Closing
Eurofima loan No. 11 (Nr. 2582)	1321	1 321	0	0
KfW Bank loan (41.437.500 EUR) TRAXX	193	0	78	271
EIB bank loan (38.250.000 EUR) TRAXX	178	0	72	250
Total:	1 692	1 322	150	520

Table 15: Provision for foreign exchange loss

Eurofima loan No 11. was bullet paid in 2018 and resulted provisions of HUF 1,321m released.

II.1.5.4.2 Other statutory provisions

No other statutory provision was made by MÁV-START Zrt. based on other laws and regulations.

II.1.5.5 Provisions in the reporting year

figures in HUF millions

Item	For expected liabilities	For future expenses	Other provisions	Total
<i>Provisions, opening</i>	3 034	2 846	1 692	7 572
Released	1 601	384	1 322	3 307
Made	714	1 170	150	2 034
<i>Provisions, closing</i>	2 147	3 632	520	6 299

Table 16: Movements in provisions

Liabilities

II.1.5.6 Subordinated liabilities

The Company does not carry any subordinated liability in its books.

II.1.5.7 Long-term liabilities

Long-term liabilities totalled HUF 16,988m at 31 December 2018 and reflected development and improvement loans of HUF 10,785m, other long-term loans of HUF 6,163m and other long-term liabilities of HUF 40m.

II.1.5.7.1 Long-term loans

Most of MÁV-START Zrt's loans are „KFW, EIB TRAXX loans” and MKB refinancing loans taken out to repay the Eurofima loan. Eurofima loan No. 11 was bullet paid on 13 December 2018.

The long-term loans of our Company are presented in the table below:

Loan	Date of agreement	Matures on	Government guarantee (decision No.)	Currency	Facility (original currency)	Outstanding at 31 Dec 2018	
						EUR	HUFm
Project and development loans							
EUROFIMA 11	2003.12.31	2018.12.17	1036/2003., 1027/2008.	EUR	26 943 000	0	0
KFW (TRAXX)	2009.12.03	2024.05.15	-	EUR	41 437 500	18 232 500	5 862
EIB (TRAXX)	2009.12.03	2024.05.15	-	EUR	38 250 000	16 830 000	5 411
MFB*	2009.10.27	2024.09.30	-	HUF	2 800 000 000	-	1 134
Raiffeisen - H-91/2008.	2008.12.23	2018.12.23	-	HUF	3 000 000 000	0	0
UniCredit - MFB hitel	2008.09.10	2023.12.31	-	HUF	2 376 000 000	-	779
Total:						35 062 500	13 186
Other loans							
MKB	2018.12.13	2028.12.12	-	HUF	6 847 623 010	-	6 848
Total:						0	6 848
Grand total:						35 062 500	20 034

*The table reflects the actually drawn amount. The contractual amount is HUF 3,464m.

17. Table: Long-term loans

The last instalment of the Raiffeisen-H-91/2008 loan was paid on 27 December 2018 and hence this loan was bullet paid.

Of the outstanding loans, the HUF 3,086m instalments due in 2019 are presented in the balance sheet among short-term loans. Foreign exchange loans were converted at a 321.51 HUF/EUR exchange rate (published by the MNB on the reporting date).

The outstanding terms of the following loans exceed 5 years: KFW (TRAXX) and EIB (TRAXX) loans maturing on 15 May 2024; MFB loan maturing on 30 September 2024; and an MKB loan maturing on 12 December 2028, with a total balance of HUF 19,255m at 31 December 2018.

figures in HUF millions

Loan	2019.	2020.	2021.	2022.	2023 and beyond	Total
Project and development loans						
KfW	1 066	1 066	1 066	1 066	1 599	5 862
EIB	984	984	984	984	1 476	5 411
MFB	196	196	196	196	350	1 134
UniCredit	156	156	156	156	155	779
Total:	2 401	2 402	2 402	2 402	3 579	13 186
Other loans						
MKB	685	685	685	685	4 108	6 848
Total:	685	685	685	685	4 108	6 848
Grand total:	3 086	3 087	3 087	3 087	7 687	20 034

18. Table: Long-term loans repayment schedule

MÁV-START Zrt. repays its long-term loans according to the underlying agreements. Contractual debt service of these loans is a top priority for both the Company and MÁV Group.

The Company's long-term foreign exchange liabilities constitute EIB and KfW loans for the acquisition of TRAXX locomotives.

The Company used the option allowed in section 33(2) of the accounting act and carried forward the unrealised losses of HUF 1,039m on the year-end revaluation of foreign exchange loans and presented among deferred expenses in the balance sheet as shown below.

figures in HUF millions

Foreign exchange (FX)	Amount in FX	Of which current part in FX	FX rate	Liability (HUF)	Of which current	Accrued/deferred FX gain or loss at year-end
<i>EUR</i>	35 062 500	6 375 000	321,51	11 273	2 050	1 039
Total:				11 273		1 039

19. Table: Long-term liabilities in foreign exchange

II.1.5.7.2 Long-term borrowings and bonds payable

The Company does not carry any long-term borrowings or bonds payable in its books.

II.1.5.7.3 Other long-term liabilities

figures in HUF millions

Item	2017	2018	Change
Fringe benefits system, housing aid liability	118	37	-81
Caution money received	3	3	0
Other long-term liabilities, total:	121	40	-81

Table 20: Other long-term liabilities

II.1.5.8 Current liabilities

Current liabilities totalled HUF 89,236m at the reporting date. Current liabilities make up 25.9% of the balance sheet total and 84.01% of all liabilities. Current liabilities increased by 22.80% on the previous year, predominantly as a result of increases in liabilities to related parties and in other current liabilities. Short-term loans totalled HUF 11,639m at the balance sheet date (a HUF 499m increase on the previous year). On 13 December 2018, a refinancing loan was taken out from MKB Bank for the bullet payment of Eurofima loan No. 11 upon maturity at 17 December 2018, and the final instalment of the Raiffeisen-H-91/2008 loan was also repaid in 2018.

Of the annual HUF 10,007m balance of trade payables (creditors), the most significant items are domestic creditors at HUF 5,628m and deliveries received yet unbilled totalling HUF 2,631m. Current liabilities to related parties totalled HUF 18,813m, a HUF 6,063m increase on the previous year – material items include amounts payable to the parent company totalling 13,671m and a capital contribution from MÁV Zrt. totalling HUF 1,865m and was registered only in 2019.

Other current liabilities totalled HUF 46,613m (a 14.23% on 2017) mostly as a result of an increase in the liabilities related to subsidised vehicle acquisition projects.

II.1.5.8.1 Short-term loans

Short-term loans included overdrafts of HUF 8,553m and the reclassified current part of long-term loans totalling HUF 3,086m.

II.1.5.8.2 Other current liabilities

The amount presented in the other current liabilities balance sheet line contains the items presented in the table below:

figures in HUF millions

Item	2017	2018	Change
Taxes payable	739	329	-410
Wages	3 494	3 811	317
Employer contributions to funds	11	10	-1
Membership fees deducted from employees	141	127	-14
Liabilities related to subsidy settlement	35 963	42 292	6 329
Other current liabilities	460	44	-416
Other current liabilities, total	40 808	46 613	5 805

Table 21.: Other current liabilities

II.1.5.9 Liabilities to related parties

figures in HUF millions

Item	Parent company	Fully consolidated subsidiaries	Non-fully consolidated sub.	Total
Subordinated liabilities to related parties	0	0	0	0
Long-term liabilities to related parties	0	0	0	0
Current liabilities to related parties	15 544	3 262	7	18 813
Total:	15 544	3 262	7	18 813

22. Table: Liabilities to related parties

The most material liabilities towards the parent company include a cash capital contribution of HUF 1,865m in relation to a capital increase; track usage charges totalling HUF 8,136m and traction electricity cost of HUF 2,653m.

The most material liabilities towards fully consolidated subsidiaries include HUF 2,025m to MÁV Szolgáltató Központ Zrt., HUF 695m to MÁV KfV Kft. and HUF 533m to MÁV VAGON Kft.

The classification of related parties is based on the Group categories defined from the perspective of the superordinate parent company (MÁV Zrt.).

II.1.6 Accrued expenses and deferred income

figures in HUF millions

Item	2017	2018	Change
Deferred income			
Pre-billed revenues	133	180	47
Unbilled revenues (credited)	310	131	-179
Deferred income, total:	443	311	-132
Accrued expenses			
Unbilled costs	4 725	3 034	-1 691
Invoices booked for the next period	60	0	-60
RIC car rent	2 975	1 176	-1 799
Unbilled turnover	8	3	-5
Interest (other than late payment penalty) due for the period	47	43	-4
Performance initiative - payroll	95	59	-36
Performance initiative - taxes	20	12	-8
Unrealised FX gain or loss on accrued expenses	7	0	-7
Accrued expenses, total:	7 937	4 327	-3 610
Deferred extraordinary income			
Surplus non-current assets	20	17	-3
Government grants received	5	5	0
KÓZOP-42 MV subsidy	65 626	63 232	-2 394
GOP subsidies	225	190	-35
KÓZOP-INKA subsidies	411	363	-48
KÓZOP-6 MV subsidies	10 093	9 734	-359
KÓZOP-JKA subsidies	396	275	-121
KÓZOP-JÉ subsidies	663	341	-322
KDOP- subsidies	5	4	-1
KÓZOP-UTAS subsidies	418	11	-407
IKOP-6+9 MV subsidies	26 068	25 173	-895
CEF project Flirt ETCS 59	0	1 064	1 064
Deferred extraordinary income, total:	103 930	100 409	-3 521
Total:	112 310	105 047	-7 263

23. Table: Accrued expenses and deferred income

Due to favourable developments in the settlements with international railway companies in 2018, accruals in the reporting year fell by HUF 1,804m as a result of changing the frequency of settlements in 2018 from annual to quarterly basis.

Unbilled costs fell significantly due the settlement of rental fees.

The change in deferred extraordinary income was due partly to the subsidy received in relation to the on-board ETCS L2 equipment installation project on 59 new FLIRT trains and partly to the release of deferrals related to already existing subsidies in line with the depreciation of the subsidised assets.

II.1.7 Disclosures relating to off-balance sheet items

II.1.7.1 Draw down and repayment schedule of loans not disbursed by the reporting date

The Company did not enter into any loan agreement in 2018 which was actually disbursed in 2019.

II.1.7.2 Derivative contracts

As in the previous years, most of the Company's revenues were earned in HUF in 2018. Expenses denominated in foreign currencies totalled EUR 91.37m in 2018 (debt service on loans totalling EUR 35.33m, of which EUR 26.94m was refinanced based on a HUF loan agreement) and creditors totalling HUF 56.04m (for EUR 46.97m of which the opening EUR balance and EUR revenues during the year did not provide sufficient funds).

The shortage of foreign exchange was addressed by an EUR 46.97m spot buy contract. There were no contracts with an effect for 2019.

Forward and future contracts had no effect on the profit or loss or cash flows in 2018.

II.1.7.2.1 Futures, swaps and options in 2018

In 2018, the Company did not enter into any foreign exchange future or forward contracts.

No commodity hedging contract was signed in 2018 to mitigate the risks of increased fuel costs as a result of higher gasoline prices.

No hedging contract was signed in 2018 to cover the risks of interest rate fluctuations.

II.1.7.3 Joint and several guarantees and guarantee agreements

The Company did not have any joint and several guarantee agreement at the reporting date. The existing guarantee agreements are presented below:

figures in HUF millions

Beneficiary	Guarantee type	Contracting bank	Start date	End date	Amount
Bank guarantees					
Ministry for Innovation and Technology based on government decree 271/2007.	payment guarantee	KDB Bank Zrt.	2014.01.01	2019.12.31	1 100,0
Ministry for Innovation and Technology based on government decree 6/2010. (I.21.)	payment guarantee	KDB Bank Zrt.	2013.01.01	2019.12.31	150,0
Ministry for Innovation and Technology based on government decree 6/2010. (I.21.)	payment guarantee	KDB Bank Zrt.	2013.01.01	2019.12.31	5,0
Ministry for Innovation and Technology based on government decree 271/2007.	payment guarantee	KDB Bank Zrt.	2011.07.01	2019.12.31	10,0
Ministry for Innovation and Technology based on government decree 213/1996.	payment guarantee	KDB Bank Zrt.	2010.10.26	2020.06.30	7,5
based on government decree 24/2016. (VII. 18.)	payment guarantee	Raiffeisen Bank Zrt.	2018.06.30	2019.06.30	1 000,0
Bank guarantees, total:					2 272,5

24. Table: Guarantee agreements existing at the reporting date

II.1.7.4 Lien liabilities

MÁV-START Zrt's lien liabilities are as follows:

figures in HUF millions

Loan	Loans secured with lien at 31 Dec 2018	Security
EIB (TRAXX)	5 411	Rolling stock
KfW (TRAXX)	5 862	Rolling stock
UniCredit	779	Rolling stock
MFB	1 134	Rolling stock
MKB	6 848	Rolling stock
Total:	20 034	

25. Table: Lien liabilities

The EIB and KfW loans relating to the purchase of 25 TRAXX locomotives are secured with liens on the TRAXX locomotives. The new MKB refinancing loan is secured by lien on 20 continuously produced IC+ cars, of which lien on 4 IC3 cars was recorded until the balance sheet date.

II.1.7.5 Expected environmental and reconstruction liabilities not presented among liabilities

The Company did not incur any off-balance sheet liability related to environment protection.

II.1.7.6 Payment schedule of off-balance sheet interest and incidental expenses

figures in HUF millions

Loan	2019.	2020.	2021.	2022.	2023 and beyond	Total
Project and development loans						
EIB	72	69	59	41	27	268
KfW	231	206	154	106	70	767
UniCredit	20	23	20	12	5	80
MFB	47	49	42	30	23	191
Total:	370	347	275	189	125	1 306
Other loans						
MKB	91	157	176	153	426	1 003
Total:	91	157	176	153	426	1 003
Grand total:	461	504	451	342	551	2 309

26. Table: Payment schedule of off-balance sheet interest and incidental expenses

Interest payments were calculated according to the assumptions included in the business plan.

II.1.7.7 Operating leases where the Company is a lessee existing at the reporting date

figures in HUF millions

Contractor (lessor)	Subject matter	Date of agreement	Matures on	Amount (HUFm/month)	Outstanding at the BS date
Deutsche Leasing Hungaria Kft	8 Desiro trains	2008.09.24	2029.02.28	20	2 440
MÁV Zrt.	Office	2009.10.27	határozatlan	24	n/a
MÁV Zrt.	Rail vehicles (rolling stock)	2007.06.20	határozatlan	561	n/a
Mercarius Flottakezelő Kft.	Car fleet	2017.07.19	2021.07.19	22	682
Total:				627	3 122

27. Table: Operating leases at the reporting date

II.1.7.8 Other disclosures relating to off-balance sheet items

In 2018, the Company did not have any disclosures relating to off-balance sheet items other than the figures presented in the separate tables.

II.2 Notes to the profit and loss account

The Company prepares its profit and loss account with the total cost method as described in annex 2 of the accounting act.

The Company does not add lines to or omit items from nor merges items in the profit and loss account template specified in the act.

As the measurement methods applied to the individual balance sheet items are the same as used in the previous financial year, no consequential P&L impact is identifiable in the reporting year.

II.2.1 Net sales revenues

II.2.1.1 Net sales revenues by activity

figures in HUF millions

Activity	2017		2018		Change
	Amount	Percentage (%)	Amount	Percentage (%)	
Public passenger transport service revenues	60 570	60,64	71 440	71,25	10 870
of which Fares and seats	41 713	41,76	50 203	50,07	8 490
Fare subsidy	18 296	18,32	17 530	17,48	-766
Other	561	0,56	3 707	3,70	3 146
Non-public passenger transport service revenues	19 000	19,02	7 338	7,32	-11 662
of which Fares and seats	9 363	9,37	3 110	3,10	-6 253
Fare subsidy	345	0,35	320	0,32	-25
Cars used for international transport	4 729	4,73	1 233	1,23	-3 496
Sleepers and buffet car services	1 315	1,32	1 013	1,01	-302
Other	3 248	3,25	1 662	1,66	-1 586
Other activities	20 316	20,34	21 490	21,43	1 174
of which Passenger and freight train traction*	9 056	9,07	8 906	8,88	-150
Other traction	330	0,33	234	0,23	-96
Shunting	3 910	3,91	3 709	3,70	-201
Traction services	3 750	3,75	4 640	4,63	890
Engineering	2 812	2,82	3 493	3,48	681
Materials and goods sold	213	0,21	366	0,37	153
Other	245	0,25	142	0,14	-103
Total:	99 886	100,00	100 268	100,00	382

* Passenger and freight train data for the basis period are aggregated

28. Table: Net sales revenues by activity

The unbundling of the revenues, costs and expenses of the various activities was revised in order to allocate revenues, costs and expenses to the actual processes. As a result, from 2018 onwards, accounting for the various activities has been based on different unbundling rules compared to the basis period (see section I.4). As a result of changing the unbundling rules in 2018, the margin of the various activities gives a more accurate view.

Revenues from public service passenger transport increased by HUF 10,870m on 2017. This increase was due typically to the surplus as a result of the changes in unbundling rules in 2018. Besides, employment and purchase power increased nationwide and led to an increased volume of full fare ticket and employee railpass sales. The growth in domestic fare revenues was also due to the increasing popularity of internet sales and ticket machines.

Again, as a result of the changed unbundling rules, the movement in revenues from non-public service passenger services was the opposite and decreased by HUF 11,662m.

Revenues from other activities increased by HUF 1,174m as a result of more orders placed by business partners (mainly MÁV Zrt. and GySEV Zrt.) for traction services and technical services (emergency and chemical accident prevention).

II.2.1.2 Export revenues and imports

figures in HUF millions

Country	2017						2018					
	Exported goods	Exported services	Export total	Imported goods	Imported services	Import total	Exported goods	Exported services	Export total	Imported goods	Imported services	Import total
EU countries												
Germany	0	1 887	1 887	317	1 251	1 568	0	1 592	1 592	385	533	918
Austria	0	6 236	6 236	527	3 638	4 165	0	6 189	6 189	1 273	3 557	4 830
Italy	0	3	3	0	0	0	0	13	13	0	0	0
Slovakia	0	1 121	1 121	290	537	827	0	1 033	1 033	533	239	772
Czech Republic	0	1 465	1 465	1	34	35	0	1 061	1 061	18	36	54
Slovenia	0	148	148	0	0	0	0	135	135	0	4	4
Poland	0	399	399	555	11	566	0	252	252	892	32	924
France	0	539	539	0	45	45	0	368	368	0	36	36
UK	0	23	23	1	0	1	0	26	26	1	0	1
Sweden	0	142	142	0	14	14	0	163	163	0	15	15
Belgium	0	8	8	0	7	7	0	7	7	0	1 230	1 230
Denmark	0	2	2	3	0	3	0	1	1	5	3	8
Finland	0	0	0	0	0	0	0	0	0	0	0	0
Greece	0	0	0	0	0	0	0	0	0	0	0	0
Holland	0	697	697	3	96	99	0	614	614	4	91	95
Ireland	0	0	0	0	0	0	0	0	0	0	0	0
Latvia	0	0	0	0	0	0	0	0	0	0	0	0
Lithuania	0	0	0	0	0	0	0	0	0	0	0	0
Luxembourg	0	1	1	0	0	0	0	1	1	0	0	0
Portugal	0	0	0	0	0	0	0	0	0	0	0	0
Spain	0	1	1	0	1	1	0	1	1	0	7	7
Romania	0	1 576	1 576	0	298	298	0	1 251	1 251	0	398	398
Croatia	0	269	269	0	14	14	0	214	214	0	11	11
Bulgaria	0	9	9	0	0	0	0	-7	-7	0	0	0
EU countries, total	0	14 527	14 527	1 697	5 947	7 644	0	12 914	12 914	3 111	6 192	9 303
Non-EU countries												
Serbia	0	310	310	0	34	34	0	254	254	0	11	11
Montenegro	0	0	0	0	0	0	0	0	0	0	0	0
Ukraine	0	62	62	0	6	6	0	104	104	0	10	10
Switzerland	0	943	943	122	92	214	0	1 080	1 080	13	105	118
Turkey	0	0	0	0	0	0	0	0	0	0	0	0
Belorussia	0	0	0	0	0	0	0	0	0	0	0	0
Bosnia-Herzegovina	0	0	0	0	0	0	0	0	0	0	4	4
Macedonia	0	0	0	0	0	0	0	0	0	0	0	0
Russia	0	0	0	0	2	2	0	0	0	0	0	0
Norway	0	1	1	0	0	0	0	0	0	0	0	0
Moldavia	0	0	0	0	0	0	0	0	0	0	0	0
Egypt	0	0	0	0	0	0	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0	0	0	0	0	0	0
Uzbekistan	0	0	0	0	0	0	0	0	0	0	0	0
Albania	0	0	0	0	0	0	0	0	0	0	0	0
Kazakhstan	0	0	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	0	0	0	0
Australia	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Non-EU countries	0	1 316	1 316	122	134	256	0	1 438	1 438	13	130	143
Total:	0	15 843	15 843	1 819	6 081	7 900	0	14 352	14 352	3 124	6 322	9 446

29. Table: Exports and imports

As in 2017, the exports and imports of rail passenger transportation related primarily to the EU Member States. Of the EU Member States, significant traffic is generated with Germany, Austria, Czech Republic, Slovakia and Romania, where the settlement is based on the use of the rail passenger cars. In relation to the non-EU Member States, the Swiss and Serbian traffic is the largest in the export and import of services.

Our largest foreign suppliers are Austria, Belgium, Poland, Germany and Slovakia.

II.2.2 Capitalised own performance

figures in HUF millions

Activity	2017	2018	Change
Change in work in progress	361	148	-213
Change in finished products	252	78	-174
Changes in self-produced inventories	613	226	-387

30. Table: Change in self-produced inventories

figures in HUF millions

Activity	2017	2018
Change in self-produced inventories	613	226
Capitalised self-produced assets	11 126	15 096
Capitalised own output	11 739	15 322

31. Table: Capitalised own performance

Capitalised own performance includes the change in self-produced inventories produced and the capitalised value of self-produced assets produced. Of the latter, improvement of own and leased vehicles are the most material at HUF 14,358m.

II.2.3 Expenses by type

figures in HUF millions

Item	2017		2018		Change
	Amount	Percentage (%)	Amount	Percentage (%)	
Material-type expenses, total	163 703	62,04	168 888	60,79	5 185
Payments to persone total	80 120	30,36	88 923	32,01	8 803
Depreciation charge, total	20 054	7,60	19 989	7,20	-65
Total.	263 877	100,00	277 800	100,00	13 923

32. Table: Expenses

II.2.3.1 Material-type expenses

figures in HUF millions

Item	2017	Percentage within total cost in 2017	2018	Percentage within total cost in 2018	Change
Material cost					
Electricity	10 809	4,10	12 685	4,57	1 876
Warehouse materials used	17 712	6,71	19 781	7,12	2 069
Fuel	7 049	2,67	7 661	2,76	612
Uniforms and protective beverage	756	0,29	1 010	0,36	254
Ticket rolls	172	0,07	219	0,08	47
Gas	232	0,09	274	0,10	42
Water and sewage	137	0,05	123	0,04	-14
Other materials	1 137	0,43	1 015	0,37	-122
Material costs, total:	38 004	14,40	42 768	15,40	4 764
Services used					
Rail network access charge	72 654	27,53	73 509	26,46	855
Revenues from rail and road cars	9 154	3,47	7 419	2,67	-1 735
Railcar rent, RIC and other usage charges	5 989	2,27	4 491	1,62	-1 498
Railcar maintenance	6 187	2,34	7 909	2,85	1 722
Train heating/cooling, car tests, train replacement, call center, labour hire and other railway operating services	2 920	1,11	2 557	0,92	-363
Property rents	2 344	0,89	2 286	0,82	-58
IT services	3 830	1,45	4 235	1,52	405
Procurement and inventory management services	1 753	0,66	1 729	0,62	-24
Building management, maintenance	1 990	0,75	2 286	0,82	296
Traction and shunting	1 820	0,69	1 732	0,62	-88
Railcar cleaning, graffiti removal	2 915	1,10	3 168	1,14	253
Security services	2 007	0,76	2 159	0,78	152
Training and human services	2 169	0,82	2 498	0,90	329
Ticket sales commission	1 090	0,41	1 009	0,36	-81
Other maintenance	844	0,32	1 111	0,40	267
Accounting and financial services	638	0,24	610	0,22	-28
Public utilities (sewage, remote heating)	421	0,16	463	0,17	42
Telecom and postal services	359	0,14	345	0,12	-14
Secondment	404	0,15	461	0,17	57
Advertising, promotion, market surveys	731	0,28	175	0,06	-556
Railtrack measuring, cleaning, welding	39	0,01	23	0,01	-16
Other rents	146	0,06	206	0,07	60
Legal	22	0,01	32	0,01	10
Experts, tenders, authorship	68	0,03	94	0,03	26
Track maintenance	2	0,00	5	0,00	3
Other services used	421	0,16	505	0,18	84
Services used, total:	120 917	45,83	121 017	43,56	100
Other services					
Duties and similar	544	0,21	539	0,19	-5
Insurance premium	992	0,38	1 068	0,38	76
Bank costs	410	0,16	454	0,16	44
Other services, total:	1 946	0,75	2 061	0,74	115
Cost of goods sold	163	0,06	233	0,08	70
(Consignment) services sold	2 673	1,01	2 809	1,01	136
Material-type services, total:	163 703	62,06	168 888	60,79	5 185

33. Table: Material-type expenses

Material costs totalled HUF 42,768m in 2018, a HUF 4,764m on 2017. Warehouse materials used increased by HUF 2,069m and electricity costs increased by HUF 1,876m on the previous year (of which the increase in traction electricity was HUF 1,874m).

The notable (33.60%) increase in uniform costs was due to the fact that, in 2018, MÁV Szolgáltató Központ Zrt. managed to make up for a significant portion of previously undelivered benefits in addition to meeting actual benefit obligations for the reporting year.

Services used totalled HUF 121,017m, which is a slight (HUF 100m) increase on 2017.

Rail network access charges increased by HUF 855m and rail vehicle maintenance costs by HUF 1,722m. This was counterbalanced by savings of HUF 1,735m in (rail and road) vehicle rentals and HUF 1,498m railcar usage charges (e.g. RIC, RAILJET) saved.

The most significant expense item (at 76.06%) was advertising, promotion and market survey costs (HUF 556m), while expenses on other rail operations were by HUF 363m less than in 2017 (including a HUF 275m decrease in train replacement buses and a HUF 32 drop in hired labour costs).

II.2.3.2 Payments to personnel

figures in HUF millions

Item	2017	Percentage within total costs in 2017 (%)	2018	Percentage within total costs in 2018 (%)	Change
Payroll costs	57 314	21,72	64 721	23,30	7 407
Other payments to personnel	7 834	2,97	8 872	3,19	1 038
Payroll taxes	14 972	5,67	15 330	5,52	358
Payments to personnel, total:	80 120	30,36	88 923	32,01	8 803

34. Table: Payments to personnel

The minimum wages in 2018 were based on government decree No. 430/2016. (XII. 15.) on the statutory minimum wage and the guaranteed wage minimum: the minimum wage increased by 8%, the wage minimum in positions that require a technical qualification increased by 12% on 2017. In March 2017, MÁV Group signed a three-year agreement with the workers unions, according to which a 30% wage increase will take place by the end of 2019. Accordingly, the average wage increase was 12% in 2018. Payments to personnel include the extra payments to on-call staff and other measures that materially improved the job market status of MÁV-START Zrt. employees and the Company's ability to retain and recruit staff for strategic positions.

II.2.3.3 Depreciation charge

figures in HUF millions

Item	2017	Percentage within total costs in 2017 (%)	2018	Percentage within total costs in 2018 (%)	Change
Depreciation charged on a straight line basis	19 444	7,37	19 656	7,08	212
Fully expensed	611	0,23	333	0,12	-278
Depreciation charge, total:	20 054	7,60	19 989	7,20	-65

35. Table: Depreciation charge

Ordinary depreciation was by HUF 65m less than in the previous year.

Depreciation in the current year was HUF 19,989m, of which 79.5% relates HUF 15,944m depreciation charged on railcars.

Extraordinary depreciation totalling HUF 8m was recognised in 2018.

II.2.4 Other income and expenses

II.2.4.1 Other income

figures in HUF millions

Item	2017	Percentage (%)	2018	Percentage (%)	Change
Tangible and intangible asset disposals	12	0,01	10	0,01	-2
Reversed extraordinary depreciation of tangible and intangible assets	0	0,00	0	0,00	0
Reversed impairment loss on inventories	451	0,28	106	0,06	-345
Receivables sold	225	0,14	0	0,00	-225
Reversed impairment loss on receivables	0	0,00	2	0,00	2
Collected impaired receivables	19	0,01	15	0,01	-4
Damages received	245	0,15	258	0,15	13
Late payment penalties collected	4	0,00	15	0,01	11
Penalties collected	131	0,08	255	0,15	124
Provision for expected liabilities, released	792	0,49	1 601	0,92	809
Provision for future expenses, released	771	0,48	384	0,22	-387
Provision for unrealised foreign exchange losses, released	2	0,00	1 322	0,76	1 320
Other provisions released	0	0,00	0	0,00	0
Subsidies and allowances received to make up for costs and expenses	5 127	3,20	0	0,00	-5 127
Public service reimbursement	147 760	92,12	165 890	94,99	18 130
Positive difference between the the value of contribution in kind in the articles of association and the book value of the contributed assets	0	0,00	0	0,00	0
Development subsidies received	4 788	2,99	4 687	2,68	-101
Surplus assets received free of charge, found during asset count	0	0,00	3	0,00	3
Miscellaneous other income	69	0,04	96	0,05	27
Total:	160 396	100,00	174 644	100,00	14 248

36. Table: Other income

Reversed impairment loss on inventories declined by HUF 345m in 2018 compared to 2017.

Receivables sold decreased by HUF 225m as no receivable was sold in 2018.

Provisions for expected liabilities released increased by HUF 809m in 2018 as a result of releasing significant provisions made for litigations related to on-call employment, for uniform liabilities and for damages.

Releases from provisions for future expenses fell by HUF 387m on the previous year as a result of using HUF 384m from the provision made for the maintenance costs of TRAXX locomotives.

Of the provision for unrealised foreign exchange losses, HUF 1,320m more was released than in the previous year as the related provision was released upon the bullet payment of Eurofima loan No. 11.

Subsidies and grants received to fund costs and expenses fell by HUF 5,127m as no such subsidy or grant was recognised in 2018.

The change in development subsidies received was affected by the release of the related subsidies in proportion to the depreciation of capitalised subsidised assets.

The public service cost reimbursement for the reporting year is presented in detail in Chapter V.

II.2.4.2 Other expenses

figures in HUF millions

Item	2017	Percentage (%)	2018	Percentage (%)	Change
Expenses on disposed of tangible and intangible assets, capital projects	5	0,11	9	0,28	4
Expenses of scrapped and missing tangible and intangible assets, capital projects	65	1,49	19	0,59	-46
Extraordinary depreciation of tangible and intangible assets	0	0,00	8	0,25	8
Inventories impaired, scrapped	580	13,28	136	4,20	-444
Missing inventories	9	0,21	10	0,31	1
Impairment of receivables	72	1,65	70	2,16	-2
Bad debts written off	0	0,00	0	0,00	0
Book value of receivables sold	0	0,00	0	0,00	0
Losses from damage events	26	0,60	7	0,22	-19
Late payment penalties paid	11	0,25	44	1,36	33
Damages paid	218	4,99	142	4,39	-76
Tax paid as a result of self-audit	1	0,02	3	0,09	2
Taxes and similar charges	206	4,72	196	6,05	-10
Penalties, fines	13	0,30	37	1,14	24
Provisions for expected liabilities	1 552	35,55	714	22,06	-838
Provisions for future expenses	1 195	27,37	1 170	36,14	-25
Provisions for unrelieved foreign exchange losses	112	2,57	150	4,63	38
Other provisions	0	0,00	0	0,00	0
Negative difference between the the value of contribution in kind in the articles of association and the book value of the contributed assets	0	0,00	0	0,00	0
Housing grants to employees	0	0,00	0	0,00	0
Assets assigned and services provided free of charge	0	0,00	206	6,36	206
Forgiven receivables	0	0,00	7	0,22	7
Amounts transferred free of charge	297	6,80	305	9,42	8
Assumed debt	0	0,00	0	0,00	0
Other liabilities	0	0,00	0	0,00	0
Miscellaneous other expenses	4	0,09	3	0,09	-1
Total:	4 366	100,00	3 237	99,97	-1 129

37. Table: Other expenses

Other expenses fell by HUF 1,129m on the previous year, mostly as a result of a HUF 444m decrease in impairment of inventories and scrapping (primarily the impairment loss of engineering materials). Provisions for expected liabilities decreased by HUF 838m on the previous year, of which the most material was HUF 289m made for redundancy liabilities in 2018. Assets granted free of charge and services provided free of charge increased by HUF 206m compared to 2017. Of this increase, the most significant item was services provided free of charge totalling HUF 206m. („JÉ” software delivery, granting software access rights free of charge).

II.2.5 Financial profit or loss

II.2.5.1 Financial income

figures in HUF millions

Item	2017	Percentage (%)	2018	Percentage (%)	Change
Dividends received (due)	0	0,00	1	0,20	1
Proceeds and foreign exchange gains on investments	0	0,00	0	0,00	0
Proceeds and foreign exchange gains on non-current financial assets (securities, loans)	0	0,00	0	0,00	0
Bank interest received (due) and similar income	16	4,44	9	1,84	-7
Other interest received (due) and similar income	2	0,56	14	2,87	12
Realised foreign exchange gains on receivables and liabilities in foreign exchange	306	85,00	410	84,02	104
Foreign exchange gains on future and forward contracts	0	0,00	0	0,00	0
Foreign exchange gains on the year-end revaluation of receivables and liabilities	11	3,06	0	0,00	-11
Other financial income	25	6,94	54	11,07	29
Total:	360	100,00	488	100,00	128

38. Table: Financial income

Income from financial transactions increased by HUF 128m on the previous year. This change was significantly affected by a HUF 104m increase in the realised foreign exchange gain on foreign exchange receivables and liabilities as a result of exchange rate fluctuation.

II.2.5.2 Financial expenses

figures in HUF millions

Item	2017	Percentage (%)	2018	Percentage (%)	Change
Expenses and foreign exchange losses on investments	0	0,00	0	0,00	0
Expenses and foreign exchange losses on non-current financial assets (securities, loans)	0	0,00	0	0,00	0
Bank interest payable (paid) and similar charges	466	50,22	404	13,90	-62
Other interest payable (paid) and similar charges	0	0,00	0	0,00	0
Impairment loss on investments, securities and bank deposits	0	0,00	0	0,00	0
Realised foreign exchange losses on receivables and liabilities in foreign exchange	440	47,41	2 502	86,10	2 062
Foreign exchange losses on future and forward contracts	0	0,00	0	0,00	0
Foreign exchange losses on the year-end revaluation of receivables and liabilities	0	0,00	0	0,00	0
Other financial expenses	22	2,37	0	0,00	-22
Total:	928	100,00	2 906	100,00	1 978

39. Table: Financial expenses

Financial expenses increased by HUF 1,978m on the previous year, primarily as a result of a HUF 2,062m increase in realised foreign exchange losses on receivables and liabilities denominated in foreign exchange.

The year-end revaluation of foreign exchange items resulted in a HUF 399m realised foreign exchange loss on development project loans and a HUF 87m unrealised foreign exchange loss on other items. The Company used the option allowed by section 33(2) of the accounting act and carried forward the HUF 312m credit loss (net of gains).

II.2.6 Income from and expenses on related parties

figures in HUF millions

Item	Parent company	Fully consolidated subsidiaries	Non-fully consolidated subsidiaries	Total
Revenues				
Sales revenues, net	4 193	468	126	4 787
Other income	34	50	0	84
Financial income	1	4	0	5
Revenues, total:	4 228	522	126	4 876
Expenses				
Material-type expenses	110 538	11 709	29	122 276
of which: Material costs	23 977	1 849	0	25 826
Services used	86 228	9 860	29	96 117
Other services	281	0	0	281
(Consignment) services sold	51	0	0	51
Payments to personnel	35	37	5	77
Other expenses	173	24	0	197
Financial expenses	0	8	0	8
Expenses, total:	110 746	11 778	34	122 558

40. Table: Income from and expenses on related parties

Among the revenues recognised from the parent company, sold domestic IC surcharges and seat reservations, special train traffic and ticket revenues reached HUF 35m, shunting revenues totalled HUF 3,378m, other traction services HUF 154m and emergency and chemical accident prevention services totalled HUF 591m.

In relation to fully consolidated subsidiaries, the majority of the revenues were earned from MÁV FKG Kft. and MÁV KfV Kft. Revenues from MÁV FKG Kft. totalled HUF 212m, of which other traction services totalled HUF 60m and railcar maintenance and renovation revenues totalled HUF 87m. Revenues from MÁV KfV Kft. totalled HUF 170m, of which railcar maintenance and renovation revenues totalled HUF 158m.

No deferred income was recognised in relation to any Group entity.

The key expense items towards the parent company were as follows: railcar rent HUF 6,749m, railtrack network charge HUF 73,404m (incl. regional network access HUF 73,440m), traction fuel HUF 11,411m and traction electricity HUF 12,227m.

Of the fully consolidated subsidiaries, the largest partner was MÁV Szolgáltató Központ Zrt. with HUF 10,009m, of which the two material items included procurement and inventory management services (uniforms) at HUF 1,009m and IT maintenance and service costs totalling HUF 3,119m.

The classification of related parties is based on the Group categories defined from the perspective of the ultimate parent company (MÁV Zrt.).

II.2.7 Corporate tax base adjusting items

figures in HUF millions

Item	Increasing items	Reducing items	Change in tax base
Pre-tax profit			6 779
Adjustment due to provisions	1 884	1 986	-102
Adjustment due to depreciation	19 997	31 971	-11 974
Costs and expenses incurred outside the normal course of business	159	0	159
Penalty/reimbursement identified by authorities	14	0	14
Dividends received	0	1	-1
Adjustment due to the employment of vocational trainees	0	30	-30
Permanent employment of trainees or jobless	0	6	-6
Impairment loss on receivables recognised/reversed	70	18	52
Expense/income identified by tax audit, self-audit	392	598	-206
Donations	0	70	-70
Other than arm's length prices used in related party transactions	0	0	0
Total:	22 516	34 680	-5 385

41. Table: Corporate tax base adjusting items

The corporate tax base is established from the pre-tax profit, which must be adjusted with items increasing or decreasing the tax base specified by law.

At MÁV-START Zrt., the following major items amended the pre-tax profit:

- The provision for expected liabilities and for future expenses increased the tax base by HUF 1,884m, while released provisions reduced the tax base by HUF 1,986m.
- The tax base was increased by the actually charged amount of ordinary depreciation and expensed disposed of assets totalling HUF 19,997m. Depreciation charged up to the limits specified in section 7(1)d) and appendices 1 and 2 of the corporate tax act reduces the tax base – for MÁV-START Zrt., this amount was HUF 31,971m for 2018.
- costs incurred outside the normal course of business in 2018 totalled HUF 159m (HUF 150m grant through MÁV Zrt. to reduce the passenger transport cost of Gyermekvasút [Children's Railway] and donations of HUF 9m to civil organisations and municipalities) increased the corporate tax base.

MÁV-START Zrt. does not have any corporate tax payment liability to the Hungarian Tax Authority as an overall result of the pre-tax profit and the adjusting items.

In previous years, the Hungarian Tax Authority (NAV) conducted a comprehensive tax audit at MÁV-START Zrt. for all fiscal years ended 2011 and for the fiscal years of 2014-2015.

NAV did not conduct any audit at the Company in 2018 that would have resulted in a period closed with a tax audit nor made any observations in that respect.

The tax authority may examine the books and records at any time for up to 6 (six) years after the respective tax year and may revise assessments or impose penalties. The managers of the Company are not aware of any condition based on which the Company could incur any related obligation.

II.2.8 Profit and loss account using the cost of sales method

The Company does not prepare a profit and loss account with the cost of sales method.

II.2.9 Other P&L related disclosures

The Company's management proposes the distribution of dividends as set out in the business plan upon approval of the financial statements for 2018.

II.3 Cash flow statement

The Company's cash flow statement for 2018 is presented in the following table:

figures in HUF millions

Serial No	Item	year 2017	year 2018
I.	Operating cash flows (lines 1-17)	8 914	13 127
1.	Pre-tax profit or loss ±	3 210	6 779
1a.	Dividends received -	0	-1
1b.	Amounts received/transferred free of charge recognised in profit or loss ±	252	305
1c.	Unrealised foreign exchange gain or loss on liquid assets ±	1	1
1e.	Unrealised foreign exchange gain or loss on non-current assets and long-term liabilities ±	-53	334
1f.	Realised foreign exchange gain or loss related to the repayment of long-term loans and long-term liabilities ±	-3	418
1j.	Other non-specified pre-tax profit or loss adjustments ±	88	33
2.	Amortisation charge +	20 054	19 989
3.	Impairment loss recognised and reversed ±	266	125
4.	Difference between provisions made and released ±	1 294	-1 273
5.	Losses on non-current asset disposals ±	-6	-2
6.	Movements in creditors +	-50 366	-7 345
7.	Movements in other current liabilities ±	37 191	10 813
8.	Movements in accrued expenses and deferred income ±	-2 901	-8 433
9.	Movements in debtors ±	-1 275	275
10.	Movements in current assets (less debtors and liquid assets) ±	-18 988	-10 856
11.	Movements in prepaid expenses and accrued income ±	20 852	4 165
12.	Income taxes paid, payable -	-2	0
13.	Dividends paid, payable -	-700	-2 200
II.	Investing cash flows (lines 18-21)	-4 497	-20 358
14.	Non-current asset additions -	-4 498	-20 388
15.	Non-current asset disposals +	1	29
16.	Dividends received +	0	1
III.	Financing cash flows (lines 22-32)	-1 725	5 483
17.	Shares issued, capital injection +	0	1 865
18.	Issue of bonds and debt securities +	0	0
19.	Loans and borrowings taken +	0	15 401
20.	Long-term loans and bank deposits repaid, terminated, redeemed +	1	1
21.	Amounts received free of charge +	1 352	193
22.	Shares withdrawn, disinvestment (capital reduction) -	0	0
23.	Bonds and debt securities repaid -	0	0
24.	Loans and borrowings repaid -	-2 695	-11 558
25.	Long-term borrowings granted and bank deposits -	0	0
26.	Amounts transferred free of charge -	-296	-305
27.	Movements in liabilities to founders and in other long-term liabilities ±	-86	-114
IV.	Cash flows (I.+II.+III.)	2 693	-1 748
28.	Unrealised foreign exchange gain or loss on cash and cash equivalents	-1	-1
V.	Change in cash and cash equivalents (IV.+28.)	2 692	-1 749

42. Table: Cash flow statement

Elaboration of the key lines:

The pre-tax profit was HUF 6,779m.

The change in cash and cash equivalents (line IV) reflects the Cash and cash equivalents line in the balance sheet line (B. IV.) which shows a decrease of HUF 1,749m. This change was due to the following factors:

- Operating cash flows relating to core operations show inflows of HUF 13,127m in 2018.
- There was a HUF -20,358m outflow from investing cash flows as a result of tangible asset acquisitions.
- Financing cash flows show an inflow of HUF 5,483m as a result of overdrafts and other long-term loans taken, repayments of development project loans and the capital injection received.

II.4 True and fair asset, financial and income position

Assets

Non-current asset ratio

$$\frac{\text{Non-current assets}}{\text{Total assets}} = \frac{262\,386}{344\,341} = 76,20\% \quad (2017: 76,38 \%)$$

Tangible asset margin

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{126\,771}{255\,980} = 49,52\% \quad (2017: 50,00 \%)$$

Fixed asset margin

$$\frac{\text{Equity}}{\text{Own non-current assets}} = \frac{126\,771}{262\,386} = 48,31\% \quad (2017: 48,82 \%)$$

Current assets to non-current assets

$$\frac{\text{Current assets}}{\text{Non-current assets}} = \frac{77\,597}{262\,386} = 29,57\% \quad (2017: 27,51 \%)$$

Equity and liabilities

Gearing ratio

$$\frac{\text{Equity}}{\text{Total equity and liabilities}} = \frac{126\,771}{344\,341} = 36,82\% \quad (2017: 37,29 \%)$$

Borrowed capital ratio

$$\frac{\text{Borrowed capital (Liabilities)}}{\text{Equity}} = \frac{106\,224}{126\,771} = 83,79\% \quad (2017: 70,03 \%)$$

Indebtedness ratio

$$\frac{\text{Borrowed capital (Liabilities)}}{\text{Total equity and liabilities}} = \frac{106\,224}{344\,341} = 30,85\% \quad (2017: 26,12 \%)$$

Long-term liabilities ratio

$$\frac{\text{Long-term liabilities}}{\text{Long-term liabilities} + \text{Equity}} = \frac{16\,988}{143\,759} = 11,82\% \quad (\text{2017: } 9,55\%)$$

Equity increase ratio

$$\frac{\text{Equity}}{\text{Issued capital}} = \frac{126\,771}{43\,742} = 2,90 \quad (\text{2017: } 2,79)$$

Profitability ratios

$$\text{EBITDA (operating profit} + \text{depreciation)} = 9\,197 + 19\,989 = 29\,186 \quad (\text{2017: } 23.832 \text{ M Ft})$$

$$\text{EBITDA rate} = \frac{\text{EBITDA}}{\text{Sales revenues, net}} = \frac{29\,186}{100\,268} = 29,11\% \quad (\text{2017: } 23,86\%)$$

$$\text{Return on sales (ROS)} = \frac{\text{Operating profit}}{\text{Sales revenues, net}} = \frac{9\,197}{100\,268} = 9,17\% \quad (\text{2017: } 3,78\%)$$

Financial position
Working capital and liquidity

Net working capital

$$\text{Current assets} - \text{Current liabilities} = 77\,597 - 89\,236 = -11\,639 \quad (\text{2017: } -3.809 \text{ M Ft})$$

Liquidity ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{77\,597}{89\,236} = 86,96\% \quad (\text{2017: } 94,76\%)$$

Quick ratio

$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} = \frac{53\,681}{89\,236} = 60,16\% \quad (\text{2017: } 71,46\%)$$

Cash liquidity

$$\frac{\text{Liquid assets}}{\text{Current liabilities}} = \frac{1\,837}{89\,236} = 2,06\% \quad (\text{2017: } 4,93\%)$$

II.5 Balance sheet and profit and loss account for items affecting previous years

The impact of the errors detected for the previous years in 2018 was below the threshold defined in the accounting policies and therefore the detected errors were recognised in the profit or loss for the reporting year and not in a separate column.

III Other information

III.1 Environment protection

MÁV-START Zrt's environmental service provider is MÁV SZK Zrt's Environmental Unit which delivers environmental services based on the underlying general service contract (Back-office contract) as amended for each year. Any environmental work done is accounted for based on the number of hours and each task is carried out based on recurring and one-off orders. The Company's Safety Directorate is in charge of the technical management of our environmental activities.

Based on past experience, we invited ALCUFER Kft. to participate again in the annual tender for the disassembly of scrapped railcars. Some of the selected 13 vehicles are not movable and therefore must be disassembled on location. The rest of the vehicles will be disassembled at the contractor's premises. A procurement tender took place upon similar terms for the disassembly of vehicles planned to be scrapped in 2019.

Further to a reported incident, the police conducted an inspection at the premises our Szolnok vehicle repairs workshop in May, followed by an audit by MÁV Zrt's Safety Directorate. The inspection and the audit related to waste disposal document and while no criminal act was detected, the possibility of criminal action was identified. Proper action has been taken on the recommendations for improvement and prevention sent by the Directorate along with the report on their audit.

In order to hold up the spread of the African swine fever, the Hungarian food safety authority (NÉBIH) requested MÁV Group to place billboards warning about banning pork meat imports and showing the correct disposal process of meat waste across MÁV's network. During a personal discussion, A4-size placards on waste disposal were displayed in cross-border trains. The placards remain in place for the time being as the end date is currently unknown. The same placards were also displayed in station buildings upon MÁV Zrt's approval.

The Company continued the renovation of the vehicle washing and cleaning facilities, and the sewage treatment equipment. As a result, a car wash was built in Nagykanizsa, plus a car wash point at the railway station and an emulsion breaker at the premises of the Vehicle Safety Directorate in Celldömölk. We have a general contract for the maintenance of our 11 sewage treatment facilities nationwide.

In 2018, the Traffic Science Institution (KTI) had to update the Company's noise reduction action plan in accordance with the EU directive on the preparation of a strategic noise map and with local regulations. The Institution was given all the necessary information at the beginning of the year. MÁV Group has not received any further information about the action plan.

No environmental damage had to be rectified in 2018 because of an accident involving any of the Company's vehicles. However, the normal operations of traction vehicles caused pollution in 2018 at a building site at Sárospatak station. Here, pollution took place on the light track ballast because of repeated locomotive faults and continuous surface pollution is also probable – surveys so far indicate that action needs to be taken regarding the locomotive stand. MÁV Zrt. and the contractor will negotiate about a possible soil drilling. Because of the repeated incidents, an invoice is probable from MÁV Zrt.

The Disaster Prevention Authority of Jász-Nagykun-Szolnok County, as first instance water protection authority, conducted an inspection at the Vehicle Repair Workshop in Szolnok on 27 March 2018. All the on-site rain drainage and sewer systems and the thermal well were inspected. The inspection found noncompliance with the issued water licence as the shutter valves installed in the past years were not included in the licence. The Authority requested documents and proposals for both the rain drainage pipes and the sewage pipes. All were prepared and submitted in time by our environmental services provider, in co-operation with the technicians of the depot. As a result of the environmental audit, the water licence of the repair depot must be renewed.

III.1.1 Environmental obligations

figures in HUF millions

Item	Opening	Increase	Decrease	Closing
Soil pollution	0	0	0	0
Noise fine	0	0	0	0
Provisions, total	0	0	0	0

43. Table: Environmental reserve and provisions

The Company had no environmental reserve in 2018.

figures in HUF millions

Costs	2017	2018	Change
Environmental costs	262	377	115

44. Table: Environmental expenses

III.1.2 Tangible assets directly serving environment protection

figures in HUF millions

Serial No.	ITEM	Properties and related rights	Technical machinery, equipment	Other equipment, fittings, vehicles	Capital projects, renovations	Total
1.	<i>Cost, opening</i>	55	92	0	0	147
2.	Additions	126	103	0	0	229
3.	Disposals	0	0	0	0	0
4.	Reclassified	0	0	0	0	0
5.	<i>Cost, closing</i>	181	195	0	0	376
6.	<i>Depreciation, opening</i>	6	45	0	0	51
7.	Ordinary depreciation in 2018	2	9	0	0	11
8.	Extraordinary deprec. in 2018	0	0	0	0	0
9.	Extraordinary deprec., reversed	0	0	0	0	0
10.	Depreciation written off	0	0	0	0	0
11.	Other increase	0	0	0	0	0
12.	Other decrease	0	0	0	0	0
13.	Reclassified	0	0	0	0	0
14.	<i>Depreciation, closing</i>	8	54	0	0	62
15.	<i>NBV, opening</i>	49	47	0	0	96
16.	<i>NBV, closing</i>	173	141	0	0	314

45. Table: Tangible assets directly serving environment protection

Depreciation is charged on MÁV-START Zrt's environmental assets, just as for all other tangible assets, on a straight line basis over the useful life of the asset.

III.1.3 Hazardous waste values and quantities

Waste resulting from the Company's operations is continuously disposed of.

- Movements in hazardous waste

figures in HUF millions

EWC ID	Item	Opening	Increase	Decrease	Closing
13 02 05*	Non-chlorine lubricants	1	6	6	1
13 03 07*	Crude oil based, non-chlorine insulation and heat transmission oils	0	1	1	0
16 06 01*	Lead batteries	3	11	10	4
Total		4	18	17	5

46. Table: Hazardous and polluting waste

- Movements in waste oil

figures in HUF millions

Receiver	2017		2018	
	Sold (kg)	Sold, net value	Sold (kg)	Sold, net value
MOL-LUB Kft.	134 927	8	124 281	7

47. Table: Waste oil disposed of

• Hazardous waste and pollutant quantities

figures in kgs

ID code	Item	Opening	Additions	Disposals	Closing
06 01 06*	Acidic sulphur waste	0	182	30	152
06 02 04*	Natrium and potassium hidroxide	0	0	0	0
07 01 04*	Other organic solvents, washing liquids and solid caustics	81	135	0	216
07 06 03*	Halogenic organic solvents, washing liquids	193	0	0	193
08 01 11*	Waste paint and varnish containing organic solvents and other hazardous substances	2 182	9 047	8 613	2 616
08 01 17*	Waste containing organic solvents or pther hazardous substances from the removal of paint and varnish	6 263	18 495	18 482	6 276
08 03 17*	Toner waste with hazardous substances	945	1 374	804	1 515
08 04 09*	Waste adhesive, filling and sealing agents with organic solvents and other hazardous substances	1 778	3 735	2 925	2 588
10 04 02*	Blast furnace slag/cinder from primary and secondary production and	0	654	654	0
11 01 98*	Material with other hazardous substances	1 348	4 699	4 699	1 348
12 01 09*	Non-halogenic cooling-lubricant emulsions and solutions	298	643	643	298
12 01 12*	Waste wax and grease	876	2 488	1 959	1 405
12 01 16*	Sand blast waste with hazardous substances	0	6 792	6 792	0
12 01 18*	Oil stained metal sludge (from buffing,honing,lapping)	4 538	13 812	13 812	4 538
13 01 13*	Other hydraulic oils	1 549	1 000	670	1 879
13 02 05*	Chlorine engine and other lubricants	18 422	118 797	113 287	23 932
13 02 08*	Other engine and gear lubricants	0	112	112	0
13 03 07*	Mineral oil based,non-chlorine insulation and heat transmitting oils	2 142	13 725	10 994	4 873
13 05 02*	Sludge from oil/water separators	2 766	151 537	151 137	3 166
13 05 06*	Oil from oil/water separators	0	3 886	3 886	0
13 05 08*	Mixed waste from de-gritter and from oil/water separators	148	524 908	524 908	148
13 07 01*	Burning oil and diesel oil	1 160	874	874	1 160
13 07 03*	Other fuel	680	0	0	680
13 08 99*	Unspecified waste (stained fuel)	0	340	340	0
14 06 01*	Chlorine-fluorine-hydrocarbons, HCFC, HFC	0	213	133	80
14 06 03*	Other solvent mixes	120	2 490	2 470	140
15 01 10*	Packaging with hazardous content or stains	5 959	44 969	42 906	8 022
15 01 11*	Metal packaging with hazardous solid porous matrix (e.g. asbestos) including empty sprav cans	597	1 215	776	1 036
15 02 02*	Absorbents, filters (incl. Non-specified oil filters), clothes and protective clothing stained with hazardous materials	13 136	61 668	54 471	20 333
16 01 04*	Vehicles no longer fit for use as a product	0	6 000	0	6 000
16 01 07*	Oil filters	1 842	8 480	7 677	2 645
16 01 14*	Anti-freeze with hazardous substances	2 685	3 626	3 336	2 975
16 01 21*	Hazardous spare parts	252	1 626	406	1 472
16 02 13*	Decommissioned equipment	447	220	60	607
16 03 03*	Inorganic waste with hazardous substances	187	71	44	214
16 03 05*	Organic waste with hazardous substances	2 241	8 040	3 924	6 357
16 05 06*	Laboratory chemicals with hazardous substance contents	36	88	0	124
16 05 07*	Demissioned inorganic checmicals with hazardous substance contents	244	158	28	374
16 06 01*	Lead batteries	14 735	62 584	56 720	20 599
16 06 06*	Electrolites collected separately from batteries	1 000	9 910	9 910	1 000
16 07 08*	Oil stained waste	1 182	600	0	1 782
16 10 01*	Hazardous liquid waste	0	27 625	27 565	60
17 02 04*	Stained/contaminated glass, plastic, timber	20	430	200	250
17 03 01*	Asphalt mix with coal tar content	0	0	0	0
17 04 09*	Stained/contaminated metal waste	135	0	0	135
17 04 10*	Oil stained, carbon stained or other hazardous cable waste	0	100	0	100
17 05 03*	Stained soil and stones	2 178	24 819	21 618	5 379
17 06 01*	Asbestos insulators	0	0	0	0
17 06 03*	Other insulators with hazardous material contents	50	1 912	1 906	56
18 01 03*	Other waste the collection and treatment of which require special conditions in order to avoid contamination	0	18	10	8
19 08 06*	Saturated or depleted ion-exchange resins	0	0	0	0
19 08 13*	Sludge from industrial sewage treatment with hazardous substances	11 460	335 460	335 460	11 460
20 01 21*	Light tubes and other mercurous waste	612	1 368	925	1 055
20 01 29*	Hazardous washing agents	78	0	0	78
20 01 33*	Batteries including those with codes 16 06 01, 16 06 02 and 16 06 03	244	1 201	866	579
20 01 35*	Hazardous scrapped electric and electronic equipment other than waste coded 20 01 21 and 20 01 23	4 603	16 797	12 355	9 045
20 01 37*	Contaminated timber	500	0	0	500
Total:		109 912	1 498 923	1 449 387	159 448

48. Table: Hazardous waste and pollutant quantities

III.2 Research and development expenses

R&D expenses, other technical development expenses and capitalised R&D activities are presented below:

figures in HUF millions

Item	2017	2018
R&D costs	<i>0</i>	<i>0</i>
Of which: Own R&D to be capitalised	<i>0</i>	<i>0</i>
Other indirect costs of technical development	0	0
Total:	<i>0</i>	<i>0</i>

49. Table: R&D expenses

figures in HUF millions

Item	Opening	Increase	Decrease	Closing
Cost	516	0	0	516
Depreciation	344	106	0	450
Net value	172			66
R&D in progress	0	0	0	0
Total:	172	106	0	66

50. Table: Capitalised R&D

In 2018, no expenses incurred in relation to R&D activities.

The closing value reflects the net value of experimental development relating to the IC+ railcars capitalised in 2014.

III.3 Subsidies

figures in HUF millions

Subsidy	Subsidy received (approved) (as in the underlying document)	2017						2018					
		Subsidised amount in previous year(s)	Subsidised amount	Unused subsidy	Disbursed subsidy	Paid from subsidy	Cash available from the subsidy at the balance sheet date	Subsidised amount in previous year(s)	Subsidised amount	Unused subsidy	Disbursed subsidy	Paid from subsidy	Cash available from the subsidy at the balance sheet date
Subsidised fares on social grounds*	19 028	1 178	17 850	0	16 520		-1 330	0	18 641	0	17 463	18 641	-1 178
Reimbursed excise tax on gasoline use*	5 210	788	4 422	0	3 659		-763	0	4 409	0	3 621	4 409	-788
Subsidies (project + cost)	246 291	150 812	7 498	87 981	191	0	-44	103 764	47 048	52 879	1 352	1 352	-44
<i>of which: GOP IC subsidy</i>	398	363	0	35	0	0	0	363	0	35	0	0	0
<i>KÖZOP-İKOP INKA</i>	671	524	105	42	105	0	0	455	69	147	5	5	0
<i>KDOP ticket machine</i>	395	7	0	388	0	0	0	7	0	388	0	0	0
<i>KÖZOP 42 trains</i>	73 091	72 398	0	693	0	0	0	72 398	0	693	0	0	0
<i>KÖZOP 6 trains</i>	11 005	10 886	0	119	0	0	0	10 886	0	119	0	0	0
<i>KÖZOP ticket machines</i>	685	674	0	11	0	0	0	674	0	11	0	0	0
<i>KÖZOP tickets sold</i>	1 599	1 407	0	192	0	0	0	1 407	0	192	0	0	0
<i>KÖZOP passenger information</i>	1 536	1 426	0	110	0	0	0	1 426	0	110	0	0	0
<i>İKOP 6 trains</i>	10 872	10 871	0	1	0	0	0	9 674	1 197	1	1 197	1 197	0
<i>İKOP 9 trains</i>	16 292	16 293	0	-1	0	0	0	6 474	9 819	-1	106	106	0
<i>İKOP 11 high capacity trains</i>	60 550	27 965	0	32 585	0	0	0	27 965	32 585	0	0	0	0
<i>İKOP Tram Train</i>	17 623	7 954	0	9 669	0	0	0	7 954	9 669	0	0	0	0
<i>ETCS 59 trains</i>	8 974	44	2 926	6 004	86	0	-44	0	44	8 930	44	44	-44
<i>İKOP 8 high capacity trains</i>	39 000	0	3 870	35 130	0	0	0	0	0	0	0	0	0
<i>İKOP- INKA2</i>	3 600	0	597	3 003	0	0	0	0	0	0	0	0	0
Prior years public service reimbursement settlements in 2018	37 405	32 386	5 019	0	26 056	0	-11 349	0	2 218	0	26 829	2 218	-10 015
Public service reimbursement for 2018	160 871	0	160 871	0	132 830	0	-28 041	0	145 542	0	123 171	145 542	-22 371
National Development Ministry subsidy for pay increase**	5 484	5 082	0	402	-402	0	0	0	5 082	402	5 484	5 082	-402
Total:	474 289	190 246	195 660	88 383	178 854	0	-41 527	103 764	222 940	53 281	177 920	177 244	-34 798

* Amount of statutory subsidy for the year

**the funds for pay increase in 2018 is included in the reimbursement for the year

51. Table: Subsidies recognised in the reporting year

The further details of subsidies are presented in Chapter IV.5 among the other disclosures relating to separated activities.

figures in HUF millions

Subsidised fares on social grounds	2017	2018
50% discount	3 540	3 394
90% discount	2 267	2 147
Students	6 904	6 370
OAPs over 70 (65)	5 930	5 940
Total:	18 641	17 850

52. Table: Subsidised fares

III.4 Average headcount, payroll cost and other payments to personnel

figures in HUF millions

Staff category	2017				2018			
	Payroll cost	Other payments to personnel	Total	Percentage (%)	Payroll cost	Other payments to personnel	Total	Percentage (%)
Blue collar	39 982	5 517	45 499	69,84	45 541	6 265	51 806	70,40
White collar	17 291	2 296	19 587	30,07	19 140	2 588	21 728	29,52
Inactive	41	21	62	0,10	40	19	59	0,08
Total:	57 314	7 834	65 148	100,00	64 721	8 872	73 593	100,00

53. Table: Payments to personnel, net of payroll taxes

figures in HUF millions

Payroll taxes	2017		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Social contribution tax	12 355	82,52	12 438	81,14
Rehabilitation contribution	801	5,35	849	5,54
Health care contribution	1 009	6,74	1 112	7,25
Vocational training contribution	807	5,39	931	6,07
Total:	14 972	100,00	15 330	100,00

54. Table: Payroll taxes by type

Staff category	2017		2018	
	Average statistical number of staff	Percentage (%)	Average statistical number of staff	Percentage (%)
Blue collar	9 774,0	69,33	9 767,6	69,96
White collar	4 323,0	30,67	4 195,0	30,04
Total number of staff:	14 097,0	100,00	13 962,6	100,00

55. Table: Number of employees

Staff category	Average pay (HUF/p/month)		Average pay per category (HUF/p/month)	
	2017	2018	2017	2018
- blue collar	331 836	380 192	219 733	258 184
- white collar	320 781	368 382	279 076	326 894
Full time staff	328 456	376 658	237 881	278 712

56. Table: Average salaries and salaries per statutory staff category including public workers

The Company did not employ any worker under the public employment scheme in 2018.

Category	2017	Percentage (%)	of which public workers	2018	Percentage (%)	Index 2018/2017	of which public workers
<i>Full time</i>	<i>13 943</i>	<i>99,74</i>	<i>0</i>	<i>13 937</i>	<i>99,64</i>	<i>99,96</i>	<i>0</i>
- blue collar	9 684	69,28	0	9 829	70,27	<i>101,50</i>	0
- white collar	4 259	30,47	0	4 108	29,37	<i>96,45</i>	0
<i>Part time</i>	<i>36</i>	<i>0,26</i>	<i>0</i>	<i>51</i>	<i>0,36</i>	<i>141,67</i>	<i>0</i>
- blue collar	11	0,08	0	18	0,13	<i>163,64</i>	0
- white collar	25	0,18	0	33	0,24	<i>132,00</i>	0
<i>Total number of staff</i>	<i>13 979</i>	<i>100,00</i>	<i>0</i>	<i>13 988</i>	<i>100,00</i>	<i>100,06</i>	<i>0</i>

57. Table: Number of employees at the end of the year

III.5 Information about senior officers and Supervisory Board members

III.5.1 Remuneration of executive officers and members of the Supervisory Board in the reporting year

figures in HUF millions

Category	2017	2018	Change
Senior officers	41	41	0
Supervisory Board	6	4	-2
Total:	47	45	-2

58. Table: Remunerations paid in 2018

III.5.2 Advance payments, loans disbursed to executive officers and Supervisory Board members, guarantees assumed on their behalf

No advances were paid or loans were disbursed to, nor were guarantees assumed on the behalf of executive officers and Supervisory Board members in 2018.

III.5.3 Pension payment obligations towards former executive officers and Supervisory Board members

The Company has no pension payment obligations towards its former executive officers or Supervisory Board members.

III.6 The Company's investments

figures in HUF

Company code	Name	Ownership (%)	Date of foundation/acquisition	Postcode	Seat	Address	Issued capital at 31 Dec 2018	Reserves at 31 Dec 2018 *	Net profit for 31 Dec 2018 *	Equity at 31 Dec 2018 *	Registered capital 1 Jan 2018	Accumulated impairment loss at 1 Jan 2018	Book value at 1 Jan 2018	
138	MÁV Szolgáltató Központ Zrt	0.25	2011.07.19	1087	Budapest	Könyves Kálmán körút 54-60.	801 000 000	1 436 209 139	197 410 385	2 434 619 524	3 000 000		2 000 000	
020	MÁV VAGON Kft	99.92	2014.01.01	8000	Székesfehérvár	Takarodó u. 1.	243 980 000	254 503 381	261 194 160	759 677 689	250 480 000		250 377 294	
<i>Fully consolidated subsidiaries, total:</i>												253 480 000	252 377 294	
<i>Non fully consolidated subsidiaries, total:</i>														
191	TS-MÁV Gépészet Services Kft	49.02	2011.12.14	1097	Budapest	Fék u. 8/a	3 000 000	206 271 000	26 129 797	285 160 455	250 000		250 000	
<i>Associate, total:</i>												250 000	250 000	
147	BCC	1.36	1997.01.28	B-1060	Bruxelles	40 Avenue de la Porte de Hal	35 446 478				469 680		465 210	
120	Vasútegészségügyi Kft	0.010	2013.10.07	1062	Budapest	Podmaniczky u. 109.	701 020 000	1 849 204 268	156 000	2 550 380 268	200 000		100 000	
<i>Other investments total:</i>												669 680	565 210	
Total:												254 399 680	0	253 192 504

*based on preliminary figures

59. Table: The Company's investments and opening balances

figures in HUF

Company code	name	Foundation	Purchase	Capital increase, injection	Capital decrease, divestment	Disposal	Reversal due to winding up, final settlement	Increase due to transformation	Decrease due to transformation	Exchange difference at the end of current year	Registered capital at 31.12. Current year	Impairment for the current year	Impairment reversal	Reversal due to sale, contribution	Accumulated impairment at 31.12. Current year	Registered value at 31.12. current year	Dividend in the Current year		
138	MÁV Szolgáltató Központ Zrt										2 000 000					2 000 000			
020	MÁV VAGON Kft										250 377 294					250 377 294			
<i>Fully consolidated subsidiaries Total:</i>												0	0	0	0	0	252 377 294		252 377 294
<i>Not fully consolidated subsidiaries Total:</i>												0					0		0
191	TS-MÁV Gépészet Services Kft										250 000					250 000			
<i>Associated companies Total:</i>												0	0	0	0	0	250 000		250 000
147	BCC									17 055	482 265					482 265			
120	Vasútegészségügyi Kft										100 000					100 000			
<i>Other participating interests Total:</i>												0	0	0	0	0	17 055		582 265
Total:												0	0	0	0	0	17 055	253 209 559	253 209 559

60. Table: Changes in the Company's investments in 2018

There was no change in MÁV-START Zrt's investments in 2018 other than the revaluation gain or loss on investments held in foreign exchange.

III.7 Disclosures of the exempted parent company

MÁV-START Zrt. exercises direct dominant control over MÁV VAGON Kft. due to its 99.92% participating interest held in the company.

figures in HUF millions

MÁV VAGON Kft.	2018.12.31
Non-current assets	580
Equity	760
Sales revenues, net	7 682
Net profit	261
Statistical number of staff	196

61. Table: MÁV VAGON Kft. reported figures as at 31 December 2018

III.8 Material not arm's length transactions with related parties

The Company had no significant not arm's length transactions in the reporting year.

III.9 Permanent establishments abroad

The Company has no permanent establishments abroad.

IV Annual supervisory report – Disclosures pursuant to decree 50/2007 of the Ministry for Economy and Transport and the Finance Ministry (GKM-PM) on the accounting unbundling of rail transport activities within railway companies

The balance sheet, profit and loss account and cash-flow statement prepared separately for the unbundled activities required in the supervisory report are included in the tables below and reflect the information of the:

- public service passenger transportation division (SK) with respect to passenger transportation performed based on public service contract
- non-public service division (SN) with respect to non-public service passenger transportation
- and the other activities division (E) with respect to non-passenger transport services.

IV.1 Balance sheet disclosures

figures in HUF millions

Line	Item	Public service passenger transport (SK)		Non-public service passenger transport (SN)		Other activities (E)		MÁV-START Zrt. Total	
		2 017	2 018	2 017	2 018	2 017	2 018	2 017	2 018
A.	NON-CURRENT ASSETS	249 602	257 360	667	5 026	0	0	250 269	262 386
I.	INTANGIBLE ASSETS	5 627	5 909	4	244	0	0	5 631	6 153
1.	Capitalised foundation/restructuring	0	0	0	0	0	0	0	0
2.	Capitalised research and development	172	66	0	0	0	0	172	66
3.	Concessions, licenses and similar rights	927	726	4	3	0	0	931	729
4.	Trade-marks, patents and similar assets	4 528	5 117	0	241	0	0	4 528	5 358
5.	Goodwill	0	0	0	0	0	0	0	0
6.	Advance payments for intangible assets	0	0	0	0	0	0	0	0
7.	Adjusted value of intangible assets	0	0	0	0	0	0	0	0
II.	TANGIBLE ASSETS	243 721	251 198	663	4 782	0	0	244 384	255 980
1.	Land and buildings and related property rights	2 913	3 029	1	1	0	0	2 914	3 030
2.	Plant, machinery, equipment and vehicles	200 648	197 371	354	2 775	0	0	201 002	200 146
3.	Other equipment, fixtures and fitting, vehicles	11	2	0	0	0	0	11	2
4.	Breeding stock	0	0	0	0	0	0	0	0
5.	Capital projects in progress	3 664	8 015	308	2 006	0	0	3 972	10 021
6.	Advance payments for capital projects	36 485	42 781	0	0	0	0	36 485	42 781
7.	Adjusted value of tangible assets	0	0	0	0	0	0	0	0
III.	NON-CURRENT FINANCIAL ASSETS	254	253	0	0	0	0	254	253
1.	Long-term investments in related parties	252	252	0	0	0	0	252	252
2.	Long-term loans granted to related parties	0	0	0	0	0	0	0	0
3.	Other long-term investments	0	0	0	0	0	0	0	0
4.	Long-term loans to significant investments	0	0	0	0	0	0	0	0
5.	Other long-term investments	1	1	0	0	0	0	1	1
6.	Long-term loans granted to other investments	0	0	0	0	0	0	0	0
7.	Other long-term loans granted	1	0	0	0	0	0	1	0
8.	Long-term debt securities	0	0	0	0	0	0	0	0
9.	Adjusted value of financial investments	0	0	0	0	0	0	0	0
10.	Gain/Loss on the valuation of financial investments	0	0	0	0	0	0	0	0
B.	CURRENT ASSETS	58 996	69 920	4 727	3 643	6 097	7 856	68 856	77 597
I.	INVENTORIES	15 551	20 836	1 077	3 039	301	41	16 929	23 916
1.	Materials	12 472	15 457	844	2 561	0	0	13 316	18 018
2.	Work in progress and semi-finished products	1 476	1 624	199	459	301	41	1 976	2 124
3.	Animals for breeding, fattening and other livestock	0	0	0	0	0	0	0	0
4.	Finished products	1 226	1 320	23	7	0	0	1 249	1 327
5.	Goods	0	0	11	12	0	0	11	12
6.	Advance payments for inventories	377	2 435	0	0	0	0	377	2 435
II.	RECEIVABLES	42 931	47 411	1 410	530	4 964	7 724	48 341	51 844
1.	Trade debtors	333	911	576	448	4 273	3 516	5 182	4 875
2.	Receivables from related parties	4 241	473	16	1	399	322	4 656	796
3.	Receivables from significant investments	0	121	0	0	32	64	32	185
4.	Receivables from other investments	18	18	0	0	0	0	18	18
5.	Bills of exchange receivable	0	0	0	0	0	0	0	0
6.	Other receivables	38 339	45 888	114	81	0	0	38 453	45 970
7.	Revaluation difference of receivables	0	0	0	0	0	0	0	0
8.	Gain on derivative transactions	0	0	0	0	0	0	0	0
	<i>Receivables from inter-division settlements</i>	0	0	704	0	260	3 822	0	0
III.	SECURITIES	0	0	0	0	0	0	0	0
1.	Equity investment in related parties	0	0	0	0	0	0	0	0
2.	Significant equity investment	0	0	0	0	0	0	0	0
3.	Other equity investments	0	0	0	0	0	0	0	0
4.	Treasury shares and quotas	0	0	0	0	0	0	0	0
5.	Marketable debt securities	0	0	0	0	0	0	0	0
6.	Revaluation difference of securities	0	0	0	0	0	0	0	0
IV.	LIQUID ASSETS	514	1 673	2 240	74	832	91	3 586	1 837
1.	Cash, cheques	176	152	6	3	0	0	182	155
2.	Bank deposits	338	1 521	2 234	71	832	91	3 404	1 682
C.	PREPAID EXPENSES AND ACCRUED INCOME	3 767	3 495	4 337	612	419	251	8 523	4 358
1.	Accrued income	307	1 171	4 335	612	419	251	5 061	2 034
2.	Prepaid expenses	1 153	1 285	2	0	0	0	1 155	1 285
3.	Deferred expenses	2 307	1 039	0	0	0	0	2 307	1 039
	ASSETS, TOTAL	312 365	330 775	9 731	9 281	6 516	8 107	327 648	344 341

62. Table: Asset side of MÁV-START Zrt's unbundled balance sheet

figures in HUF millions

Line	Item	Public service passenger transport (SK)		Non-public service passenger transport (SN)		Other activities (E)		MÁV-START Zrt. Total	
		2017	2018	2017	2018	2017	2018	2017	2018
D.	EQUITY	111 330	116 268	4 691	2 554	6 171	7 949	122 193	126 771
I.	ISSUED CAPITAL	43 627	43 627	115	115	0	0	43 742	43 742
	of which: treasury shares redeemed at face value	0	0	0	0	0	0	0	0
II.	ISSUED CAPITAL NOT PAID	0	0	0	0	0	0	0	0
III.	CAPITAL RESERVE	65 788	65 788	1 845	1 845	0	0	67 633	67 633
IV.	RETAINED EARNINGS	-463	1 331	2 378	531	4 907	6 171	6 823	8 033
V.	ALLOCATED RESERVES	787	584	0	0	0	0	787	584
VI.	REVALUATION RESERVE	0	0	0	0	0	0	0	0
1.	Revaluation reserve on value adjustments	0	0	0	0	0	0	0	0
2.	Revaluation reserve on fair value	0	0	0	0	0	0	0	0
VII.	PROFIT FOR THE YEAR	1 591	4 938	353	63	1 264	1 778	3 208	6 779
E.	PROVISIONS	7 506	6 288	66	11	0	0	7 572	6 299
1.	Provisions for expected liabilities	2 968	2 136	66	11	0	0	3 034	2 147
2.	Provisions for future expenses	2 846	3 632	0	0	0	0	2 846	3 632
3.	Other provisions	1 692	520	0	0	0	0	1 692	520
F.	LIABILITIES	85 605	103 600	898	6 420	35	26	85 573	106 224
I.	SUBORDINATED LIABILITIES	0	0	0	0	0	0	0	0
1.	Subordinated liabilities to related parties	0	0	0	0	0	0	0	0
2.	Subordinated liabilities to significant investments	0	0	0	0	0	0	0	0
3.	Subordinated liabilities to other investments	0	0	0	0	0	0	0	0
4.	Subordinated liabilities to third parties	0	0	0	0	0	0	0	0
II.	LONG-TERM LIABILITIES	12 903	16 985	3	0	3	3	12 908	16 988
1.	Long-term borrowings	0	0	0	0	0	0	0	0
2.	Convertible bonds	0	0	0	0	0	0	0	0
3.	Debts from the issue of bonds	0	0	0	0	0	0	0	0
4.	Investment and development loans	12 787	10 785	0	0	0	0	12 787	10 785
5.	Other long-term loans	0	6 163	0	0	0	0	0	6 163
6.	Long-term liabilities to related parties	0	0	0	0	0	0	0	0
7.	Long-term liabilities to significant investments	0	0	0	0	0	0	0	0
8.	Long-term liabilities to other investments	0	0	0	0	0	0	0	0
9.	Other long-term liabilities	116	37	3	0	3	3	121	40
III.	CURRENT LIABILITIES	72 702	86 615	895	6 420	32	23	72 665	89 236
1.	Short-term borrowings	0	0	0	0	0	0	0	0
	of which: convertible bonds	0	0	0	0	0	0	0	0
2.	Other short-term loans	11 140	9 681	0	1 958	0	0	11 140	11 639
3.	Prepayments received from debtors	3	4	0	0	0	1	3	5
4.	Creditors	5 977	9 512	746	605	1	0	6 724	10 117
5.	Bills of exchange payable	0	0	0	0	0	0	0	0
6.	Short-term debts to related parties	12 637	18 803	106	10	7	0	12 750	18 813
7.	Short-term debts to significant investments	1 228	2 040	0	0	0	0	1 228	2 040
8.	Short-term debts to other investments	12	9	0	0	0	0	12	9
9.	Other current liabilities	40 741	46 566	43	25	24	22	40 808	46 613
10.	Revaluation difference of liabilities	0	0	0	0	0	0	0	0
11.	Loss on the revaluation of derivative transactions	0	0	0	0	0	0	0	0
	Liabilities from inter-division settlements	964	0	0	3 822	0	0	0	0
G.	ACCRUED EXPENSES AND DEFERRED INCOME	107 924	104 619	4 076	296	310	132	112 310	105 047
1.	Deferred income	133	180	0	0	310	131	443	311
2.	Accrued expenses	3 861	4 030	4 076	296	0	1	7 937	4 327
3.	Deferred extraordinary revenues and negative goodwill	103 930	100 409	0	0	0	0	103 930	100 409
	EQUITY AND LIABILITIES, TOTAL	312 365	330 775	9 731	9 281	6 516	8 107	327 648	344 341

63. Table: Equity and liabilities side of MÁV-START Zrt's unbundled balance sheet

IV.2 Profit and loss account disclosures

figures in HUF millions

Line	Item	Public service passenger transport (SK)		Non-public service passenger transport (SN)		Other activities (E)		MÁV-START Zrt. Total	
		2 017	2 018	2 017	2 018	2 017	2 018	2 017	2 018
01.	Domestic sales, net	60 565	62 191	4 477	3 067	19 001	20 658	84 043	85 916
02.	Export sales, net	5	9 249	14 523	4 271	1 315	832	15 843	14 352
I.	Sales revenues, net (01.+02.)	60 570	71 440	19 000	7 338	20 316	21 490	99 886	100 268
	1. Revenues from other internal settlements	139 926	157 302	258	3 130	92	0	140 276	160 432
	4. Central management	18 249	18 933	3	0	1	0	18 253	18 933
IV.A.	Internal revenues recognised:	158 175	176 235	261	3 130	93	0	158 529	179 365
03.	Capitalised value of self produced assets	302	277	228	254	83	-305	613	226
04.	Movements in self produced inventories	10 922	10 684	204	4 412	0	0	11 126	15 096
II.	Capitalised own output (±03.+04.)	11 224	10 961	432	4 666	83	-305	11 739	15 322
III.	Other income	160 366	174 586	27	55	3	3	160 396	174 644
	of which: reversed impairment loss	451	108	0	0	0	0	451	108
05.	Materials	37 462	39 679	167	2 767	375	322	38 004	42 768
06.	Material type services used	113 957	118 559	6 858	2 423	102	35	120 917	121 017
07.	Other services	1 946	2 060	0	1	0	0	1 946	2 061
08.	Cost of goods sold	6	4	97	84	60	145	163	233
09.	Cost of (consignment) services	5	59	2 668	2 750	0	0	2 673	2 809
IV.	Material-type expenses (05.+06.+07.+08.+09.)	153 376	160 361	9 790	8 025	537	502	163 703	168 888
	1. Revenues from other internal settlements	117 014	138 763	7 415	5 511	15 849	16 158	140 277	160 432
	4. Central management	15 052	16 175	826	394	2 374	2 364	18 252	18 933
IV.A.	Internal expenses recognised	132 066	154 938	8 241	5 905	18 223	18 522	158 529	179 365
10.	Payroll cost	56 267	63 702	728	740	319	279	57 314	64 721
11.	Other payments to personnel	7 570	8 637	213	186	51	49	7 834	8 872
12.	Social security and other contributions	14 703	15 090	198	177	71	63	14 972	15 330
V.	Payments to personnel (10.+11.+12.)	78 540	87 429	1 139	1 103	441	391	80 120	88 923
VI.	Depreciation charge	19 920	19 902	121	87	13	0	20 054	19 989
VII.	Other expenses	4 270	3 214	83	14	13	9	4 366	3 237
	of which: impairment loss (862)	702	217	13	7	2	9	717	233
A.	OPERATING PROFIT (I+II+III-IV-V-VI-VII)	2 163	7 378	346	55	1 268	1 764	3 778	9 197
13.	Dividends (due) received	0	1	0	0	0	0	0	1
	of which: from related parties	0	1	0	0	0	0	0	1
14.	Foreign exchange gain on disposal of investments	0	0	0	0	0	0	0	0
	of which: from related parties	0	0	0	0	0	0	0	0
15.	Interest and gains on non-current financial investments	0	0	0	0	0	0	0	0
	of which: from related parties	0	0	0	0	0	0	0	0
16.	Other interest received (due) and similar income	18	23	0	0	0	0	18	23
	of which: from related parties	2	0	0	0	0	0	2	0
17.	Other financial income	140	284	196	163	7	17	342	464
	of which: revaluation difference	0	0	0	0	0	0	0	0
VIII.	Financial income (13.+14.+15.+16.+17.)	158	308	196	163	7	17	360	488
18.	Foreign exchange loss on financial investments	0	0	0	0	0	0	0	0
	of which: to related parties	0	0	0	0	0	0	0	0
19.	Foreign exchange loss and expenses on non-current financial assets (securities, loans)	0	0	0	0	0	0	0	0
	of which: to related parties	0	0	0	0	0	0	0	0
20.	Interest payable and similar charges	466	404	0	0	0	0	466	404
	of which: to related parties	0	0	0	0	0	0	0	0
21.	Impairment of shares, securities, bank deposits	0	0	0	0	0	0	0	0
22.	Other financial expenses	262	2 344	189	155	11	3	462	2 502
	of which: revaluation difference	0	0	0	0	0	0	0	0
IX.	Financial expenses (18.+19.+20.+21.+22.)	728	2 748	189	155	11	3	928	2 906
B.	FINANCIAL LOSS OR PROFIT (VIII-IX)	-570	-2 440	7	8	-4	14	-568	-2 418
C.	PRE-TAX PROFIT (±A±B)	1 593	4 938	353	63	1 264	1 778	3 210	6 779
X.	TAX LIABILITY	2	0	0	0	0	0	2	0
D.	NET PROFIT (±C-X)	1 591	4 938	353	63	1 264	1 778	3 208	6 779

64. Table: MÁV-START Zrt's unbundled profit and loss account

Costs, expenses and revenues are primarily recognised for the controlling object that match the purpose of occurrence. Costs, expenses and revenues are allocated to the relevant division in view of the determined cost flow processes, specified projection bases and statistical indicators. The statement of unbundled activities from a business perspective is presented in Table 67.

IV.3 Cash flow disclosures

figures in HUF millions

Line	Item	Public service passenger transport (SK)		Non-public service passenger transport (SN)		Other activities (E)		MÁV-START Zrt. Total	
		2 017	2 018	2 017	2 018	2 017	2 018	2 017	2 018
I.	Operating cash flows (lines 1-17)	5 995	15 232	2 120	-1 365	799	-740	8 914	13 127
1.	Pre-tax profit or loss ±	1 593	4 938	353	63	1 264	1 778	3 210	6 779
1a.	Dividends received -	0	-1	0	0	0	0	0	-1
1b.	Amounts received/transferred free of charge recognised in profit or loss ±	252	305	0	0	0	0	252	305
1c.	Unrealised foreign exchange gain or loss on liquid assets ±	0	0	2	0	-1	1	1	1
1e.	Unrealised foreign exchange gain or loss on non-current assets and long-term liabilities	-53	334	0	0	0	0	-53	334
1f.	Realised foreign exchange gain or loss related to the repayment of long-term loans and long-term liabilities ±	-3	418	0	0	0	0	-3	418
1j.	Other non-specified pre-tax profit or loss adjustments ±	92	35	-4	-2	0	0	88	33
2.	Amortisation charge +	19 920	19 902	121	87	13	0	20 054	19 989
3.	Impairment loss recognised and reversed ±	251	109	13	7	2	9	266	125
4.	Difference between provisions made and released ±	1 232	-1 218	61	-55	0	0	1 294	-1 273
5.	Losses on non-current asset disposals ±	-6	-2	0	0	0	0	-6	-2
6.	Movements in creditors ±	-50 369	-5 516	15	-1 827	-12	-1	-50 366	-7 343
7.	Movements in other current liabilities ±	37 491	10 935	-308	-114	8	-8	37 191	10 813
7a.	Changes in intra-division settlements (liabilities) ±	-4 246	-964	0	3 822	0	0	0	0
8.	Movements in accrued expenses and deferred income ±	-3 949	-4 474	738	-3 780	310	-178	-2 901	-8 433
9.	Movements in debtors ±	755	-599	-371	125	-1 657	748	-1 275	275
10.	Movements in current assets (less debtors and liquid assets) ±	-17 507	-9 242	-1 125	-1 919	-355	305	-18 988	-10 856
10a.	Changes in intra-division settlements (receivables) ±	0	0	2 627	703	1 618	-3 562	0	0
11.	Movements in prepaid expenses and accrued income ±	20 545	272	-2	3 725	309	168	20 852	4 165
12.	Income taxes paid, payable -	-2	0	0	0	0	0	-2	0
13.	Dividends paid, payable -	0	0	0	-2 200	-700	0	-700	-2 200
II.	Investing cash flows (lines 18-21)	-4 482	-17 599	-15	-2 759	0	0	-4 497	-20 358
14.	Non-current asset additions -	-4 484	-17 629	-15	-2 759	0	0	-4 498	-20 388
15.	Non-current asset disposals +	1	29	0	0	0	0	1	29
16.	Dividends received +	0	1	0	0	0	0	0	1
III.	Financing cash flows (lines 22-32)	-1 725	3 525	0	1 958	0	0	-1 725	5 483
17.	Shares issued, capital injection +	0	1 865	0	0	0	0	0	1 865
18.	Issue of bonds and debt securities +	0	0	0	0	0	0	0	0
19.	Loans and borrowings taken +	0	13 443	0	1 958	0	0	0	15 401
20.	Long-term loans and bank deposits repaid, terminated, redeemed +	1	1	0	0	0	0	1	1
21.	Amounts received free of charge +	1 352	193	0	0	0	0	1 352	193
22.	Shares withdrawn, disinvestment (capital reduction) -	0	0	0	0	0	0	0	0
23.	Bonds and debt securities repaid -	0	0	0	0	0	0	0	0
24.	Loans and borrowings repaid -	-2 695	-11 558	0	0	0	0	-2 695	-11 558
25.	Long-term borrowings granted and bank deposits -	0	0	0	0	0	0	0	0
26.	Amounts transferred free of charge -	-296	-305	0	0	0	0	-296	-305
27.	Movements in liabilities to founders and in other long-term liabilities ±	-86	-114	0	0	0	0	-86	-114
IV.	Cash flows (I.+II.+III.)	-212	1 159	2 105	-2 167	799	-740	2 693	-1 748
28.	Unrealised foreign exchange gain or loss on cash and cash equivalents	0	0	-2	0	1	-1	-1	-1
V.	Change in cash and cash equivalents (IV.+33.)	-212	1 159	2 103	-2 166	801	-741	2 692	-1 749

65. Table: MÁV-START Zrt's unbundled cash flow statement

IV.4 Statement of activities

MÁV-START Zrt. prepared its supervisory report for 2018 pursuant to Section 8(4) of the GKM-PM Decree 50/2007 (26 April) and its effective accounting unbundling regulation.

The annual supervisory report is presented in two forms as a result of the new enterprise management system implemented as of 1 January 2017:

1. broken down in accordance with section 2(1) of decree 50/2007. (IV. 26.) GKM-PM, which includes cumulative figures resulting from the unbundled activities (recognised internal revenues and recognise internal expenses) based on the general ledger module of the integrated corporate governance system used by the Company (Table 66), and
2. operations based statement of activities, in which the settlements among the unbundled activities are presented as allocated to the relevant cost type – based on the settlements recorded in the Controlling module of the integrated corporate governance system used by the Company (Table 67). The operations based statement of activities ensures the comparability of reporting year figures with the previous period.

The statement of activities is prepared for public service passenger transport services, non-public service passenger transportation and for other activities.

figures in HUF thousands

GRAND TOTAL	MÁV-START Zrt. 2017				MÁV-START Zrt. 2018			
	Public service	Non-public service	Other activities	TOTAL	Public service	Non-public service	Other activities	TOTAL
Sales revenues, net	60 570 153	18 999 406	20 316 015	99 885 573	71 440 236	7 338 573	21 489 524	100 268 334
of which: fares	41 869 505	11 972 004	156 542	53 998 051	50 692 317	3 640 848	0	54 333 165
domestic fares	41 857 838	709 004	0	42 566 842	42 248 619	812 055	0	43 060 674
international fares	11 667	11 263 000	156 542	11 431 209	8 443 698	2 828 793	0	11 272 491
subsidised fares	18 295 954	345 377	0	18 641 331	17 530 040	320 461	0	17 850 501
car rent received	0	4 729 101	0	4 729 101	2 933 607	1 233 488	0	4 167 095
Other intra-group revenues	139 925 814	258 167	92 314	140 276 295	157 302 167	3 129 832	230	160 432 229
Central administration revenues	18 248 949	2 803	553	18 252 305	18 933 250	0	0	18 933 250
Capitalised own output	11 223 867	431 976	83 637	11 739 480	10 961 217	4 665 954	-305 214	15 321 957
Other income	160 366 410	27 412	2 623	160 396 445	174 586 445	55 049	2 700	174 644 194
of which: government reimbursement	147 760 119	0	0	147 760 119	165 889 542	0	0	165 889 542
- reimbursement for 2018	145 541 501	0	0	145 541 501	160 870 549	0	0	160 870 549
- reimbursement for previous years	2 218 619	0	0	2 218 619	5 018 993	0	0	5 018 993
Other internal settlements, expenses	117 013 111	7 414 346	15 848 838	140 276 295	138 763 502	5 510 989	16 157 738	160 432 229
Central administration expenses	15 052 380	825 880	2 374 045	18 252 305	16 175 307	393 996	2 363 947	18 933 250
Material-type expenses	153 376 429	9 789 731	537 139	163 703 299	160 361 412	8 024 736	501 560	168 887 709
of which: network access charge	72 655 131	31	0	72 655 162	73 508 750	0	0	73 508 750
traction and shunting	695 037	1 119 954	5 031	1 820 022	1 628 993	102 748	0	1 731 741
pre-heating, pre-cooling and lights	0	0	0	0	0	0	0	0
maintenance	7 051 011	53 410	87 504	7 191 925	8 915 410	507 170	29 643	9 452 223
RIC usage charge of railcars	1 695 251	4 293 651	0	5 988 902	3 338 216	1 152 414	0	4 490 630
rent of tracted and traction vehicles	8 408 698	337 573	0	8 746 271	6 736 297	104 537	0	6 840 834
lease of tracted and traction vehicles	228 793	0	0	228 793	234 923	0	0	234 923
railcar cleaning costs	2 914 736	0	442	2 915 178	3 166 989	0	833	3 167 822
Central services	4 772 419	26 936	0	4 799 355	5 096 139	34 392	0	5 130 530
Financial and accounting services	638 152	0	0	638 152	610 526	0	0	610 526
Human services (training, education, health and safety)	1 968 775	15 153	0	1 983 928	2 230 648	23 822	0	2 254 470
Procurement, logistics, environmental services	1 844 512	11 043	0	1 855 555	1 886 070	10 403	0	1 896 473
Administrative costs	320 981	740	0	321 721	368 895	167	0	369 062
Payments to personnel	78 540 905	1 139 180	440 601	80 120 686	87 428 816	1 103 371	391 254	88 923 442
of which: payroll costs	56 267 220	728 083	318 827	57 314 130	63 701 802	740 283	278 709	64 720 794
fringe benefits	7 570 269	212 818	51 120	7 834 207	8 636 744	185 970	49 933	8 872 647
payroll taxes	14 703 416	198 279	70 654	14 972 349	15 090 270	177 118	62 612	15 330 001
Depreciation	19 919 818	121 514	13 033	20 054 365	19 902 170	86 698	0	19 988 868
Other expenses	4 269 873	83 329	12 908	4 366 110	3 214 537	14 102	8 585	3 237 224
Operating profit	2 162 677	345 784	1 268 578	3 777 038	7 377 571	55 516	1 764 156	9 197 243
Financial income	158 387	195 340	6 225	359 952	308 150	162 727	17 046	487 923
Financial expenses	728 287	188 587	10 634	927 508	2 747 889	155 075	3 692	2 906 656
Financial loss or profit	-569 900	6 753	-4 409	-567 556	-2 439 739	7 652	13 354	-2 418 733
Pre-tax profit	1 592 777	352 537	1 264 169	3 209 482	4 937 832	63 168	1 777 510	6 778 510
Tax liability	1 858	0	0	1 858	0	0	0	0
Net profit	1 590 919	352 537	1 264 169	3 207 625	4 937 832	63 168	1 777 510	6 778 510

66. Table: MÁV-START Zrt's profit and loss account per activity in the GL

figures in HUF thousands

GRAND TOTAL	MÁV START Zrt. 2017				MÁV START Zrt. 2018			
	Public service	Non-public service	Other activities	TOTAL	Public service	Non-public service	Other activities	TOTAL
Sales revenues, net	60 570 153	18 999 406	20 316 015	99 885 573	71 440 236	7 338 573	21 489 524	100 268 334
of which: fares	37 421 199	10 937 273	0	48 358 472	46 160 436	2 710 677	0	48 871 113
domestic fares	37 421 199	709 004	0	38 130 204	37 885 423	722 314	0	38 607 737
international fares	0	10 228 269	0	10 228 269	8 275 013	1 988 363	0	10 263 377
subsidised fares	18 295 954	345 377	0	18 641 331	17 530 040	320 461	0	17 850 501
car rent received	0	4 729 101	0	4 729 101	2 933 607	1 233 488	0	4 167 095
Capitalised own output	11 223 867	431 976	83 637	11 739 480	10 961 217	4 665 954	-305 214	15 321 957
Other income	159 473 845	480 055	442 545	160 396 445	173 959 752	158 636	525 806	174 644 194
of which: government reimbursement	147 760 119	0	0	147 760 119	165 889 542	0	0	165 889 542
- reimbursement for 2018	145 541 501	0	0	145 541 501	160 870 549	0	0	160 870 549
- reimbursement for previous years	2 218 619	0	0	2 218 619	5 018 993	0	0	5 018 993
Operating income	231 267 864	19 911 437	20 842 197	272 021 498	256 361 205	12 163 164	21 710 116	290 234 485
Material-type expenses	142 566 535	15 097 658	6 039 106	163 703 299	154 137 728	8 672 496	6 077 485	168 887 709
of which: network access charge	71 551 523	1 038 119	65 519	72 655 162	73 246 513	217 498	44 739	73 508 750
traction and shunting	531 059	1 123 210	165 753	1 820 022	1 627 519	102 746	1 476	1 731 741
pre-heating, pre-cooling and lights	0	0	0	0	0	0	0	0
maintenance	6 484 403	446 272	261 250	7 191 925	8 485 758	698 966	267 499	9 452 223
RIC usage charge of railcars	9 952	5 978 839	111	5 988 902	4 233 065	257 565	0	4 490 630
rent of tracted and traction vehicles	8 345 710	372 473	28 088	8 746 271	6 716 519	98 871	25 443	6 840 834
lease of tracted and traction vehicles	202 837	9 606	16 350	228 793	229 320	5 575	28	234 923
railcar cleaning costs	2 805 858	89 114	20 206	2 915 178	3 112 939	43 060	11 823	3 167 822
Central services	4 063 427	217 708	518 220	4 799 355	4 364 505	236 676	529 350	5 130 530
Financial and accounting services	529 277	30 240	78 635	638 152	522 649	13 304	74 572	610 526
Human services (training, education, health and safety)	1 679 420	98 126	206 383	1 983 928	1 945 896	90 670	217 903	2 254 470
Procurement, logistics, environmental services	1 587 970	73 494	194 090	1 855 555	1 578 475	124 025	193 973	1 896 473
Administrative costs	266 760	15 849	39 112	321 721	317 484	8 676	42 901	369 062
Payments to personnel	66 714 420	3 565 187	9 841 079	80 120 686	75 699 472	3 062 291	10 161 679	88 923 442
of which: payroll costs	47 766 889	2 405 792	7 141 449	57 314 130	55 093 399	2 142 873	7 484 523	64 720 794
fringe benefits	6 467 648	500 974	865 584	7 834 207	7 533 088	409 212	930 346	8 872 647
payroll taxes	12 479 883	658 420	1 834 046	14 972 349	13 072 985	510 206	1 746 810	15 330 001
Depreciation	16 240 391	624 375	3 189 599	20 054 365	16 562 892	263 357	3 162 618	19 988 868
Other expenses	3 693 065	240 340	432 706	4 366 110	2 933 491	57 671	246 062	3 237 224
Operating expenses	229 214 411	19 527 559	19 502 490	268 244 460	249 333 582	12 055 815	19 647 844	281 037 242
Operating profit	2 053 454	383 877	1 339 707	3 777 038	7 027 622	107 348	2 062 272	9 197 243
Financial income	170 561	159 911	29 480	359 952	264 022	169 434	54 467	487 923
Financial expenses	633 096	191 251	103 161	927 508	2 353 812	213 614	339 229	2 906 656
Financial loss	-462 535	-31 340	-73 681	-567 556	-2 089 790	-44 180	-284 762	-2 418 733
Tax liability	0	0	1 858	1 858	0	0	0	0
Net profit	1 590 919	352 537	1 264 169	3 207 625	4 937 832	63 168	1 777 510	6 778 510
Exceptions for government reimbursement purposes	1 590 919	0	0	1 590 919	4 937 832	0	0	4 937 832
Reimbursement related to previous years received	2 218 619	0	0	2 218 619	5 018 993	0	0	5 018 993
Impairment loss recognised, reversed	-48 041	0	0	-48 041	-43 319	0	0	-43 319
Penalties paid, recharged	-1 536	0	0	-1 536	-2 662	0	0	-2 662
Provisions used, made	-584 335	0	0	-584 335	713 916	0	0	713 916
Reimbursement related to previous years recognised	0	0	0	0	-543 721	0	0	-543 721
Other	6 211	0	0	6 211	-205 376	0	0	-205 376
Net profit after exceptions	0	352 537	1 264 169	1 616 706	0	63 168	1 777 510	1 840 678

67. Table: MÁV-START Zrt's statement of activities from a business perspective

IV.4.1 Narrative to the rail passenger transportation supervisory report

IV.4.1.1 Revenues

The **net sales revenues** of MÁV-START Zrt. in 2018 amounted to HUF 100,268m (2017: HUF 99,886m) of which:

- HUF 38,608m are domestic fare revenues and exceed the amount reported for the same period of the previous year by HUF 478m (2017: HUF 38,130m),
- foreign fare revenues of HUF 10,263m, which exceed the base figure by HUF 35m (2017: HUF 10,228m),
- fare subsidies totalling HUF 17,851m (2017: HUF 18,641m).

Other income includes mostly government reimbursement of passenger transport service costs totalling HUF 165,890m, of which HUF 160,871m related to the reporting year.

In 2018, other income also included extra reimbursement related to previous years as approved by the Principal (reasonable profit): HUF 5,091m for 2018, HUF 1,699m for 2017 and HUF 3,320m for 2013. (Reimbursement for 2017: HUF 145,542m, reimbursement for previous years: HUF 2,219m.)

In 2018, MÁV-START Zrt's **operating income** totalled HUF 290,234m (2017: HUF 272,021m).

IV.4.1.2 Cost and expenses

Operating expenses totalled HUF 281,037m (2017: HUF 268,244m).

Material-type expenses totalled HUF 168,888m in 2018 (2017: HUF 163,703m), and included the following key items:

- Network access charge (railtrack usage charge and other railtrack services): HUF 73,509m (2017: HUF 72,655m);
- Traction by partner railways: HUF 1,732m (2017: HUF 1,820m);
- Maintenance services used: HUF 9,452m (2017: HUF 7,192m);
- HUF 4,491m expense paid by MÁV-START Zrt. for the number of kilometres run by rail passenger cars owned by partner railway companies (2017: HUF 5,989m);
- Railcar rent: HUF 6,841m (2017: HUF 8,746m);
- Railcar wash costs in 2018: HUF 3,168m (2017: HUF 2,915m);
- Central services
 - financial and accounting services HUF 611m (2017: HUF 638m),
 - human services (education, training, work health and safety services) HUF 2,254m (2017: HUF 1,984m),
 - procurement, logistics and environmental services: HUF 1,896m (2017: HUF 1,856m),
 - administrative services: HUF 369m (2017: HUF 322m).

Payments to personnel by MÁV-START Zrt. in 2018 totalled HUF 88,923m, of which payroll costs amount to HUF 64,721m, fringe benefits HUF 8,872m and payroll taxes HUF 15,330m. (2017: payments to personnel total: HUF 80,120m, payroll cost HUF 57,314m, fringe benefits HUF 7,834m, payroll taxes HUF 14,972m).

In 2018, **depreciation charge** totalled HUF 19,989m (2017: HUF 20,054m).

Other expenses total HUF 3,237m and include payments relating to damages paid, penalties and default interest, financial assistance, expense contributions, impairment of inventories and receivables and provisions made (2017: HUF 4,366m).

Financial income include interest received on fixed-term deposits, foreign exchange gains on receivables and liabilities. Financial expenses include interest on overdrafts and project loans, and realised foreign exchange loss on receivables and liabilities. Overall, the Company had a **financial loss** of HUF 2,418m for 2018 (2017: HUF -568m).

IV.4.2 Narrative to the supervisory report on rail passenger transportation performed as a public service

IV.4.2.1 Revenues

MÁV-START Zrt's **net revenues** from public service passenger transport services totalled HUF 71,440m in 2018, including HUF 46,160m **fare revenues** and HUF 17,530m **social fare subsidy**. (2017: net revenues HUF 60,570m, of which fares HUF 37,421m and social fare subsidy HUF 18,296m.)

Other income comprises predominantly the HUF 165,890m government subsidy (reimbursement) of passenger transport services (2017: HUF 147,760m). As required by the ministry, the reversed impairment loss on debtors, re-charged penalties and fines, provisions used (except provisions for maintenance costs and loan revaluations) recognised among other income are exceptional items and are not considered in the calculation of the annual reimbursable costs. The total of these exceptional amounts (including those recognised for previous periods) was HUF 6,374m (exceptional income HUF 1,355m), HUF 3,320m recognised for 2013 and HUF 1 699m recognised for 2017. (Exceptional income in 2017: HUF 2,890m, of which reimbursement related to previous periods HUF 2,219m.)

MÁV-START Zrt's **operating income** related to public services totalled HUF 256,361m in 2018 (2017: HUF 231,268m). The combined increase in both operating income and operating expenses on 2017 was due to the increase in the number of trains used for passenger transport services.

IV.4.2.2 Costs and expenses

Operating expenses on public passenger transport services in 2018 totalled HUF 249,334m (2017: HUF 229,214m).

Material-type expenses on public services totalled HUF 154,138m in 2018 (2017: HUF 142,567m), and included the following key items:

- Network access charge (railtrack usage charge and other railtrack services): HUF 73,247m (2017: HUF 71,552m);
- Traction by partner railways: HUF 1,628m (2017: HUF 531m);

- Maintenance services used in relation to public service passenger services: HUF 8,486m (2017: HUF 6,484m);
- HUF 4,233m expense paid by MÁV-START Zrt. for the number of kilometres run by rail passenger cars owned by partner railway companies (2017: HUF 10m) as a result of changes in unbundling rules in 2018;
- Railcar rent in relation to public service passenger services: HUF 6,717m (2017: HUF 8,346m);
- Railcar wash costs in 2018: HUF 3,113m (2017: HUF 2,806m).
- Of central services, the costs attributable to public passenger transport service were as follows:
 - financial and accounting services HUF 523m (2017: HUF 529m),
 - human services (education, training, work health and safety services): HUF 1,946m (2017: HUF 1,679m),
 - procurement, logistics and environmental services: HUF 1,578m (2017: HUF 1,588m),
 - administrative services: HUF 317m (2017: HUF 267m).

Payments to personnel incurred in 2018 totalled HUF 75,699m, less the expenses of non-public workers (2017: HUF 66,714m).

Depreciation charge related to public services totalled HUF 16,563m (2017: HUF 16,240m).

Other expenses on public service passenger transport in 2018 totalled HUF 2,933m (2017: HUF 3,693m).

Of other expenses, items that are excluded from the reimbursable items (impairment of receivables, penalties paid, fines, provisions made except provisions for maintenance costs and for the revaluation of loans) totalled HUF 892m in 2018. (Excluded expenses in 2017: HUF 1,299m)

Financial income from rail passenger transportation performed as a public service include interest received on fixed-term deposits, foreign exchange gains on receivables and liabilities. Financial expenses include the interest paid on overdrafts and project loans, and realised foreign exchange loss on receivables and liabilities. Overall, the Company had a **financial loss** of HUF 2,090m for 2018 (2017: HUF -463m) on public services.

For the calculation of reimbursable annual expenses, the Company does not take into account the payments to on-call public service staff funded from reasonable profits. The resulting reducing adjustment was HUF 544m.

IV.5 Other disclosures relating to unbundling

Revenues from and expenses incurred toward related parties are included per related party in the tables below.

figures in HUF millions

Related party	Revenues				Expenses				Grand total
	Sales revenues, net	Other income	Financial income	Total	Costs	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	4	0	0	4	13	0	0	13	-9
020 MÁV VAGON Kft.	11	30	3	44	1 686	0	8	1 694	-1 650
100 MÁV Zrt. Anyavállalat	47	34	1	82	110 381	173	0	110 554	-110 472
101 MÁV FKG Kft	1	10	0	11	0	1	0	1	10
131 MÁV KFV Kft	0	0	0	0	33	0	0	33	-33
138 MÁV Szolgáltató Központ Zrt.	61	10	1	72	9 947	23	0	9 970	-9 898
179 ZÁHONY-PORT Zrt.	0	0	0	0	21	0	0	21	-21
194 MÁV-HEV Zrt.	0	0	0	0	0	0	0	0	0
Grand total	124	84	5	213	122 081	197	8	122 286	-122 073

68. Table: Related parties – public service passenger transport

figures in HUF millions

Related party	Revenues				Expenses				Grand total
	Sales revenues, net	Other income	Financial income	Total	Costs	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	3	0	0	3	21	0	0	21	-18
020 MÁV VAGON Kft.	0	0	0	0	15	0	0	15	-15
100 MÁV Zrt. Anyavállalat	2	0	0	2	192	0	0	192	-190
101 MÁV FKG Kft	0	0	0	0	0	0	0	0	0
131 MÁV KFV Kft	3	0	0	3	0	0	0	0	3
138 MÁV Szolgáltató Központ Zrt.	0	0	0	0	33	0	0	33	-33
179 ZÁHONY-PORT Zrt.	0	0	0	0	0	0	0	0	0
194 MÁV-HEV Zrt.	0	0	0	0	0	0	0	0	0
Grand total	8	0	0	8	261	0	0	261	-253

69. Table: Related parties – non-public service passenger transport

figures in HUF millions

Related party	Revenues				Expenses				Grand total
	Sales revenues, net	Other income	Financial income	Total	Costs	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	119	0	0	119	0	0	0	0	119
020 MÁV VAGON Kft.	11	0	0	11	5	0	0	5	6
100 MÁV Zrt. Anyavállalat	4 144	0	0	4 144	0	0	0	0	4 144
101 MÁV FKG Kft	201	0	0	201	0	0	0	0	201
131 MÁV KFV Kft	167	0	0	167	1	0	0	1	166
138 MÁV Szolgáltató Központ Zrt.	0	0	0	0	5	0	0	5	-5
179 ZÁHONY-PORT Zrt.	1	0	0	1	0	0	0	0	1
194 MÁV-HEV Zrt.	12	0	0	12	0	0	0	0	12
Grand total	4 655	0	0	4 655	11	0	0	11	4 644

70. Table: Related parties – other activities

figures in HUF millions

Related party	Revenues				Expenses				Grand total
	Sales revenues, net	Other income	Financial income	Total	Costs	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	126	0	0	126	34	0	0	34	92
020 MÁV VAGON Kft.	22	30	3	55	1 706	0	8	1 714	-1 659
100 MÁV Zrt. Anyavállalat	4 193	34	1	4 228	110 573	173	0	110 746	-106 518
101 MÁV FKG Kft	202	10	0	212	0	1	0	1	211
131 MÁV KfV Kft	170	0	0	170	34	0	0	34	136
138 MÁV Szolgáltató Központ Zrt.	61	10	1	72	9 985	23	0	10 008	-9 936
179 ZÁHONY-PORT Zrt.	1	0	0	1	21	0	0	21	-20
194 MÁV-HEV Zrt.	12	0	0	12	0	0	0	0	12
Grand total	4 787	84	5	4 876	122 353	197	8	122 558	-117 682

71. Table: Related parties - MÁV-START Zrt.

Annual average statistical number of employees in 2018:

Activity	No. of staff
Public service passenger transport	13 849,0
Non-public service passenger transport	114,0
Other activities	0,0
Company, total:	13 963,0

72. Table: Annual average statistical number of employees per activity

The assets, liabilities and employees are directly assigned to the Company's divisions reflected in the balance sheet (SK, SN, E divisions). The employees serving all separable activities were mostly assigned to the passenger transportation activity as a public service on the basis of the majority principle.

Subsidies by title per activity

figures in HUF millions

Item	Public service passenger transport		Non-public service passenger transport		Other activities		MÁV-START Zrt.	
	in 2017	in 2018	in 2017	in 2017	in 2017	in 2018	in 2017	in 2018
Subsidised fares on social grounds*	18 296	17 530	345	320	0	0	18 641	17 850
Reimbursed excise tax on gasoline use*	4 409	4 422	0	0	0	0	4 409	4 422
Development subsidy	47 003	7 498	0	0	0	0	47 003	7 498
<i>of which: ETCS 59 trains</i>	44	2 926	0	0	0	0	44	2 926
<i>KÖZOP-IKOP INKA subsidy</i>	69	105	0	0	0	0	69	105
<i>IKOP 8 high capacity trains</i>	0	3 870	0	0	0	0	0	3 870
<i>IKOP-INKA 2 subsidy</i>	0	597	0	0	0	0	0	597
<i>IKOP 6 db trains</i>	1 183	0	0	0	0	0	1 183	0
<i>IKOP 9 trains</i>	9 788	0	0	0	0	0	9 788	0
<i>IKOP 11high capacity trains</i>	27 965	0	0	0	0	0	27 965	0
<i>IKOP Tram Train</i>	7 954	0	0	0	0	0	7 954	0
Public service reimbursement	147 760	165 890	0	0	0	0	147 760	165 890
IKOP subsidy 6 MV to cover costs	14	0	0	0	0	0	14	0
IKOP subsidy 9 MV to cover costs	31	0	0	0	0	0	31	0
National Development Ministry subsidy for pay increase	5 082	0	0	0	0	0	5 082	0
Recognised subsidies, total	222 595	195 340	345	320	0	0	222 940	195 660
<i>Of which: recognised as income</i>	<i>171 183</i>	<i>183 420</i>	<i>345</i>	<i>320</i>	<i>0</i>	<i>0</i>	<i>171 528</i>	<i>183 740</i>

73. Table: Subsidies recognised in the reporting year

V Cost reimbursement for public service and funding in 2018

Pursuant to the rail passenger transportation public service contract between the Company and the Hungarian State, the Company is entitled to be reimbursed for eligible expenses relating to the public services defined in the contract and not covered by revenues.

According to the 2018 clause of the public service contract, the amount of cost reimbursement projected for the public service was HUF 153,659m. Costs related to public services ordered and confirmed by the principal (NFM) not covered by revenues totalling HUF 160,871m were reimbursed and recognised in the financial statements for 2018, which is by HUF 7,211m more than the amount specified in the clause. The actual cost reimbursement is recognised upon the submission of the public service report for 2018, following the preparation of the annual financial statements for 2018.

In 2018, other income also included extra reimbursement related to previous years as approved by the Principal (reasonable profit): HUF 3,320m for 2013 and HUF 1,699m for 2017. As a result a total reimbursement of HUF 165,890m was recognised in 2018.

The Company's receivables from the state for public service cost are presented below:

figures in HUF millions

Period	Receivables at 1 Jan 2018	Liabilities at 1 Jan 2018	Reasonable profits recognised for 2013 and 2017	Financial settlements in 2018	Net receivables at 31 Dec 2018
2013	1 907	0	3 320	5 227	0
2014	4 615	0	0	0	4 615
2015	0	0	0	0	0
2016	3 494	0	0	0	3 494
2017	22 370	0	1 699	20 829	3 240
Previous years, total	32 386	0	5 019	26 056	11 349
2018	0	0	0	0	28 040
Grand total	32 386	0	5 019	26 056	39 389

74. Table: MÁV-START Zrt. – public service cost reimbursement

Revenues from reimbursement:

figures in HUF millions

Reimbursement related income	2017	2018
Justified cost not covered with revenues	145 542	160 871
Reasonable profits related to previous years	2 219	5 019
Total:	147 761	165 890

75. Table: Revenues from reimbursement

Under the cost basis of accounting, a total governmental reimbursement of HUF 153,659m was received in 2018. Of this amount, HUF 20,829m related to public services in the previous year (HUF 10,414.45m and HUF 10,414.45m for January and February); and HUF 132,830m was received between March and November to cover the costs of operations in 2018.

In addition to the reimbursement of expenses in the reporting year, further to government decision No. 1167/2016. (IV. 6.), the Company became entitled to additional reimbursement related to previous years totalling HUF 5,227.3m and was received in February 2018. This reimbursement fully settled all the reimbursable costs incurred in 2013.

At the balance sheet preparation date, an amount of HUF 28,040m receivable for 2018 was reduced by HUF 20,829m received in January 2019. As a result, the Company carried reimbursable costs totalling HUF 18,560m in relation to the years 2013-2018.

As a result of the timely reimbursement of the Company's costs related to operations in the reporting year and to the reimbursement clauses of previous years, the Company did not experience financing problems in 2018.

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