

INDEPENDENT AUDITOR'S REPORT
(Free translation)

To the founder of MÁV-Start Zrt.

Opinion

We have audited the accompanying financial statements of MÁV-Start Zrt. ("the Company") which comprise the balance sheet as at 31 December 2017 (in which the balance sheet total is MHUF 327.648, the profit after tax is MHUF 3.208), the related income statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act"), in force in Hungary.

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Hungary. We have fulfilled our other ethical responsibilities in accordance with those 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 the following matters in connection with the financial statements of the Company:

1. We draw attention to note III.3. which states that the financing of the Company's operations, the repayment of its loans, and the return on its assets depend on whether the owner provides the financial resources for the operation in time and whether resources from the state budget are available to the extent necessary.
2. We draw attention to note V. which states that in 2013 MÁV-START Zrt. concluded a public passenger transport service agreement for the years 2014-2023 with the Ministry of National Development, representing the Hungarian State as the requestor of the public service. In accordance with the agreement, MÁV-START Zrt. is entitled to reimbursement of reasonable expenses incurred in connection with the supply of public services that are not covered by revenues. MÁV-START Zrt. presents compensation receivable for public service costs in its books of HUF 1.907 million relating to 2013, HUF 4.615 million relating to 2014, HUF 3.494 million relating to 2016 and HUF 22.370 million relating to 2017. After the year From the reimbursement of expenses HUF 147.760 million was paid during the current year.

The reimbursement for 2017 has yet been settled with the Ministry of National Development.

Our opinion is not modified in respect of matters presented in points 1)-2).

Other Information: the Business Report

The other information comprises the business report of the Company. Management is responsible for the preparation of the business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the financial statements expressed in the “Opinion” section of our report does not cover the business report.

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

Based on the Accounting Act, in respect of the business report, our responsibility is to read the business report and, in doing so, consider whether the business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any.

In our opinion, the 2016 business report of the Company is consistent with the 2016 financial statements and the business report has been prepared in accordance with the provisions of the Accounting Act.

As there is no other regulation prescribing further requirements for the business report, in respect of this, our opinion on the business report does not express the opinion required by Section (5) h) of 156 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and shall give an indication of the nature of any such misstatements. We have nothing to report in this respect.

Responsibilities of Management and those charged with governance for the Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 HNSAs 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 financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, 10 May 2018.

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464

Translation note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version. The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Hungary.

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 2017

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.

Statistical code

01-10-045551

Company registration number

BALANCE SHEET Assets

31 December 2017

Figures in million HUF

No.	Line item	Previous year 31.12.2016	Current year 31.12.2017	Change
a	b	c	d	e
A.	Non-current assets	214 978	250 269	35 291
I.	INTANGIBLE ASSETS	4 720	5 631	911
1.	Capitalised amount of foundation/restructuring	0	0	0
2.	Capitalised amount of experimental developmen	318	172	-146
3.	Intangible property rights	901	931	30
4.	Intellectual property	3 501	4 528	1 027
5.	Goodwill	0	0	0
6.	Advance payments for intangible assets	0	0	0
7.	Revaluation of intangible assets	0	0	0
II.	TANGIBLE ASSETS	210 003	244 384	34 381
1.	Land and buildings, and related intangible property rights	2 199	2 914	715
2.	Technical equipment, machinery and vehicles	202 421	201 002	-1 419
3.	Other equipment, fixtures and fittings, vehicles	19	11	-8
4.	Breeding stock	0	0	0
5.	Capital projects, renovations	5 364	3 972	-1 392
6.	Advance payments for capital projects	0	36 485	36 485
7.	Revaluation of tangible assets	0	0	0
III.	NON-CURRENT FINANCIAL ASSETS	255	254	-1
1.	Long-term participating interests in related companie	253	252	-1
2.	Long-term loans to related companie	0	0	0
3.	Long-term major participating interests	0	0	0
4.	Long-term loans to companies linked by virtue of major participating interests	0	0	0
5.	Other long-term participating interests	1	1	0
6.	Long-term loans to companies linked by virtue of other participating interests	0	0	0
7.	Other long-term loans	1	1	0
8.	Long-term debt securities	0	0	0
9.	Revaluation of non-current financial assets	0	0	0
10.	Fair value adjustment of non-current financial assets	0	0	0

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.

BALANCE SHEET Assets

31 December 2017

Figures in million HUF

No.	Line item	Previous year 31.12.2016	Current year 31.12.2017	Change
a	b	c	d	e
B.	Current assets	46 053	68 856	22 803
I.	INVENTORIES	16 702	16 929	227
1.	Raw materials	13 694	13 316	-378
2.	Work in progress and semi-finished products	1 615	1 976	361
3.	Animals for breeding, fattening, and other livestock	0	0	0
4.	Finished products	997	1 249	252
5.	Goods	13	11	-2
6.	Advance payments for inventories	383	377	-6
II.	RECEIVABLES	28 457	48 341	19 884
1.	Accounts receivable	3 900	5 182	1 282
2.	Receivables from related companies:	3 408	4 656	1 248
3.	Receivables from companies linked by virtue of major participating interests	38	32	-6
4.	Receivables from companies linked by virtue of other participating interests	20	18	-2
5.	Notes receivable	0	0	0
6.	Other receivables	21 091	38 453	17 362
7.	Fair value adjustment of receivables	0	0	0
8.	Positive fair value adjustment of derivatives	0	0	0
III.	SECURITIES	0	0	0
1.	Participating interests in related companies:	0	0	0
2.	Major participating interests	0	0	0
3.	Other participating interests	0	0	0
4.	Own shares	0	0	0
5.	Debt securities held for dealing	0	0	0
6.	Fair value adjustment of securities	0	0	0
IV.	CASH	894	3 586	2 692
1.	Petty cash, cheques	155	182	27
2.	Bank deposits	739	3 404	2 665
C.	Prepaid expenses & accrued income	29 375	8 523	-20 852
1.	Accrued income	26 194	5 061	-21 133
2.	Prepaid expenses	676	1 155	479
3.	Deferred expenses	2 505	2 307	-198
Total assets		290 406	327 648	37 242

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.

Statistical code

01-10-045551

Company registration number

BALANCE SHEET Liabilities

31 December 2017

Figures in million HUF

No.	Line item	Previous year 31.12.2016	Current year 31.12.2017	Change
a	b	c	d	e
D.	Equity	119 685	122 193	2 508
I.	REGISTERED CAPITAL	43 742	43 742	0
	of which: repurchased ownership share at nominal value	0	0	0
II.	REGISTERED CAPITAL NOT PAID (-)	0	0	0
III.	CAPITAL RESERVE	67 633	67 633	0
IV.	RETAINED EARNINGS	3 046	6 823	3 777
V.	NON-DISTRIBUTABLE RESERVE	1 241	787	-454
VI.	REVALUATION RESERVE	0	0	0
1.	Revaluation reserve for adjustments	0	0	0
2.	Fair valuation reserve	0	0	0
VII.	AFTER-TAX PROFIT/(LOSS)	4 023	3 208	-815
E.	Provisions	6 278	7 572	1 294
1.	Provision for contingent liabilities	2 274	3 034	760
2.	Provision for future expenses	2 422	2 846	424
3.	Other provisions	1 582	1 692	110
F.	Liabilities	60 273	85 573	25 300
I.	SUBORDINATED LIABILITIES	0	0	0
1.	Subordinated liabilities to related companies	0	0	0
2.	Subordinated liabilities to companies linked by virtue of major participating interests	0	0	0
3.	Subordinated liabilities to companies linked by virtue of other participating interests	0	0	0
4.	Subordinated liabilities to other entities	0	0	0
II.	NON-CURRENT LIABILITIES	24 126	12 908	-11 218
1.	Long-term borrowings	0	0	0
2.	Convertible bonds and contingent convertible bonds	0	0	0
3.	Liabilities from the issue of bonds	0	0	0
4.	Loans for capital and development projects	23 987	12 787	-11 200
5.	Other long-term loans	0	0	0
6.	Non-current liabilities to related companies	0	0	0
7.	Non-current liabilities to companies linked by virtue of major participating interests	0	0	0
8.	Non-current liabilities to companies linked by virtue of other participating interests	0	0	0
9.	Other non-current liabilities	139	121	-18

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.

BALANCE SHEET Liabilities

31 December 2017

Figures in million HUF

No.	Line item	Previous year 31.12.2016	Current year 31.12.2017	Change
a	b	c	d	e
III.	CURRENT LIABILITIES	36 147	72 665	36 518
1.	Short-term borrowings	0	0	0
	of which: convertible and equity bonds	0	0	0
2.	Short-term loans	2 698	11 140	8 442
3.	Advance payments received from customers	11	3	-8
4.	Accounts payable	15 858	6 724	-9 134
5.	Notes payable	0	0	0
6.	Current liabilities to related companies	12 356	12 750	394
7.	Current liabilities to companies linked by virtue of major participating interests	1 317	1 228	-89
8.	Current liabilities to companies linked by virtue of other participating interests	19	12	-7
9.	Other current liabilities	3 888	40 808	36 920
10.	Revaluation difference on liabilities	0	0	0
11.	Negative revaluation difference on derivative transaction:	0	0	0
G.	Accrued expenses and deferred income	104 170	112 310	8 140
1.	Prepaid income	188	443	255
2.	Accrued expenses	6 305	7 937	1 632
3.	Deferred income	97 677	103 930	6 253
Total equity & liabilities		290 406	327 648	37 242

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.

PROFIT AND LOSS ACCOUNT (using the cost by nature method)

31 December 2017

Figures in million HUF

No.	Line item	Previous year 31.12.2016	Current year 31.12.2017	Change
a	b	c	d	e
01.	Net domestic sales revenues	84 661	84 043	-618
02.	Net export sales revenues	14 833	15 843	1 010
I.	Net sales revenues (lines 01+02)	99 494	99 886	392
03.	Change in self-produced inventories ±	-122	613	735
04.	Capitalised value of self produced assets	8 659	11 126	2 467
II.	Capitalised own performance (lines ±03+04)	8 537	11 739	3 202
III.	Other gains	157 001	160 396	3 395
	of which: impairment reversec	398	451	53
05.	Raw materials	37 140	38 004	864
06.	Services used	121 042	120 917	-125
07.	Other services	1 909	1 946	37
08.	Cost of goods sold	189	163	-26
09.	Services resold (intermediated)	2 670	2 673	3
IV.	Material type expenses (lines 05+06+07+08+09)	162 950	163 703	753
10.	Payroll cost	49 813	57 314	7 501
11.	Other payments to personnel	7 403	7 834	431
12.	Social security and other contributions	15 423	14 972	-451
V.	Personnel related expenses (lines 10+11+12)	72 639	80 120	7 481
VI.	Depreciation	20 311	20 054	-257
VII.	Other expenses	2 759	4 366	1 607
	of which: impairment	240	717	477
A.	OPERATING PROFIT/(LOSS) (LINES I±II+III-IV-V-VI-VII)	6 373	3 778	-2 595

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.

Statistical code

01-10-045551

Company registration number

PROFIT AND LOSS ACCOUNT (using the cost by nature method)

31 December 2017

Figures in million HUF

No.	Line item	Previous year 31.12.2016	Current year 31.12.2017	Change
a	b	c	d	e
13.	Dividends received (due)	0	0	0
	of which: received from related companies:	0	0	0
14.	Income and exchange gains from participating interest:	0	0	0
	of which: received from related companies:	0	0	0
15.	Income and exchange gains from non-current financial assets (securities,	0	0	0
	of which: received from related companies:	0	0	0
16.	Other received (earned) interest and interest-type revenue:	108	18	-90
	of which: received from related companies:	14	2	-12
17.	Other financial gains	353	342	-11
	of which: revaluation difference	0	0	0
VIII.	Revenues of financial transactions (lines 13+14+15+16+17)	461	360	-101
18.	Expenses and exchange losses from participating interest:	1	0	-1
	of which: paid to related companies	0	0	0
19.	Expenses and exchange losses from non-current financial assets (securities,	0	0	0
	of which: paid to related companies	0	0	0
20.	Interest payable (paid) and similar expenses:	579	466	-113
	of which: paid to related companies	0	0	0
21.	Impairment on participating interests, securities, long-term loans and bank	0	0	0
22.	Other financial expenses	2 229	462	-1 767
	of which: revaluation difference	0	0	0
IX.	Expenses of financial transactions (lines 18+19+20±21+22)	2 809	928	-1 881
B.	PROFIT/LOSS OF FINANCIAL TRANSACTIONS (lines VIII-IX)	-2 348	-568	1 780
C.	PRE-TAX PROFIT/(LOSS) (lines ±A±B)	4 025	3 210	-815
X.	Tax liability	2	2	0
D.	AFTER-TAX PROFIT/(LOSS) (lines ±C-X)	4 023	3 208	-815

Date: Budapest, 10 May 2018

Director (representative) of the Company

L.S.



MÁV-START RAILWAY PASSENGER TRANSPORT COMPANY

**NOTES TO THE FINANCIAL STATEMENTS
FOR 2017**

Date: Budapest, 10 May 2018

.....
Director (representative) of the Company

L.S.

Table of Contents

I	General Disclosures	5
I.1	The Company	5
I.2	The Company's main accounting policies	6
I.3	Changes in the accounting policy during the current year	9
I.4	Separation of the accounts for the Company's railway activities	9
I.5	Valuation methods applied by the Company	10
I.5.1	Common rules for the valuation of assets	10
I.5.2	Valuation methods used for non-current assets	10
I.5.3	Valuation methods used for current assets	11
I.6	Important information on and changes in the Company's operations	12
I.7	Obligation to prepare consolidated financial statements	12
II	Specific disclosures	13
II.1	Notes to the balance sheet	13
II.1.1	Non-current assets	13
II.1.1.1	Changes in intangible assets	14
II.1.1.2	Changes in tangible assets	15
II.1.1.3	Developments in capital projects	16
II.1.1.4	Impact of the recognition of depreciation in the current year	16
II.1.1.5	Transfer/takeover without compensation	17
II.1.1.6	Presentation of the long-term investments of the Company	17
II.1.1.7	Presentation of the impairment of non-current financial assets	17
II.1.1.8	Presentation of the value of subordinated assets by title	17
II.1.2	Current assets	18
II.1.2.1	Presentation of inventories	18
II.1.2.2	Presentation of receivables	19
II.1.2.2.1	Presentation of receivables and their impairment	19
II.1.2.2.2	Receivables from related companies	19
II.1.2.2.3	Reclassification of receivables and liabilities in the balance sheet	20
II.1.2.3	Presentation of securities	20
II.1.2.3.1	Presentation of impairment of securities	20
II.1.3	Prepaid expenses & accrued income	21
II.1.4	Equity	21
II.1.4.1	Presentation of equity components	21
II.1.4.2	Presentation of the Company's share capital	22
II.1.4.3	Presentation of non-distributable reserves by title	22
II.1.5	Provisions	22
II.1.5.1	Provision for contingent liabilities	23
II.1.5.2	Provisions for liabilities to related companies	23
II.1.5.3	Provision for future expenses	24
II.1.5.4	Other provisions	24
II.1.5.4.1	Provisions for exchange loss	24
II.1.5.4.2	Provisions recognised under other titles	24
II.1.5.5	Provisions in the current year	25
II.1.6	Liabilities	25
II.1.6.1	Presentation of subordinated liabilities	25
II.1.6.2	Presentation of non-current liabilities	25
II.1.6.2.1	Long-term loans	25
II.1.6.2.2	Long-term loans and bond debts	26
II.1.6.2.3	Other non-current liabilities	26
II.1.6.3	Presentation of current liabilities	27
II.1.6.3.1	Short-term loans	27
II.1.6.3.2	Other current liabilities	27

II.1.6.4	Liabilities to related companies.....	27
II.1.7	Accrued expenses and deferred income.....	28
II.1.8	Disclosures relating to off-balance sheet items.....	28
II.1.8.1	Draw down and repayment schedule of loans not disbursed by the reporting date.....	28
II.1.8.2	Derivative transactions.....	29
II.1.8.2.1	Futures, swaps and options in 2017	30
II.1.8.3	First loss guarantee and guarantee agreements.....	30
II.1.8.4	Presentation of lien liabilities	31
II.1.8.5	Projected amount of environmental and reconstruction obligations not reported among the liabilities	31
II.1.8.6	Payment schedule of off-balance sheet interest and incidental expenses	31
II.1.8.7	Presentation of the operative lease agreements, existing on the reporting date, and signed by the Company as lessee	32
II.1.8.8	Other disclosures relating to off-balance sheet items	32
II.2	Additions to the profit and loss account.....	33
II.2.1	Net sales revenues	33
II.2.1.1	Net sales revenues by main activity	33
II.2.1.2	Export revenues and imports	34
II.2.2	Capitalised own performance	35
II.2.3	Details of expenses by expense type	35
II.2.3.1	Material expenses	36
II.2.3.2	Personnel-related expenses	37
II.2.3.3	Depreciation	37
II.2.4	Other gains and expenses	38
II.2.4.1	Other gains	38
II.2.4.2	Other expenses.....	39
II.2.5	Profit/loss of financial transactions	40
II.2.5.1	Income from financial transactions.....	40
II.2.5.2	Expenses of financial transactions.....	40
II.2.6	Gains and expenses recognised in relation to related companies.....	41
II.2.7	Tax base amendments included in the corporate tax calculation	42
II.2.8	Profit and loss account using cost of sales method	43
II.2.9	Other disclosures concerning the P&L.....	43
II.3	Cash-flow statement.....	43
II.4	Presentation of the actual assets and liabilities, financial and income position	45
II.5	Balance sheet and profit and loss account for previous years.....	47
III	Other supplementary notes.....	48
III.1	Environmental protection	48
III.1.1	Environmental protection obligations	49
III.1.2	Tangible assets directly serving environmental protection	49
III.1.3	The value and quantity of hazardous waste	50
III.2	Research and experimental development expenses.....	52
III.3	Assistance received.....	53
III.4	Average headcount figure, wage cost and personnel-type employee expenses.....	53
III.5	Supplementary notes relating to the executive officers and members of the Supervisory Board.....	55
III.5.1	Remuneration of executive officers and members of the Supervisory Board in the current year	55
III.5.2	Presentation of advance payments, loans disbursed to executive officers and members of the Supervisory Board and guarantees assumed in their names.....	55
III.5.3	Presentation of the pension payment obligations towards former executive officers and members of the Supervisory Board of the Company.....	55
III.6	Presentation of the investments of the Company	55

III.7 Disclosures of the exempted parent company	56
III.8 Presentation of material transactions with related parties under unusual market conditions	56
III.9 Presentation of sites abroad	56
IV Annual supervisory report – The disclosures pursuant to the Joint GKM-PM Decree 50/2007 on the accounting unbundling of rail transport activities within rail companies 57	
IV.1 Disclosures relating to the balance sheet	58
IV.2 Disclosures relating to the profit and loss account	60
IV.3 Disclosures relating to the cash-flow statement.....	61
IV.4 Statement of activities.....	61
IV.4.1 Narrative assessment for the rail passenger transportation supervisory report	63
IV.4.1.1 Gains	63
IV.4.1.2 Costs and expenses	64
IV.4.2 Narrative assessment for the supervisory report on rail passenger transportation performed as a public service	65
IV.4.2.1 Gains	65
IV.4.2.2 Costs and expenses	65
IV.5 Other disclosures relating to unbundling	66
V Cost reimbursement for public service and financing in 2017.....	69
VI List of tables	70

I General Disclosures

I.1 The Company

The establishment of the Company, a short description of its activities

MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság (MÁV Hungarian State Railways Private Company Limited by Shares) founded MÁV-START Vasúti Személyszállító Zártkörűen Működő Részvénytársaság (MÁV-START Railway Passenger Transport Private Company Limited by Shares, hereinafter referred to as “MÁV-START Zrt.” or the Company) as a single-shareholder company on 15 October 2006. In establishing MÁV-START Zrt., MÁV Zrt’s aim was to transfer its rail passenger transport activity on the 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 thereby capable of performing all the activities directly necessary for serving the travelling public and delivering passenger services to a higher standard.

Its Articles of Association contain the key provisions for the operation, organisation and governance system of MÁV-START Zrt.

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 work organisation is managed by the Chief Executive Officer.

Key corporate details of the Company

- **Name of the Company**

MÁV-START Vasúti Személyszállító Zártkörűen Működő Részvénytársaság

- **Name 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 Rail passenger transport, interurban

- **Person entitled to represent the Company**

The name and home address of the person entitled to represent the Company and required to sign the annual report: András Csépké, Chief Executive Officer (H-1112 Budapest, Nagyida köz 14., Hungary)

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

Public information on record of the person responsible for the control and management of tasks falling within the scope of bookkeeping services: Zsolt Karsai (H-2213 Monorierdő, Gyöngyvirág u. 13., Hungary), Manager for START Reporting at MÁV Szolgáltató Központ Zrt., registration number: MK181680.

- **Information about bookkeeping**

Auditor of the Company: PricewaterhouseCoopers Könyvvizsgáló Kft.

Person responsible for the audit: Éva Barsi, statutory auditor (MKVK 002945).

The annual report is subject to statutory audit.

Contractual fee charged by the auditor for auditing the report: HUF 10 million.

- **Share capital and shareholder of the Company**

As at 31 December 2017, the share capital of MÁV-START Zrt. amounted to HUF 43,741,514,000, of which 100% was owned by its founder, MÁV Zrt. (H-1087 Budapest, Könyves Kálmán krt. 54-60., Hungary).

1.2 The Company's main accounting policies

Main features of the set of rules applied to prepare the report

The Company's annual report is prepared in compliance with the rules laid down in the Act on Accounting (hereinafter referred to as the Accounting Act) and books 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 Policy 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 separation of accounts for various railway activities within railway companies (hereinafter referred to as: the Decree). Accordingly, an annual supervisory report on the activities

pursued by the Company that need to be separated must be published as a part of the supplementary annex to the annual report (see Section IV).

For the Company, the business year corresponds to the calendar year, i.e. the reporting date is 31st December.

The balance sheet, profit and loss account in 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 13th April 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 or 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) subsection 3 of the Accounting Act as follows:

An error is of a substantial amount if, in the year when such error is discovered, the total value of errors and/or their impact increasing/decreasing earnings and/or share capital (whether negative or positive) identified during reviews for the same year exceeds either 2% of the balance sheet total for the business year under review or HUF 1 million if 2% of the balance sheet total amounts to 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. With regard to items for previous years, if a review or self-review reveals error(s) of a significant amount in the annual reports for previous years, corrections for previous year(s) resulting from final findings that became known and were not challenged or appealed against by the balance sheet date will be presented in the supplementary annex 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 current year, broken down by year. Correction items for a period more than 5 years prior will be presented in the supplementary annex in aggregate with the figures for the 5th year. Items for previous years considered as significant will be recognised in retained earnings in the monthly accounts.

Definition of transactions of exceptional size or incidence

The Company considers gains and expenses (costs) accounted for under certain titles to be of exceptional size in any case and presents these by title in the supplementary annex if they amount to HUF 10 million or more and, with regard to their nature, result from transactions that fall under the following titles:

- contribution in kind (capital contribution),
- transfer/receipt without compensation,
- gifts, bequests,
- dissolution without a legal successor,
- dissolution with a legal successor (conversion, merger, demerger),
- reduction in the share capital by divestment,
- cancelled receivables,
- assumed liabilities,
- assumed debt,
- cancelled liabilities,

- cash received without the obligation of repayment,
- cash transferred without the obligation of repayment,
- services provided without compensation,
- services used without compensation,
- operating aid received,
- development support received,
- support provided on any grounds,
- titles accounted for under other gains and other expenses not listed above, presented in Section II.2.4 of the supplementary annex

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 impairment of investments representing participating interests and debt instruments and the reversal of such impairment, 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 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 impairment of receivables (including trade and other receivables) and the reversal of such impairment, the difference between the book value and the market value will always be considered significant.
- With regard to the impairment of purchased supplies (materials, goods) and the reversal of such impairment, the difference between the book value and the market value is significant if it exceeds 20% of the asset's book value prior to the recognition/reversal of impairment. With regard to the impairment of produced stocks (unfinished production and semi-finished products, finished goods) and the reversal of such impairment, the difference between the book 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 fees, 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. For, economic transaction within the corporate group influencing earnings, all accruals and deferrals are recognised on the reporting date, irrespective of their value.
- Provisioning principles are included in Section **Error! Reference source not found..**

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.

I.3 Changes in the accounting policy during the current year

In 2017, a new Accounting Policy (including new valuation rules) was adopted at the MÁV Group level (EVIG Order 22/2017 (MÁV Notice No. 10 of 31th March) and EVIG Order 23/2017 (MÁV Notice No. 10 of 31th March)) and its provisions entered into application in the business year that started on 1 January 2017.

Valuation rules were amended with regard to the following:

- The rules for determining the impairment to be recognised on receivables were amended; the new rules are explained in detail in the next chapter.
- The detailed rules for determining residual value were amended. Residual value is significant in any case where its expected amount exceeds HUF 20 million, instead of the previous HUF 10 million. For the reassessment of residual value, the difference is considered to be significant if it exceeds 25% of the residual value prior to the correction, instead of the previous 5%.
- With regard to the impairment and reversal of investments representing participating interests, a minimum was defined, below which no impairment is recognised or reversed. The new rule is explained in detail in the next chapter.

The aforementioned amendments to the valuation rules have no significant impact on the Company's assets, financial position or earnings.

I.4 Separation 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 separation of accounts for various railway activities within railway companies, the Company has **accounting separation rules** as part of its Accounting Policy.

Pursuant to the account separation rules, **the principles for separating 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 business (SK)** – passenger transport service provided on the basis of a public service contract and ancillary services, including:
 - Public service passenger transport – suburbs segment (SKE),
 - Public service passenger transport – regional segment (SKR),
 - Public service passenger transport – interurban segment (SKT),
 - b) **Non-public passenger transport business (SN)** – passenger transport services other than those provided on the basis of a public service contract and ancillary services, including
 - c) **Other activities business (E)** – services other than those related to passenger transport.
3. All assets and liabilities related to the activity 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.

4. Turnover, direct costs provided for in the Accounting Act and expenses and gains that can be clearly assigned are assigned directly to the activity to be separated, primarily on the basis of the passenger train, series of railway vehicles, headcount and domestic/international passenger transport. The Company's common operating expenses except for those related to central management are shared and transferred 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).
5. Company overhead expenses are shared among public passenger transportation, non-public passenger transportation and other activities proportionately, using projectionbases.
6. 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 a part of the supplementary annex to the annual report. 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 account separation in the current year

On 1 January 2017, the Company migrated to a new enterprise management system. The settings applied in the new system concerning principles for the separation of activities fundamentally remained unchanged; the only change concerns the projection bases used for sharing overhead costs (regional technical and sales costs and company overhead expenses). The projectionbasis used for separation is the wage cost provided by implementation cost centres (for regional technical and sales costs) and the wage cost recognised for the separated activities (for company overhead expenses), while overhead expenses were recognised for segments in proportion to the direct and indirect costs incurred by the implementing organisations in the period prior to 1 January 2017.

I.5 Valuation methods applied by the Company

I.5.1 Common rules for the valuation of assets

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 Valuation methods used for non-current assets

The ordinary depreciation of tangible assets and amortisation of intangible assets are recognised on the basis of the expected useful life, using the straight-line method based on gross value, broken down by calendar day, on a monthly basis.

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, 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 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 Valuation methods used for current assets

The cost of produced stocks 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 inventory and any purchases made of the item and collated with the account in the month concerned.

With regard to rolling stock maintenance and repair needs, for inventories available at corporate level, the consumption of which is uncertain (idle, 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 for reasonably idle inventory categories (emergency stocks, inventory of primary materials, inventories of machine parts and tools of strategic importance). However, 95% impairment will be recognised for inventories deemed clearly superfluous and recommended for scrapping at the end of the year.

The amount of impairment and reversal to be recognised for receivables (including trade and other receivables) is determined as follows:

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

Impairment 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 levels of impairment is recognised for all receivables from the 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 and reversal to be recognised for receivables from enterprises with participating interests is determined as follows:

100% impairment is recognised for all receivables from a debtor if the debtor is subject to winding-up, voluntary liquidation, compulsory liquidation or bankruptcy proceedings.

In any other cases, the debtor's individual rating will be the basis for determining the percentage of impairment and reversal to be recognised for all our receivables from that debtor, except that no impairment will be recognised for receivables from partners that belong to the MÁV Group.

No impairment is recognised for 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

In 2017, the Company did not experience any changes that would have fundamentally influenced its activities.

I.7 Obligation to prepare consolidated financial statements

Name of the company involving the Company in its consolidated accounts:

MÁV Magyar Államvasutak Zártkörűen Működő Részvénytársaság.

Registered office of the company involving the Company in its consolidated accounts:

H-1087 Budapest, Könyves Kálmán krt. 54-60., Hungary.

Pursuant to the Accounting Act, MÁV-START Zrt. is considered a parent company. However, MÁV Zrt., as a superordinate parent company, draws up and publishes consolidated accounts and consolidated business reports which include the accounts of MÁV-START Zrt. and its subsidiary. Accordingly, with a view to Section 116(1) of the Accounting Act, MÁV-START Zrt. does not draw up consolidated accounts and consolidated business reports.

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 2017, the balance sheet value of non-current assets stood at HUF 250,269 M, up by HUF 35,291 M compared to the previous year (a 16.42% increase).

Regarding the activities of our Company, rolling stock represents 79.89% of our tangible assets, amounting to HUF 195,252 M at book value, which comprises of HUF 117,604 M in railcars, HUF 23,702 M in TRAXX locomotives, HUF 39,416 M in traction vehicles, HUF 14,519 M in passenger coaches, HUF 4 M in wagons and HUF 7 M in other self-propelled rail machines.

II.1.1.1 Changes in intangible assets

figures in million HUF

	DEFINITION	Capitalised amount of foundation/r restructuring	Capitalised amount of experimental development	Intangible property rights	Intellectual property	Goodwill	Advance payments on intangible assets	Total
1.	<i>Gross amount, opening</i>	3	556	2 201	4 608	0	0	7 367
2.	Purchasing-reconstruction, advance given	0	0	802	1 974	0	0	2 776
3.	Own production	0	0	0	0	0	0	0
4.	Assets received free of charge	0	0	0	0	0	0	0
5.	Inventory surplus	0	0	0	0	0	0	0
6.	Assets transferred 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	0	0	0	0	0
9.	Scrapping, partial scrap	0	0	0	0	0	0	0
10.	Missing	0	0	0	0	0	0	0
11.	Destruction	0	0	0	0	0	0	0
12.	Foreign exchange revaluation (advance)	0	0	0	0	0	0	0
13.	Restatement (breakdown, consolidation, advance offsetting)	0	-40	-24	0	0	0	-64
14.	<i>Gross amount, closing</i>	3	516	2 979	6 581	0	0	10 079
15.	<i>Depreciation, opening</i>	3	238	1 300	1 107	0	0	2 647
16.	Depreciation in the current year	0	106	748	946	0	0	1 800
17.	Depreciation in the previous year	0	0	0	0	0	0	0
18.	Extraordinary depreciation in the current year	0	0	0	0	0	0	0
19.	Extraordinary depreciation reversed	0	0	0	0	0	0	0
20.	Assets received free of charge	0	0	0	0	0	0	0
21.	Inventory surplus	0	0	0	0	0	0	0
22.	Assets transferred free of charge	0	0	0	0	0	0	0
23.	Contributed to the Company	0	0	0	0	0	0	0
24.	Disposal	0	0	0	0	0	0	0
25.	Scrapping	0	0	0	0	0	0	0
26.	Missing	0	0	0	0	0	0	0
27.	Destruction	0	0	0	0	0	0	0
28.	Reclassification (breakdown, consolidation)	0	0	0	0	0	0	0
29.	<i>Depreciation, closing</i>	3	344	2 048	2 053	0	0	4 448
30.	<i>Opening, net</i>	0	318	901	3 501	0	0	4 720
31.	<i>Closing, net</i>	0	172	931	4 528	0	0	5 631

Table 1: Changes in intangible assets in the current year

The net value of intangible assets grew by HUF 911 M compared to the previous year. This growth was a result of a capitalisation in the amount of HUF 3,894 M in the current year. Among the assets put into service, the most significant are the JÉ application and framework at HUF 1,109 M and the INKA software at HUF 872 M.

For intangible assets, amortisation is recognised on the basis of useful life, using the straight-line method.

II.1.1.2 Changes in tangible assets

figures in million HUF

	DEFINITION	Land and buildings, and rights to immovables	Technical equipment, machinery and vehicles	Other equipment, fixtures and fittings, vehicles	Breeding stock	Capital projects, renovations	Advance payments for capital projects	Total
1.	<i>Gross amount, opening</i>	2 566	297 379	176	0	5 364	0	305 486
2.	Purchasing-reconstruction, advance given					5 265	36 492	41 757
3.	Own production					10 957		10 957
4.	Assets received free of charge							0
5.	Inventory surplus							0
6.	Takeover for asset management							0
7.	Increase due to transfer of assets							0
8.	Assets transferred free of charge							0
9.	Contribution in kind							0
10.	Disposal		-8					-8
11.	Scrapping, partial scrap		-222					-222
12.	Missing		-2					-2
13.	Destruction							0
14.	Commissioning	861	16 791			-17 614		0
15.	Relinquished asset management rights							0
16.	Decrease due to transfer of assets	0	0	0	0	0	0	0
17.	Foreign exchange revaluation (advance)						-7	-7
18.	Reclassification (breakdown, consolidation, advance offsetting)	0	0	0	0	38	0	38
19.	<i>Gross amount, closing</i>	3 427	313 939	176	0	3 972	36 485	357 999
20.	<i>Depreciation, opening</i>	367	94 959	156	0	0	0	95 483
21.	Depreciation in the current year	146	18 099	9				18 254
22.	Depreciation in the previous year							0
23.	Extraordinary depreciation in the current year							0
24.	Extraordinary depreciation reversed							0
25.	Assets received free of charge							0
26.	Inventory surplus							0
27.	Assets transferred free of charge							0
28.	Contribution in kind							0
29.	Disposal		-3					-3
30.	Scrapping		-117					-117
31.	Missing		-2					-2
32.	Destruction							0
33.	Relinquished asset management rights							0
34.	Decrease due to transfer of assets							0
35.	Reclassification (breakdown, consolidation)							0
36.	<i>Depreciation, closing</i>	513	112 937	165	0	0	0	113 615
37.	<i>Opening, net</i>	2 199	202 421	19	0	5 364	0	210 003
38.	<i>Closing, net</i>	2 914	201 002	11	0	3 972	36 485	244 384

Table 2: Changes in tangible assets in the current year

The net value of tangible assets grew by HUF 34,381 M compared to the previous year.

Advance payments on capital projects were made to implement projects involving support: HUF 27,965 M for 11 high-capacity electric multiple unit trains, HUF 7,954 M for 8 diesel/electric Tram-train vehicles and HUF 566 M for ETCS on-board equipment for Flirt multiple unit trains.

The increase in the gross value of tangible assets is primarily the result of rolling stock refurbishment in the amount of HUF 14,162 M.

The decrease was caused by the recognition of ordinary depreciation in the amount of HUF 18,254 M. There was no extraordinary depreciation or reversal of extraordinary depreciation in 2017.

For tangible assets, amortisation is recognised on the basis of useful life, using the straight-line method.

II.1.1.3 Developments in capital projects

figures in million HUF

Definition	Capital project in progress		
	Previous year	Current year	Change
<i>Opening</i>	3 145	5 364	2 219
Additions in the current year (+)	29 274	5 265	-24 009
Self-produced (+)	8 546	10 957	2 411
Commissioning (-)	-35 599	-17 614	17 985
Extraordinary depreciation (+)	0	0	0
Reversal of extraordinary depreciation (+)	0	0	0
Other increase (+)	0	0	0
Other decrease (-)	-2	0	2
<i>Closing</i>	5 364	3 972	-1 392

Table 3: Developments in capital projects

In the current year, own production accounted for slightly more than two-thirds of the HUF 16,222 M capital expenditure at HUF 10,957 M. The vast majority of this amount is from rolling stock improvement projects, including the HUF 3,003 M general overhaul of CAFs, replacement of bogies at HUF 2,876 M and the HUF 1,831 M refurbishment of IC cars.

As part of the development projects related to IC+ serial production, a hall with 3+1 positions was built in the amount of HUF 600 M, of which HUF 253 M is 2017 expense.

The Company spent HUF 539 M to purchase IT hardware, including the tangible assets purchased for the JÉ and INKA projects.

II.1.1.4 Impact of the recognition of depreciation in the current year

figures in million HUF

Definition	Depreciation			
	Ordinary	Extraordinary	Total pursuant to the Accounting Act	Pursuant to the CITA
Land	-	0	0	-
Properties (except land)	146	0	146	190
Machinery, equipment	18 099	0	18 099	29 931
Other machinery and equipment	9	0	9	6
Capital projects	-	0	0	-
<i>Total tangible assets:</i>	<i>18 254</i>	<i>0</i>	<i>18 254</i>	<i>30 127</i>
Foundation/restructuring	0	0	0	0
Experimental development	106	0	106	106
Intangible property rights	748	0	748	721
Intellectual property	946	0	946	941
Goodwill	0	0	0	0
<i>Total intangible assets:</i>	<i>1 800</i>	<i>0</i>	<i>1 800</i>	<i>1 769</i>
<i>Grand total:</i>	<i>20 054</i>	<i>0</i>	<i>20 054</i>	<i>31 896</i>

Table 4: Amortisation of intangible assets and depreciation of tangible assets in the current 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 257 M compared to the previous year.

II.1.1.5 Transfer/takeover without compensation

There was no transfer or takeover without compensation at the Company in 2017.

II.1.1.6 Presentation of the long-term investments of the Company

The table below shows the development of the long-term participating interests of MÁV-START Zrt.

figures in million HUF

Definition	Book value of investments			
	Opening balance	Increase	Decrease	Closing balance
Related companies	253	0	1	252
Major participating interests	0	0	0	0
Other participating interests	1	0	0	1
Other long-term loans	1	0	0	1
Total:	255	0	1	254

Table 5: Book value of the Company's investments by category

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

II.1.1.7 Presentation of the impairment of non-current financial assets

The Company did not recognise any impairment for the non-current financial assets shown in its accounts in 2017.

II.1.1.8 Presentation of the value of subordinated assets by title

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

II.1.2 Current assets

In 2017, the balance sheet value of current assets stood at HUF 68,856 M, up by HUF 22,803 M compared to the previous year (a 49.51% increase).

II.1.2.1 Presentation of inventories

figures in million HUF

	DEFINITION	Raw materials	Work in progress and semi-finished products	Animals for breeding, fattening and other livestock	Finished products	Goods	Advance payments for inventories	Total
1.	<i>Gross value of opening inventories</i>	14 563	1 615	0	1 133	13	383	17 707
2.	Purchases, advance payments	18 951	0	0	0	2 799	0	21 750
3.	Assets received free of charge	0	0	0	0	0	0	0
4.	Contribution in kind	0	0	0	0	0	0	0
5.	Reclassification	0	0	0	0	0	0	0
6.	Recognised in inventories	0	1 981	0	8 817	0	0	10 798
7.	Surplus	0	0	0	0	0	0	0
8.	Other increase	50	0	0	0	0	0	50
9.	Use (recognised in expenses)	-19 028	-1 620	0	-8 619	-6	0	-29 273
10.	Reclassification, offsetting of advance paym	0	0	0	0	0	0	0
11.	Disposal	-60	0	0	0	-2 776	0	-2 836
12.	Assets transferred free of charge	0	0	0	0	0	0	0
13.	Contribution in kind	0	0	0	0	0	0	0
14.	Scrapping	-28	0	0	-7	-10	0	-45
15.	Missing	0	0	0	0	-9	0	-9
16.	Other decrease	-301	0	0	-48	0	-6	-355
17.	<i>Gross closing inventory</i>	14 147	1 976	0	1 276	11	377	17 787
18.	<i>Opening impairment</i>	869	0	0	136	0	0	1 005
20.	Impairment for the current year	532	0	0	3	0	0	535
21.	Written off due to inventory decrease	-191	0	0	-40	0	0	-231
22.	Impairment reversed	-379	0	0	-72	0	0	-451
23.	<i>Closing impairment</i>	831	0	0	27	0	0	858
24.	<i>Opening net balance</i>	13 694	1 615	0	997	13	383	16 702
25.	<i>Closing net balance</i>	13 316	1 976	0	1 249	11	377	16 929

Table 6: Presentation of inventories

The closing value of inventories grew by HUF 227 M compared to 2016.

The main components of this change are the increase in work in progress and semi-finished products and Finished products of HUF 361 M and HUF 252 M, respectively, and a HUF 378 M decrease in material stocks.

Advance payments on inventories include the advance paid to Siemens Zrt. for bogie and braking system purchases as part of the IC+ project.

II.1.2.2 Presentation of receivables

II.1.2.2.1 Presentation of receivables and their impairment

figures in million HUF

Definition	Gross value of receivables						Impairment on receivables						Book value of receivables Current year	Book value of receivables Previous year	Change
	Not overdue	1-90 days	91-180 days	181-365 days	over 365 days	Total	Opening balance	Impairment in the current year	Impairment write-off	Amount recovered on receivables written off	Other derecognition of impairment	Closing balance			
Receivables from the supply of goods and services (trade receivables)	4 957	217	-3	7	52	5 230	55	3	0	11	0	47	5 182	3 900	1 282
Receivables from related companies	4 651	0	4	1	0	4 656	1	0	0	1	0	0	4 656	3 408	1 248
of which: receivables from (superordinate) parent company	4 566	0	4	1	0	4 571	0	0	0	0	0	0	4 571	2 482	2 089
of which: from fully consolidated subsidiaries	70	0	0	0	0	70	0	0	0	0	0	0	70	913	-843
of which: from not fully consolidated subsidiaries	15	0	0	0	0	15	1	0	0	1	0	0	15	13	2
Receivables from companies linked by virtue of other participating interests	32	0	0	0	0	32	0	0	0	0	0	0	32	38	-6
Receivables from companies linked by virtue of other participating interests	18	0	0	0	0	18	0	0	0	0	0	0	18	20	-2
Notes receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other receivables	38 450	21	19	36	485	39 011	1 268	69	0	7	772	558	38 453	21 091	17 362
Total receivables:	48 108	238	20	44	537	48 947	1 324	72	0	19	772	605	48 341	28 457	19 884

Table 7: Presentation of receivables and their impairment

The closing balance of receivables grew by HUF 19,879 M compared to 2016.

The recovery of value-added tax resulting from other receivables amounted to HUF 3,210 M. Receivables related to social policy fare assistance totalled at HUF 1,178 M, public service cost reimbursement receivables at HUF 22,370 M, receivables from health insurance and family benefits at HUF 130 M and the recovery of excise tax related to rail transport activity at HUF 788 M.

In 2017, HUF 772 M worth of receivables were sold from receivables related to surcharge payments past due for over a year. Other receivables past due for over 365 days amounted to HUF 485 M, of which HUF 448 M were receivables related to surcharge payments past due for over a year kept on records by the Company.

In 2017, 100% impairment was recognised for fare receivables related to surcharge payment from passengers fined for travelling without a ticket, totalling HUF 520 M.

II.1.2.2.2 Receivables from related companies

The closing balance of receivables from related companies of MÁV-START Zrt. was as follows in 2017:

figures in million HUF

Definition	Parent company	Fully consolidated subsidiary	Not fully consolidated subsidiary	Total
Advance payments for intangible assets	0	0	0	0
Advance payments for capital projects	0	0	0	0
Long-term loans to related companies	0	0	0	0
Advance payments for inventories	0	0	0	0
Receivables from related companies	4 571	70	15	4 656
Total:	4 571	70	15	4 656

Table 8: Receivables from related companies

Receivables from related companies amounted to HUF 4,656 M. The most significant of these is HUF 4,571 M from MÁV Zrt., including HUF cash-pool receivables (loans) totalling at HUF 4,170 M. Receivables from fully consolidated subsidiaries consist of HUF 40 M from MÁV FKG Kft., HUF 17 M from MÁV Szolgáltató Központ Zrt., HUF 7 M from MÁV VAGON Kft., HUF 5 M from MÁV KFV Kft. and HUF 1 M from ZÁHONY-PORT Zrt. With regard to receivables from not fully consolidated subsidiaries, there are receivables from MÁV NOSZTALGIA Kft. totalling HUF 15 M.

Companies are categorised from the point of view of superordinate parent company (MÁV Zrt.) on the basis of a classification at the level of the corporate group.

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 8 M of trade receivables were reclassified as other current liabilities.
- HUF 23 M of supplier liabilities were reclassified as other receivables.
- HUF 6 M of other current liabilities under employer's contributions and HUF 3,210 M of recoverable VAT were reclassified as other receivables.
- With regard to payment liabilities to the budget and meeting such liabilities, HUF 141 M of other current liabilities were reclassified as other receivables.
- Security deposit instalments payable to other companies for over a year were reclassified as non-current liabilities.
- Instalments of long-term loans totalling HUF 11,140 M due in 2018 were reclassified as short-term loans.

II.1.2.3 Presentation of securities

The Company did not record any securities in its books.

II.1.2.3.1 Presentation of impairment of securities

The Company did not record any impairment recognised for securities in its books.

II.1.3 Prepaid expenses & accrued income

figures in million HUF

Definition	Previous year	Current year	Change
Accrued income			
Accrual of RIC railcar rent	4 268	4 033	-235
Accrued unbilled traffic	6	66	60
Accrued unbilled revenues	1 090	753	-337
Accrued external and internal interest of the cash-pool	1	0	-1
Accrued income booked for the subsequent period	0	179	179
Accrued default interest, penalty and compensation for the current year	0	21	21
Accrued reimbursement of public service costs	20 829	0	-20 829
Unrealised exchange difference of accrued income	0	9	9
Total accrued income:	26 194	5 061	-21 133
Prepaid expenses			
Prepaid pre-billed expenses	458	366	-92
Prepaid unbilled expenses (credit)	217	789	572
Prepayment of invoices to be verified (credit) (at year-end, based on the Basware list)	1	0	-1
Total prepaid expenses:	676	1 155	479
Deferred expenses			
Deferral of the non-realised exchange loss relating to the EUR 41,437,500 KfW Bank loan agreement	537	447	-90
Deferral of the non-realised exchange loss relating to the EUR 38,250,000 EIB Bank loan agreement	496	412	-84
Deferral of the non-realised exchange loss relating to the No. 11. eurofina loan agreement (No. 2582) (deferral of non-realised exchange loss relating to the eurofina loans)	1 472	1 448	-24
Total deferred expenses:	2 505	2 307	-198
Total:	29 375	8 523	-20 852

Table 9: Presentation of prepaid expenses & accrued income

Of current-year settlements with international railway companies, accruals related to the RIC railcar lease and unsettled traffic fell by HUF 175 M.

The current-year accrual of unbilled revenues shows a decrease of HUF 337 M compared to 2016 as a result of the settlement of traction and shunting services with international railway companies.

The accrual of unbilled expenses grew by HUF 572 M owing to the price adjustment of the expenses of MÁV Szolgáltató Központ Zrt. recognised for the current year.

II.1.4 Equity

II.1.4.1 Presentation of equity components

figures in million HUF

Definition	Registered capital	Registered capital not paid (-)	Capital reserve	Retained earnings	Non-distributable reserve	After-tax profit/(loss)	Equity
<i>Opening balance in the current year</i>	43 742	0	67 633	3 046	1 241	4 023	119 685
Carry over of after tax profit/loss of the previous year	0	0	0	4 023	0	-4 023	0
Release of non-distributable reserves related to unrealised exchange losses	0	0	0	308	-308	0	0
Release of thenon-distributable reserve due to experimental development	0	0	0	146	-146	0	0
Profit/loss after tax in the current year	0	0	0	0	0	3 208	3 208
Dividend payment	0	0	0	-700	0	0	-700
<i>Closing balance in the current year</i>	<i>43 742</i>	<i>0</i>	<i>67 633</i>	<i>6 823</i>	<i>787</i>	<i>3 208</i>	<i>122 193</i>

Table 10: Development of balance sheet figures for equity

II.1.4.2 Presentation of the Company's share capital

There were no changes in the Company's share capital in 2017.

The Company's 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. The Company did not issue any shares in 2017.

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

II.1.4.3 Presentation of non-distributable reserves by title

figures in million HUF

Legal grounds for non-distributable reserves	Opening balance	Released in the current year	Made in the current year	Closing balance
Difference between provision for unrealised exchange losses on FX loans and deferred expenses	923	308	0	615
<i>of which: Eurofima II</i>	262	136	0	126
<i>KFW</i>	344	90	0	254
<i>EIB</i>	317	82	0	235
Amount relating to the reduction of harmful substance emission, not written off due to R&D	40	40	0	0
R&D relating to BMPZ IC+ railcars, not written off	278	106	0	172
Non-distributable reserve due to the not written-off foundation-restructuring	0	0	0	0
Total:	1 241	454	0	787

Table 11: Presentation of non-distributable reserves by title

II.1.5 Provisions

The provisioning principles applied by the Company are regulated in detail in the Company's accounting policy. The principles applied for the main titles are summarised in the table below.

Title	Recognised provisions
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 3 M Provisions are recognised for claims that exceed 1% of the equity only when an individual assessment suggests that it is likely or certain that the payment liability will actually occur.
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	The funding of the periodic maintenance expenses is defined with the following formula:

locomotives and FLIRT multiple unit trains	Provisions recognised for periodic maintenance expenses in the balance sheet	$\frac{\text{Period of the maintenance period by the reporting date / run km}}{\text{Length of the maintenance period (time / km)}}$	Estimated maintenance expenses
--	--	--	--------------------------------

II.1.5.1 Provision for contingent liabilities

figures in million HUF

Provision for liabilities	Opening balance	Released in the current year	Made in the current year	Closing balance
Provisions for liabilities related to redundancies	209	209	220	220
Provisions for environmental protection liabilities	21	21	0	0
Provisions for litigated cases	641	137	170	674
Provisions for compensation claims	457	63	81	475
Provisions recognised for work clothes and uniform obligations	682	150	252	784
Provisions for default interest payment	3	3	4	4
Provisions for bonus payment (booked for 2013)	42	42	0	0
Provisions for bonus payment (booked for 2014)	34	1	0	33
Provisions for bonus payment (booked for 2016)	164	164	0	0
Provisions for bonus payment (booked for the current year)	0	0	182	182
Provisions for other litigated liabilities	21	2	629	648
Provisions for other liabilities (fleet replacement)	0	0	14	14
Total:	2 274	792	1 552	3 034

Table 12: Provisions for contingent liabilities

HUF 209 M provisions were recognised in 2016 for employment-related liabilities and severance pays incurred in relation to redundancies. The provisions were reversed in 100% in 2017 partly because they were used and partly because they no longer served any purpose, yet HUF 220 M provisions were recognised in the current year.

HUF 182 M provisions were recognised for bonuses based on the 2017 performance at the Company, yet HUF 43 M provisions were reversed from the amount recognised in the preceding years for employees falling within the scope of Section 208 of the Labour Code partly due to the time limit and partly due to the change in the social contribution tax rate introduced on 1 January 2018.

In 2017, in total HUF 629 M provisions were recognised on the basis of an effective court judgment relating to employment of people in jobs that involve standby service.

II.1.5.2 Provisions for liabilities to related companies

figures in million HUF

Provision for liabilities to related companies	Opening balance	Released in the current year	Made in the current year	Closing balance
MÁV Szolgáltató Központ Zrt.	2	2	1	1
Total:	2	2	1	1

Table 13: Provisions for contingent liabilities

The provisions recognised for liabilities to related companies relate to the default interest payment liability. The data were extracted from Table 12.

II.1.5.3 Provision for future expenses

figures in million HUF

Provisions for future expenses	Opening balance	Released in the current year	Made in the current year	Closing balance
Provision for the maintenance of TRAXX locomotives	1 501	771	517	1 247
Provisions for the maintenance of FLIRT vehicles	921	0	678	1 599
Total:	2 422	771	1 195	2 846

Table 14: Provisions for future expenses

The Company recognised HUF 517 M provisions from the 2017 annual profit for the maintenance expenses of TRAXX locomotives incurred in addition to the regular annual periods, yet reversed HUF 771 M provisions due to the performed maintenance works.

Based on a similar rationale, since 2014 the Company has also recognised provisions to cover the maintenance expenses of FLIRT multiple unit trains. In 2017, HUF 678 M in total provisions were recognised for that reason.

II.1.5.4 Other provisions

II.1.5.4.1 Provisions for exchange loss

figures in million HUF

Description of loan	Opening balance	Released in the current year	Made in the current year	Closing balance
No. 11 Eurofima loan agreement (No. 2582)	1209	0	112	1 321
KfW bank loan agreement (EUR 41,437,500 EUR)	194	1	0	193
EIB bank loan agreement (EUR 38,250,000 EUR)	179	1	0	178
Total:	1 582	2	112	1 692

Table 15: Provisions for exchange loss

In the calculation of provisions for the Eurofima loans taken over with the incorporation of MÁV-TRAKCIÓ Zrt., MÁV-START Zrt. uses the date of the assumption of the loan from MÁV Zrt. as the date of borrowing (9 May 2008).

II.1.5.4.2 Provisions recognised under other titles

MÁV-START Zrt. did not recognise any provisions under any statutory requirement or legal regulations.

II.1.5.5 Provisions in the current year

figures in million HUF

Definition	Provision for contingent liabilities	Provision for future expenses	Other provisions	Total
<i>Opening provisions</i>	2 274	2 422	1 582	6 278
Released in the current year	792	771	2	1 565
Made in the current year	1 552	1 195	112	2 859
<i>Closing provisions</i>	3 034	2 846	1 692	7 572

Table 16: Changes in provisions

II.1.6 Liabilities

II.1.6.1 Presentation of subordinated liabilities

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

II.1.6.2 Presentation of non-current liabilities

On the reporting date, the Company had HUF 12,908 M non-current liabilities, which contain HUF 12,787 M in loans for capital projects and developments and HUF 121 M in other non-current liabilities.

II.1.6.2.1 Long-term loans

The majority of the loans of MÁV-START Zrt. consist of the “Eurofima loan” assumed from MÁV Zrt. and “KfW, EIB TRAXX loans”.

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

Loan title	Date of the loan agreement	Maturity of the loan agreement	State guarantee (pursuant to government resolution)	Currency type	Amount of the loan agreement (original currency)	Outstanding loan, 31/12/2017	
						In currency (EUR)	in HUF M
Loans for capital and development projects							
EUROFIMA 11	31.12.2003	17.12.2018	1036/2003., 1027/2008.	EUR	26 943 000	26 943 000	8 356
KfW (TRAXX)	03.12.2009	15.05.2024	-	EUR	41 437 500	21 547 500	6 683
EIB (TRAXX)	03.12.2009	15.05.2024	-	EUR	38 250 000	19 890 000	6 169
MFB*	27.10.2009	30.09.2024	-	HUF	2 800 000 000	-	1 330
Raiffeisen - H-91/2008.	23.12.2008	23.12.2018	-	HUF	3 000 000 000	-	454
UniCredit - MFB loan	10.09.2008	31.12.2023	-	HUF	2 376 000 000	-	935
<i>Total:</i>						<i>68 380 500</i>	<i>23 927</i>

*The table contains the actually drawn down amount, the amount stated in the loan agreement is HUF 3.464 bn.

Table 17: Long-term loans of the Company

Of the outstanding loans, the HUF 11,140 M instalments due in 2018 are reported in the balance sheet among the short-term loans. The currency loans were converted at 310.14 HUF/EUR exchange rate (published by the MNB on the reporting date).

The outstanding term of the following loans does not exceed 5 years. The contracts for the KfW (TRAXX) and EIB (TRAXX) loans will mature on 15 May 2024, the contract for the MFB loan will mature on 30 September 2024 and the UniCredit – MFB loan agreement will mature on 31 December 2023; the balance of those loans on the reporting date was HUF 15,117 M.

figures in million HUF

Loan title	2018	2019	2020	2021	in 2022 and after	Total
Loans for capital and development projects						
EUROFIMA-11 (No. 2582)	8 356	0	0	0	0	8 356
KfW (TRAXX)	1 028	1 028	1 028	1 028	2 571	6 683
EIB (TRAXX)	949	949	949	949	2 373	6 169
MFB	196	196	196	196	546	1 330
Raiffeisen - H-91/2008.	454	0	0	0	0	454
UniCredit - MFB	156	156	156	156	311	935
Total:	11 140	2 329	2 329	2 329	5 801	23 927

Table 18: Repayment schedule for the outstanding long-term loans of the Company

MÁV-START Zrt. performs debt service for its loans for capital projects according to the contract. The Company is also able to fulfil the debt service for its loans for capital projects according to the contract from its operating cash-flow. The contractual debt service of the loans for capital projects is a main priority for both the Company and the MÁV group.

II.1.6.2.2 Long-term loans and bond debts

The Company does not record any long-term loans or bond debts in its books.

II.1.6.2.3 Other non-current liabilities

figures in million HUF

Definition	Previous year	Current year	Change
Housing support liability pursuant to the Optional Extra-Wage Remuneration System	117	118	1
Cash at bank and on hand received as collateral (deposit)	22	3	-19
Total other non-current liabilities:	139	121	-18

Table19: Other non-current liabilities

The non-current liabilities of the Company denominated in foreign currency include the Eurofima-11 loan and the EIB and KfW loans financing the purchase of the TRAXX locomotives, presented earlier.

Using the option provided in Section 33 (2) of the Accounting Act, our Company deferred the non-realised exchange loss on the year-end revaluation of the currency loans, as a result of which the amount shown in the table below under that title (HUF 2,307 M) is reported in the balance sheet among the deferred expenses.

figures in million HUF

Breakdown by currency type	Amount of liabilities in foreign currency	Of which, short-term amount in currency	Exchange rate (Currency type/HUF)	Amount of liability	Of which, due within one year	Deferred exchange difference outstanding at the end of the year
EUR	68 380 500	33 318 000	310,14	21 208	10 333	2 307
Total:				21 208		2 307

Table 20: Presentation of non-current currency liabilities

II.1.6.3 Presentation of current liabilities

On the reporting date, the Company had HUF 72,665 M current liabilities. The current liabilities make up 22.18 of the balance sheet total and 84.92% of the total liabilities. Compared to the previous year, the current liabilities increased by 101.03%, primarily as a result of a major rise in other current liabilities.

The balance of the short-term loans on the reporting date was HUF 11,140 M, reflecting an increase of HUF 8,442 M since the previous year. Within that change, HUF 8,356 M relates to the repayment of the No. 11. Eurofima loan on 17.12.2018. Within the HUF 6,724 M liabilities to suppliers in the current year, the liabilities from services are the largest item (HUF 4,028 M). The other current liabilities amount to HUF 40,808 M, reflecting a considerable rise of HUF 36,920 M since the previous year. This change was the result of an increase in the liabilities relating to the vehicle purchasing projects implemented with assistance.

II.1.6.3.1 Short-term loans

MÁV-START Zrt. does not have any short-term loans. The items included in this balance sheet line are the reclassified short-term repayments of the long-term loans.

II.1.6.3.2 Other current liabilities

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

figures in million HUF

Definition	Previous year	Current year	Change
Payment liabilities to the state budget	722	739	17
Wages and salaries	2 819	3 494	675
Contributions to employer's fund	10	11	1
Membership fees deducted from employees	121	141	20
Other current liabilities	216	36 423	36 207
Total other current liabilities	3 888	40 808	36 920

Table 21: Composition of other current liabilities

II.1.6.4 Liabilities to related companies

figures in million HUF

Definition	Parent company	Fully consolidated subsidiary	Not fully consolidated subsidiary	Total
Subordinated liabilities to related companies	0	0	0	0
Non-current liabilities to related companies	0	0	0	0
Current liabilities to related companies	9 804	2 944	2	12 750
Total:	9 804	2 944	2	12 750

Table 22: Liabilities to related companies

Within the liabilities to the parent company, HUF 3,695 M is the track network access fee, HUF 2,232 M is the traction electricity fee and HUF 260 M is the insurance premium related to the railway vehicles. Of the liabilities to fully consolidated subsidiaries, the largest amount is the liability to MÁV Szolgáltató Központ Zrt. (HUF 2,316 M).

Companies are categorised from the point of view of superordinate parent company (MÁV Zrt.) on the basis of a classification at the level of the corporate group.

II.1.7 Accrued expenses and deferred income

figures in million HUF

Definition	Previous year	Current year	Change
Prepaid income			
Prepaid pre-billed income	150	133	-17
Prepaid unbilled income	0	310	310
Other prepaid income	38	0	-38
Total prepaid income:	188	443	255
Accrued expenses			
Accrual of unbilled expenses	2 512	4 725	2 213
Accrual of incoming invoices to be verified	278	0	-278
Accrual for invoices accounted for the subsequent period	0	60	60
Accrued RIC railcar lease	3 234	2 975	-259
Accrued unsettled deliveries	26	8	-18
Accrual of interests payable for the current period (except for default interest)	60	47	-13
Accrual of incentives - wages	158	95	-63
Accrual of incentives - contributions	37	20	-17
Unrealised exchange difference of accrued expenses	0	7	7
Total accrued expenses:	6 305	7 937	1 632
Deferred income			
Tangible and intangible assets identified as surplus	23	20	-3
Transfers from the budget	5	5	0
Assistance received in the framework of KÖZOP-42 MV	68 016	65 626	-2 390
Assistance received in the framework of GOP	258	225	-33
Assistance received in the framework of KÖZOP-INKA	454	411	-43
Assistance received in the framework of KÖZOP-6 MV	10 447	10 093	-354
Assistance received in the framework of KÖZOP-JKA	522	396	-126
Assistance received in the framework of KÖZOP-JÉ	1 061	663	-398
Assistance received in the framework of KDOP	6	5	-1
Assistance received in the framework of KÖZOP-UTAS	898	418	-480
Assistance received in the framework of IKOP-6+9 MV	15 987	26 068	10 081
Total deferred income:	97 677	103 930	6 253
Total:	104 170	112 310	8 140

Table 23: Changes in accrued expenses and deferred income

Due to the favourable developments in the current-year settlements with international railways, the accruals of the current year dropped by HUF 277 M.

The settlement of lease and traction fees resulted in a major increase in unbilled expenses.

The largest change since the previous period may be observed among the deferred income. It is related to the subsequently received assistance for multiple unit train purchases. The received assistance was deferred or reversed proportionately with the accounted depreciation.

II.1.8 Disclosures relating to off-balance sheet items

II.1.8.1 Draw down and repayment schedule of loans not disbursed by the reporting date

The Company did not enter into any new loan agreement in 2017.

II.1.8.2 Derivative transactions

The Company also earned the majority of its revenues in HUF in the current year. In 2017, it incurred in total 44.8 M expenses in EUR – EUR 8.5 M debt service for the currency loans according to the contract and EUR 36.3 M liabilities to suppliers – of which EUR 28.8 M was not covered by the opening EUR balances at the beginning of the year and EUR revenues received during the year.

The projected currency shortage was covered with EUR 9.3 M futures and EUR 19.5 M spot purchase deals. Our Company did not enter into any deal carried over to 2018.

Our Company entered into futures hedge deals in eight transactions during the financial year, which involved in total EUR 9.3 M and were aimed at reducing the EUR-based risk. Each deal was closed and settled in 2017.

In 2017, our Company did not enter into any commodity hedge deal that was aimed at reducing the risk of gas oil price fluctuation (increase).

There were no hedge transactions to reduce the risk of interest rate fluctuation in 2017.

There was no P&L and cash-flow impact resulting from the above deals in the current year.

figures in million HUF

Transaction type		P&L impact	Cash-flow impact
Clearing transactions	Forward	0	0
	Swap	0	0
	Option	0	0
	Total:	0	0
Delivery transactions	Forward	0.0	0.0
	Swap	0	0
	Option	0	0
	Total:	0.0	0.0
Grand total:		0.0	0.0
of which:	Hedging	0.0	0.0
	Non-hedging	0	0
	Total	0.0	0.0
of which:	Stock exchange	0	0
	OTC	0.0	0.0
	Total	0.0	0.0

Table24: Matured futures, swaps and options in 2017

II.1.8.2.1 Futures, swaps and options in 2017

	Purchase leg	Sales leg	Value day	Futures exchange rate	Closing exchange rate	Profit (HUF)*	Settlement method
1.	600 000 EUR	185 766 000 HUF	20.06.2017	309,61	309,61	- Ft	delivery
2.	300 000 EUR	92 937 000 HUF	20.07.2017	309,79	309,79	- Ft	delivery
3.	300 000 EUR	92 979 000 HUF	21.08.2017	309,93	309,93	- Ft	delivery
4.	300 000 EUR	93 015 000 HUF	20.09.2017	310,05	310,05	- Ft	delivery
5.	300 000 EUR	93 045 000 HUF	20.10.2017	310,15	310,15	- Ft	delivery
6.	300 000 EUR	93 114 000 HUF	20.11.2017	310,38	310,38	- Ft	delivery
7.	300 000 EUR	93 156 000 HUF	20.12.2017	310,52	310,52	- Ft	delivery
8.	600 000 EUR	185 010 000 HUF	20.06.2017	308,35	308,35	- Ft	delivery
9.	300 000 EUR	92 574 000 HUF	20.07.2017	308,58	308,58	- Ft	delivery
10.	300 000 EUR	92 634 000 HUF	21.08.2017	308,78	308,78	- Ft	delivery
11.	300 000 EUR	92 664 000 HUF	20.09.2017	308,88	308,88	- Ft	delivery
12.	300 000 EUR	92 697 000 HUF	20.10.2017	308,99	308,99	- Ft	delivery
13.	300 000 EUR	92 763 000 HUF	20.11.2017	309,21	309,21	- Ft	delivery
14.	300 000 EUR	92 823 000 HUF	20.12.2017	309,41	309,41	- Ft	delivery
15.	1 500 000 EUR	463 905 000 HUF	08.11.2017	309,27	309,27	- Ft	delivery
16.	1 500 000 EUR	463 245 000 HUF	08.11.2017	308,83	308,83	- Ft	delivery
17.	1 500 000 EUR	463 275 000 HUF	15.11.2017	308,85	308,85	- Ft	delivery

*The P&L impact was established on the basis of the bank's settlement exchange rate on the maturity date

Table 25: Currency futures, swaps and options in the current year

In 2017, the Company did not enter into any commodity futures transactions.

II.1.8.3 First loss guarantee and guarantee agreements

On the reporting date, the Company does not have a first-loss guarantee agreement. The existing guarantee agreements are presented below:

figures in million HUF

Beneficiary company's name	Guarantee type	Contracting bank	Start of guarantee	End of guarantee	Total guarantee
Bank guarantees					
pursuant to Government Decree 271/2007 (19 October) the Ministry for National Development	payment bank guarantee	KDB Bank Zrt.	01.01.2014	31.12.2019	1100
pursuant to Government Decree 6/2010 (21 January) the Ministry for National Development	payment bank guarantee	KDB Bank Zrt.	01.01.2013	31.12.2018	150
pursuant to Government Decree 6/2010 (21 January) the Ministry for National Development	payment bank guarantee	KDB Bank Zrt.	01.01.2013	31.12.2018	5
pursuant to Government Decree 271/2007 (19 October) the Ministry for National Development	payment bank guarantee	KDB Bank Zrt.	01.07.2011	31.12.2019	10
213/1996. (XII.23) pursuant to a Government Decree the Budapest Metropolitan Government Office	payment bank guarantee	KDB Bank Zrt.	26.10.2010	30.06.2019	6
Total assumed bank guarantees:					1,271

Table 26: Guarantee agreements existing on the reporting date

II.1.8.4 Presentation of lien liabilities

MÁV-START Zrt. has the following lien liabilities:

figures in million HUF

Name of loan	Loan portfolio encumbered by lien on 31/12/2017	Collateral
EUROFIMA 2582 - 11	8 356	Rolling stock
EIB (TRAXX)	6 169	Rolling stock
KfW (TRAXX)	6 683	Rolling stock
UniCredit - MFB	935	Rolling stock
Raiffeisen - H-91/2008.	454	Rolling stock
MFB	1 330	Rolling stock
Total:	23 927	

Table 27: Presentation of lien liabilities

The locomotives taken over with the assumption of the EUROFIMA loans are encumbered with a lien. The EIB and KfW loans relating to the purchase of 25 TRAXX locomotives are secured with liens on the TRAXX locomotives.

II.1.8.5 Projected amount of environmental and reconstruction obligations not reported among the liabilities

The Company did not have any off-balance sheet liability related to environmental protection.

II.1.8.6 Payment schedule of off-balance sheet interest and incidental expenses

figures in million HUF

Loan title	2018	2019	2020	2021	in 2022 and after	Total
EUROFIMA 2582 - 11	2	0	0	0	0	2
EIB	95	80	64	59	69	367
KfW	270	226	183	144	165	988
UniCredit - MFB	23	19	15	11	9	77
Raiffeisen - H-91/2008.	7	0	0	0	0	7
MFB	52	44	36	28	34	194
Grand total:	449	369	298	242	277	1,635

Table 28: Payment schedule of off-balance sheet interest and incidental expenses

The interest payments were calculated according to the terms and conditions included in the business plan.

II.1.8.7 Presentation of the operative lease agreements, existing on the reporting date, and signed by the Company as lessee

figures in million HUF

Contracting partner (lessor)	Subject matter of the agreement	Date of the agreement	Maturity of the agreement	Amount of the agreement (HUF M /month)	Amount not accounted by the cut-off date
Deutsche Leasing Hungaria Kft	8 Desiro multiple unit trains	24.09.2008	28.02.2029	19	2,546
MÁV Zrt.	Office building rent	27.10.2009	indefinite	24	n/a
MÁV Zrt.	Railway vehicle (rolling stock) rent	20.06.2007	indefinite	713	n/a
Mercarius Flottakezelő Kft.	Vehicle rent	19.07.2017	19.07.2021	22	946
Total:				778	3,492

Table 29: Operative lease agreements existing on the reporting date

II.1.8.8 Other disclosures relating to off-balance sheet items

In 2017, the Company did not have any other disclosures relating to off-balance sheet items other than the data presented in the separate tables.

II.2 Additions to the profit and loss account

The Company prepares its profit and loss account with the cost by nature method as described in Annex 2 of the Accounting Act.

The Company does not add lines to, omit items from, nor combine anything in the profit and loss account template specified in the Act.

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

II.2.1 Net sales revenues

II.2.1.1 Net sales revenues by main activity

figures in million HUF

Description of the activity	Previous year		Current year		Change
	Amount	Breakdown (%)	Amount	Breakdown (%)	
Revenues from public service passenger transportation	60 166	60,47	60 570	60,64	404
of which: Fare and seat reservation	40 973	41,18	41 713	41,76	740
Price supplementation	18 610	18,70	18 296	18,32	-314
Other	583	0,59	561	0,56	-22
Revenues from non-public service passenger transportation	19 193	19,29	19 000	19,02	-193
of which: Fare and seat reservation	9 515	9,56	9 363	9,37	-152
Price supplementation	370	0,37	345	0,35	-25
International use of passenger train car	4 988	5,01	4 729	4,73	-259
Sleeper car, couchette and restaurant car service	1 057	1,06	1 315	1,32	258
Other	3 263	3,28	3 248	3,25	-15
Revenues from other activities	20 135	20,24	20 316	20,34	181
of which: Passenger train and cargo train traction*	7 566	7,60	9 056	9,07	1 490
Other traction	451	0,45	330	0,33	-121
Shunting	3 605	3,62	3 910	3,91	305
Traction service	4 502	4,52	3 750	3,75	-752
Engineering activity	3 653	3,67	2 812	2,82	-841
Sale of materials and goods	218	0,22	213	0,21	-5
Other	140	0,14	245	0,25	105
Total:	99 494	100,00	99 886	100,00	392

*The passenger and freight train data from the base period were aggregated.

Table 30: Net sales revenues by main activity

The public service passenger transportation sales revenues increased by HUF 404 M from the base year to the current year. One of the reasons for that is an increase in employment and solvent demand across the country, which led to an increase in the volume of sales of fully priced tickets and employee passes. The continuously growing traffic on the reconstructed 30a line and the increasing popularity of ticket sales from vending machines and online also contributed to the rise in domestic fare revenues.

The revenues of non-public service passenger transportation showed a contrary tendency, with a decline of HUF 193 M, primarily due to the lack of the fee for the use of rail passenger cars (they did not operate on the territories of partner railways due to track obstructions and technical faults, and no restaurant cars were operated).

The sales revenues from other activities increased by HUF 181 M. The traction and shunting revenues increased primarily due to the additional private rail and RCH orders. In addition, the former train kilometre-based settlement was replaced by settlement based on other natural data with the partners, for which a new unit price calculation was established.

The outstanding performance of the base year resulted from the delivery of the FMK-008 rail diagnostic train manufactured for MÁV KfV Kft., hence the lower revenue from engineering services in 2017.

II.2.1.2 Export revenues and imports

figures in million HUF

Country	Previous year						Current year					
	Export of products	Export of services	Total exports	Import of products	Import of services	Total imports	Export of products	Export of services	Total exports	Import of products	Import of services	Total imports
EU Member States:												
Germany	0	2 388	2 388	1 105	1 242	2 347	0	1 887	1 887	317	1 251	1 568
Austria	0	5 264	5 264	5 171	2 073	7 244	0	6 236	6 236	527	3 638	4 165
Italy	0	5	5	7	1	8	0	3	3	0	0	0
Slovakia	0	1 112	1 112	1 491	542	2 033	0	1 121	1 121	290	537	827
Czech Republic	0	1 845	1 845	2 293	1	2 294	0	1 465	1 465	1	34	35
Slovenia	0	110	110	127	0	127	0	148	148	0	0	0
Poland	0	164	164	997	6	1 003	0	399	399	555	11	566
France	0	510	510	84	0	84	0	539	539	0	45	45
United Kingdom	0	12	12	24	1	25	0	23	23	1	0	1
Sweden	0	98	98	34	0	34	0	142	142	0	14	14
Belgium	0	10	10	3	6	9	0	8	8	0	7	7
Denmark	0	1	1	29	0	29	0	2	2	3	0	3
Finland	0	0	0	1	0	1	0	0	0	0	0	0
Greece	0	0	0	0	0	0	0	0	0	0	0	0
Netherlands	0	912	912	92	66	158	0	697	697	3	96	99
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	425	25	450	0	1	1	0	1	1
Romania	0	845	845	1 392	155	1 547	0	1 576	1 576	0	298	298
Croatia	0	186	186	172	2	174	0	269	269	0	14	14
Bulgaria	0	52	52	54	0	54	0	9	9	0	0	0
Total EU Member States:	0	13 516	13 516	13 501	4 120	17 621	0	14 527	14 527	1 697	5 947	7 644
Non-EU Member States:												
Serbia	0	281	281	276	12	288	0	310	310	0	34	34
Montenegro	0	0	0	3	0	3	0	0	0	0	0	0
Ukraine	0	36	36	47	0	47	0	62	62	0	6	6
Switzerland	0	968	968	398	10	408	0	943	943	122	92	214
Turkey	0	0	0	0	0	0	0	0	0	0	0	0
Belarus	0	3	3	10	0	10	0	0	0	0	0	0
Bosnia and Herzegovina	0	0	0	0	0	0	0	0	0	0	0	0
Macedonia	0	2	2	0	0	0	0	0	0	0	0	0
Russia	0	26	26	20	0	20	0	0	0	0	2	2
Norway	0	1	1	1	0	1	0	1	1	0	0	0
Moldova	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
Total non-EU Member States:	0	1 317	1 317	755	22	777	0	1 316	1 316	122	134	256
Grand total:	0	14 833	14 833	14 256	4 142	18 398	0	15 843	15 843	1 819	6 081	7 900

Table 31: Exports and imports

Similarly to 2016, 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, Germany, Poland and Slovakia.

II.2.2 Capitalised own performance

figures in million HUF

Description of the activity	Previous year	Current year	Change
Unfinished production and semi-finished products changes	-430	361	791
Finished products changes	308	252	-56
<i>Change in self-produced inventories</i>	<i>-122</i>	<i>613</i>	<i>735</i>

Table 32: Change in self-produced inventories

figures in million HUF

Description of the activity	Previous year	Current year
Change in self-produced inventories	-122	613
Capitalised value of self produced assets	8,659	11,126
<i>Capitalised own performance</i>	<i>8,537</i>	<i>11,739</i>

Table 33: Capitalised own performance

The capitalised own performance includes the change in inventories produced by the Company and the capitalised value of the assets produced by the Company. Under the latter title, the reconstruction and modernisation of own and leased vehicles are the largest in amount, with HUF 10,718 M.

II.2.3 Details of expenses by expense type

figures in million HUF

Definition	Previous year		Current year		Change
	Amount	Distribution (%)	Amount	Distribution (%)	
Material expenses, total:	162 950	63,68	163 703	62,04	753
Personnel-related expenses, total:	72 639	28,39	80 120	30,36	7 481
Depreciation, total:	20 311	7,94	20 054	7,60	-257
<i>Total:</i>	<i>255 900</i>	<i>100,00</i>	<i>263 877</i>	<i>100,00</i>	<i>7 977</i>

Table 34: Changes in expenses

II.2.3.1 Material expenses

figures in million HUF

Definition	Previous year	Breakdown in % of the total expenses in the previous year	Current year	Breakdown in % of the total expenses in the current year	Change
Raw materials					
Electricity	13,159	5.14	10,809	4.10	-2,350
Use of warehouse materials	15,682	6.13	17,712	6.71	2,030
Fuel	6,042	2.36	7,049	2.67	1,007
Uniforms, working clothes, protective drink	869	0.34	756	0.29	-113
Fare ticket rolls	164	0.06	172	0.07	8
Gas	221	0.09	232	0.09	11
Water and sewage	132	0.05	137	0.05	5
Rail infrastructure materials	0	0.00	0	0.00	0
Other materials	871	0.34	1,137	0.43	266
Total material expenses:	37,140	14.51	38,004	14.40	864
Services used					
Track network access fee	73,235	28.62	72,654	27.53	-581
Lease of railway and road vehicles	9,496	3.71	9,154	3.47	-342
Railway vehicle rent, RIC and other usage fees	6,623	2.59	5,989	2.27	-634
Railway vehicle maintenance	7,134	2.79	6,187	2.34	-947
Train heating/cooling, train car examination, train supplement, call centre, labour force rent and other railway operation activities	2,779	1.09	2,920	1.11	141
Property rental	2,428	0.95	2,344	0.89	-84
IT services	3,178	1.24	3,830	1.45	652
Purchasing and stock management services	1,564	0.61	1,753	0.66	189
Building operation and maintenance	1,881	0.74	1,990	0.75	109
Traction, shunting	1,791	0.70	1,820	0.69	29
Cleaning of railway vehicles, graffiti removal	2,226	0.87	2,915	1.10	689
Security services	1,559	0.61	2,007	0.76	448
Training and HR services	1,793	0.70	2,169	0.82	376
Ticket sale commissions paid	1,055	0.41	1,090	0.41	35
Other maintenance	886	0.35	844	0.32	-42
Accounting and financial services	687	0.27	638	0.24	-49
Public utilities (sewage, district heating)	442	0.17	421	0.16	-21
Telecommunication and postal services	400	0.16	359	0.14	-41
Business trips	452	0.18	404	0.15	-48
Commercials, advertisement and market research services	312	0.12	731	0.28	419
Track metering, cleaning, welding	9	0.00	39	0.01	30
Other rental fees	142	0.06	146	0.06	4
Legal services	25	0.01	22	0.01	-3
Expert's, tender, and author's fees	95	0.04	68	0.03	-27
Track maintenance	83	0.03	2	0.00	-81
Other services used	766	0.30	421	0.16	-345
Total value of services used:	121,042	47.31	120,917	45.83	-125
Other services					
Administrative fees, duties	542	0.21	544	0.21	2
Insurance premiums	992	0.39	992	0.38	0
Banking charges	376	0.15	410	0.16	34
Total value of other services:	1,909	0.75	1,946	0.75	37
Cost of goods sold	189	0.07	163	0.06	-26
Services resold (intermediated)	2,670	1.04	2,673	1.01	3
Material expenses, total:	162,950	63.69	163,703	62.06	753

Table 35: Material expenses

The materials used in warehouses increased in relation to the changes in the composition and volume of vehicle reconstruction done by the Company.

The cost of energy related to traction was lower in 2017, mainly due to price effects and partially due to changes in specific consumption, yet the traction fuel expenses increased. The change was primarily due to changes in fuel prices (in 2016 – 150.97 HUF/l, in 2017- 173.33 HUF/l).

The expenses for railway vehicle maintenance decreased as a result of the rescheduled activities and the settlement of the performance of subcontractors employed in vehicle reconstruction performed by the Company.

II.2.3.2 Personnel-related expenses

figures in million HUF

Definition	Previous year	Breakdown in % of the total expenses in the previous year	Current year	Breakdown in % of the total expenses in the current year	Change
Payroll cost	49 813	19,47	57 314	21,72	7 501
Other payments to personnel	7 403	2,89	7 834	2,97	431
Social security and other contributions	15 423	6,03	14 972	5,67	-451
Personnel-related expenses, total:	72 639	28,39	80 120	30,36	7 481

Table 36: Personnel-related expenses

The wage increase in 2017 reflected one of the most important objectives of the Company to improve the income of the staff.

Government Decree 430/2016 (15 December) on the mandatory lowest wage (minimum wage) and guaranteed wage minimum for 2017 increased the minimum wage by 15% and the guaranteed minimum wage in jobs requiring qualifications by 25% compared to the figures applicable in 2016.

The HUF 7,501 M wage increase observed since the previous year was partly the result of the Government Decree referred to above and partly the 3-year wage agreement concluded with the trade union at MÁV group level. In 2017-2019, in total, a 30% wage increase will take place in the MÁV group, for which the average increase in 2017 was 13%.

Since 1 January 2017, the social contribution tax has been reduced significantly from 27% to 22%, which resulted in a decrease in wage contributions by HUF 451 M, which occurred even with a significant increase in wage expenses.

II.2.3.3 Depreciation

figures in million HUF

Definition	Previous year	Breakdown in % of the total expenses in the previous year	Current year	Breakdown in % of the total expenses in the current year	Change
Accounted depreciation of tangible assets with continuous write-off	19,948	7.80	19,444	7.37	-504
Depreciation accounted in a lump sum	363	0.14	611	0.23	248
Depreciation, total:	20,311	7.94	20,054	7.60	-257

Table 37: Depreciation

The scheduled depreciation was HUF 257 M lower than in the previous year.

The depreciation in the current year was HUF 20,054 M, of which 79.5% relates to the HUF 15,944 M depreciation recognised on railway vehicles.

There was no extraordinary depreciation or reversal of extraordinary depreciation in 2017.

II.2.4 Other gains and expenses

II.2.4.1 Other gains

figures in million HUF

Definition	Previous year	Distribution (%)	Current year	Distribution (%)	Change
Income from disposal of intangible and tangible assets	8	0,01	12	0,01	4
Reversal of extraordinary depreciation of tangible and intangible assets	2	0,00	0	0,00	-2
Reversal of impairment on inventories	395	0,25	451	0,28	56
Income from disposal of receivables	0	0,00	225	0,14	225
Reversal of impairment on receivables	1	0,00	0	0,00	-1
Amount from receivables written off	16	0,01	19	0,01	3
Damages received	249	0,16	245	0,15	-4
Late-payment interest received	7	0,00	4	0,00	-3
Penalties received	5	0,00	131	0,08	126
Release of provision for contingent liabilities	2 410	1,54	792	0,49	-1 618
Release of provision for future expenses	1 670	1,06	771	0,48	-899
Release of provision for unrealised exchange losses	1 049	0,67	2	0,00	-1 047
Release of other provisions	0	0,00	0	0,00	0
Subsidies and grants received as compensation for costs expenses	289	0,18	5 127	3,20	4 838
Refund of the expenses of public services	147 005	93,63	147 760	92,12	755
Positive difference between the value of assets contributed to the company as stated in the Articles of Association and as carried in the company's books	0	0,00	0	0,00	0
Development support received	3 837	2,44	4 788	2,99	951
Income from assets received free of charge and identified as surplus	0	0,00	0	0,00	0
Miscellaneous other gains	58	0,04	69	0,04	11
Total:	157 001	100,00	160 396	100,00	3 395

Table 38: Other gains

Since the previous year, the reversal of provisions for contingent liabilities decreased by HUF 1,618 M. The two items with the greatest influence on this change were the reversal of the provisions recognised for obligations from litigation relating to employment in jobs involving standby service and the reversal of the provisions recognised for the termination of employment.

There was a decline of HUF 899 M in the reversal of provisions recognised for future expenses in comparison with the previous year. This change was significantly affected by the reversal of the HUF 665 M provisions recognised for demolition expenses in the previous year.

Compared to the previous year, there was a HUF 1,047 M decline in the reversal of provisions recognised for non-realised exchange loss because in 2016 the reversal of the provisions relating to the lump sum repayment of No. 13/b. Eurofima loan was recognised in the books.

The HUF 4,838 M increase in assistance and transfers to cover costs and expenses was changed significantly by the HUF 5,082 M NFM assistance granted to fund the wage increase.

The change observed in the received development assistance was affected by the reversal of assistance in the current year in relation to and proportionate with the depreciation recognised on capitalised assets.

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

II.2.4.2 Other expenses

figures in million HUF

Definition	Previous year	Distribution (%)	Current year	Distribution (%)	Change
Expenses of tangible assets, capital projects and intangible assets sold	4	0,14	5	0,11	1
Expenses of scrapped and missing tangible assets, capital projects and intangible assets	74	2,68	64	1,49	-9
Unscheduled depreciation of tangible assets and intangible assets	0	0,00	0	0,00	0
Impairment and scrapping of inventories	66	2,39	580	13,28	514
Inventory shortage	7	0,25	9	0,21	2
Impairment on receivables	100	3,62	72	1,65	-28
Bad debts written off	8	0,29	0	0,00	-8
Book value of sold receivables	0	0,00	0	0,00	0
Losses from damage	147	5,33	26	0,60	-121
Late-payment penalty paid	87	3,15	11	0,25	-76
Damages	29	1,05	218	4,99	189
Self-audit charges	1	0,04	1	0,02	0
Taxes and similar items	209	7,57	206	4,72	-3
Fines and penalties	13	0,47	13	0,30	0
Recognised provisions for contingent liabilities	720	26,09	1 552	35,55	832
Recognised provisions for future expenses	1 041	37,73	1 195	27,37	154
Recognised provisions for unrealised exchange loss	92	3,33	112	2,57	20
Other provisions made	0	0,00	0	0,00	0
Difference between the value of assets contributed to the Company according to the Articles of Association and their book value as a loss	0	0,00	0	0,00	0
Non-refundable support given to employees for home purchase	0	0,00	0	0,00	0
Value of the non-refundable transfer of assets and non-refundable provision of services	0	0,00	0	0,00	0
Forgiven receivables	0	0,00	0	0,00	0
Cash transferred without the obligation of repayment	140	5,07	297	6,80	157
Assumed liabilities	0	0,00	0	0,00	0
Other liabilities	21	0,77	0	0,00	-21
Various other expenses	0	0,00	4	0,09	4
Total:	2 759	100,00	4 366	100,00	1 607

Table 39: Other expenses

The other expenses grew by HUF 1,607 M since the previous year. The increase was greatly influenced by the HUF 514 M rise in the impairment and scrapping of inventories, of which the impairment on specific engineering material inventories was the largest item. The provisions recognised for contingent liabilities increased by HUF 832 M, of which the largest item was the provisions recognised for obligations from litigation relating to employment in jobs involving standby services.

II.2.5 Profit/loss of financial transactions

II.2.5.1 Income from financial transactions

figures in million HUF

Definition	Previous year	Distribution (%)	Current year	Distribution (%)	Change
Dividends received (due)	0	0.00	0	0.00	0
Income and exchange gains from participating interests	0	0.00	0	0.00	0
Income and exchange gains from non-current financial assets (securities, loans)	0	0.00	0	0.00	0
Interest and similar income received (due) from credit institutions	77	16.70	16	4.44	-61
Other interest and similar income received (due)	31	6.72	2	0.56	-29
Realised exchange gain on foreign exchange receivables and liabilities	201	43.60	306	85.00	105
Exchange gain on forward transactions	0	0.00	0	0.00	0
Exchange gain from the year-end revaluation of receivables and liabilities	151	32.75	11	3.06	-140
Other financial gains	1	0.22	25	6.94	24
Total:	461	100.00	360	100.00	-101

Table 40: Income from financial transactions

The income from financial transactions declined by HUF 101 M versus the previous year. This change was significantly affected by the HUF 140 M decrease in the exchange gain resulting from the year-end revaluation of receivables and liabilities due to the equalisation of exchange rate fluctuation.

II.2.5.2 Expenses of financial transactions

figures in million HUF

Definition	Previous year	Distribution (%)	Current year	Distribution (%)	Change
Expenses and exchange losses from participating interests	1	0,04	0	0,00	-1
Expenses and exchange losses from non-current financial assets (securities, loans)	0	0,00	0	0,00	0
Interest payable (paid) and similar expenses to credit institutions	579	20,61	466	50,22	-113
Other interest payable (paid) and similar expenses	0	0,00	0	0,00	0
Impairment on participating interests, securities and bank deposits	0	0,00	0	0,00	0
Exchange loss realised on receivables and liabilities denominated in foreign currencies	174	6,19	440	47,41	266
Exchange loss on forward transactions	660	23,50	0	0,00	-660
Exchange loss on year-end revaluation of receivables and liabilities	0	0,00	0	0,00	0
Other expenses of financial transactions	1 395	49,66	22	2,37	-1 373
Total:	2 809	100,00	928	100,00	-1 881

Table 41: Expenses of financial transactions

The expenses of financial transactions dropped by HUF 1,881 M since the previous year. This change was affected by the HUF 660 M decrease in the exchange loss expenses for futures and the major, HUF 1,373 M decrease in the other financial expenses.

II.2.6 Gains and expenses recognised in relation to related companies

figures in million HUF

Definition	Parent company	Fully consolidated subsidiary	Subsidiary company not fully involved in consolidation	Total
Gains				
Net sales revenues	4 080	569	35	4 684
Other gains	61	3	11	75
Income from financial transactions	2	6	0	8
Total revenues:	4 143	578	46	4 767
Expenses				
Material expenses	109 047	9 180	12	118 239
of which: Raw materials	21 519	1 631	0	23 150
Services used	87 255	7 549	12	94 816
Other services	271	0	0	271
Services resold (intermediated)	2	0	0	2
Personnel-related expenses	32	6	2	40
Other expenses	153	9	5	167
Expenses of financial transactions	1	4	0	5
Total expenses:	109 233	9 199	19	118 451

Table 42: Gains and expenses in relation to related companies

Among the revenues recognised from the parent company, the sold domestic IC surcharges and seat reservations, special train traffic and ticket revenues reached HUF 52 M, the traction revenue was HUF 3,653 M and revenues from engineering services amounted to HUF 371 M.

In relation to fully consolidated subsidiaries, the majority of the revenues were earned from MÁV FKG Kft. and MÁV KfV Kft. The total revenues from MÁV FKG Kft. amounted to HUF 414 M, including HUF 97 M in traction revenue and HUF 309 M revenue from engineering services. The total revenues earned from MÁV KfV Kft. amounted to HUF 86 M, including HUF 79 M from engineering services.

No deferred income was recognised in relation to any company with the group.

The majority of the expenses to the parent company consist of three items: HUF 8,565 M lease fee paid for railway vehicles, HUF 72,510 M rail network fee and HUF 21,104 M traction related electric energy and heating fuel. Among the fully consolidated subsidiaries, MÁV Szolgáltató Központ Zrt. is the largest partner with HUF 8,543 M. Within that, the two largest expenses include the cost of purchasing and stockpiling services, with HUF 1,746 M, and the IT maintenance and services, with HUF 2,332 M.

Companies are categorised from the point of view of superordinate parent company (MÁV Zrt.) on the basis of a classification at the level of the corporate group.

II.2.7 Tax base amendments included in the corporate tax calculation

figures in million HUF

Definition	Increasing items	Items decreasing the items	Decreasing items
Pre-tax profit/(loss)			3 210
Adjustment due to provisions	2 748	1 563	1 185
Adjustment due to depreciation	20 069	31 804	-11 735
Costs and expenses not relating to the business or income generating activities	164	0	164
Fine/refund established by an authority	4	0	4
Dividends received		0	0
Adjustment due to the employment of vocational trainees		34	-34
Continued employment of trainees, employment of formerly unemployed persons		8	-8
Impairment on receivables / impairment reversed	73	19	54
Expenses/gains identified during a tax audit or self-revision	530	422	108
Donation	0	27	-27
Prices other than market prices applied between related companies	0	0	0
Total:	23 588	33 877	-7 079

Table 43: Adjustments in the corporate tax base

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 tax base was increased by the HUF 2,748 M provisions recognised for contingent liabilities and future expenses and was decreased by HUF 1,563 M in reversed provisions.
- The tax base was increased / by the actually recognised scheduled depreciation and the expense of sold assets, recognised in the amount of HUF 20,069 M. Items decreasing the tax base included depreciation, recognised pursuant to Section 7 (1) d) of the CDTA and in Annexes 1 and 2 which, in the case of MÁV-START Zrt., amounts to 31,804 M.
- In 2017, the corporate tax base was increased under the title of cost and expense incurred not in the interest of the business with HUF 3 M time-barred receivable that cannot be enforced in court and with a further HUF 161 M, including HUF 150 M transferred from MÁV Zrt. to cover the passenger transportation costs of the Children's Railway and HUF 11 M assistance to associations and foundations.

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 items adjusting it. The Company incurred a HUF 2 M withholding tax liability in Slovakia.

The State Tax Authority (NAV) conducted a complete tax inspection at MÁV-START Zrt. for all fiscal years ending in 2011 and for the 2014-2015 fiscal years.

NAV did not conduct any inspection at the Company in 2017 that would have resulted in a period closed with an inspection and did not make any findings in that respect, either.

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 have any obligation under such a title.

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

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

II.2.9 Other disclosures concerning the P&L

In 2017, the Company does not have any other disclosures regarding its P&L

II.3 Cash-flow statement

The Company's cash-flow statement for 2017 is presented in the following table:

figures in million HUF

No.	Definition	Previous year	Current year
I	Cash flow or ordinary operations (Operating cash flow, lines 1–13)	43 822	8 914
1.	Profit before tax +	4 025	3 210
1b.	Cash transfer and receipt, accounted in the profit/loss ±	140	252
1c.	Unrealised exchange difference of cash at hand and in bank ±	0	1
1e.	Unrealised exchange difference of fixed assets and non-current liabilities +	-157	-53
1f.	Realised exchange difference relating to the repayment of long-term loans and non-current liabilities +	-38	-3
1g.	Non-specified adjustments relating to managed state-owned assets, affecting the P&L ±	0	0
1h.	Proceeds from the contribution in kind of fixed assets ±	0	0
1i.	Proceeds from/(loss on) non-current assets transferred free of charge +	0	0
1j.	Other non-specified adjustments affecting the profit before taxation ±	0	88
2.	Amortisation charge +	20 311	20 054
3.	Accounted impairment and reversal +	-158	266
4.	Changes in provisions ±	-3 276	1 294
5.	Proceeds from sold fixed assets ±	-3	-6
6.	Change in supplier liabilities (+-)	10 460	-50 366
7.	Change in other current liabilities (+-)	655	37 191
7a.	Change in business line settlements (liabilities) +	0	0
8.	Change in accrued expenses and deferred income ±	14 559	-2 901
9.	Change in trade receivables (+-)	416	-1 275
10.	Change of current assets (without trade receivables and liquid assets) +	-4 669	-18 988
11.	Changes in prepaid expenses & accrued income ±	1 558	20 852
12.	Tax (on profit) paid, payable -	-2	-2
13.	Dividends and participating interests paid, payable -	0	-700
II	Cash-flow from investment activities (lines 14-16.)	-38 753	-4 497
14.	Purchase of non-current assets -	-38 760	-4 498
15.	Disposal of non-current assets +	7	1
16.	Dividends and participating interests received +	0	0
III	Cash flow from financial activities (Financing cash flow, lines 17-27)	-8 777	-1 725
17.	Income from the issue of shares and capitalisation +	0	0
18.	Proceeds from the issue of bonds and debt securities +	0	0
19.	Borrowings +	0	0
20.	Repayment, cancellation and redemption of long-term loans and bank deposits +	2	1
21.	Cash received without the obligation of repayment +	0	1 352
22.	Redemption of shares, divestiture (capital reduction) -	0	0
23.	Repayment of bonds and debt securities -	0	0
24.	Loan repayment -	-8 625	-2 695
25.	Long-term loans and bank deposits -	0	0
26.	Financial assets transferred -	-140	-296
27.	Change in liabilities due to founders and in other non-current liabilities +	-14	-86
IV	Cash-flow (I+II+III)	-3 708	2 693
28.	Unrealised exchange difference on cash	0	-1
V	Change in cash at bank and in hand (IV+28)	-3 708	2 692

Table 44: Cash-flow statement

Evaluation of the individual lines:

The pre-tax profit is HUF 3,210 M.

The cash-flow (line IV.) reflects the changes in the B. IV. cash line of the balance sheet, which shows an increase of HUF 2,692 M in 2017. This change may be explained with the following events:

- The operating cash-flow of the core activity shows HUF 8,914 M cash influx in 2017, due mainly to the recognised depreciation and the changes in liabilities.
- The investment cash-flow of -HUF 4,497 M is affected mainly by the tangible asset purchases (commissioning).
- The financing, with HUF 1,725 M cash outflow, was predominantly influenced by the repayment of the loans for capital projects.

II.4 Presentation of the actual assets and liabilities, financial and income position

Value and composition of assets

Fixed assets ratio

$$\frac{\text{Non-current assets}}{\text{Total assets}} = \frac{250,269}{327,648} = 76.38\% \quad (\text{base: } 74.03\%)$$

Coverage of fixed assets

$$\frac{\text{Equity}}{\text{Own tangible assets}} = \frac{122,193}{244,384} = 50.00\% \quad (\text{base: } 56.99\%)$$

Coverage of fixed assets

$$\frac{\text{Equity}}{\text{Own non-current assets}} = \frac{122,193}{250,269} = 48.82\% \quad (\text{base: } 55.67\%)$$

Ratio of current assets and fixed assets

$$\frac{\text{Current assets}}{\text{Non-current assets}} = \frac{68,856}{250,269} = 27.51\% \quad (\text{base: } 21.42\%)$$

Value and composition of liabilities

Solvency ratio

$$\frac{\text{Equity}}{\text{Total liabilities}} = \frac{122,193}{327,648} = 37.29\% \quad (\text{base: } 41.21\%)$$

Gearing ratio

$$\frac{\text{Debt (Liabilities)}}{\text{Equity}} = \frac{85,573}{122,193} = 70.03\% \quad (\text{base: } 50.36\%)$$

Indebtedness ratio

$$\frac{\text{Debt (Liabilities)}}{\text{Total liabilities}} = \frac{85,573}{327,648} = 26.12\% \quad (\text{base: } 20.75\%)$$

Ratio of non-current liabilities

$$\frac{\text{Non-current liabilities}}{\text{Non-current liabilities} + \text{Equity}} = \frac{12,908}{135,101} = 9.55\% \quad (\text{base: } 16.78\%)$$

Equity growth ratio

$$\frac{\text{Equity}}{\text{Registered capital}} = \frac{122,193}{43,742} = 2.79 \quad (\text{base: } 2,74)$$

Profitability indicators

$$\text{EBITDA (Operating profit} + \text{ depreciation)} = 3,778 + 20,054 = 23,832 \quad (\text{base: HUF } 26,684 \text{ M})$$

$$\text{EBITDA ratio} = \frac{\text{EBITDA}}{\text{Net sales revenues}} = \frac{23,832}{99,886} = 23.86\% \quad (\text{base: } 26.82\%)$$

$$\text{Return on sales (ROS)} = \frac{\text{Operating profit/(loss)}}{\text{Net sales revenues}} = \frac{3,778}{99,886} = 3.78\% \quad (\text{base: } 6.41\%)$$

Review of the financial position:
Working capital and liquidity

Net working capital

$$\text{Current assets} - \text{Current liabilities} = 68,856 - 72,665 = -3,809 \quad (\text{base: HUF } 9,906 \text{ M}).$$

Liquidity ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{68,856}{72,665} = 94.76\% \quad (\text{base: } 127.40\%)$$

Quick ratio

$$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} = \frac{51,927}{72,665} = 0.71 \quad (\text{base: } 0.81)$$

Cash liquidity ratio

$$\frac{\text{Cash}}{\text{Current liabilities}} = \frac{3,586}{72,665} = 4.93\% \quad (\text{base: } 2.47\%)$$

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

The impact of the errors detected for the previous years in 2017 was below the threshold defined in the accounting policy and therefore the detected errors were recognised in the profit/loss of the current year and not in a separate column.

III Other supplementary notes

III.1 Environmental protection

MÁV-START Zrt. performs its environmental tasks pursuant to the Back Office Agreement of the Environmental Organisation of MÁV SZK Zrt., a member of the MÁV group, from 01/01/2017 (order-based settlement). The Security Directorate is responsible for the professional management and control of the Company's environmental activity.

The Environmental Management System covers the whole area of the Company and was successfully certified in January 2017.

The initiative to extend selective waste collection more widely introduced in 2017 failed due to its rejection by the public service companies removing waste.

A tender was issued as an experiment for the demolition of the scrapped railway vehicles and was won by ALCUFER. The selected vehicles will actually be demolished in 2018. Some of the approximately 30 selected vehicles cannot be transferred and will be demolished at railway sites, while the other vehicles will be demolished at the contractor's site.

The refurbishment of the facilities used for cleaning and washing passenger transportation vehicles and the related wastewater management facilities continued. The railcar wash and wastewater management system at the Budapest East automated facility was reconstructed. Emulsion demolition equipment was established in Záhony to enhance the cleanliness of the wastewater generated by the engineering technologies. The tender was closed for the Celldömölk JBI site and construction will take place in 2018.

The railcar wash point and tray system implemented at Celldömölk and the reconstruction of the locomotive wash tray at the JBI site are also aimed at ensuring the cleanliness of vehicles and the fulfilment of the requirement under the service contract to impose a smaller load on the environment.

The tender for the design of the automated railcar wash facility at Szolnok station – to be used for the cleaning and external wash of the planned multi-storey, multiple unit trains to be purchased in the future – was closed, and the actual design will take place in 2018. The vehicle maintenance site was changed and therefore the tender issued for the reconstruction of the "A"-type railcar repair facility was stopped.

On the basis of the EU Directive on the preparation of a strategic noise map and the Hungarian legal regulations, KTI was responsible for the preparation of the strategic noise map that had to be updated in 2017. The data required for their work were supplied at the beginning of the year. No information was returned to the MÁV group about the completed noise map.

The Noise Protection Round Table Discussion, attended by a large number of actors involved in environmental noise protection, was organised as a supplementary event to ÖKOINDUSTRIA technical exhibition and fair organised at the Railway History Park in 2017 with support from MÁV Zrt. It is a sign of the success of the event that the SZK Environmental Organisation has continued the professional discussions started there since the conference.

In 2017, there were 2 extraordinary events involving the vehicles of our Company and environmental pollution. As a result of vandalism involving the barrier at Nagykapornak station and damage caused to the traction vehicle, some gas oil leaked. At Vép station, the fallen drive shaft of a locomotive performing a test run after repair caused some damage, followed by fire. The nature or degree of the contamination did not call for any remediation intervention in either case.

The Environmental Authority conducted a two-day air purity inspection at the Szolnok railway vehicle repair site in 2017. The deficiencies identified during the inspection were remedied.

III.1.1 Environmental protection obligations

figures in million HUF

Definition	Opening balance	Increase	Decrease	Closing balance
For soil contamination	20	0	20	0
For noise penalty	1	0	1	0
Total provisions	21	0	21	0

Table 45: Tied-up reserves and provisions relating to environmental protection

The Company's records do not include any reserve tied up under the title of environmental protection obligations in 2017.

figures in million HUF

Presentation of expenses	2016	2017	Change
Environmental protection expenses	236	262	26

Table 46: Environmental protection expenses

III.1.2 Tangible assets directly serving environmental protection

figures in million HUF

No.	DEFINITION	Land and buildings, and rights to immovables	Technical equipment, machines and vehicles	Other equipment, fixtures and vehicles	Capital projects, renovations	Total
1.	<i>Gross amount, opening</i>	55	88	0	0	143
2.	Increase in the current year	0	4	0	0	4
3.	Decrease in the current year	0	0	0	0	0
4.	Reclassification	0	0	0	0	0
5.	<i>Gross amount, closing</i>	55	92	0	0	147
6.	<i>Depreciation, opening</i>	4	34	0	0	38
7.	Ordinary depreciation in the current year	2	11	0	0	13
8.	Extraordinary depreciation in the current year	0	0	0	0	0
9.	Extraordinary depreciation reversed	0	0	0	0	0
10.	Depreciation derecognised	0	0	0	0	0
11.	Other increase	0	0	0	0	0
12.	Other decrease	0	0	0	0	0
13.	Reclassification	0	0	0	0	0
14.	<i>Depreciation, closing</i>	6	45	0	0	51
15.	<i>Opening, net</i>	51	54	0	0	105
16.	<i>Closing, net</i>	49	47	0	0	96

Table 47: Tangible assets directly serving the protection of environment

At MÁV-START Zrt., depreciation is recognised with the straight-line method daily for tangible assets, which also include environmental protection assets.

III.1.3 The value and quantity of hazardous waste

The superfluous waste generated during the activity of the Company is valued regularly.

- Superfluous waste

figures in million HUF

EWC code	Definition	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
130205	Non-chlorinated engine, gear and lubricating oils	3	5	7	1
130307	Mineral-based non-chlorinated insulating and heat transmission oils	1	0	1	0
16 06 01	Lead batteries	2	7	6	3
Total		6	12	14	4

Table 48: Changes in hazardous waste and in waste harmful to the environment

- Changes in spent oil waste sales

figures in million HUF

Recipient	2016		2017	
	Sold (kg)	Sold net value	Sold (kg)	Sold net value
MOL-LUB Kft.	164,035	10	134,927	8

Table 49: Spent oil waste sales

- Changes in the quantity of hazardous waste and waste harmful to the environment

data in kg

EWG code	Definition	Opening inventory	Generated quantity	Transferred quantity	Closing inventory
060204*	Sodium and potassium-hydroxide	0	7,678	7,678	0
070104*	Other organic solvents, washing liquids and material bases	4	460	383	81
070603*	organic halogenated solvents, washing liquids and mother liquors	0	193	0	193
080111*	Waste paint and varnish containing organic solvents or other dangerous substances	621	7,853	6,292	2,182
080117*	Wastes from paint or varnish removal containing organic solvents or other dangerous substances	2,153	19,365	15,255	6,263
080317*	Waste printing toner containing dangerous substances	946	1,690	1,691	945
080409*	Waste adhesives and sealants containing organic solvents or other dangerous substances	2,431	6,002	6,655	1,778
100402*	Dross and shavings from primary and secondary production	1,226	0	1,226	0
110198*	Other substances containing hazardous materials	364	4,220	3,236	1,348
120109*	Machining emulsions and solutions free of halogens	192	696	590	298
120112*	Spent waxes and fats	915	2,259	2,298	876
120116*	Waste blasting material containing dangerous substances	3,909	7,097	11,006	0
120118*	metal sludge (grinding, honing and lapping sludge) containing oil	1,334	24,947	21,743	4,538
130113*	Other hydraulic oil	160	1,569	180	1,549
130205*	non-chlorinated engine, gear and lubricating oils	18,371	120,696	120,645	18,422
130307*	Mineral-based non-chlorinated insulating and heat transmission oils	4,401	12,023	14,282	2,142
130502*	Sludges from oil/water separators	2,262	234,266	233,762	2,766
130506*	Oil from oil/water separators	0	5,516	5,516	0
130508*	Mixtures of wastes from grit chambers and oil/water separators	200	82,958	83,010	148
130701*	Fuel oil and diesel	376	1,496	712	1,160
130703*	Other fuels	1,440	1,303	2,063	680
140601*	Chlorofluorocarbons, HCFC, HFC	0	410	410	0
140603*	Other solvents and solvent mixtures	480	2,620	2,980	120
150110*	Packaging containing residues of or contaminated by dangerous substances	4,712	61,770	60,523	5,959
150111*	Metallic packaging containing a dangerous solid porous matrix (e.g. asbestos), including empty pressure containers	348	1,188	939	597
150202*	Absorbents, filter materials (including oil filters not otherwise specified), wiping cloths, protective clothing contaminated by dangerous substances	15,189	66,777	68,830	13,136
160107*	Oil filters	2,085	7,416	7,659	1,842
160114*	Antifreeze fluids containing dangerous substances	40	4,705	2,060	2,685
160121*	Hazardous components	75	994	817	252
160213*	Discarded equipment	134	1,456	1,143	447
160303*	Inorganic wastes containing dangerous substances	29	205	47	187
160305*	Organic wastes containing dangerous substances	1,979	6,665	6,403	2,241
160506*	Laboratory chemicals, consisting of or containing dangerous substances	6	34	4	36
160507*	Discarded inorganic chemicals consisting of or containing dangerous substances	27	356	139	244
160601*	Lead batteries	3,269	48,161	36,695	14,735
160606*	Separately collected electrolyte from batteries and accumulators	1,000	15,120	15,120	1,000
160708*	Wastes containing oil	0	8,994	7,812	1,182
161001*	aqueous liquid waste containing hazardous materials	1,230	31,131	32,361	0
170204*	Glass, plastic and wood containing or contaminated with dangerous substances	368	624	972	20
170301*	Bituminous mixtures containing coal tar	0	2,841	2,841	0
170409*	Metal waste contaminated with dangerous substances	0	180	45	135
170410*	Cables containing oil, coal tar and other dangerous substances	21	0	21	0
170503*	Soil and stones containing dangerous substances	452	13,520	11,794	2,178
170603*	Other insulation materials consisting of or containing dangerous substances	83	114	147	50
190806*	Saturated or spent ion exchange resins (artificial resin)	70	0	70	0
190813*	Sludges containing dangerous substances from other treatment of industrial waste water	58,640	320,000	367,180	11,460
200121*	Fluorescent light tubes and other mercury-containing waste	185	1,620	1,193	612
200129	Detergents containing dangerous substances	0	78	0	78
200133*	Batteries and accumulators included in 16 06 01, 16 06 02 or 16 06 03 and unsorted batteries and accumulators containing these batteries	196	1,750	1,702	244
200135*	Discarded electrical and electronic equipment other than those mentioned in 20 01 21 and 20 01 23 containing hazardous components	5,091	6,814	7,302	4,603
200137*	Wood containing dangerous substances	0	1,440	940	500
Total:		137,014	1,149,270	1,176,372	109,912

Table 50: Changes in the quantity of hazardous waste and waste harmful to the environment

III.2 Research and experimental development expenses

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

figures in million HUF

Definition	Previous year	Current year
Expenses of R&D activities	0	0
of which: R+D to be capitalised for the company	0	0
Other indirect expenses of technical development	0	0
Total:	0	0

Table 51: R&D expenses

figures in million HUF

Definition	Opening	Increase	Decrease	Closing
Gross value	516	0	0	516
Depreciation	-238	-106	0	-344
Net value	278			172
Unfinished R&D	40	0	40	0
Total:	318	-106	40	172

Table 52: Capitalised R&D activities

In 2017, 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 because the unfinished R&D expense capitalised in the current year increased the value of an M41 locomotive, in which the engine was transformed.

III.3 Assistance received

figures in million HUF

Description of support, legal grounds	Received (approved) amount (Amount according to support document)	Current year						Previous year					
		Amount charged to assistance in the previous year(s)	Amount charged to assistance	Amount not yet used from assistance	Disbursed from support amount	Amount paid from assistance	Cash available from disbursed assistance on the cut-off date	Amount charged to assistance in the previous year(s)	Amount charged to assistance	Amount not yet used from assistance	Amount disbursed from support	Amount paid from assistance	Cash available from disbursed assistance on the cut-off date
Social policy fare assistance in passenger transportation*	18 641	0	18 641	0	17 463	18 641	-1 178	0	18 980	0	16 866	18 980	-2 114
Excise duty refund for gasoil used in traction*	4 409	0	4 409	0	3 621	4 409	-788	0	4 429	0	3 594	4 429	-835
Support (capital project - expense)	203 691	103 764	47 048	52 879	1 352	1 352	-44	83 857	19 907	99 927	19 907	19 907	-1 263
of which: GOP IC support	398	363	0	35	0	0	0	333	30	35	30	30	0
KÖZOP-İKOP INKA	671	455	69	147	5	5	0	372	83	216	83	83	-5
KDOP Ticketing machines	395	7	0	388	0	0	0	7	0	388	0	0	0
KÖZOP 42 multiple unit trains	73 091	72 398	0	693	0	0	0	72 277	121	693	122	122	0
KÖZOP 6 multiple unit trains	11 005	10 886	0	119	0	0	0	10 868	18	119	18	18	0
KÖZOP Ticketing machines	685	674	0	11	0	0	0	0	674	11	674	674	0
KÖZOP Ticket sales	1 599	1 407	0	192	0	0	0	0	1 407	192	1 406	1 406	0
KÖZOP Passenger information	1 536	1 426	0	110	0	0	0	0	1 426	110	1 426	1 426	0
İKOP 6 multiple unit trains	10 872	9 674	1 197	1	1 197	1 197	0	0	9 674	1 198	9 674	9 674	-75
İKOP 9 multiple unit trains	16 292	6 474	9 819	-1	106	106	0	0	6 474	9 818	6 474	6 474	-1 183
İKOP 39 large-capacity multiple unit trains	60 550	0	27 965	32 585	0	0	0	0	0	60 550	0	0	0
İKOP Tram Train	17 623	0	7 954	9 669	0	0	0	0	0	17 623	0	0	0
ETCS 59 units multiple unit trains	8 974	0	44	8 930	44	44	-44	0	0	8 974	0	0	0
Current-year settlements relating to the public service cost reimbursements of former years	2 218	0	2 218	0	26 829	2 218	-10 015	0	931	0	4 932	931	-11 723
Cost reimbursement of public services in the current year	145 542	0	145 542	0	123 171	145 542	-22 371	0	146 074	0	123 171	146 074	-22 903
Received to cover the wage increase NFM support	5 484	0	5 082	402	5 484	5 082	-402	0	0	0	0	0	0
Total:	379 985	103 764	222 940	53 281	177 920	177 244	-34 798	83 857	190 321	99 927	168 470	190 321	-38 838

* Contains the amount of assistance granted in the current year pursuant to legal regulations

Table 53: Assistance recognised in the current year

The further details of subsidies are presented as part of Chapter IV.5, among the other disclosures relating to separation.

figures in million HUF

Social policy fare charge support allowance by type	Previous year	Current year
50%	3,526	3,540
90%	2,366	2,267
Student allowance	7,165	6,904
Allowance for persons older than 70 (65) years	5,835	5,930
Total:	18,892	18,641

Table 54: Absorption of the social policy fare assistance

III.4 Average headcount figure, wage cost and personnel-type employee expenses

figures in million HUF

Headcount	Previous year				Current year			
	Payroll cost	Other payments to personnel	Total	Distribution (%)	Payroll cost	Other payments to personnel	Total	Distribution (%)
Blue collar	34,426	5,106	39,532	69.09	39,708	5,417	45,125	69.27
White collar	15,355	2,277	17,632	30.82	17,565	2,396	19,961	30.64
Inactive	31	20	51	0.09	41	21	62	0.10
Total:	49,813	7,403	57,216	100.00	57,314	7,834	65,148	100.00

Table 55: Personnel-related expenses of the Company – without contributions

figures in million HUF

Legal grounds for Social security and other contributions	Previous year		Current year	
	Amount	Distribution (%)	Amount	Distribution (%)
Social contribution tax	13 141	85,20	12 355	82,52
Age Allowance Guarantee Premium	0	0,00	0	0,00
Rehabilitation contribution	675	4,38	801	5,35
Health contribution	898	5,82	1 009	6,74
Vocational training contribution	709	4,60	807	5,39
Total:	15 423	100,00	14 972	100,00

Table 56: Wage contributions by title

Headcount	Previous year		Current year	
	Average statistical headcount figure (number)	Distribution (%)	Average statistical headcount figure (number)	Distribution (%)
Blue-collar	9,775.1	69.15	9,774.0	69.33
White-collar	4,360.0	30.85	4,323.0	30.67
Total number of employees:	14,135.1	100.00	14,097.0	100.00

Table 57: Number of employees at the Company

Headcount	Average wage (HUF/person/month)		Average category-based wage (HUF/person/month)	
	Previous year	Current year	Previous year	Current year
	- blue collar	278,073	331,836	193,586
- white collar	283,227	320,781	250,875	279,076
Full-time employees:	279,658	328,456	210,977	237,881

Table 58: Average wage and category-based wage, also including workers involved in public employment

The Company did not employ any worker under any public employment scheme in 2017.

Definition	Previous year	Distribution (%)	of which, public employees	Current year	Distribution (%)	Index Current year / Previous year (%)	of which, public employees
Full-time	14,199	99.78	0	13,943	99.74	98.20	0
- blue collar	9,888	69.49	0	9,684	69.28	97.94	0
- white collar	4,311	30.30	0	4,259	30.47	98.79	0
Part-time	31	0.22	0	36	0.26	116.13	0
- blue collar	9	0.06	0	11	0.08	122.22	0
- white collar	22	0.15	0	25	0.18	113.64	0
Total employees	14,230	100.00	0	13,979	100.00	98.24	0

Table 59: Closing headcount figure in the Company in the current year (number)

III.5 Supplementary notes relating to the executive officers and members of the Supervisory Board

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

figures in million HUF

Definition	Previous year	Current year	Change
Senior officers	48	51	3
Supervisory Board	7	8	1
Total:	55	59	4

Table 60: Remuneration in the current year

III.5.2 Presentation of advance payments, loans disbursed to executive officers and members of the Supervisory Board and guarantees assumed in their names

No advances were paid or loans were disbursed to, or guarantees were assumed, in the name of executive officers and members of the Supervisory Board in 2017.

III.5.3 Presentation of the pension payment obligations towards former executive officers and members of the Supervisory Board of the Company

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

III.6 Presentation of the investments of the Company

figures in HUF

Company code	Name	Ownership ratio (%)	Date of foundation / acquisition	Post code	Registered office:	Address	Subscribed capital on 31/12 of the current year	Provisions on 31/12 of the current year 2017	Profit after tax on 31/12 of the current year 2017	Equity on 31/12 of the current year 2017	Registered capital on 01/01 of the current year	Accumulated impairment on 01/01 of the current year	Registered value on 01/01 of the current year	
138	MÁV Szolgáltató Központ Zrt	0,25	19.07.2011	1087	Budapest	Könyves Kálmán körút 54-60.	801 000 000	1 436 457 000	285 750 289	2 523 207 000	3 000 000		3 000 000	
020	MÁV VAGON Kft	99,92	01.01.2014	8000	Székesfehérvár	Takarodó u. 1.	243 980 000	209 430 000	44 819 000	498 229 000	250 480 000		250 480 000	
<i>Fully consolidated subsidiaries, total:</i>											253 480 000		253 480 000	
<i>Not fully consolidated subsidiaries, total:</i>														
191	TS-MÁV Gépészet Services Kft	49,02	14.12.2011	1097	Budapest	Fék u. 8/a	3 000 000	206 271 000	49 760 000	259 031 000	250 000		250 000	
<i>Associated companies, total:</i>											250 000		250 000	
147	BCC	1,36	28.01.1997	B-1060	Brussels	40 Avenue de la Porte de Hal	34 716 623				466 530		466 530	
120	Vasútegészségügyi Kft	0,010	07.10.2013	1062	Budapest	Podmaniczky u 109.	701 020 000	1 822 878 000	25 326 000	2 550 224 000	200 000		200 000	
<i>Other participating interests total:</i>											666 530		666 530	
Total:											254 396 530	0	254 396 530	

Table 61: Presentation and opening balance of the participating interests of the Company

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 the current year	31/12 of the current year Registered capital	Impairment for the current year	Impairment reversed	Reversal due to sale, contribution	Accumulated impairment on 31/12 of the current year	Registered value on 31/12 of the current year	Dividend in the current year
138	MÁV Szolgáltató Központ Zrt					1,000,000					2,000,000					2,000,000	
020	MÁV VAGON Kft					102,706					250,377,294					250,377,294	
<i>Fully consolidated subsidiaries, total:</i>		0	0	0	0	1,102,706	0	0	0	0	252,377,294					252,377,294	
<i>Not fully consolidated subsidiaries, total:</i>											0					0	
191	TS-MÁV Gépészet Services Kft										250,000					250,000	
<i>Associated companies, total:</i>		0	0	0	0	0	0	0	0	0	250,000					250,000	
147	BCC									-1,320	465,210					465,210	
120	Vasútegészségügyi Kft					100,000					100,000					100,000	
<i>Other participating interests total:</i>		0	0	0	0	100,000	0	0	0	-1,320	565,210					565,210	
Total:		0	0	0	0	1,202,706	0	0	0	-1,320	253,192,504					253,192,504	

Table 62: Changes in the participating interests of the Company in the current year

In its decision 2/2017 (7 February), the Ministry for National Development decided to increase the share capital of MÁV Zrt. by HUF 2,499,800,000 by contributing the share package of BHÉV Zrt. into MÁV Zrt. as a contribution in kind. The capital increase took place on 22 February 2017 (value date: 17 February 2017) when the 100% state-owned share package of BHÉV Zrt. was credited on the securities account of MÁV Zrt.

In order to validate the interests of MÁV group and ensure the long-term operation of MÁV-HÉV Zrt. (new name of BHÉV Zrt. from 23 February 2017), MÁV-HÉV Zrt. had to acquire a participating interest in certain companies in which MÁV Zrt. had participating interests.

On 10 March 2017, MÁV-HÉV Zrt. acquired HUF 1 M face value ordinary shares in MÁV Szolgáltató Központ Zrt., a business share of HUF 100 thousand face value in Vasútegészségügyi Szolgáltató Nonprofit Kft., and a business share of HUF 100 thousand face value in MÁV VAGON Kft. from MÁV-START Zrt. On the basis of the business share sale and purchase transactions, MÁV-HÉV Zrt. became able to exercise its ownership rights in MÁV VAGON Kft. from 10 March 2017, in MÁV Szolgáltató Központ Zrt. from 14 March 2017 and in Vasútegészségügyi Szolgáltató Nonprofit Kft. from 11 April 2017.

III.7 Disclosures of the exempted parent company

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

figures in million HUF

MÁV VAGON Kft.	31.12.2017
Non-current assets	437
Equity	498
Net sales revenues	5 715
After-tax profit/(loss)	45
Average statistical headcount figure (number)	186

Table 63: Data of the report of MÁV VAGON Kft. as at 31.12.2017

III.8 Presentation of material transactions with related parties under unusual market conditions

The Company had no non arm's length transactions of materiality in the reporting year.

III.9 Presentation of sites abroad

The Company has no site abroad.

IV Annual supervisory report – The disclosures pursuant to the Joint GKM-PM Decree 50/2007 on the accounting unbundling of rail transport activities within rail 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:

- with regard to passenger transportation performed as a public service the data match the data of the public service passenger transportation division (SK)
- with regard to passenger transportation not performed as a public service the data match the data of the non-public service division (SN)
- and with regard to other activities the data match the data of the other activities division (E)

IV.1 Disclosures relating to the balance sheet

figures in million HUF

Line	Name of line item	Public service passenger transportation (SEK)		Passenger transportation not performed as a public service (SEK)		Other activities (E)		MÁV-START Zrt. total	
		base year	Current year	base year	Current year	base year	Current year	base year	Current year
A	NON-CURRENT ASSETS	214 741	249 603	236	667	0	0	214 978	250 269
I	INTANGIBLE ASSETS	4 719	5 627	0	4	0	0	4 720	5 631
1.	Capitalized amount of foundation/restructuring	0	0	0	0	0	0	0	0
2.	Capitalized amount of organizational development	318	172	0	0	0	0	318	172
3.	Intangible property rights	901	927	0	4	0	0	901	931
4.	Intellectual property	3 501	4 528	0	0	0	0	3 501	4 528
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.	Revaluation of intangible assets	0	0	0	0	0	0	0	0
II	TANGIBLE ASSETS	209 767	243 721	236	663	0	0	210 003	244 384
1.	Land and buildings and rights to immovables	2 199	2 913	1	1	0	0	2 199	2 914
2.	Technical equipment, machinery and vehicles	202 186	200 648	235	354	0	0	202 421	201 002
3.	Other equipment, fixtures and fittings, vehicles	19	11	0	0	0	0	19	11
4.	Breeding stock	0	0	0	0	0	0	0	0
5.	Capital projects, renovations	3 664	3 664	0	308	0	0	3 664	3 972
6.	Advance payments for capital projects	0	36 483	0	0	0	0	0	36 483
7.	Revaluation of tangible assets	0	0	0	0	0	0	0	0
III	NON-CURRENT FINANCIAL ASSETS	255	254	0	0	0	0	255	254
1.	Long-term participating interests in related companies	253	252	0	0	0	0	253	252
2.	Long-term loans to related companies	0	0	0	0	0	0	0	0
3.	Long-term major participating interests	0	0	0	0	0	0	0	0
4.	Long-term loans to companies linked by virtue of major participating interests	0	0	0	0	0	0	0	0
5.	Other long-term participating interests	1	1	0	0	0	0	1	1
6.	Long-term loans to other participating interests companies	0	0	0	0	0	0	0	0
7.	Other long-term loans	1	1	0	0	0	0	1	1
8.	Long-term debt securities	0	0	0	0	0	0	0	0
9.	Revaluation of non-current financial assets	0	0	0	0	0	0	0	0
10.	Fair value adjustment of non-current financial assets	0	0	0	0	0	0	0	0
B	CURRENT ASSETS	43 592	58 096	3 767	4 727	4 905	6 097	46 053	68 856
I	INVENTORIES	16 695	15 551	8	1 077	0	301	16 702	16 929
1.	Raw materials	13 694	12 472	0	844	0	0	13 694	13 316
2.	Work in progress and semi-finished products	1 615	1 476	0	199	0	301	1 615	1 976
3.	Animals for breeding, fattening and other livestock	0	0	0	0	0	0	0	0
4.	Finished products	997	1 226	0	23	0	0	997	1 249
5.	Goods	6	0	8	11	0	0	13	11
6.	Advance payments for inventories	383	377	0	0	0	0	383	377
II	RECEIVABLES	25 171	42 031	3 622	1 410	4 874	4 964	28 457	48 341
1.	Accounts receivable	1 077	333	205	576	2 618	4 273	3 900	5 182
2.	Receivables from related companies	3 030	4 241	1	16	377	399	3 408	4 656
3.	Claims receivable from significant participating interests of major participating interests	38	0	0	0	0	32	38	32
4.	Receivables from companies linked by virtue of other participating interests	20	18	0	0	0	0	20	18
5.	Notes receivable	0	0	0	0	0	0	0	0
6.	Other receivables	21 006	38 339	85	114	0	0	21 091	38 453
7.	Fair value adjustment of receivables	0	0	0	0	0	0	0	0
8.	Positive fair value adjustment of derivatives	0	0	0	0	0	0	0	0
	Receivables in business line settlements	0	0	3 331	704	1 879	260	0	0
III	SECURITIES	0	0	0	0	0	0	0	0
1.	Participating interests in related companies	0	0	0	0	0	0	0	0
2.	Major participating interests	0	0	0	0	0	0	0	0
3.	Other participating interests	0	0	0	0	0	0	0	0
4.	Own shares own business share	0	0	0	0	0	0	0	0
5.	Debt securities held for dealing	0	0	0	0	0	0	0	0
6.	Fair value adjustment of securities	0	0	0	0	0	0	0	0
IV	CASH	726	514	137	2 340	31	832	894	3 586
1.	Petty cash, cheques	154	176	1	6	0	0	155	182
2.	Bank deposits	572	338	136	2 234	31	832	739	3 404
C	PREPAID EXPENSES & ACCRUED INCOME	24 312	3 767	4 335	4 337	728	419	29 375	8 523
1.	Accrued income	21 131	307	4 335	4 335	728	419	26 194	5 061
2.	Prepaid expenses	676	1 153	0	2	0	0	676	1 155
3.	Deferred expenses	2 505	2 307	0	0	0	0	2 505	2 307
	TOTAL ASSETS	281 645	312 365	8 338	9 731	5 633	6 516	290 406	327 648

Table 64: Assets side of the balance sheet of MÁV-START Zrt., broken down by activity

figures in million HUF

Line	Name of line item	Public service passenger transportation (S1)		Passenger transportation not performed as a public service (S2)		Other activities (E)		MÁV-START Zrt., total	
		Base year	Current year	Base year	Current year	Base year	Current year	Base year	Current year
D.	EQUITY	109 739	111 330	4 338	4 691	5 608	6 171	119 685	122 193
I.	REGISTERED CAPITAL	43 627	43 627	115	115	0	0	43 742	43 742
	of which: repurchased ownership share at nominal value	0	0	0	0	0	0	0	0
II.	REGISTERED 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	-2 812	-463	3 067	2 378	2 791	4 907	3 046	6 823
V.	NON-DISTRIBUTABLE RESERVE	1 241	787	0	0	0	0	1 241	787
VI.	REVALUATION RESERVE	0	0	0	0	0	0	0	0
1.	Revaluation reserve for adjustments	0	0	0	0	0	0	0	0
2.	Fair valuation reserve	0	0	0	0	0	0	0	0
VII.	AFTER-TAX PROFIT (LOSS)	1 895	1 591	-689	353	2 817	1 264	4 023	3 208
E.	PROVISIONS	6 274	7 506	5	66	0	0	6 278	7 572
1.	Provision for contingent liabilities	2 270	2 968	5	66	0	0	2 274	3 034
2.	Provisions for future expenses	2 422	2 846	0	0	0	0	2 422	2 846
3.	Other provisions	1 582	1 692	0	0	0	0	1 582	1 692
F.	LIABILITIES	64 800	85 605	657	898	25	35	60 273	85 573
I.	SUBORDINATED LIABILITIES	0	0	0	0	0	0	0	0
1.	Subordinated liabilities to related companies	0	0	0	0	0	0	0	0
2.	Subordinated liabilities to companies linked by virtue of major participating interests	0	0	0	0	0	0	0	0
3.	Subordinated liabilities to companies linked by virtue of other participating interests	0	0	0	0	0	0	0	0
4.	Subordinated liabilities to other entities	0	0	0	0	0	0	0	0
II.	NON-CURRENT LIABILITIES	24 098	12 903	6	3	22	3	24 126	12 908
1.	Long-term borrowings	0	0	0	0	0	0	0	0
2.	Convertible bonds and contingent convertible bonds	0	0	0	0	0	0	0	0
3.	Liabilities from the issue of bonds	0	0	0	0	0	0	0	0
4.	Loans for capital and development projects	23 987	12 787	0	0	0	0	23 987	12 787
5.	Other long-term loans	0	0	0	0	0	0	0	0
6.	Non-current liabilities to related companies	0	0	0	0	0	0	0	0
7.	Non-current liabilities to companies linked by virtue of major participating interests	0	0	0	0	0	0	0	0
8.	Non-current liabilities to companies linked by virtue of other participating interests	0	0	0	0	0	0	0	0
9.	Other non-current liabilities	111	116	6	3	22	3	139	121
III.	CURRENT LIABILITIES	40 702	72 702	651	895	3	32	36 147	72 665
1.	Short-term borrowings	0	0	0	0	0	0	0	0
	of which: convertible and contingent convertible bonds	0	0	0	0	0	0	0	0
2.	Short-term loans	2 698	11 140	0	0	0	0	2 698	11 140
3.	Advance payments received from customers	11	3	0	0	0	0	11	3
4.	Accounts payable	15 665	5 977	193	746	0	1	15 858	6 724
5.	Notes payable	0	0	0	0	0	0	0	0
6.	Current liabilities to related companies	12 015	12 637	341	106	0	7	12 356	12 750
7.	Current liabilities to companies linked by virtue of major participating interests	1 317	1 228	0	0	0	0	1 317	1 228
8.	Current liabilities to companies linked by virtue of other participating interests	19	12	0	0	0	0	19	12
9.	Other current liabilities	3 768	40 741	117	43	3	24	3 888	40 808
10.	Revaluation difference on liabilities	0	0	0	0	0	0	0	0
11.	Negative revaluation difference on derivative transactions	0	0	0	0	0	0	0	0
	Payables in business line settlements	5 209	964	0	0	0	0	0	0
G.	ACCRUED EXPENSES AND DEFERRED INCOME	100 832	107 924	3 338	4 076	0	310	104 170	112 310
1.	Prepaid income	150	133	38	0	0	310	188	443
2.	Accrued expenses	3 005	3 861	3 300	4 076	0	0	6 305	7 937
3.	Deferred income	97 677	103 930	0	0	0	0	97 677	103 930
	TOTAL LIABILITIES	281 645	312 365	8 338	9 731	5 633	6 516	290 406	327 648

Table 65: Liabilities side of the balance sheet of MÁV-START Zrt., broken down by activity

IV.2 Disclosures relating to the profit and loss account

figures in million HUF

Line	Name of line item	Public service passenger transportation (32)		Passenger transportation not performed as a public service (33)		Other activities (E)		MÁV-START Zrt., total	
		Base year	Current year	Base year	Current year	Base year	Current year	Base year	Current year
01.	Net domestic sales revenues	60 115	60 565	5 254	4 477	19 292	19 001	84 661	84 043
02.	Net export sales revenues	50	5	13 940	14 523	842	1 315	14 833	15 843
I	Net sales revenues (lines 01+02)	60 165	60 570	19 194	19 000	20 134	20 316	99 494	99 886
	1. Revenues from other internal settlements	0	139 926	0	258	0	92	0	140 276
	4. Central administration	0	18 249	0	3	0	1	0	18 253
IIA	Total accounted internal revenues:	0	158 175	0	261	0	93	0	158 529
03.	Change in self-produced inventories	1 848	302	-72	228	-1 898	83	-122	613
04.	Capitalized value of self-produced assets	7 638	10 922	86	204	835	0	8 659	11 126
II	Capitalized own performance (lines 03+04)	9 536	11 224	14	432	-1 063	83	8 537	12 739
III	Other gains	155 607	160 366	557	27	837	9	157 001	160 396
	of which: reversed impairment	333	451	8	0	57	0	398	451
	Total operating yields:	0	0	0	0	0	0	0	0
05.	Raw materials	32 670	37 462	560	167	3 910	375	37 140	38 004
06.	Services used	107 296	113 957	11 919	6 858	1 827	102	121 042	120 917
07.	Other services	1 752	1 946	76	0	81	0	1 909	1 946
08.	Cost of goods sold	0	6	117	97	72	60	189	163
09.	Services resold (intermediated)	0	5	2 670	2 668	0	0	2 670	2 673
IV	Material-type expenses (lines 05+06+07+08+09)	141 718	153 376	15 342	9 799	5 890	537	162 950	163 793
	1. Expenses of other internal settlements	0	117 014	0	7 415	0	15 849	0	140 277
	4. Central administration	0	15 052	0	826	0	2 374	0	18 252
IVIA	Total accounted internal expenses:	0	132 066	0	8 241	0	18 223	0	158 529
10.	Payroll cost	41 582	56 267	2 017	728	5 313	319	49 813	57 314
11.	Other payments to personnel	6 074	7 570	632	213	697	51	7 403	7 834
12.	Social security and other contributions	12 908	14 703	948	198	1 567	71	15 423	14 972
V	Personnel related expenses (lines 10+11+12)	60 564	78 540	4 497	2 139	7 577	441	72 639	80 120
VI	Depreciation	16 949	19 930	453	121	2 099	13	20 311	20 954
VII	Other expenses	2 449	4 379	109	83	201	13	2 759	4 366
	of which: impairment (862)	217	702	5	13	18	2	240	717
	Total operating expenses:	0	0	0	0	0	0	0	0
A	OPERATING PROFIT/LOSS (lines IaII+III-IV-V-VI-VII)	3 628	2 163	-636	346	3 381	1 268	6 373	3 778
13.	Dividends received (due)	0	0	0	0	0	0	0	0
	of which: received from related companies	0	0	0	0	0	0	0	0
14.	Income and exchange gains from participating interests	0	0	0	0	0	0	0	0
	of which: received from related companies	0	0	0	0	0	0	0	0
15.	Income and exchange gains from non-current financial assets (securities, loans)	0	0	0	0	0	0	0	0
	of which: received from related companies	0	0	0	0	0	0	0	0
16.	Other interest and similar income received (due)	95	18	8	0	5	0	108	18
	of which: received from related companies	12	2	1	0	1	0	14	2
17.	Other financial gains	302	140	24	196	27	7	353	342
	of which: revaluation difference	0	0	0	0	0	0	0	0
VIII	Income from financial transactions (lines 13+14+15+16+17)	397	158	32	196	32	7	461	360
18.	Expenses and exchange losses from participating interests	1	0	0	0	0	0	1	0
	of which: paid to related companies	0	0	0	0	0	0	0	0
19.	Expenses and exchange losses from non-current financial assets (securities, loans)	0	0	0	0	0	0	0	0
	of which: paid to related companies	0	0	0	0	0	0	0	0
20.	Interest payable (paid) and similar expenses	460	466	7	0	112	0	579	466
	of which: paid to related companies	0	0	0	0	0	0	0	0
21.	Impairment on participating interests, securities, long-term loans and bank deposits	0	0	0	0	0	0	0	0
22.	Other financial expenses	1 669	262	78	189	482	11	2 229	462
	of which: revaluation difference	0	0	0	0	0	0	0	0
IX	Expenses of financial transactions (lines 18+19+20+21+22)	2 139	728	85	189	594	11	2 899	928
B	Profit/loss of financial transactions (lines VIII-IX)	-1 733	-570	-53	7	-562	-4	-2 348	-568
C	PRE-TAX PROFIT/(LOSS) (lines IaIB)	1 895	1 593	-689	353	2 819	1 264	4 025	3 210
X	TAX LIABILITY	0	2	0	0	2	0	2	2
D	AFTER-TAX PROFIT/(LOSS) =C-X	1 895	1 591	-689	353	2 817	1 264	4 023	3 208

Table 66: Profit and loss account of MÁV-START Zrt., broken down by activity

The costs, expenses and revenues are primarily recognised on controlling objects that match the purpose of their occurrence. The costs, expenses and revenues are allocated to the right division according to the established cost flow processes, specified projection bases and statistical indicators. The actual statement of unbundled activities from business aspects is presented in Table 69.

IV.3 Disclosures relating to the cash-flow statement

figures in million HUF

Line	Name of line item	Public service passenger transportation (SK)		Passenger transportation not performed as a public service (SN)		Other activities (E)		MÁV-START Zrt., total	
		Base year	Current year	Base year	Current year	Base year	Current year	Base year	Current year
I.	Cash flow from ordinary operations (Operating cash flow, lines 1-17)	40 822	5 995	334	2 120	2 666	799	43 822	8 924
1.	Profit before tax +	1 895	1 593	-689	353	2 819	1 264	4 025	3 210
1a.	Dividends received	0	0	0	0	0	0	0	0
1b.	Cash transfer and receipt, accounted in the profit loss +	123	252	11	0	6	0	140	252
1c.	Unrealised exchange difference of cash at hand and in bank +	0	0	0	2	0	-1	0	1
1e.	Unrealised exchange difference of fixed assets and non-current liabilities +	-157	-53	0	0	0	0	-157	-53
1f.	Realised exchange difference relating to the repayment of long-term loans and non-current liabilities +	-38	-3	0	0	0	0	-38	-3
1j.	Other non-specified adjustments affecting the profit before taxation +	0	92	0	-4	0	0	0	88
2.	Amortisation charge +	16 949	19 920	453	121	2 909	13	20 311	20 054
3.	Accounted impairment and reversal +	-116	251	-3	13	-39	2	-158	266
4.	Difference between formation and utilization of provisions +	-3 280	1 232	5	61	0	0	-3 276	1 294
5.	Proceeds from sold fixed assets +	-3	-6	0	0	0	0	-3	-6
6.	Change in supplier liabilities +	10 480	-50 369	-20	15	0	-12	10 460	-50 366
7.	Change in other current liabilities +	-642	37 491	130	-308	-747	8	655	37 191
7a.	Change in business line settlements (liability) +	1 915	-4 246	0	0	0	0	0	0
8.	Change in accrued expenses and deferred income +	15 430	-3 949	-829	738	-42	310	14 559	-2 901
9.	Change in trade receivables +	-272	755	1	-371	685	-1 657	416	-1 275
10.	Change of current assets (without trade receivables and liquid assets) +	-2 673	-17 507	-3	-1 125	-77	-355	-4 669	-18 988
10a.	Change in business line settlements (receivable) +	0	0	536	2 627	-2 451	1 618	0	0
11.	Changes in prepaid expenses & accrued income +	1 211	20 545	742	-2	-395	309	1 558	20 852
12.	Tax (on profit) paid, payable -	0	-2	0	0	-2	0	-2	-2
13.	Dividends and participating interests paid, payable -	0	0	0	0	0	-700	0	-700
II.	Cash flow from investment activities (lines 18-21)	-35 421	-4 482	-417	-15	-2 914	0	-38 753	-4 497
14.	Purchase of non-current assets -	-35 428	-4 484	-417	-15	-2 914	0	-38 760	-4 498
15.	Disposal of non-current assets +	7	1	0	0	0	0	7	1
16.	Dividends and participating interests received +	0	0	0	0	0	0	0	0
III.	Change in Cash flow from financial activities (Financing cash flow, lines 22-32)	-8 776	-1 725	-11	0	10	0	-8 777	-1 725
17.	Income from the issue of shares and capitalisation +	0	0	0	0	0	0	0	0
18.	Proceeds from the issue of bonds and debt securities +	0	0	0	0	0	0	0	0
19.	Borrowings +	0	0	0	0	0	0	0	0
20.	Repayment, cancellation and redemption of long-term loans and bank deposits +	2	1	0	0	0	0	2	1
21.	Cash received without the obligation of repayment +	0	1 352	0	0	0	0	0	1 352
22.	Redemption of shares, divestiture (capital reduction) -	0	0	0	0	0	0	0	0
23.	Repayment of bonds and debt securities -	0	0	0	0	0	0	0	0
24.	Loan repayment -	-8 625	-2 695	0	0	0	0	-8 625	-2 695
25.	Long-term loans and bank deposits -	0	0	0	0	0	0	0	0
26.	Financial assets finally transferred -	-123	-296	-11	0	-6	0	-140	-296
27.	Change in liabilities due to founders and in other non-current liabilities +	-30	-86	0	0	16	0	-14	-86
IV.	Cash flow (lines I+II+III)	-3 375	-212	-94	2 105	-238	799	-3 708	2 693
28.	Unrealised exchange difference on cash	0	0	0	-2	0	1	0	-1
V.	Change in cash at bank and in hand (IV+28)	-3 375	-212	-94	2 103	-238	801	-3 708	2 692

Table 67: Cash-flow statement of MÁV-START Zrt., broken down by activity

IV.4 Statement of activities

MÁV-START Zrt. prepared its supervisory report for 2017 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 consequence of the switch to the new enterprise management system implemented on 1 January 2017.

1. With the breakdown of activities defined in Section 2 (1) of the GKM-PM Decree 50/2007 (26 April), which also contains the accumulated items resulting from the activity breakdown (recognised internal revenues and recognised internal expenses) based on the accounts of the General Ledger Module of the integrated enterprise management system used by the Company (Table 68),. and
2. in a statement of activities according to business aspects, which presents the accounts between the unbundled activities accurately, reflecting the cost types (allocated to the respective cost-type data) based on the accounts of the Controlling Module of the integrated enterprise management system

used by the company (Table 69). The statement of activity according to business aspects ensures comparability with the base year.

The statement of activity was prepared for public service and non-public service passenger transportation and for other activities.

figures in thousand HUF

GRAND TOTAL	MÁV-START Zrt., 2017			
	Public service	Non-public service	Other activities	TOTAL
Net sales revenues	60 570 153	18 999 406	20 316 015	99 885 573
of which: fare revenues	41 869 505	11 972 004	156 542	53 998 051
internal fare revenues	41 857 838	709 004	0	42 566 842
foreign fare revenues	11 667	11 263 000	156 542	11 431 209
social policy fare assistance	18 295 954	345 377	0	18 641 331
revenue from the lease of railcars	0	4 729 101	0	4 729 101
Other revenues from internal settlements	139 925 814	258 167	92 314	140 276 295
Central control revenues	18 248 949	2 803	553	18 252 305
Capitalised own performance	11 223 867	431 976	83 637	11 739 480
Other gains	160 366 410	27 412	2 623	160 396 445
of which: reimbursement from government	147 760 119	0	0	147 760 119
- cost reimbursement for the current year	145 541 501	0	0	145 541 501
- settlement of cost reimbursement for former years	2 218 619	0	0	2 218 619
Other expenses from internal settlements	117 013 111	7 414 346	15 848 838	140 276 295
Central control expenses	15 052 380	825 880	2 374 045	18 252 305
Material expenses	153 376 429	9 789 731	537 139	163 703 299
of which: infrastructure access charge	72 655 131	31	0	72 655 162
traction and shunting expenses	695 037	1 119 954	5 031	1 820 022
pre-heating, pre-cooling and lighting	0	0	0	0
maintenance	7 051 011	53 410	87 504	7 191 925
RIC usage fee for passenger railcars	1 695 251	4 293 651	0	5 988 902
rent of shunted and traction vehicles	8 408 698	337 573	0	8 746 271
lease fee of shunted and traction vehicles	228 793	0	0	228 793
cleaning expenses of railway vehicles	2 914 736	0	442	2 915 178
Central services	4 772 419	26 936	0	4 799 355
Expenses of financial and accounting services	638 152	0	0	638 152
Expenses of human resource services (training, further training, safety and occupational health service)	1 968 775	15 153	0	1 983 928
Purchasing, logistics, environmental protection service	1 844 512	11 043	0	1 855 555
Administrative expenses	320 981	740	0	321 721
Personnel-related expenses	78 540 905	1 139 180	440 601	80 120 686
of which: payroll cost	56 267 220	728 083	318 827	57 314 130
personnel expenses other than payroll cost	7 570 269	212 818	51 120	7 834 207
contributions	14 703 416	198 279	70 654	14 972 349
Depreciation	19 919 818	121 514	13 033	20 054 365
Other expenses	4 269 873	83 329	12 908	4 366 110
Operating pprofit/(loss)	2 162 677	345 784	1 268 578	3 777 038
Income from financial transactions	158 387	195 340	6 225	359 952
Expenses of financial transactions	728 287	188 587	10 634	927 508
Profit/loss of financial transactions	-569 900	6 753	-4 409	-567 556
Tax liability	1 858	0	0	1 858
After-tax profit/(loss)	1 590 919	352 537	1 264 169	3 207 625

Table 68: Profit and loss account of MÁV-START Zrt. broken down by the activities stated in the general ledger

figures in thousand HUF

GRAND TOTAL	MÁV-START Zrt., 2016				MÁV-START Zrt., 2017			
	Public service	Non-public service	Other activities	TOTAL	Public service	Non-public service	Other activities	TOTAL
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Net sales revenues	60 165 538	19 193 728	20 133 971	99 493 238	60 570 153	18 999 406	20 316 015	99 885 573
of which: fare revenues	36 670 610	10 733 412	0	47 404 022	37 421 199	10 937 273	0	48 358 472
Internal fare revenues	36 670 610	620 991	0	37 291 201	37 421 199	709 004	0	38 130 204
foreign fare revenues	0	10 112 821	0	10 112 821	0	10 228 269	0	10 228 269
social policy fare assistance	18 609 894	0	0	18 609 894	18 295 954	345 377	0	18 641 331
revenue from the lease of railcars	0	4 987 641	0	4 987 641	0	4 729 101	0	4 729 101
Capitalised own performance	9 535 936	14 419	-1 013 181	8 537 174	11 223 867	431 976	83 637	11 739 480
Other gains	155 606 805	557 757	836 734	157 001 295	159 473 845	480 055	442 545	160 396 445
of which: reimbursement from government	147 005 370	0	0	147 005 370	147 760 119	0	0	147 760 119
- cost reimbursement for the current year	146 074 094	0	0	146 074 094	145 541 501	0	0	145 541 501
- settlement of cost reimbursement for former year	931 276	0	0	931 276	2 218 619	0	0	2 218 619
Business revenues	225 308 279	19 765 904	19 957 524	265 031 708	231 267 864	19 911 437	20 842 197	272 021 498
Material expenses	141 718 270	15 341 991	5 889 647	162 949 908	142 566 535	15 097 658	6 039 106	163 703 299
of which: Infrastructure access charge	71 564 388	1 232 623	438 345	73 235 357	71 551 523	1 038 119	65 519	72 655 162
traction and shunting expenses	591 844	1 147 469	51 918	1 791 231	531 059	1 123 210	165 753	1 820 022
pre-heating, pre-cooling and lighting	0	0	0	0	0	0	0	0
maintenance	7 185 821	680 842	323 926	8 190 589	6 484 403	446 272	261 250	7 191 925
RIC usage fee for passenger railcars	252 644	6 140 019	0	6 392 663	9 952	5 978 839	111	5 988 902
rent of shunted and traction vehicles	9 142 433	174 516	21 965	9 338 914	8 345 710	372 473	28 088	8 746 271
lease fee of shunted and traction vehicles	230 538	0	0	230 538	202 837	9 606	16 350	228 793
cleaning expenses of railway vehicles	2 040 450	174 080	11 741	2 226 272	2 805 858	89 114	20 206	2 915 178
Central services	3 834 666	324 835	323 733	4 483 233	4 063 427	217 708	518 220	4 799 355
Expenses of financial and accounting services	603 794	51 843	31 013	686 650	529 277	30 240	78 635	638 152
Expenses of human resource services (training, further training, safety and occupational health service)	1 397 290	157 035	137 694	1 692 019	1 679 420	98 126	206 383	1 983 928
Purchasing, logistics, environmental protection service	1 442 122	89 770	138 818	1 670 710	1 587 970	73 494	194 090	1 855 555
Administrative expenses	291 460	26 286	16 210	333 956	266 760	15 849	39 112	321 721
Personnel-related expenses	60 564 032	4 497 419	7 577 538	72 638 990	66 714 420	3 565 187	9 841 079	80 120 686
of which: payroll cost	41 582 159	2 917 324	5 313 090	49 812 572	47 766 889	2 405 792	7 141 449	57 314 130
personnel expenses other than payroll cost	6 073 715	632 439	696 800	7 402 954	6 467 648	500 974	865 584	7 834 207
contributions	12 908 158	947 657	1 567 649	15 423 464	12 479 883	658 420	1 834 046	14 972 349
Depreciation	16 948 881	452 974	2 908 694	20 310 549	16 240 391	624 375	3 189 599	20 054 365
Other expenses	2 448 925	109 596	200 867	2 759 388	3 693 065	240 340	432 706	4 366 110
Business costs and expenses	221 680 107	20 401 981	16 576 746	258 658 835	229 214 411	19 527 559	19 502 490	268 244 460
Operating profit/(loss)	3 628 172	-636 077	3 380 778	6 372 873	2 053 454	383 877	1 339 707	3 777 038
Income from financial transactions	397 251	32 054	32 046	461 351	170 561	159 911	29 480	359 952
Expenses of financial transactions	2 129 704	85 206	594 250	2 809 160	633 096	191 251	103 161	927 508
Profit/loss of financial transactions	-1 732 453	-53 152	-562 204	-2 347 809	-462 535	-31 340	-73 681	-567 556
Tax liability	0	0	1 834	1 834	0	0	1 858	1 858
After-tax profit/(loss)	1 895 718	-689 228	2 816 740	4 023 230	1 590 919	352 537	1 264 169	3 207 625
<i>Items treated as exceptions in terms of cost reimbursement by the state</i>	1 895 718	0	0	1 895 718	1 590 919	0	0	1 590 919
Financial settlement of the cost reimbursement claimed from the state for former years	931 276	0	0	931 276	2 218 619	0	0	2 218 619
Reversed and recognised impairment	-85 226	0	0	-85 226	-48 041	0	0	-48 041
Passed on and paid fines	-13 281	0	0	-13 281	-1 536	0	0	-1 536
Use and recognition of provisions	1 778 180	0	0	1 778 180	-584 335	0	0	-584 335
Use of cost reimbursement recognised for former years	-713 092	0	0	-713 092	0	0	0	0
Other	-2 139	0	0	-2 139	6 211	0	0	6 211
Profit after tax including items treated as exceptions	0	-689 228	2 816 740	2 127 511	0	352 537	1 264 169	1 616 706

Table 69: Statement of activity of MÁV-START Zrt. according to business aspects

IV.4.1 Narrative assessment for the rail passenger transportation supervisory report

IV.4.1.1 Gains

The net sales revenues of MÁV-START Zrt. in 2017 amounted to HUF 99,886 M (base: HUF 99,494 M). Of net sales revenues

- HUF 38,130 M are domestic fare revenues and exceed the amount reported for the same period of the previous year by HUF 839 M (base: HUF 37,291 M),
- the foreign fare revenues amounted to HUF 10,228 M, which exceed the base figure by HUF 115 M (base: HUF 10,113 M),
- social policy fare assistance: HUF 18,641 M (base: HUF 18,610 M).

A considerable amount within the **other gains** relates to the HUF 147,760 M state cost reimbursement to passenger transportation, of which the cost reimbursement amount for the current period was HUF 145,542 M (base: HUF 146,074 M).

The amount of cost reimbursement recognised by the principal and relating to the public service activities of previous years, recognised in the current year, was HUF 2,219 M; HUF 627 M for 2012 and HUF 1,592 M for 2016 (base: HUF 931 M.)

The total **business revenues** of MÁV START Zrt. in 2017 amounted to HUF 272,021 M (base: HUF 265,032 M).

IV.4.1.2 Costs and expenses

The total **business expenses** amounted to HUF 268,244 M in the reporting period (base: HUF 258,659 M).

In the reviewed period, HUF 163,703 M (base: HUF 162,950 M) **material-type expenses** incurred, including the following key items:

- Network access fee (rail track use fee and other rail infrastructure services) in the current period, amounting to HUF 72,655 M (base: HUF 73,235 M);
- Expenses for traction performed by partner railway companies in the amount of HUF 1,820 M (base: HUF 1,791 M);
- Cost of maintenance performed as a service used – HUF 7,192 M (base: HUF 8,191 M);
- HUF 5,989 M expense paid for the kilometres run by rail passenger cards owned by partner railways used by MÁV-START Zrt. (base: HUF 6,393 M);
- HUF 8,746 M lease fees paid for railway vehicles (base: HUF 9,339 M);
- HUF 2,915 M expenses for railway vehicle cleaning in the reporting period (base: HUF 2,226 M);
- Services used from MÁV Szolgáltató Központ Zrt.
 - financial and accounting service – HUF 638 M (base: HUF 687 M);
 - expenses for human resource services (training, further training, safety and occupational health service) – HUF 1,984 M (base: HUF 1,892 M),
 - purchasing, logistics and environmental protection service – HUF 1,856 M (base: HUF 1,671 M),
 - administrative service: HUF 322 M (base: HUF 334 M).

The total **personnel-based expenses** of MÁV-START Zrt. in 2017 were HUF 80,120 M, including HUF 57,314 M wage expenses, personnel related expenses other than wage expenses in the amount of HUF 7,834 M and HUF 14,972 M contributions. (Base: total personnel related expenses: HUF 72,639 M, HUF 49,813 M wage expenses, personnel-related expenses other than wage expenses in the amount of HUF 7,403 M, and contributions in the amount of HUF 15,423 M).

In 2017, in total HUF 20,054 M **depreciation** was recognised (base: HUF 20,311 M).

The **other expenses** amount to HUF 4,366 M, and consist of payments relating to claim events and compensation, paid penalties and default interest, various assistance, expense contributions, impairment on inventories and receivables and provisions recognised (base: HUF 2,759 M).

The income from financial transactions include interest received on fixed-term deposits, the exchange gain of receivables and liabilities, while the expenses of financial transactions include the interest paid on current accounts and loans for capital projects and the realised exchange loss on receivables and liabilities. The **financial transactions** generated a loss of -HUF 568 M in the reporting period. (Base: HUF -2,348 M.)

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

IV.4.2.1 Gains

Net HUF 60,570 M **sales revenues** were generated in 2017 from the passenger transportation activities of MÁV-START Zrt. performed as a public service. The total includes HUF 37,421 M **fare revenues** and HUF 18,296 M **social policy fare assistance**. (Base: HUF 60,165 M net sales revenues, including HUF 36,671 M fare revenues and HUF 18,610 M social policy fare assistance.)

A considerable amount within the **other gains** is the HUF 147,760 M state cost reimbursement for passenger transportation, of which HUF 145,542 M cost reimbursement is required to finance the eligible expenses not covered with the revenues of the current year (base: HUF 146,074 M).

On the basis of the NFM position statement, the reversed impairment on receivables, the passed on fines, penalties and the use of provisions, with the exception of provisions relating to the funding of maintenance expenses and revaluation of loans, are not taken into account among the items reported in the other gains for the establishment of the cost reimbursement for the current year, and they are managed as exceptional items. Similarly, the cost reimbursement relating to the public service activity of the former years and recognised in the current year is also managed as an exceptional item. The revenues managed as exceptions in the establishment of the cost reimbursement amount to HUF 2,890 M in the current year, of which HUF 2,219 M cost reimbursement was recognised for the previous years – HUF 627 M for 2012 and HUF 1,592 M for 2016. (The amount of the revenues recognised as exceptional items in the base year was HUF 3,355 M, of which the cost reimbursement recognised for the previous years amounted to HUF 931 M.)

The total **business revenues** from public service of MÁV START Zrt. in 2017 were HUF 231,268 M (base: HUF 225,308 M).

IV.4.2.2 Costs and expenses

The **business expenses** relating to rail passenger transportation performed as a public service in the current year amounted to HUF 229,214 M (base: HUF 221,680 M).

Among the **material-type expenses** of public services, HUF 142,567 M incurred in 2017 (base: HUF 141,718 M), including the following main items:

- Network access fee (rail track use fee and other rail infrastructure services) in the current period, amounting to HUF 71,552 M (base: HUF 71,564 M);
- Expenses for traction performed by partner railways in the amount of HUF 531 M (base: HUF 592 M);
- HUF 6,484 M maintenance expense as a service used in relation to rail passenger transportation performed as a public service (base: HUF 7,186 M);
- HUF 8,346 M lease fee paid for railway vehicles in relation to rail passenger transportation performed as a public service (base: HUF 9,142 M);
- In the reviewed period, HUF 2,806 M railway vehicle cleaning costs (base: HUF 2,040 M);
- Expenses for rail passenger transportation, performed as a public service among the services provided by MÁV Szolgáltató Központ Zrt.:
 - financial and accounting service – HUF 529 M (base: HUF 604 M);
 - expenses for human resource services (training, further training, safety and occupational health service) – HUF 1,679 M (base: HUF 1,597 M),

- purchasing, logistics, environmental protection services: HUF 1,588 M (base: HUF 1,442 M),
- administrative services: HUF 267 M (base: HUF 291 M).

The **personnel-related expenses** incurred in 2017 in relation to the public service activity amounted to HUF 66,714 M, without the expenses of workers employed in international traffic (base: HUF 60,564 M).

HUF 16,240 M (base: HUF 16,949 M) **depreciation was written off** in the reviewed period in relation to the public service activities.

In 2017, the **other expenses** for rail passenger transportation performed as a public service totalled HUF 3,693 M (base: HUF 2,449 M);

The amount managed as exceptional items among those items reported with the other expenses in relation to the establishment of cost reimbursement (impairment on receivables, paid fine, penalty, provisioning, other than provisions recognised to fund the maintenance expenses and restatement of loans) amounted to HUF 1,299 M in the current year. (Base figure of the expenses managed as exceptions: HUF 1,459 M.)

The income from financial transactions relating to rail passenger transportation performed as a public service include interest received on fixed-term deposits, the exchange gain on receivables and liabilities, while the expenses of financial transactions include the interest paid on overdraft credits and loans for capital projects and the exchange loss realised on receivables and liabilities. The **financial transactions** relating to the public service generated a loss of -HUF 463 M in the current year. (The loss of financial transactions of the public service in the base period was -HUF 1,732 M.)

IV.5 Other disclosures relating to unbundling

The revenues from related companies and the expenses incurred in relation to them are included by related company in the tables below.

figures in million HUF

Related company	Gains				Expenses				Grand total
	Net sales revenues	Other gains	Financial gains	Total	Expenses	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	5	11	0	16	14	5	0	19	-3
020 MÁV VAGON Kft.	11	0	5	16	590	0	3	593	-577
101 MÁV FKG Kft	0	1	0	1	0	0	0	0	1
131 MÁV KFV Kft	4	0	0	4	17	0	0	17	-13
138 MÁV Szolgáltató Központ Zrt.	41	2	0	43	8,490	8	0	8,498	-8,455
179 ZÁHONY-PORT Zrt.	0	0	0	0	6	0	0	6	-6
100 MÁV Zrt. Parent company	73	60	3	136	107,343	153	0	107,496	-107,360
193 Kínai-Magyar Vasúti Nonprofit Zrt	0	0	0	0	0	0	0	0	0
Grand total	134	74	8	216	116,460	166	3	116,629	-116,413

Table 70: Data of related companies in relation to public service passenger transportation

figures in million HUF

Related company	Gains				Expenses				Grand total
	Net sales revenues	Other gains	Financial gains	Total	Expenses	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	2	0	0	2	0	0	0	0	2
020 MÁV VAGON Kft.	0	0	0	0	0	0	1	1	-1
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.	9	0	0	9	39	0	0	39	-30
179 ZÁHONY-PORT Zrt.	0	0	0	0	0	0	0	0	0
100 MÁV Zrt. Parent company	7	0	0	7	1,734	0	0	1,734	-1,727
193 Kínai-Magyar Vasúti Nonprofit Zrt	0	0	0	0	0	0	0	0	0
Grand total	21	0	0	21	1,773	0	1	1,774	-1,753

Table 71: Data of related companies in relation to passenger transportation not performed as a public service

figures in million HUF

Related company	Gains				Expenses				Grand total
	Net sales revenues	Other gains	Financial gains	Total	Expenses	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	28	0	0	28	0	0	0	0	28
020 MÁV VAGON Kft.	7	0	0	7	38	0	0	38	-31
101 MÁV FKG Kft	414	0	0	414	0	0	0	0	414
131 MÁV KFV Kft	80	0	0	80	0	0	0	0	80
138 MÁV Szolgáltató Központ Zrt.	0	0	0	0	6	0	0	6	-6
179 ZÁHONY-PORT Zrt.	1	0	0	1	0	0	0	0	1
100 MÁV Zrt. Parent company	3,999	0	0	3,999	0	1	0	1	3,998
193 Kínai-Magyar Vasúti Nonprofit Zrt	0	0	0	0	0	0	0	0	0
Grand total	4,529	0	0	4,529	44	1	0	45	4,484

Table 72: Data of related companies in relation to other activities

figures in million HUF

Related company	Gains				Expenses				Grand total
	Net sales revenues	Other gains	Financial gains	Total	Expenses	Other expenses	Financial expenses	Total	
015 MÁV NOSZTALGIA Kft	35	11	0	46	14	5	0	19	27
020 MÁV VAGON Kft.	18	0	5	23	628	0	4	632	-609
101 MÁV FKG Kft	414	1	0	415	0	0	0	0	415
131 MÁV KFV Kft	87	0	0	87	17	0	0	17	70
138 MÁV Szolgáltató Központ Zrt.	50	2	0	52	8,535	8	0	8,543	-8,491
179 ZÁHONY-PORT Zrt.	1	0	0	1	6	0	0	6	-5
100 MÁV Zrt. Parent company	4,079	60	3	4,142	109,077	154	0	109,231	-105,089
193 Kínai-Magyar Vasúti Nonprofit Zrt	0	0	0	0	0	0	0	0	0
Grand total	4,684	74	8	4,766	118,277	167	4	118,448	-113,682

Table 73: Data of related companies in the case of MÁV-START Zrt.

Annual average statistical headcount figure for workers employed in the current year, broken down by activity

Activity	Headcount (persons)
Public service passenger transportation	13,921.0
Passenger transportation not performed as a public service	176.0
Other activities	0.0
Company total:	14,097.0

Table 74: Annual average statistical headcount figure of workers employed in the current year by 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, broken down by activity

figures in million HUF

Definition	Public service passenger transportation		Passenger transportation not performed as a public service		Other activities		MÁV-START ZRT	
	Base year	Current year	Base year	Current year	Base year	Current year	Base year	Current year
Social policy fare assistance for passenger transportation	18,610	18,296	370	345	0	0	18,980	18,641
Excise duty refund for gas oil used in traction	3,537	4,409	3	0	889	0	4,429	4,409
Subsidies for capital projects	19,618	47,003	0	0	0	0	19,618	47,003
<i>of which: GOP IC+ support</i>	30	0	0	0	0	0	30	0
<i>KÖZOP-İKOP INKA support</i>	83	69	0	0	0	0	83	69
<i>KDOP Ticketing machines</i>	0	0	0	0	0	0	0	0
<i>KÖZOP 42 multiple unit trains</i>	2	0	0	0	0	0	2	0
<i>KÖZOP 6 multiple unit trains</i>	0	0	0	0	0	0	0	0
<i>KÖZOP Ticketing machines</i>	652	0	0	0	0	0	652	0
<i>KÖZOP Ticket sales</i>	1,346	0	0	0	0	0	1,346	0
<i>KÖZOP Passenger information</i>	1,357	0	0	0	0	0	1,357	0
<i>İKOP 6 multiple unit trains</i>	9,674	1,183	0	0	0	0	9,674	1,183
<i>İKOP 9 multiple unit trains</i>	6,474	9,788	0	0	0	0	6,474	9,788
<i>İKOP 39 large-capacity multiple unit trains</i>	0	27,965	0	0	0	0	0	27,965
<i>İKOP Tram Train</i>	0	7,954	0	0	0	0	0	7,954
<i>ETCS 59 multiple unit trains</i>	0	44	0	0	0	0	0	44
Reimbursement of public service costs	147,005	147,760	0	0	0	0	147,005	147,760
KÖZOP support to cover expenses	289	0	0	0	0	0	289	0
GOP support to cover expenses	0	0	0	0	0	0	0	0
TÁMOP workplace health development programme	0	0	0	0	0	0	0	0
Received to cover the expenses IKOP assistance 6 MV	0	14	0	0	0	0	0	14
Received to cover the expenses IKOP assistance 9 MV	0	31	0	0	0	0	0	31
Received to cover the wage increase NFM support	0	5,082	0	0	0	0	0	5,082
Total accounted support	189,059	222,595	373	345	889	0	190,321	222,940
<i>Of which: support accounted as revenue</i>	<i>165,904</i>	<i>171,183</i>	<i>370</i>	<i>345</i>	<i>0</i>	<i>0</i>	<i>166,274</i>	<i>171,528</i>

Table 75: Subsidies, recognised in the current year

V Cost reimbursement for public service and financing in 2017

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

According to the 2017 clause of the public service agreement, the amount of cost reimbursement projected for the public service was HUF 144,000 M. In total, HUF 145,542 M cost reimbursement, which is by HUF 1,542 M higher than the amount stated in the clause, was recognised in the annual report for the financing of all eligible expenses of the public service activity ordered and certified by the principal (NFM) but not covered by revenues. The actual cost reimbursement is recognised on the basis of the submission of the public service report for 2017, following the completion of the annual report for 2017.

The additional cost reimbursement (reasonable profit) relating to the previous years, approved by the principal (NFM) was also recognised among the other gains in 2017; HUF 627 M for 2012, HUF 1,592 M for 2016, i.e., in the current year in total HUF 147,760 M cost reimbursement was recognised. The HUF 172 M liability relating to 2015 was settled against the additional need for 2016.

The Company's receivables from the state reported under the title of public service cost reimbursement are presented below:

figures in million HUF

Period	Amount of receivable 1/1/2017	Amount of liability 1/1/2017	Recognised reasonable profit for 2012 and 2016	Financial settlements in 2017	Net amount of receivable 31/12/2017
2012	1,230		627	1,857	0
2013	6,050			4,143	1,907
2014	4,615			0	4,615
2015	0	172		172	0
2016	2,074		1,592	-172	3,494
Previous years, total	13,969	172	2,219	6,000	10,016
2017	0	0	0	0	22,370
Grand total	13,969		2,219	6,000	32,386

Table 76: Public service cost reimbursement at MÁV-START Zrt.

On a cash basis, HUF 144,000 M state expense reimbursement was disbursed in the current year in total. Within that total amount, HUF 20,829 M related to the public service activities of the previous year (HUF 10,414.45-HUF10,414.45 in January and February), while the expenses of operation in the current year were covered from the HUF 123,171 M, disbursed between March and November.

Beyond the cost reimbursement in the current year, the Company became eligible to draw down a further HUF 6,000 M from the recognised cost reimbursement of previous years pursuant to Government Resolution 1167/2016 (6 April). The amount was credited on the Company's bank account on 24 March. The drawn-down amount settled the total cost reimbursement demand of the Company for 2012 and reduced its claim for 2013 by HUF 4,143 M.

The HUF 22,370 M claim registered for 2017 at the time of the preparation of the balance sheet was reduced by the HUF 20,829 M received for 2017 in January 2018 and therefore the Company records in total a HUF 11,557 M cost reimbursement claim against the state for 2013-2017.

As a result of the settlement in the meantime of the cost reimbursement relating to the operation of the Company and the cost reimbursement clauses of the previous years, the Company did not have any financing problems in the current year.

VI List of tables

Table 1: Changes in intangible assets in the current year	14
Table 2: Changes in tangible assets in the current year	15
Table 3: Developments in capital projects.....	16
Table 4: Amortisation of intangible assets and depreciation of tangible assets in the current year	16
Table 5: Book value of the Company's investments by category	17
Table 6: Presentation of inventories.....	18
Table 7: Presentation of receivables and their impairment	19
Table 8: Receivables from related companies	19
Table 9: Presentation of prepaid expenses & accrued income.....	21
Table 10: Development of balance sheet figures for equity.....	21
Table 11: Presentation of non-distributable reserves by title	22
Table 12: Provisions for contingent liabilities.....	23
Table 13: Provisions for contingent liabilities.....	23
Table 14: Provisions for future expenses	24
Table 15: Provisions for exchange loss	24
Table 16: Changes in provisions	25
Table 17: Long-term loans of the Company	25
Table 18: Repayment schedule for the outstanding long-term loans of the Company.....	26
Table 19: Other non-current liabilities.....	26
Table 20: Presentation of non-current currency liabilities	26
Table 21: Composition of other current liabilities	27
Table 22: Liabilities to related companies	27
Table 23: Changes in accrued expenses and deferred income	28
Table 24: Matured futures, swaps and options in 2017.....	29
Table 25: Currency futures, swaps and options in the current year	30
Table 26: Guarantee agreements existing on the reporting date	30
Table 27: Presentation of lien liabilities.....	31
Table 28: Payment schedule of off-balance sheet interest and incidental expenses	31
Table 29: Operative lease agreements existing on the reporting date	32
Table 30: Net sales revenues by main activity.....	33
Table 31: Exports and imports.....	34
Table 32: Change in self-produced inventories.....	35
Table 33: Capitalised own performance	35
Table 34: Changes in expenses	35
Table 35: Material expenses.....	36
Table 36: Personnel-related expenses	37
Table 37: Depreciation.....	37
Table 38: Other gains	38
Table 39: Other expenses	39
Table 40: Income from financial transactions	40
Table 41: Expenses of financial transactions.....	40
Table 42: Gains and expenses in relation to related companies	41
Table 43: Adjustments in the corporate tax base.....	42
Table 44: Cash-flow statement.....	43
Table 45: Tied-up reserves and provisions relating to environmental protection.....	49
Table 46: Environmental protection expenses.....	49
Table 47: Tangible assets directly serving the protection of environment.....	49
Table 48: Changes in hazardous waste and in waste harmful to the environment	50
Table 49: Spent oil waste sales.....	50
Table 50: Changes in the quantity of hazardous waste and waste harmful to the environment	51

Table 51: R&D expenses	52
Table 52: Capitalised R&D activities.....	52
Table 53: Assistance recognised in the current year	53
Table 54: Absorption of the social policy fare assistance.....	53
Table 55: Personnel-related expenses of the Company – without contributions.....	53
Table 56: Wage contributions by title	54
Table 57: Number of employees at the Company.....	54
Table 58: Average wage and category-based wage, also including workers involved in public employment	54
Table 59: Closing headcount figure in the Company in the current year (number)	54
Table 60: Remuneration in the current year	55
Table 61: Presentation and opening balance of the participating interests of the Company.....	55
Table 62: Changes in the participating interests of the Company in the current year.....	56
Table 63: Data of the report of MÁV VAGON Kft. as at 31.12.2017	56
Table 64: Assets side of the balance sheet of MÁV-START Zrt., broken down by activity.....	58
Table 65: Liabilities side of the balance sheet of MÁV-START Zrt., broken down by activity.....	59
Table 66: Profit and loss account of MÁV-START Zrt., broken down by activity	60
Table 67: Cash-flow statement of MÁV-START Zrt., broken down by activity	61
Table 68: Profit and loss account of MÁV-START Zrt. broken down by the activities stated in the general ledger.....	62
Table 69: Statement of activity of MÁV-START Zrt. according to business aspects.....	63
Table 70: Data of related companies in relation to public service passenger transportation	66
Table 71: Data of related companies in relation to passenger transportation not performed as a public service.....	67
Table 72: Data of related companies in relation to other activities.....	67
Table 73: Data of related companies in the case of MÁV-START Zrt.	67
Table 74: Annual average statistical headcount figure of workers employed in the current year by activity	67
Table 75: Subsidies, recognised in the current year	68
Table 76: Public service cost reimbursement at MÁV-START Zrt.	69