

23720448-3523-114-01

Statistical code

01-10-047253

Corp. Reg. Nr.

## **Alteo Energiakereskedő Zrt.**

**1131 Budapest, Babér u. 1-5.**

Address

**2018.12.31**

## **Simplified Annual Financial Statements**



Budapest, 28th March 2019.

*Translation of the Hungarian original*

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ALTEO Energiakereskedő Zrt.

### ***Opinion***

We have audited the simplified financial statements of ALTEO Energiakereskedő Zrt. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 – which shows total assets of thHUF 2.077.539 and profit after tax for the year of thHUF 17.106 –, 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 120 (5) of Act XL of 2008 on Natural Gas Supply, we reviewed Note XI 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 120 (1)-(4) of Act XL. of 2008 on Natural Gas Supply.

We are responsible for issuing a report on the information in Note XI. 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 XI. 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 120 (1)-(4) of Act XL. of 2008 on Natural Gas 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 December 2017 | 31 December 2018 |
|-----------|---|------------------|------------------|
| <b>1</b>  | <b>A. NON-CURRENT ASSETS</b>                  | <b>12 544</b>    | <b>9 684</b>     |
| 2         | I. INTANGIBLE ASSETS                          | 12 544           | 9 684            |
| 3         | II. TANGIBLE ASSETS                           | 0                | 0                |
| 4         | III. FINANCIAL INVESTMENTS                    | 0                | 0                |
| <b>5</b>  | <b>B. CURRENT ASSETS</b>                      | <b>408 262</b>   | <b>1 085 864</b> |
| 6         | I. INVENTORIES                                | 0                | 0                |
| 7         | II. RECEIVABLES                               | 206 005          | 681 607          |
| 8         | III. MARKETABLE SECURITIES                    | 0                | 0                |
| 9         | IV. LIQUID ASSETS                             | 202 257          | 404 257          |
| <b>10</b> | <b>C. PREPAID EXPENSES AND ACCRUED INCOME</b> | <b>356 584</b>   | <b>981 991</b>   |
| <b>11</b> | <b>TOTAL ASSETS</b>                           | <b>777 390</b>   | <b>2 077 539</b> |

Equity and Liabilities

Data in THUF

| Nr.       | Description  | 31 December 2017 | 31 December 2018 |
|-----------|--|------------------|------------------|
| <b>12</b> | <b>D. SHAREHOLDERS' EQUITY</b>                     | <b>60 987</b>    | <b>78 093</b>    |
| 13        | I. ISSUED CAPITAL                                  | 7 500            | 7 500            |
| 14        | thereof: treasury shares repurchased at face value | 0                | 0                |
| 15        | II. ISSUED BUT NOT PAID CAPITAL (-)                | 0                | 0                |
| 16        | III. CAPITAL RESERVES                              | 42 500           | 42 500           |
| 17        | IV. ACCUMULATED PROFIT RESERVE                     | 9 040            | 10 987           |
| 18        | V. NON-DISTRIBUTABLE RESERVES                      | 0                | 0                |
| 19        | VI. REVALUATION RESERVE                            | 0                | 0                |
| 20        | VII. PROFIT AFTER TAX                              | 1 947            | 17 106           |
| <b>21</b> | <b>E. PROVISIONS</b>                               | <b>0</b>         | <b>0</b>         |
| <b>22</b> | <b>F. LIABILITIES</b>                              | <b>482 896</b>   | <b>1 015 360</b> |
| 23        | I. SUBORDINATED LIABILITIES                        | 0                | 0                |
| 24        | II. LONG TERM LIABILITIES                          | 0                | 295 910          |
| 25        | III. SHORT TERM LIABILITIES                        | 482 896          | 719 450          |
| <b>26</b> | <b>G. ACCRUED EXPENSES AND DEFERRED INCOME</b>     | <b>233 507</b>   | <b>984 086</b>   |
| <b>27</b> | <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>777 390</b>   | <b>2 077 539</b> |

Budapest, 28th March 2019.

Kis Gergely Varga Áron  
**BoD members**

Data in T HUF

| Nr.          | Description  | 2017           | 2 018            |
|--------------|--|----------------|------------------|
| <b>I.</b>    | <b>NET SALES REVENUES</b>  | <b>926 906</b> | <b>7 598 741</b> |
| <b>II.</b>   | <b>CAPITALISED VALUE OF OWN PERFORMANCE</b>                              | <b>0</b>       | <b>0</b>         |
| <b>III.</b>  | <b>Other revenues</b>  | <b>0</b>       | <b>4 091</b>     |
|              | <i>of which: reversal of impairment loss provision</i>                   | 0              | 0                |
| <b>IV.</b>   | <b>MATERIAL TYPE EXPENDITURES</b>  | <b>886 613</b> | <b>7 411 553</b> |
| <b>V.</b>    | <b>PAYMENTS TO PERSONNEL</b>   | <b>0</b>       | <b>0</b>         |
| <b>VI.</b>   | <b>DEPRECIATION CHARGE AND AMORTIZATION</b>                              | <b>1 403</b>   | <b>2 860</b>     |
| <b>VII.</b>  | <b>Other expenses</b>  | <b>34 204</b>  | <b>164 738</b>   |
|              | <i>of which: impairment loss provision</i>                               | 0              | 0                |
| <b>A.</b>    | <b>PROFIT ON OPERATIONG ACTIVITIES<br/>(I.±II.+III.-IV.-V.-VI.-VII.)</b> | <b>4 686</b>   | <b>23 681</b>    |
| <b>VIII.</b> | <b>Financial revenues</b>  | <b>174</b>     | <b>23 160</b>    |
| <b>IX.</b>   | <b>Financial expenses</b>  | <b>1 615</b>   | <b>20 164</b>    |
| <b>B.</b>    | <b>PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)</b>                        | <b>- 1 441</b> | <b>2 996</b>     |
| <b>C.</b>    | <b>NET PROFIT BEFORE TAXATION (±A.±B.)</b>                               | <b>3 245</b>   | <b>26 677</b>    |
| <b>X.</b>    | <b>Tax liability</b>   | <b>1 298</b>   | <b>9 571</b>     |
| <b>D.</b>    | <b>PROFIT AFTER TAX (±C.-X)</b>  | <b>1 947</b>   | <b>17 106</b>    |

Budapest, 28th March 2019.

Kis Gergely

Varga Áron

BoD members

Assets

Data in T HUF

| Nr.       | Description                                   | 2018.12.31.      | Electricity trade | Gas trade      |
|-----------|---|------------------|-------------------|----------------|
| <b>1</b>  | <b>A. NON-CURRENT ASSETS</b>                  | <b>9 684</b>     | <b>5 836</b>      | <b>3 848</b>   |
| 2         | I. INTANGIBLE ASSETS                          | 9 684            | 5 836             | 3 848          |
| 3         | II. TANGIBLE ASSETS                           | 0                | 0                 | 0              |
| 4         | III. FINANCIAL INVESTMENTS                    | 0                | 0                 | 0              |
| <b>5</b>  | <b>B. CURRENT ASSETS</b>                      | <b>1 085 864</b> | <b>794 272</b>    | <b>291 592</b> |
| 6         | I. INVENTORIES                                | 0                | 0                 | 0              |
| 7         | II. RECEIVABLES                               | 681 607          | 458 931           | 222 676        |
| 8         | III. MARKETABLE SECURITIES                    | 0                | 0                 | 0              |
| 9         | IV. LIQUID ASSETS                             | 404 257          | 335 341           | 68 916         |
| <b>10</b> | <b>C. PREPAID EXPENSES AND ACCRUED INCOME</b> | <b>981 991</b>   | <b>714 838</b>    | <b>267 153</b> |
| <b>11</b> | <b>TOTAL ASSETS</b>                           | <b>2 077 539</b> | <b>1 514 946</b>  | <b>562 593</b> |

Equity and Liabilities

Data in T HUF

| Nr.       | Description  | 2018.12.31.      | Electricity trade | Gas trade      |
|-----------|--|------------------|-------------------|----------------|
| <b>12</b> | <b>D. SHAREHOLDERS' EQUITY</b>                     | <b>78 093</b>    | <b>67 352</b>     | <b>10 741</b>  |
| 13        | I. ISSUED CAPITAL                                  | 7 500            | 6 221             | 1 279          |
| 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                              | 42 500           | 35 255            | 7 245          |
| 17        | IV. ACCUMULATED PROFIT RESERVE                     | 10 987           | 9 114             | 1 873          |
| 18        | V. NON-DISTRIBUTABLE RESERVES                      | 0                | 0                 | 0              |
| 19        | VI. REVALUATION RESERVE                            | 0                | 0                 | 0              |
| 20        | VII. PROFIT AFTER TAX                              | 17 106           | 16 762            | 344            |
| <b>21</b> | <b>E. PROVISIONS</b>                               | <b>0</b>         | <b>0</b>          | <b>0</b>       |
| <b>22</b> | <b>F. LIABILITIES</b>                              | <b>1 015 360</b> | <b>925 818</b>    | <b>89 542</b>  |
| 23        | I. SUBORDINATED LIABILITIES                        | 0                | 0                 | 0              |
| 24        | II. LONG TERM LIABILITIES                          | 295 910          | 295 910           | 0              |
| 25        | III. SHORT TERM LIABILITIES                        | 719 450          | 629 908           | 89 542         |
| <b>26</b> | <b>G. ACCRUED EXPENSES AND DEFERRED INCOME</b>     | <b>984 086</b>   | <b>521 775</b>    | <b>462 311</b> |
| <b>27</b> | <b>FORRÁSOK ÖSSZESEN</b>                           | <b>2 077 539</b> | <b>1 514 946</b>  | <b>562 593</b> |

Budapest, 28th March 2019.

Adatok E Ft-ban

| Nr           | Description   | 2018             | Electricity trade | Gas trade        |
|--------------|---|------------------|-------------------|------------------|
| <b>I.</b>    | <b>NET SALES REVENUES</b>   | <b>7 598 741</b> | <b>6 303 344</b>  | <b>1 295 397</b> |
| <b>II.</b>   | <b>CAPITALISED VALUE OF OWN PERFORMANCE</b>                             | <b>0</b>         | <b>0</b>          | <b>0</b>         |
| <b>III.</b>  | <b>Other revenues</b>   | <b>4 091</b>     | <b>1 601</b>      | <b>2 490</b>     |
|              | <i>of which: reversal of impairment loss provision</i>                  | 0                | 0                 | 0                |
| <b>IV.</b>   | <b>MATERIAL TYPE EXPENDITURES</b>                                       | <b>7 411 553</b> | <b>6 167 622</b>  | <b>1 243 931</b> |
| <b>V.</b>    | <b>PAYMENTS TO PERSONNEL</b>  | <b>0</b>         | <b>0</b>          | <b>0</b>         |
| <b>VI.</b>   | <b>DEPRECIATION CHARGE AND AMORTIZATION</b>                             | <b>2 860</b>     | <b>1 336</b>      | <b>1 524</b>     |
| <b>VII.</b>  | <b>Other expenses</b>   | <b>164 738</b>   | <b>122 059</b>    | <b>42 679</b>    |
|              | <i>of which: impairment loss provision</i>                              | 0                | 0                 | 0                |
| <b>A.</b>    | <b>PROFIT ON OPERATING ACTIVITIES<br/>(I.±II.+III.-IV.-V.-VI.-VII.)</b> | <b>23 681</b>    | <b>13 927</b>     | <b>9 755</b>     |
| <b>VIII.</b> | <b>Financial revenues</b>   | <b>23 160</b>    | <b>15 631</b>     | <b>7 528</b>     |
| <b>IX.</b>   | <b>Financial expenses</b>   | <b>20 164</b>    | <b>4 864</b>      | <b>15 300</b>    |
| <b>B.</b>    | <b>PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)</b>                       | <b>2 996</b>     | <b>10 768</b>     | <b>- 7 772</b>   |
| <b>C.</b>    | <b>NET PROFIT BEFORE TAXATION (±A.±B.)</b>                              | <b>26 677</b>    | <b>24 694</b>     | <b>1 983</b>     |
| <b>X.</b>    | <b>Tax liability</b>  | <b>9 571</b>     | <b>7 932</b>      | <b>1 609</b>     |
| <b>D.</b>    | <b>PROFIT AFTER TAX (±C.-X)</b>   | <b>17 106</b>    | <b>16 762</b>     | <b>374</b>       |

Budapest, 28th March 2019.



**I PRESENTATION OF THE COMPANY****Key information concerning the Company**

|                                     |  |
|-------------------------------------|--|
| Name                                | ALTEO Energiakereskedő Zrt.            |
| Registered office                   | H-1131 Budapest, Babér utca 1-5.       |
| Company registration number         | 01-10-047253                           |
| Tax number                          | 23720448-2-41                          |
| Statistical code                    | 23720448-3523-114-01                   |
| Core business                       | NACE 3523 – Trade of gas through mains |
| Capital stock on 1/1/2018           | HUF 7,500 thousand                     |
| Capital stock on the reporting date | HUF 7,500 thousand                     |
| Chosen auditor                      | Deloitte Könyvvizsgáló Kft.            |

ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság, as sole shareholder, founded ALTEO Energiakereskedő Zártkörűen Működő Részvénytársaság on December 5, 2011 to pursue gas trading activities.

ALTEO Zrt. have had a natural gas trade license since February 14, 2012. The Company commenced its natural gas retail activity on October 1, 2016. During 2017, the Company submitted an application for electricity trade license with the Hungarian Energy and Public Utility Regulatory Authority. Having been granted a trade license, the Company also became entitled to conduct the activity pursued by its parent company, i.e. electricity trading. The two companies made a portfolio transfer with effect from 31 December 2017; as a result, the Company also conducts electricity retail activity as of 2018.

The Company performed its year-end closing in accordance with the existing Act C of 2000 on accounting (hereinafter: "Accounting Act"). Pursuant to Section 9 of the aforementioned Act, the Company may prepare and publish a simplified annual report, which is required to be reviewed by an auditor under Sections 155 (2) and (6) of that Act. Pursuant to the aforementioned sources of law, ALTEO Energiakereskedő Zrt. complies with its reporting obligation by preparing a simplified annual report for its 2018 business year.

ALTEO Nyrt., as parent company, is obligated to prepare a consolidated annual report compiled in accordance with the IFRSs and a consolidated business report. In accordance with Section 10 (2) of the effective Act C of 2000 on Accounting, the parent company complies with its consolidation obligation by publishing a report and a management report compiled in accordance with the IFRSs. The report of ALTEO Nyrt. prepared in accordance with the above can be viewed on the website of the Budapest Stock Exchange and on ALTEO Nyrt.'s own website ([www.alteo.hu](http://www.alteo.hu)).

ALTEO Nyrt. and its scope of consolidation is covered by the consolidated annual report prepared by Wallis Portfólió Kft. in accordance with the Accounting Act. The consolidated report of the superior parent company can be viewed at the registered office of Wallis Portfólió Kft. (H-1055 Budapest, Honvéd u. 20).

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

The remuneration for the audit of the simplified annual report is HUF 1,600,000 + VAT.

Attila László Chikán and Gergely Kis, both members of the Board, are jointly authorized to sign the simplified annual report.

The person commissioned to control and lead the auditing tasks in accordance with Section 88 (9) of Act C of 2000: Gergely Zoltán Lakatos (H-1094 Budapest, Viola u. 43. 5. em. 4., registration number: 164933) as an employee of the company providing bookkeeping services.

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

## **II ACCOUNTING POLICY**

### **a) General information**

In its accounting policy, the Company set the preparation date of the simplified annual report for January 31 following the subject year. The reporting date for the Company was December 31, 2018 and its business year corresponds to the calendar year.

The Company opted for the type "A" statement of financial position structure and, for compiling the statement of profit or loss, the total cost method.

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

### **b) Key elements of the accounting policy**

In line with the Accounting Act, the Company developed its policy for money management, inventory and asset and liability valuation.

The Company laid down in its accounting policy that the going concern basis of accounting must be used to ensure that the accounting principles of completeness, faithful representation, understandability, comparability, going concern, consistency, prudence, no netting, individual measurement, accruals, substance over form, relevance and cost-benefit analysis are followed.

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 the equity (irrespective of sign) is greater than the threshold set out in the accounting policy. An error is always material if the total amount (regardless of sign) of faults and fault effects increasing or decreasing profits, equity, discovered in the year of discovering the fault, in the course of the series of reviews - concerning the same year - exceeds 2 percent of the Company's

statement of financial position total of the business year under review, or HUF 1 million if 2 percent of the total value of the statement of financial position does not exceed HUF 1 million.

An income or expenditure item can be considered to be of exceptional magnitude if it satisfies 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)

Transactions in foreign currencies are translated into forint using the foreign exchange rate announced by the Central Bank of Hungary, effective on the day of performance. Incoming supplier and outgoing customer invoices where the exchange rate calculation according to the provisions concerning the determination of the tax base in forint, within the meaning of Act CXXVII of 2007 on the Value Added Tax shall be applied, are exceptions.

No material error was identified for the subject year.

### c) Valuation principles

#### I Intangible assets

Intangible assets are recognized at cost and/or production cost less accumulated depreciation, at values not exceeding their known market values. Depreciation is calculated using a linear method based on the depreciation rates required to write off intangible assets over their expected useful lives. The expected useful lives of intangible assets are as follows:

| Asset group   | Useful life |
|---|-------------|
| Capitalized value of foundation/restructuring                 | 5 years     |
| Intangible property rights                                    | 5 years     |
| Intellectual property   | 3-5 years   |
| Low-cost intellectual property and intangible property rights | lump sum    |

#### II Fixed assets

Fixed assets are recognized in the statement of financial position at cost and/or production cost less accumulated depreciation. Depreciation is recognized in the statement of profit or loss using a linear method and taking into account the useful life of the specific asset.

With regard to fixed assets, the Company considers assets of a value not exceeding HUF 100 thousand as low-cost assets. Such assets are written off in a single amount in the month when they are put into operation.

In the case of fixed assets, no residual value was determined based on individual assessment. The Company recognizes depreciation of assets based on analytic entry on a monthly basis.

### **III Non-current financial assets**

Investments representing ownership interests in companies are valued as the consideration for acquisition, and as the value established in the articles of association for foundation and capital increase until their market values fall permanently and significantly below their carrying amounts. In this case, these are valued at the market price known at the time of balance sheet preparation.

Securities recognized under non-current assets (owned by the Company for more than a year) are reported in the statement of financial position at purchase price until their market values fall permanently and significantly below their carrying amounts. In this case, similarly to ownership interests held for investment purposes, these are valued at the market price known at the time of the preparation of the statement of financial position.

### **IV Inventories**

Other procured materials are used immediately, thus, the Company does not engage in stockpiling.

### **V Receivables**

Receivables are reported in the statement of financial position at values confirmed and recognized by debtors. The Company carries out the valuation of receivables denominated in foreign currency at the reporting date as set out in the accounting policy.

The Company carries out the valuation of receivables, advances given, loans given and amounts recognized under other receivables on an individual basis and records impairment for the difference between the carrying values and amounts of receivables expected to be recovered based on individual assessment.

### **VI Securities**

Securities, which are recognized under current assets according to the accounting policy, are recognized in the statements of financial position at purchase price until their value goes well below the recording price. Securities owned by the Company for more than a year are recognized under non-current financial assets.

### **VII Accrued income and deferred charges**

Deferred charges include expenses in the closed year that can only be recognized as costs next year. The Company reports under accrued income revenues that are for the subject year but will only be paid and recognized next year after the preparation of the report.

**VIII Provisions**

The Company recognizes provisions for expected liabilities and future (non-recurring) costs based on the foreseeable requirements, in line with the information available on the preparation date of the statement of financial position.

**IX Liabilities**

ALTEO Energiakereskedő Zrt. shows liabilities in its statement of financial position in the contractual amounts, to the extent recognized and fulfilled.

**X Accrued expenses and deferred income**

Accrued expenses include expenditures that are for the subject year but will only be invoiced in the period following the reporting date. Deferred income includes revenues that were reported for the current year, but are for the period following the subject year.

**XI Recognition of transactions in foreign currencies**

Transactions in foreign currencies are translated into forint using the foreign exchange rate announced by the Central Bank of Hungary, effective on the day of performance. Incoming supplier and outgoing customer invoices where the exchange rate calculation according to the provisions concerning the determination of the tax base in forint, within the meaning of Act CXXVII of 2007 on the Value Added Tax shall be applied, are exceptions.

During the year the realized exchange rate gain/loss amounts are from the difference between the exchange rates effective on the day of performance and the day of financial performance; these amounts are recognized by the Company among other incomes, expenses of financial transactions.

At the end of the year, foreign-currency receivables, securities and liabilities were revaluated using the foreign exchange rate published by the Central Bank of Hungary for December 31, 2018. The resulting aggregated unrealized exchange rate gains or losses are recognized by the Company under other incomes of financial transactions and other expenditures of financial transactions, in line with the direction thereof.

**XII Revenue**

The Company's core business involves natural gas and electricity trading. Recognition of and analytical accounting for the quantities of the natural gas and electricity sold is carried out per consumer and per metering point ID. Analytical and ledger accounts are reconciled on a monthly basis.

The net revenue from sales is recognized at the time of performance, without VAT. The Company's revenues in 2018 were generated by natural gas and electricity trading activities.

### XIII Changes in the accounting policy and accounting estimations

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

### III ASSETS AND FINANCIAL POSITION, LIQUIDITY

| NAME OF INDICATOR               | CALCULATION OF INDICATOR   | PREVIOUS YEAR | SUBJECT YEAR |
|---------------------------------|--|---------------|--------------|
| Profit after taxation to equity | $\frac{\text{Profit after taxes}}{\text{Equity}}$                              | 3.19%         | 21.90%       |
| Liquidity indicator             | $\frac{\text{Current assets}}{\text{Short-term liabilities}}$                  | 84.54%        | 150.93%      |
| Operating profit margin         | $\frac{\text{Operating profit}}{\text{Net revenue from sales + Other income}}$ | 0.51%         | 0.31%        |

#### d) Capital efficiency

There was a significant change in the profit generated by the Company in the subject year, resulting from the transfer of the electricity portfolio with effect from December 31, 2017, which led to ALTEO Zrt. engaging in electricity retail in 2018.

#### e) Liquidity indicator

The change in this indicator is mainly attributable to the increase in trade receivables and cash as a result of the electricity portfolio transfer.

#### f) Operating profit margin

Revenues invoiced by the Company grew in the subject year; however, operating profit declined due to increased costs.

**IV ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS**
**a) Intangible assets and Fixed assets**

Operating licenses for natural gas and electricity trade and the associated service fees are recognized under intangible property rights. The Company commenced its natural gas trading activity in 2018, the relevant license was activated and therefore depreciation was also recognized for 2018.

| <i>data in thousand HUF</i>           | Opening balance | Increase     | Decrease     | Closing balance |
|---------------------------------------|-----------------|--------------|--------------|-----------------|
| <b>Change in gross value</b>          |                 |              |              |                 |
| Intangible assets                     | 14,300          | 0            | 0            | 14,300          |
| <b>TOTAL GROSS VALUE</b>              | <b>14,300</b>   | <b>0</b>     | <b>0</b>     | <b>14,300</b>   |
| <b>Accumulated depreciation</b>       |                 |              |              |                 |
| Intangible assets                     | 1,756           | 2,860        | 0            | 4,616           |
| <b>TOTAL ACCUMULATED DEPRECIATION</b> | <b>1,756</b>    | <b>2,860</b> | <b>0</b>     | <b>4,616</b>    |
| <b>Change in net value</b>            |                 |              |              |                 |
| Intangible assets                     | 12,544          | 0            | 2,860        | 9,684           |
| <b>TOTAL NET VALUE</b>                | <b>12,544</b>   | <b>0</b>     | <b>2,860</b> | <b>9,684</b>    |

**b) Non-current financial assets**

The Company had no non-current financial assets in the subject year. Long-term loans provided in the previous year were repaid.

**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                        | 131,573        | 500,548          |
| Receivables from affiliated companies    | 12,687         | 169,634          |
| Other receivables from the tax authority | 61,745         | 11,425           |
| <b>TOTAL RECEIVABLES</b>                 | <b>206,005</b> | <b>681,607</b>   |
| Operating account – HUF                  | 202,257        | 404,257          |
| <b>TOTAL LIQUID ASSETS</b>               | <b>202,257</b> | <b>404,257</b>   |
| <b>TOTAL CURRENT ASSETS</b>              | <b>408,262</b> | <b>1,085,864</b> |

Receivables include trade receivables, local business tax, KÁT and special tax receivables. Trade receivables grew in proportion to the increase in the gas and electricity portfolio.

The cash balance at the reporting date fully corresponds to the closing bank balance. The Company has no dealings in cash and uses no petty cash.

The significant increase in the balance of the operating account was caused by the payment of trade receivables.

**d) Accrued income and deferred charges**

| <i>data in thousand HUF</i>                | 12/31/2017     | 12/31/2018     |
|--|----------------|----------------|
| Accrued revenue                            | 123,712        | 775,786        |
| Deferred costs and expenses                | 232,872        | 206,205        |
| <b>Accrued income and deferred charges</b> | <b>356,584</b> | <b>981,991</b> |

Accrued income includes unbilled natural gas and electricity revenues for the December period.

Deferred charges include the value of the electricity retail portfolio purchased from ALTEO Nyrt. and, in addition, supplier invoices for January 2019. The Company intends to charge the value of the purchased portfolio proportionately against costs over 5 years.

**e) Changes in equity**

| <i>data in thousand HUF</i>             | Issued capital | Capital reserve | Retained earnings | Profit after taxes | Total         |
|---|----------------|-----------------|-------------------|--------------------|---------------|
| Opening balance as at 1/1/2018          | 7,500          | 42,500          | 9,040             | 1,947              | 60,987        |
| Capital increase                        | 0              | 0               | 0                 | 0                  | 0             |
| Profit transfer                         | 0              | 0               | 1,947             | -1,947             | 0             |
| Subject year profit or loss             | 0              | 0               | 0                 | 17,106             | 17,106        |
| <b>Closing balance as at 12/31/2018</b> | <b>7,500</b>   | <b>42,500</b>   | <b>10,987</b>     | <b>17,106</b>      | <b>78,093</b> |

The profit after taxes for 2018 is HUF 17,106 thousand.

**f) Liabilities**

The liabilities of the Company were as follows:

| <i>data in thousand HUF</i>                    | 12/31/2017     | 12/31/2018       |
|--|----------------|------------------|
| Trade payables                                 | 42,316         | 318,016          |
| Short-term liabilities to affiliated companies | 424,375        | 310,726          |
| Other short-term liabilities                   | 16,205         | 90,708           |
| <b>TOTAL SHORT-TERM LIABILITIES</b>            | <b>482,896</b> | <b>719,450</b>   |
| Long-term liabilities                          | 0              | 295,910          |
| <b>TOTAL LONG-TERM LIABILITIES</b>             | <b>0</b>       | <b>295,910</b>   |
| <b>LIABILITIES TOTAL</b>                       | <b>482,896</b> | <b>1,015,360</b> |

The amount of payables to related parties corresponds to the value of the purchased electricity trade portfolio.



Other short-term liabilities include tax payables (support from corporate tax, special tax for energy suppliers, VAT).

Short-term liabilities exceeded the amount of current assets due to the unpaid part of the aforementioned portfolio purchased from ALTEO Nyrt. In 2018, the company took out a 5-year loan to pay consideration for the portfolio so short-term liabilities no longer exceed the amount of the current assets.

Long-term liabilities include a shareholder loan outstanding to the Company's owner, ALTEO Nyrt.

#### g) Accrued expenses and deferred income

| <i>data in thousand HUF</i>                       | 12/31/2017     | 12/31/2018     |
|---|----------------|----------------|
| Gas trade – Amounts invoiced in advance for 2019  | 18,236         | 33,019         |
| <b>Income accruals</b>                            | <b>18,236</b>  | <b>33,019</b>  |
| Cost accruals                                     | 215,145        | 943,798        |
| Interest on loans                                 | 126            | 7,269          |
| <b>Cost and expense accruals</b>                  | <b>215,271</b> | <b>951,067</b> |
| <b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b> | <b>233,507</b> | <b>984,086</b> |

Cost accruals include the auditor's fee, HHS fee, electricity fee, natural gas molecule fee and flow-based COGS accounts, services fees, energy taxes, agent's commissions for 2018 that were not received until the preparation of the report.

Deferred income includes the revenue that was invoiced in 2018 but are for 2019.

#### h) Revenue

In 2018, the Company generated a revenue of HUF 7,598,741 thousand from electricity and natural gas trading.

| <i>data in thousand HUF</i>   | 12/31/2017     | 12/31/2018       |
|-------------------------------|----------------|------------------|
| External revenue              | 739,479        | 6,419,785        |
| Revenue from related parties  | 187,427        | 1,178,956        |
| Export                        | 0              | 0                |
| <b>Net revenue from sales</b> | <b>926,906</b> | <b>7,598,741</b> |

i) **Material expenses**

| <i>data in thousand HUF</i>         | <b>12/31/2017</b> | <b>12/31/2018</b> |
|-------------------------------------|-------------------|-------------------|
| COGS                                | 723,446           | 7,016,711         |
| <b>Purchase value of goods sold</b> | <b>723,446</b>    | <b>7,016,711</b>  |
| Commercial services                 | 135,921           | 259,442           |
| Agent's commission                  | 19,414            | 115,111           |
| Audit                               | 1,333             | 1,600             |
| Membership fees                     | 305               | 3,350             |
| Other                               | 2,769             | 2,028             |
| <b>Value of services used</b>       | <b>159,742</b>    | <b>381,531</b>    |
| bank charges                        | 3,265             | 11,309            |
| fees paid to authorities, duties    | 160               | 2,002             |
| <b>Value of other services</b>      | <b>3,425</b>      | <b>13,311</b>     |
| <b>Total material expenses</b>      | <b>886,613</b>    | <b>7,411,553</b>  |

In 2018, the Company recognized HUF 1,600 thousand as cost of auditing.

j) **Depreciation**

In 2018, the Company recognized a depreciation of HUF 2,860 thousand on intangible assets (natural gas and electricity trade licenses).

k) **Other expenditures**

| <i>data in thousand HUF</i> | <b>12/31/2017</b> | <b>12/31/2018</b> |
|-----------------------------|-------------------|-------------------|
| Other/Taxes                 | 34,204            | 164,738           |
| <b>Other expenditure</b>    | <b>34,204</b>     | <b>164,738</b>    |

l) **Financial profit**

| <i>data in thousand HUF</i>   | <b>12/31/2017</b> | <b>12/31/2018</b> |
|---|-------------------|-------------------|
| Interests received from affiliated companies                                    | 0                 | 0                 |
| Other interests received  | 1                 | 0                 |
| Exchange rate gain on assets and liabilities<br>denominated in foreign currency | 173               | 23,160            |
| <b>Income from financial transactions</b>                                       | <b>174</b>        | <b>23,160</b>     |
| Interests payable to other affiliated companies                                 | 126               | 7,655             |
| Interest paid   | 0                 | 284               |
| Exchange rate loss on assets and liabilities<br>denominated in foreign currency | 1,489             | 12,225            |
| <b>Expenditures of financial transactions</b>                                   | <b>1,615</b>      | <b>20,164</b>     |
| <b>Financial profit</b>   | <b>-1,441</b>     | <b>2,996</b>      |

## V TAXATION

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

| <i>data in thousand HUF</i>                                     | 12/31/2017   | 12/31/2018    |
|---|--------------|---------------|
| <b>Profit or loss before taxes</b>                              | <b>3,245</b> | <b>26,677</b> |
| Depreciation and amortization eligible under the Accounting Act | 1,404        | 2,860         |
| Loss carried forward from previous years                        | 0            | 0             |
| <b>Total items decreasing the tax base</b>                      | <b>1,404</b> | <b>2,860</b>  |
| Recognized depreciation, derecognized value                     | 1,404        | 2,860         |
| Thin capitalization   | 0            | 0             |
| <b>Total items increasing the tax base</b>                      | <b>1,404</b> | <b>2,860</b>  |
| <b>TAX BASE</b>   | <b>3,245</b> | <b>26,677</b> |
| <b>Corporate tax (9%)</b>                                       | <b>292</b>   | <b>1,301</b>  |
| <b>Special tax (31%)</b>  | <b>1,006</b> | <b>8,270</b>  |
| <b>Profit after taxation</b>                                    | <b>1,947</b> | <b>17,106</b> |

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.

## VI THE COMPANY'S ACTIVITY IN RELATION TO ENVIRONMENTAL PROTECTION

No environmental liabilities were incurred for 2018 and the Company did not recognize any provisions.

## VII 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.

## VIII LEGAL PROCEEDINGS

On the reporting date the Company has no significant instances of litigation that might influence the content of the statements.

## IX 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.

**X Errors discovered, impacts of errors**

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

**XI 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, ALTEO Energiakereskedő Zrt. has completed the recognition and distribution rules underlying its reports on

- electricity trade
- gas trade.

The statement of financial position of the activity report of ALTEO Energiakereskedő Zrt.: on a separate sheet

The statement of profit or loss of the activity report of ALTEO Energiakereskedő Zrt.: on a separate sheet

Budapest, March 28, 2019

.....  
Gergely Kis

.....  
Áron Varga

Members of the Board