

13499895-3530-113-05
Statistical Code

05-09-012217
Corp. Reg. Nr.

Ózdi Erőmű Kft.
name

3700 Kazincbarcika, Gorkij u. 1.
address

31st December 2018

Simplified Annual Financial Statements



Budapest, 31st January 2019.

Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT

To the Quotaholders of Ózdi Erőmű Kft.

Opinion

We have audited the simplified financial statements of Ózdi Erőmű Kft. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 – which shows total assets of thHUF 541.020 and loss after tax for the year of thHUF 21.289 –, as well as the related profit and loss account for the year then ended and the notes to the simplified financial statements including a summary of significant accounting policies.

In our opinion, the accompanying simplified financial statements give a true and fair view of the financial position of the Company as at December 31, 2018 and its financial performance for the year then ended in accordance with Act C of 2000 on Accounting (the „Accounting Act”) effective in Hungary.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Simplified Financial Statements*" section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the “Code of Ethics for Professional Accountants” (the IESBA Code) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

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

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

In preparing the simplified financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern principle, and preparing the simplified financial statements using the going concern basis of accounting. Management must apply the going concern principle, unless the use of this principle is precluded by any provision, or if any fact or circumstance prevails, which precludes the Company to continue as a going concern.

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

The Auditor's Responsibilities for the Audit of the Simplified Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the simplified financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, 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 the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they 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 simplified financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the simplified 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 preparation of the simplified financial statements in accordance with the going concern principle 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 the auditor's report to the related disclosures in the simplified financial statements or, if such disclosures are inadequate, to modify the 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 simplified financial statements, including the disclosures, and whether the simplified financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other reporting obligation regarding the divisional financial statements

In accordance with Section 105/A (1) of Act LXXXVI of 2007 on Electricity and Section 18/B (1) of Act XVIII of 2005 on District Heat Supply, we reviewed Note XII of the notes to the simplified financial statements for 2018, Activity reports, which presents the distribution of activities for accounting purposes. The management is responsible for developing and applying an accounting policy for the distribution of activities, and the pricing of the individual activities to avoid cross-financing between the various divisions of the company, as well as for disclosing the individual activities separately in accordance with Section 105 (2)-(4) of Act LXXXVI of 2007 on Electricity and Section 18/A (2)-(4) of Act XVIII. of 2008 on District Heat Supply.

We are responsible for issuing a report on the information in Note XII. The review was conducted in accordance with the Hungarian International Standard on Review Engagements no. 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The review is of significantly limited scope compared to an audit performed in line with the auditing standards; therefore we were unable to obtain assurance to have reviewed all significant matters that would potentially be identified in the course of an audit. Accordingly, we shall not issue an audit report.

Based on the review no facts or circumstances came to our attention that would cause us to believe that the accounting rules applied by the Company or the information disclosed in Note XII would not be in line with the provisions of the Accounting Act in all material respects, the provisions of Section 105 (2)-(4) of Act LXXXVI of 2007 on Electricity, the provision of Section 18/A (2)-(4) of Act XVIII. of 2008 on District Heat Supply and recommendations issued by the Hungarian Energy and Public Utility Regulatory Authority on the unbundling of activities and avoidance of cross-financing.

Budapest, April 3, 2019

The original Hungarian version has been signed.

.....
Horváth Tamás
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

.....
dr. Hruby Attila
Statutory registered auditor
Registration number: 007118

Assets

Data in THUF

Nr.	Description	31. Dec 2017.	31. Dec 2018.
1	A. NON-CURRENT ASSETS	345 320	300 137
2	I. INTANGIBLE ASSETS	0	0
3	II. TANGIBLE ASSETS	345 320	300 137
4	III. FINANCIAL INVESTMENTS	0	0
5	B. CURRENT ASSETS	235 314	146 733
6	I. INVENTORIES	0	0
7	II. RECEIVABLES	86 819	52 622
8	III. MARKETABLE SECURITIES	0	0
9	IV. LIQUID ASSETS	148 495	94 111
10	C. PREPAID EXPENSES AND ACCRUED INCOME	50 478	94 150
11	TOTAL ASSETS	631 112	541 020

Equity and Liabilities

Data in THUF

Nr.	Description	31. Dec 2017.	31. Dec 2018.
12	D. SHAREHOLDERS' EQUITY	18 793	7 504
13	I. ISSUED CAPITAL	117 359	3 000
14	thereof: treasury shares repurchased at face value	0	0
15	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0
16	III. CAPITAL RESERVES	0	0
17	IV. ACCUMULATED PROFIT RESERVE	- 102 124	- 37 430
18	V. NON-DISTRIBUTABLE RESERVES	53 223	63 223
19	VI. REVALUATION RESERVE	0	0
20	VII. PROFIT AFTER TAX	- 49 665	- 21 289
21	E. PROVISIONS	0	0
22	F. LIABILITIES	545 788	436 164
23	I. SUBORDINATED LIABILITIES	0	0
24	II. LONG TERM LIABILITIES	0	0
25	III. SHORT TERM LIABILITIES	545788	436 164
26	G. ACCRUED EXPENSES AND DEFERRED INCOME	66 531	97 352
27	TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY	631 112	541 020

Budapest, 31st January 2019.

Bana Gábor Lőrincz Attila
Directors of the Company

Data in THUF

Nr.	Description	2017.01.01. - 2017.12.31.	2018.01.01. - 2018.12.31.
I.	NET SALES REVENUES	675 699	762 154
II.	CAPITALISED VALUE OF OWN PERFORMANCE	0	0
III.	Other revenues	4 520	0
	<i>of which: reversal of impairment loss provision</i>	0	0
IV.	MATERIAL TYPE EXPENDITURES	645 289	709 502
V.	PAYMENTS TO PERSONNEL	0	0
VI.	DEPRECIATION CHARGE AND AMORTIZATION	42 609	45 184
VII.	Other expenses	39 373	20 481
	<i>of which: impairment loss provision</i>	0	0
A.	PROFIT ON OPERATING ACTIVITIES (I.±II.+III.- IV.-V.-VI.-VII.)	- 47 052	- 13 013
VIII.	Financial revenues	3 201	900
IX.	Financial expenses	5 614	7 543
B.	PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)	- 2 413	- 6 643
C.	NET PROFIT BEFORE TAXATION (±A.±B.)	- 49 465	- 19 656
X.	Tax liability	200	1 633
D.	PROFIT AFTER TAX (±C.-X)	- 49 665	- 21 289

Budapest, 31st January 2019.

Bana Gábor Lőrincz Attila
Directors of the Company

Translation only - in case of any difference the Hungarian original prevails

Assets

Data in THUF

Nr.	Description	31. Dec 2018.	Heat	Electricity
1	A. NON-CURRENT ASSETS	300 137	160 123	140 014
2	I. INTANGIBLE ASSETS	0		0
3	II. TANGIBLE ASSETS	300 137	160 123	140 014
4	III. FINANCIAL INVESTMENTS	0		0
5	B. CURRENT ASSETS	146 733	105 405	41 328
6	I. INVENTORIES	0	0	0
7	II. RECEIVABLES	52 622	49 484	3 138
8	III. MARKETABLE SECURITIES	0	0	0
9	IV. LIQUID ASSETS	94 111	55 921	38 190
10	C. PREPAID EXPENSES AND ACCRUED INCOME	94 150	28 215	65 935
11	TOTAL ASSETS	541 020	293 743	247 277

Equity and Liabilities

Data in THUF

Nr.	Description	31. Dec 2018.	Heat	Electricity
12	D. SHAREHOLDERS' EQUITY	7 504	- 91 862	99 366
13	I. ISSUED CAPITAL	3 000	2 168	832
14	thereof: treasury shares repurchased at face value	0	0	0
15	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0	0
16	III. CAPITAL RESERVES	0	0	0
17	IV. ACCUMULATED PROFIT RESERVE	- 37 430	- 27 051	- 10 379
18	V. NON-DISTRIBUTABLE RESERVES	63 223	45 695	17 528
19	VI. REVALUATION RESERVE	0	0	0
20	VII. PROFIT AFTER TAX	- 21 289	- 112 674	91 385
21	E. PROVISIONS	0	0	0
22	F. LIABILITIES	436 164	315 243	120 921
23	I. SUBORDINATED LIABILITIES	0		0
24	II. LONG TERM LIABILITIES	0		0
25	III. SHORT TERM LIABILITIES	436 164,195	315 243	120 921
26	G. ACCRUED EXPENSES AND DEFERRED INCOME	97 352	70 362	26 990
27	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	541 020	293 743	247 277

Budapest, 31st January 2019.

Data in THUF

Nr.	Description	Total 2018	Heat	Electricity
I.	NET SALES REVENUES	762 154	306 509	455 645
II.	CAPITALISED VALUE OF OWN PERFORMANCE	0	0	0
III.	Other revenues	0	0	0
	<i>of which: reversal of impairment loss provision</i>	0	0	0
IV.	MATERIAL TYPE EXPENDITURES	709 502	377 399	332 103
V.	PAYMENTS TO PERSONNEL	0	0	0
VI.	DEPRECIATION CHARGE AND AMORTIZATION	45 184	24 106	21 078
VII.	Other expenses	20 481	13 699	6 782
	<i>of which: impairment loss provision</i>	0	0	0
A.	PROFIT ON OPERATIONG ACTIVITIES (I.±II.+III.-IV.-V.-VI.-VII.)	- 13 013	- 108 695	95 682
VIII.	Financial revenues	900	450	450
IX.	Financial expenses	7 543	3 772	3 771
B.	PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)	- 6 643	- 3 322	- 3 321
C.	NET PROFIT BEFORE TAXATION (±A.±B.)	- 19 656	- 112 017	92 361
X.	Tax liability	1 633	657	976
D.	PROFIT AFTER TAX (±C.-X)	- 21 289	- 112 674	91 385

Budapest, 31st January 2019.

I PRESENTATION OF THE COMPANY

Key information concerning the Company	
Name	Ózdi Erőmű Távhőtermelő Korlátolt Felelősségű Társaság
Registered office	H-3700 Kazincbarcika, Gorkij u 1, Hungary
Company registration number	05-09-012217
Tax number	13499895-2-05
Core business	NACE 3530 – Steam and air conditioning supply
Capital stock on 1/1/2018	HUF 117,359 thousand
Capital stock on the reporting date	HUF 3,000 thousand
Chosen auditor	Deloitte Könyvvizsgáló és Tanácsadó Kft.

Ózdi Erőmű Kft. is a single-member company owned by ALTEO Energiaszolgáltató Nyrt. (company registration number: 01-10-045985).

The Company is included by the parent company in its consolidated annual report compiled in accordance with the IFRSs and its consolidated business report, and consolidated by Wallis Portfólió Kft. as a superior parent company in its report.

Date of the Articles of Association: April 28, 2005

In line with the provisions of the District Heating Production and Long-term Heat Supply Contract concluded with Ózdi Távhő Kft., the Company started its activity on January 1, 2006.

The Company publishes its simplified annual report on the electronic reporting portal operated by the Ministry of Justice (www.e-beszamolo.im.gov.hu).

II ACCOUNTING SYSTEM, ACCOUNTING POLICY**a) General information**

The Company prepares a simplified annual report and, accordingly, maintains its books in conformity with the rules of double entry book-keeping.

The business year of the Company coincides with the calendar year. The date of the preparation of financial statements is January 31 of the year following the subject year.

The simplified annual report is prepared in compliance with the Hungarian Accounting Act, using the cost principle.

Pursuant to Section 155 of the Accounting Act, the Company is subject to an audit requirement; its chosen auditor is Deloitte Könyvvizsgáló Kft. The person responsible for auditing is Dr. Attila Hruby (Chamber of Auditors membership number: 007118).

The Company prepares its simplified annual report in conformity with Section 96 (1) of the Accounting Act, with the statement of financial position prepared in the structure required for version "A" set forth in Appendix 1 to the Accounting Act, with the simplification that it only contains the items indicated in capital letters and Roman numerals. The Company prepares its statement of profit or loss using the total cost method, with the simplification that it only contains the items indicated in capital letters and Roman numerals.

Apart from the exceptions highlighted, data in the simplified annual report are expressed in thousand forints.

Gábor Bana, managing director (H-3529 Miskolc, Szentgyörgy út 85. földszint 1) and Attila Lőrincz, managing director (H-1094 Budapest, Liliom u. 30) are jointly authorized to sign the simplified annual report.

Zoltán Gergely Lakatos is responsible for the tasks relating to bookkeeping services and the preparation of the simplified annual report. Number of the authorization to perform such activities: 164933.

The definition of material error is set out in the Accounting Policy. An error is regarded as material if in the year of its detection the aggregate value of errors and impacts of errors discovered by various audits and affecting a particular business year (separately for each year) that increase or decrease profit or loss, equity (irrespective of sign) is greater than 2 per cent of the total assets of the Company or, if 2 per cent of total assets does not exceed HUF 1 million, it is HUF 1 million. Section 3 (3).

An income or expenditure item can be considered to be of exceptional magnitude if it satisfies either of the following criteria:

- One-off significant, unpredictable item (e.g.: loss event)
- Unexpected, excessively change relative to previous years (e.g.: significant change in the portfolio of contracts)

b) Valuation principles and procedures

Accounting for amortization

Fixed assets with a cost under HUF 100,000 are written off in all cases in one amount on the date of first use pursuant to the option provided in Section 80(2) of the Accounting Act.

In case of fixed assets with an initial recognition cost above HUF 100,000, depreciation is established in the following steps:

1. establishment of the useful life of the asset;
2. estimation of the realizable value (as residual value) at the end of its useful life.

For assets used for its core business, the Company specifies a residual value depending on the nature and use of the specific assets, using estimates based on technical information and market intelligence. Other asset categories represent an immaterial portion within the aggregate value of fixed assets; consequently, their residual value is also zero.

The depreciation charge is based on gross value as depreciable initial recognition cost. The initial recognition cost is depreciated using rates established taking into account period of use and useful life, with the straight-line or the hours-of-service method.

The depreciation charge is recognized as a cost from the first day of the month after the asset is first used for its intended purpose (is commissioned).

The Company regards the date of first use for the intended purpose or installation to be the completion of the successful trial run, or the first day of commercial operation.

Valuation of inventories

Purchased inventories are measured at purchase price.

The initial recognition cost is the value calculated in accordance with Section 47 (1) to (4) of the Accounting Act: purchase price adjusted for related (ancillary) items.

If no invoice is received by the time of delivery to the warehouse, the inventory is initially measured based on the items known from the contract (order) in compliance with Section 47 (9) of the Accounting Act and, when the invoice is received, the difference,

- if significant, is used to modify initial recognition cost,
- if not significant, is recorded through the price difference account as other income or other expenditure.

In accordance with the accounting principles, the Company maintains records in value terms only.

Valuation of receivables

Receivables are measured individually. Individual measurement is based on item-by-item records.

Impairment and the reversal of impairment losses of receivables and receivable-type assets are recognized in accordance with Section 55 of the Accounting Act.

Recognition of exchange rate changes

Upon acquisition:

- all FX assets and FX liabilities relating to the date of performance of the contract or the date of acquisition are converted into HUF using the official foreign exchange rate published by the MNB (Central Bank of Hungary).

Upon financial settlement:

- liabilities and receivables are converted into HUF at the official foreign exchange selling rate or buying rate, respectively, published by the financial institution executing the financial transaction.

Valuation at the end of the reporting period:

Assets and liabilities denominated in foreign currency must be re-valued using the official exchange rates of the Central Bank of Hungary published on the last day of the reporting period.

Recognition of the aggregate revaluation difference:

- In case of exchange rate losses: other expenses of financial transactions,
- In case of exchange rate gains: other incomes of financial transactions.

c) Fixed assets

The Company's major assets include the power plants and power plant equipment.

Fixed assets are recognized in the statement of financial position at cost and/or production cost less accumulated depreciation.

The depreciation of the Power Plant:

The Company's management has determined the depreciation method of the Power Plant's fixed assets by taking the significant market trends of recent years into consideration.

- the lifecycle of the buildings is 50 years,
- the lifecycle of the pipelines and the boilers is 30 years, and
- the lifecycle of the lightweight buildings and the electrical equipment is 20 years.

The shorter of the above lifecycles and the presumed lifecycle of the project (the current expiry and a one-time extension by 15 years) has been considered.

Fixed assets are measured by the Company on an individual basis as required by the Accounting Act; such individual measurement is based on item-by-item records.

d) Receivables

The Company measures receivables on an individual basis. Individual measurement is supported by item-by-item records.

e) Revenue

The net revenue from sales is recognized at the time of performance, without VAT. The Company records as revenue the amount stated on invoices calculated and issued in the manner specified in the service contract and accepted by the customer. The Company recognizes revenue invoiced by the end

of the year but relating to the business year in question from the perspective of performance as accrued income in the statement of financial position.

f) Corporate tax

Corporate tax is recognized through profit or loss in accordance with tax legislation in effect in the subject year.

g) Changes in the accounting policy and accounting estimations

There were no changes in the accounting policy of the Company during the year.

III Analysis of the financial position and liquidity

Indicators of financial position and capital structure:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Leverage ratio	$\frac{\text{Equity}}{\text{Liabilities}}$	3.4%	2.1%
Equity to issued capital ratio	$\frac{\text{Equity}}{\text{Issued capital}}$	16.0%	36.7%
Coverage of non-current assets	$\frac{\text{Equity}}{\text{Non-current assets}}$	5.4%	3.1%
Asset structure	$\frac{\text{Non-current assets}}{\text{Current assets}}$	146.7%	204.5%
Ratio of non-current assets	$\frac{\text{Non-current assets}}{\text{Total assets}}$	54.7%	55.5%

Short-term indicators of financial position:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Quick ratio	$\frac{\text{Liquid assets} + \text{Receivables}}{\text{Short term liabilities}}$	43.1%	33.6%
Net working capital	Current assets – Short-term liabilities	HUF -310,475 thousand	HUF -289,431 thousand
Accounts receivable in days	$\frac{\text{Closing balance of accounts receivable}}{\text{Revenue per day}}$	43 days	23 days

Profitability indicators:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Profit after taxation to equity	$\frac{\text{Profit after taxes}}{\text{Equity}}$	-264.3%	-212.9%
Asset efficiency	$\frac{\text{Profit after taxes}}{\text{Total assets}}$	-7.9%	-3.6%

IV ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

a) Intangible assets and Fixed assets

The Company has no intangible assets; the gross value of fixed assets did not change during the year.

No extraordinary depreciation was recognized in the reporting period.

b) Non-current financial assets

The Company had no such assets either in the reporting period or in the comparative period.

c) Current assets

The composition of the Company's current assets changed as follows:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Trade receivables	79,820	47,374
Other receivables	6,999	5,248
TOTAL RECEIVABLES	86,819	52,622
Operating account – CIB HUF	86,318	94,053
Operating account – CIB EUR	62,177	58
TOTAL LIQUID ASSETS	148,495	94,111
TOTAL CURRENT ASSETS	235,314	146,733

In the subject year, other receivables comprise local business tax, energy tax, and a supplier credit note, while last year they included local business tax, corporate tax, energy tax and a supplier credit note.

d) Accrued income and deferred charges

The accrued income and deferred charges include the capacity fee and the income from electricity produced owed by Sinergy Energiakereskedő for December 2018, and the monthly capacity booking fee owed to MET for January 2019. In deferred expenditures, the Company recognized the transmission pipeline in the value of HUF 86,025 thousand transferred to ÉMÁSZ Nyrt. free of charge in 2006 and the fixed assets transferred to Ózdi Távhő Kft. free of charge in the value of HUF 99,462 thousand. In 2006, the Company recognized the free-of-charge transfer among extraordinary expenses, then booked it to accruals, and recognizes the accrual as expenses during the project lifetime, on the grounds that the value of the transferred asset will be recovered by the Company in the form of the heat fee received during the project lifetime (by 12/31/2020). The Company recognized extraordinary expenditures in the amount of HUF 13,249 thousand annually from 2007, which are transferred to other expenses from 2016. The recognition of the carrying value of the transferred asset in this fashion facilitates the enforcement of the principle of comparison.

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Revenue from Sinergy En.ker. Kft.	7,184	64,434
Accrued revenue	7,184	64,434
MET Zrt. system usage fee for next year	3,547	3,218
Accrued expenses	3,547	3,218
Deferred expenditures	39,747	26,498
Accrued income and deferred charges	50,478	94,150

e) Equity

<i>data in thousand HUF</i>	Issued capital	Allocated reserves	Retained earnings	Profit after taxes	Equity
Opening balance as at 1/1/2018	117,359	53,223	-102,124	-49,665	18,793
Profit transfer	0	0	-49,665	49,665	0
Capital reduction	-114,359	0	114,359		0
Additional monetary contribution	0	10,000	0	0	10,000
Subject year profit or loss	0	0	0	-21,289	-21,289
Closing balance as at 12/31/2018	3,000	63,223	-37,430	-21,289	7,504

The profit and loss after taxes for 2018 is HUF -21,289 thousand, which is transferred by the Company to the retained earnings.

The Company has no treasury shares.

As warranted by the Company's capital situation, the Company's owner resolved that additional monetary contribution is required to cover the Company's losses. Accordingly, they reclassified HUF 10,000 thousand of their receivables from the Company to serve as additional monetary contribution.

To settle previous losses, the Company's owner decided to reduce issued capital, which the court of registration registered only after the reporting date, on January 23, 2018. This way, the Company's issued capital was changed to HUF 3,000 thousand. The owner intends to comply with the provisions of the Civil Code by making the additional monetary contribution and reducing capital.

f) Provisions

The Company did not need to set up special provisions for environmental purposes. The management of the Company established that the year-end amount of the CO₂ quota is not to be considered uncovered even though there is no CO₂ quota in stock.

g) Liabilities

The liabilities of the Company were as follows:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Short-term credits	99,937	0
Trade payables	75,512	82,226
Short-term liabilities to affiliated companies	365,073	347,833
Other short-term liabilities	5,266	6,105
TOTAL SHORT-TERM LIABILITIES	545,788	436,164
LIABILITIES TOTAL	545,788	436,164

To install the Gas Engine Block Heating Power Plant operated by it, the Company concluded a credit facility agreement with CIB Bank Zrt. on July 22, 2005 for HUF 1,570,000 thousand that also includes a credit line for current asset financing in the amount of HUF 50,000 thousand. The credit maturity date was December 15, 2018. The Company has duly repaid the credit. In line with the amount of the credit facility agreement, the liabilities were secured by lien on property and movables for the benefit of CIB Bank, which were deleted in the first quarter of 2019.

The short-term liabilities to affiliated companies include trade payables to the owner in the amount of HUF 217,174 thousand, to Alteo Energiakereskedő Zrt. in the amount of HUF 215 thousand and to Sinergy Energiakereskedő Kft. in the amount of HUF 15.743 thousand, and the dividend to ALTEO Nyrt for 2010 in the amount of HUF 114,701 thousand.

Other short-term liabilities include the VAT payable, the corporate tax and environmental pollution tax for 2018 in the total amount of HUF 6,105 thousand.

The Company's short-term liabilities exceed the value of its current assets by HUF 289,431 thousand as at December 31, 2018, of which liabilities HUF 347,883 thousand are owed to affiliated companies. The Company's ability to operate as a going concern depends on the repayment of these liabilities. The Company's owner confirmed that, if necessary, he will provide financial backing to the Company by changing the due date of the above-mentioned liabilities and by other means so that the Company can continue its operation in the future to ensure there will be no material going concern uncertainty.

h) Accrued expenses and deferred income

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
MET gas costs	47,173	63,788
GE maintenance	15,766	15,657
Sinergy Energiaker. service fee, balancing energy	2,954	16,877
Audit	600	750
Interest on loans	38	0
Other costs	0	280
Cost accruals	66,531	97,352
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	66,531	97,352

i) Revenue

<i>data in thousand HUF</i>	2017	2018
Heat sales	227,261	264,460
Electricity sales, capacity and compensation fees	448,150	497,394
Rent	288	300
Net revenue from domestic sales	675,699	762,154

j) Other revenues

<i>data in thousand HUF</i>	2017	2018
Penalties and default interest received	4,512	0
Other income	8	0
Other revenues	4,520	0

k) Material expenses

Key components of material expenses:

<i>data in thousand HUF</i>	2017	2018
Gas costs	443,587	537,125
Other (electricity costs, water costs, heat)	3,235	2,337
Cost of raw materials	446,822	539,462
Operating, administration and maintenance fees paid to parent company	106,578	109,950
Service and compensation fees	78,750	46,514
Auditor's fee	1,465	1,500
Other	4,316	4,521
Value of services used	191,109	162,485
Insurance	4,026	3,880
Other	3,332	3,675
Value of other services	7,358	7,555
Total material expenses	645,289	709,502

In 2018, the Company recognized HUF 1,500 thousand as cost of auditing.

l) Other expenditures

<i>data in thousand HUF</i>	2017	2018
Fines, default interest, penalties paid	18,144	2,597
Assets transferred without charge	13,249	13,249
Local tax paid	4,578	4,606
Other taxes and contributions	3,398	28
Other	4	1
Other expenditure	39,373	20,481

m) Finance income

Key components of the Finance income include the following:

<i>data in thousand HUF</i>	2017	2018
Interests received	3	1
Exchange rate gain on assets and liabilities denominated in foreign currency	3,198	899
Income from financial transactions	3,201	900
Interest payable on investment loan	1,488	508
Exchange rate loss on assets and liabilities denominated in foreign currency	4,126	7,035
Expenditures of financial transactions	5,614	7,543
Financial profit	-2,413	-6,643

V TAXATION

The corporate income tax was calculated based on Section 19 of Act LXXI of 1996.

The tax authority may review books and records at any time within the 6 years following the relevant tax year and may impose additional taxes or fines. The management of the company is not aware of any circumstances from which a significant obligation might originate burdening the Company under such a legal title.

The relationship between accounting profit and taxable profit is outlined below:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Profit or loss before taxes	-49,465	-19,656
Loss carried forward from previous years	0	0
Depreciation and amortization eligible under the Accounting Act	4,174	4,174
Total items decreasing the tax base	4,174	4,174
Recognized depreciation	42,609	45,184
Tax fines	0	0
Assets transferred without charge	13,249	13,249
Total items increasing the tax base	55,858	58,433
TAX BASE	2,219	34,603
Deferred losses	0	17,302
Tax base reduced by deferred losses	0	17,302
Corporate tax (9%)	200	1,633
Special tax of energy suppliers (31%)	0	0
Profit after taxation	-49,665	-21,289

VI TRANSACTIONS WITH THE PARENT COMPANY

During the year, the Company concluded the following transactions with ALTEO:

<i>data in thousand HUF</i>	Balance as at 12/31/2018	Flows in 2018
Management fees	20,329	24,011
Accounting fee	2,108	2,844
Operating fees	35,242	30,833
Maintenance fee	9,192	22,894
Parent company (ALTEO Nyrt.)	66,871	80,582

In the view of the management of the Company, intercompany transactions with affiliated companies were priced on an arm's length basis.

VII THE COMPANY'S ACTIVITY IN RELATION TO ENVIRONMENTAL PROTECTION

The summary evaluation of the environmental review contains the following findings:

No substantial environmental risk to the soil is involved, and the developed and integrated technical protection prevents ground pollution. There is no groundwater pollution by the Company, as – just like with the soil – any pollution is prevented by means of the technical controls. Pollution to the surrounding air from its exhaust emissions is below the permitted limit. Noise emissions did not exceed the prescribed limits, and workers are not exposed to harmful noise pollution. A minimum amount of hazardous waste is produced, which is regularly and properly removed. There were no notable incidents during the time the facility has been in service that would have harmed the environments.

The environmental risk of the operation of the Ózd Power Plant is low.

VIII COMPANY MANAGEMENT, BOARD OF DIRECTORS, SUPERVISORY BOARD

In 2018 executive managers received no fees or other remuneration, and the Company did not extend to them any advances, loans or credit.

In 2018 the Company had no employees; the statistical headcount is zero.

IX LEGAL PROCEEDINGS

There are no ongoing legal proceedings against the Company.

X Events after the reporting date

There were no events after the end of the reporting period that would have a significant impact on the financial statements of the Company as of December 31, 2018.

XI Errors discovered, effects of errors

No errors pertaining to prior periods were discovered at the Company in 2018.

XII Activity reports

The applicable directives of the Hungarian Energy Office and the European Union stipulate that integrated electricity companies unbundle their accounts for their authorized activities as if they were carried out by companies with separate legal personalities.

Accordingly, as part of its accounting policy, Ózdi Erőmű Kft. has completed the recognition and distribution rules underlying its reports on

- electricity production
- heat energy production, service provision and
- other activities

The statement of financial position of the activity report of Ózdi Erőmű Kft.: on a separate sheet

The statement of profit and loss of the activity report of Ózdi Erőmű Kft.: on a separate sheet

Budapest, March 29, 2019

.....
Gábor Bana
managing director

.....
Attila Lőrincz
managing director