

14077089-3530-113-01

Statistical code

01-09-887812

Corp. Reg. Nr.

BC-Therm Kft.

1131 Budapest, Babér utca 1-5.

address

2018. december 31.

Annual Financial Statements



Budapest, 31st January 2019.

Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT

To the Quotaholder of BC-Therm Kft.

Opinion

We have audited the financial statements of BC-Therm Kft. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 – which shows total assets of thHUF 2.758.055 and profit after tax for the year of thHUF 62.324 –, as well as the related profit and loss account for the year then ended and the notes to the financial statements including 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 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 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.

Other Information: The Business Report

Other information includes the business report of the Company for 2018. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled „*Opinion*” does not apply to the business report.

Our responsibility in connection with our audit of the financial statements 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.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the business report is consistent with the financial statements.

In our opinion, the business report of the Company for 2018 corresponds to the financial statements of the Company for 2018 and the relevant provisions of the Accounting Act in all material respects. As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements 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 the going concern principle, and preparing the 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 Financial Statements

Our objectives during the audit 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, 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 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 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 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 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 financial statements, including the disclosures, and whether the 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.

Budapest, January 31, 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	2017.12.31	2018.12.31.
1	A. Non Current Assets (02.+10.+18. rows)	1 227 007	820 234
2	I. INTANGIBLE ASSETS (03.-09. rows)	0	0
3	Capitalised value of foundation and restructuring costs	0	0
4	Capitalised value of research and development costs	0	0
5	Concessions and similar rights and assets	0	0
6	Intellectual property	0	0
7	Goodwill	0	0
8	Advance payments on intangible assets	0	0
9	Revaluation of intangible assets	0	0
10	II. FIXED ASSETS (11.-17. rows)	1 227 007	820 234
11	Land and buildings and related concessions and similar rights	590 140	394 499
12	Technical equipment, machinery and vehicles	636 867	425 735
13	Other equipment, fittings and vehicles	0	0
14	Breeding stock	0	0
15	Capital WIP, renovations	0	0
16	Advance payments on Capital WIP	0	0
17	Revaluation of tangible assets	0	0
18	III. FINANCIAL INVESTMENTS (19.-25. rows)	0	0
19	Long term investments in related companies	0	0
20	Long term loans given to related companies	0	0
21	Other long term investments	0	0
22	Long term loans given to other investees	0	0
23	Other long term loans given	0	0
24	Securities representing long term loans	0	0
25	Revaluation of financial investments	0	0
26	B. Current Assets (27.+34.+40.+45. rows)	785 172	1 224 148
27	I. INVENTORIES (28.-33. rows)	6 046	6 046
28	Raw materials and consumables	6 046	6 046
29	Work in progress and semi-finished products	0	0
30	Animals	0	0
31	Finished goods	0	0
32	Goods	0	0
33	Advance payments on inventories	0	0
34	II. RECEIVABLES (35.-39. rows)	592 570	860 506
35	Trade accounts receivable	576 391	774 594
36	Receivables from related companies	0	0
37	Receivables from other investees	0	0
38	Bills of exchange receivable	0	0
39	Other receivables	16 179	85 912
40	III. MARCETABLE SECURITIES (41.-44.sorok)	0	0
41	Investments in related companies	0	0
42	Other investments	0	0
43	Own shares, own quotas	0	0
44	Securities representing loans held for sale	0	0
45	IV. LIQUID ASSETS (46.-47. rows)	186 556	357 596
46	Cash in hand, cheques	0	0
47	Bank deposits	186 556	357 596
48	C. Prepaid expenses and Accrued incomes (49.-51. rows)	271 420	713 673
49	Accrued income	271 420	694 585
50	Prepaid expenses	0	19 088
51	Deferred expenses	0	0
52	TOTAL ASSETS (01.+26.+48. rows)	2 283 599	2 758 055

Budapest, 31st January 2019.

Varga Viktor Hohol Gábor
Directors of the Company

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

Equity and Liabilities

Data in THUF

Nr.	Description	2017.12.31	2018.12.31.
53	D. Shareholders' Equity (54.+56.+57.+58.+59.+60.+61. rows)	471 031	366 324
54	I. ISSUED CAPITAL	423 000	304 000
55	<i>thereof: treasury shares repurchased at face value</i>	0	0
56	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0
57	III. CAPITAL RESERVES	0	0
58	IV. ACCUMULATED PROFIT RESERVE	0	0
59	V. NON-DISTRIBUTABLE RESERVES	0	0
60	VI. REVALUATION RESERVE	0	0
61	VII. PROFIT AFTER TAX	48 031	62 324
62	E. Provisions (63.-65. rows)	216 617	0
63	Provisions for expected liabilities	216 617	0
64	Provisions for future expenses	0	0
65	Other provision	0	0
66	F. Liabilities (67.+71.+80. rows)	605 693	767 864
67	I. SUBORDINATED LIABILITIES (68.-70. rows)	0	0
68	Subordinated liabilities to related companies	0	0
69	Subordinated liabilities to other investees	0	0
70	Subordinated liabilities to other enterprises	0	0
71	II. LONG TERM LIABILITIES (72.-79. rows)	0	0
72	Long term credits	0	0
73	Convertible bonds	0	0
74	Debts on the issue of bonds	0	0
75	Investment and development loans	0	0
76	Other long term loans	0	0
77	Long term liabilities to related companies	0	0
78	Long term liabilities to other investees	0	0
79	Other long term liabilities	0	0
80	III. SHORT TERM LIABILITIES (81. és 83.-89. rows)	605 693	767 864
81	Short term loans	0	0
82	<i>- thereof: Convertible bonds</i>	0	0
83	Short term credits	0	0
84	Advance payments received from customers	0	0
85	Trade accounts payable	571 161	697 457
86	Bills of exchange payable	0	0
87	Short term liabilities to related companies	30 617	52 447
88	Short term liabilities to other investees	0	0
89	Other short term liabilities	3 915	17 960
90	G. Accrued expenses and deferred incomes (91.-93. rows)	990 258	1 623 867
91	Deferred revenues	980 445	928 282
92	Accrued expenses	9 813	695 585
93	Deferred income	0	0
94	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (53.+62.+66.+90. rows)	2 283 599	2 758 055

0

Budapest, 31st January 2019.

Varga Viktor Hohol Gábor
Directors of the Company

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Total cost method

Data in THUF

Nr.	Description	2017.01.01. - 2017.12.31	2018.01.01. - 2018.12.31
01.	Net domestic sales revenues	4 847 237	5 973 387
02.	Net export sales revenues	0	0
I.	NET SALES REVENUES	4 847 237	5 973 387
03.	Change in self-manufactured inventories	0	0
04.	Capitalised value of self-manufactured assets	0	0
II.	CAPITALISED VALUE OF OWN PERFORMANCE	0	0
III.	Other revenues	161 021	216 617
	<i>of which: reversal of impairment loss provision</i>	<i>0</i>	<i>0</i>
05.	Cost of raw materials	3 876 594	4 423 638
06.	Value of services used	266 603	173 691
07.	Value of other services	11 534	13 538
08.	Cost of goods sold	0	0
09.	Value of recharged services	0	0
IV.	MATERIAL TYPE EXPENDITURES	4 154 731	4 610 867
10.	Wages	0	0
11.	Other payments to personnel	0	0
12.	Personnel related contributions	0	0
V.	PAYMENTS TO PERSONNEL	0	0
VI.	DEPRECIATION CHARGE AND AMORTIZATION	406 809	406 773
VII.	Other expenses	362 630	1 107 381
	<i>of which: impairment loss provision</i>	<i>0</i>	<i>0</i>
A.	PROFIT ON OPERATIONG ACTIVITIES (I.±II.+III.-IV.-V.-VI.-VII.)	84 088	64 983
13.	Dividend received or due	0	0
	<i>of which: with related parties</i>	<i>0</i>	<i>0</i>
14.	Gain on sale of investment	0	0
	<i>of which: with related parties</i>	<i>0</i>	<i>0</i>
15.	Interest received and gain on financial investments	0	0
	<i>of which: with related parties</i>	<i>0</i>	<i>0</i>
16.	Other interest received or due	0	0
	<i>of which: with related parties</i>	<i>0</i>	<i>0</i>
17.	Other revenues from financial transactions	8 222	9 093
VIII.	Financial revenues	8 222	9 093
18.	Loss on financial investments	0	0
	<i>of which: with related parties</i>	<i>0</i>	<i>0</i>
19.	Interest paid	3 465	0
	<i>of which: with related parties</i>	<i>0</i>	<i>0</i>
20.	Impairment loss of financial investment, securities and bank deposits	0	0
21.	Other expenditures of financial transactions	6 987	3 433
IX.	Financial expenses	10 452	3 433
B.	PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)	- 2 230	5 660
C.	NET PROFIT BEFORE TAXATION (±A.±B.)	81 858	70 643
X.	Tax liability	33 827	8 319
F.	PROFIT AFTER TAX (±C.-X)	48 031	62 324

Budapest, 31st January 2019.

Varga Viktor

Hohol Gábor

Directors of the Company

Data in THUF

Nr.	Description	2017	2018
I.	Net cash from operating activities	344 824	290 040
1.	Profit before tax	81 858	70 643
	Unrealized FX losses/gains	0	0
2.	Add back depreciation	406 809	406 773
3.	Add back impairment of assets	0	0
4.	Changes in provision	55 596	- 216 617
5.	Profit/loss on sale of non current assets	0	0
6.	Changes in trade payables	130 392	148 126
7.	Changes in other receivables	- 48 141	14 045
	<i>correction due to related parties</i>	0	0
8.	Changes in accruals	38 871	633 609
9.	Changes in trade receivables	- 144 007	- 198 203
10.	Changes in other non current assets	176	- 69 733
	<i>correction due to impairments</i>	0	0
11.	Changes in prepayments	- 60 424	- 442 253
12.	Income taxes paid	- 33 827	- 8 319
13.	Dividend paid	- 82 479	- 48 031
II.	Cash flows from investment activities	- 36	0
14.	Purchase of Non current assets	- 36	0
15.	Sale of Non current assets	0	0
16.	Dividend received	0	0
III.	Cash flows from financing activities	- 521 518	- 119 000
17.	Issue of share capital	0	0
18.	Issued bonds and other securities	0	0
19.	Bank loan received	0	0
20.	Decrease of given loans	0	0
21.	Received grants donations	0	0
22.	Decrease of share capital	- 120 000	- 119 000
23.	Repayment of bonds and other securities	0	0
24.	Repayment of bank loan	- 401 518	0
25.	Loans given	0	0
26.	Donations, grants paid	0	0
27.	Changes in liabilities against founders	0	0
IV.	TOTAL Changes in Cash and Equivalents (± I.± II.± III.)	- 176 730	171 040

Opening Cash and Equivalents

558 256

266 975

Closing Cash and Equivalents

266 975

357 596

Budapest, 31st January 2019.

Varga Viktor

Hohol Gábor

Directors of the Company

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I. PRESENTATION OF THE COMPANY

Key information concerning the Company	
Name	BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság
Registered office	H-1131 Budapest, Babér utca 1-5.
Company registration number	01-09-887812
Tax number	14077089-2-41
Main activity	TEÁOR 3530'08 Steam supply, air conditioning
Registered Capital on 01.01.2018	HUF 423,000,000
Registered Capital on the reporting date	HUF 304,000,000
Chosen auditor	Deloitte Könyvvizsgáló Kft.

BC-Therm Energiatermelő és Szolgáltató Kft. is a single-member company owned by ALTEO Energiaszolgáltató Nyrt. (Company registration number: 01-10-045985). The present owner acquired the Company from Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft. (company reg. no.: 01-09-680396), its own subsidiary, through legal succession on 1 October 2018.

The Company is included in the consolidated financial statements, prepared to Hungarian accounting standards, of Wallis Portfólió Kft. as “superior” parent company. The Company is included in the IFRS consolidated financial statements of BorsodChem Zrt. pursuant to the IFRIC 4 standard.

BC-Therm Energiatermelő és Szolgáltató Korlátolt Felelősségű Társaság (BC-Therm Energy Production and Servicing Limited Liability Company) was established by Sinergy Kft. on 1 October 2007. The court of registration incorporated the Company on 25 October 2007. Up to that point, the Company had operated as a “preliminary” company. In October 2018 the ownership structure of the Company changed: ALTEO Nyrt., the indirect owner, replaced Sinergy Kft. by legal succession as the owner of the business shares.

The Company was founded to establish a boiler plant and the necessary supplementary equipment in order to serve the growing steam demand of BorsodChem Zrt. and to increase the security of supply; it sells heat to BorsodChem Zrt. delivered to its site. After a successful trial run, the Company started its operation on 9 March 2009. The steam generated in the boiler plant is supplied exclusively to BorsodChem Zrt. under a Long-Term Heat Supply and Capacity Contract.

In 2011 BorsodChem Zrt. and BC-Therm Kft. reconstructed the Facility to be able to burn the hydrogen generated in the industrial units of BC Zrt. and formerly used for producing ammonia and part of the high pressure hydrogen arising from natural gas division at the site of BC Zrt. in order to generate steam (Hydrogen Project).

After a successful trial run following the reconstruction, commercial operation with full functionality restarted in the Facility, with the new addition of hydrogen combustion, on 15 December 2011.

Date of the Articles of Association: 01 October 2007 The latest amendment of the Articles of Association occurred on 16 November 2018, when the owner, Sinergy Kft., decreased the amount of the registered capital by HUF 119,000,000, from HUF 423,000,000 to HUF 304,000,000.

The Company publishes its 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 an annual report and, accordingly, maintains its book 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 31 January of the year following the reporting year.

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

Pursuant to Section 155 of the Act on Accounting, 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 annual report in conformity with the Act on Accounting, with the statement of financial position prepared in the structure required for version "A" set forth in Appendix 1 to the Act on Accounting. The Company prepares a version "A" statement of profit or loss relying on the total cost method.

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

Viktor Varga, managing director (H-3599 Sajószöged, Táncsics út 16.) and Gábor Hohol, managing director (H-3586 Sajóörös, Zrínyi Miklós u. 38.) are jointly authorized to sign the annual report.

Zoltán Gergely Lakatos is responsible for the tasks relating to bookkeeping services and the preparation of the 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 the 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. 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 depreciation**

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 Act on Accounting.

In case of fixed assets with 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.

The Company reckons with no residual value for the assets used for its main activity, due to the nature of those assets. Other asset categories represent an immaterial portion within the aggregate value of fixed assets; consequently, their residual value is also zero.

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

The depreciation charge is recognized as cost from the day after the asset is first used for its intended purpose (begins operations).

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.

Depreciation of Energy Centers:

The depreciation of the fixed asset concerned is based on its useful life as evidenced by long-term contracts.

Valuation of inventories

Purchased inventories are measured at purchase price.

Cost is the value calculated in accordance with Section 47(1)-(4) of the Act on Accounting: 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 Act on Accounting and, when the invoice is received, the difference,

- if significant, is used to modify 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 Act on Accounting.

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 (National 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 MNB 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 asset

The Company's major assets consist in the steam boiler, its auxiliary equipment and the steam line. Fixed assets are recognized in the statement of financial position at cost and/or production cost less accumulated depreciation.

Depreciation of the steam boiler, its auxiliary equipment and the steam line:

- 12 years 8.46%

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

d) Inventories

The steam and heat produced by the Company cannot be stored, we do not keep them on inventory. The only inventory item is fuel oil kept in reserve for periods without gas supply. During the year, the Company keeps records of that item both in value and volume terms.

e) Receivables

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

f) Provisions

The Company recognizes a provision for liabilities to third parties arising from past or current transactions or contracts (including provisioning for CO₂ quota deficiency uncovered by inventories or other contracts) that are likely or certain to exist at the end of the reporting period but whose amount or due date is uncertain and the necessary coverage cannot be ensured in any other manner.

g) 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.

h) Corporate tax

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

i) Changes in the accounting policy

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	REPORTING YEAR
Leverage ratio	$\frac{\text{Equity}}{\text{Liabilities}}$	77.8%	47.7%
Equity to issued capital ratio	$\frac{\text{Equity}}{\text{Issued capital}}$	111.4%	120.5%
Coverage of non-current asset	$\frac{\text{Equity}}{\text{Non – current assets}}$	38.4%	44.7%
Asset structure	$\frac{\text{Non – current assets}}{\text{Current assets}}$	156.3%	67.0%
Ratio of non-current assets	$\frac{\text{Non – current assets}}{\text{Total assets}}$	53.7%	29.7%

Short term indicators of financial position:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	REPORTING YEAR
Quick ratio	$\frac{\text{Liquid assets} + \text{Receivables}}{\text{Short term liabilities}}$	128.6%	158.6%
Net working capital	Current assets – Short-term liabilities	179,479	456,284
Accounts receivable in days	$\frac{\text{Closing balance of accounts receivable}}{\text{Revenue per day}}$	43 days	47 days

Profitability indicators:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	REPORTING YEAR
Profit after taxation to equity	$\frac{\text{Profit after taxation}}{\text{Equity}}$	10.2%	17.0%
Asset efficiency	$\frac{\text{Profit after taxation}}{\text{Total assets}}$	2.1%	2.3%

IV. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

a) Intangible assets and Fixed assets

The Company has no intangible assets; the value of fixed assets changed during the year as follows:

<i>data in thousands of HUF</i>	Opening balance	Increase	Decrease	Closing balance
Change in gross value				
Buildings	2,273,219	0	0	2,273,219
Production equipment	2,320,434	0	0	2,320,434
Other plant, equipment and vehicles	0	0	0	0
Total investments, renovations	0	0	0	0
TOTAL GROSS VALUE	4,593,653	0	0	4,593,653
Accumulated depreciation				
Buildings	1,683,079	195,641	0	1,878,720
Production equipment	1,683,567	211,132	0	1,894,699
Other plant, equipment and vehicles	0	0	0	0
Total investments, renovations	0	0	0	0
TOTAL ACCUMULATED DEPRECIATION	3,366,646	406,773	0	3,773,719
Change in net value				
Buildings	590,140	0	195,641	394,499
Production equipment	636,867	0	211,132	425,735
Other plant, equipment and vehicles	0	0	0	0
Total investments, renovations	0	0	0	0
TOTAL NET VALUE	1,227,007	0	406,773	820,234

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) Inventories

The composition of the inventories of the Company changed as follows:

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Oil	6,046	6,046
TOTAL INVENTORIES	6,046	6,046

d) Receivables

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Trade receivables	576,391	774,594
Other receivables	16,179	85,912
TOTAL RECEIVABLES	592,570	860,506

Presently, the Company has no customers that could be considered a related party.

Other receivables comprise recoverable corporate tax, local business tax and environmental pollution charges as well as a credit note.

e) Liquid assets

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Operating account – HUF	52,691	201,002
Operating account – EURO	133,865	156,594
TOTAL LIQUID ASSETS	186,556	357,596

The liquid assets are freely available for the Company.

f) Accrued income and deferred charges

Accrued income and deferred charges include the year 2018 Sinergy O&M settlement and the accrual of the CO₂ quota.

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
CO ₂ quota accrual	216,617	694,585
Accrual of availability fee	54,803	0
Accrued revenue	271,420	694,585
Sinergy O&M accrual	0	19,088
Accrued expense	0	19,088
Accrued income and deferred charges	271,420	713,673

g) Equity

<i>data in thousands of HUF</i>	Issued capital	Capital reserve	Retained earnings	Profit after taxation
Opening balance 01.01.2018	423,000	0	0	48,031
Addition of profit after taxation to retained earnings	0	0	48,031	-48,031
Issued capital decrease	-119,000	0	0	0
Dividends paid	0	0	-48,031	0
Profit after taxation for the year	0	0	0	62,324
Closing balance on 31.12.2018	304,000	0	0	62,324

The profit after taxation for 2018 was HUF 62,324 thousand. The Issued capital was decreased by HUF 119,000 thousand on 16 July 2018. The Company has no treasury shares.

h) Provisions

Provisions were as follows:

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
CO ₂ quota accrual	216,617	0
Provisions	216,617	0

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. The returning of the CO₂ quota is assured from the financing side on the basis of the agreement concluded with BC Zrt.

i) Liabilities

The liabilities of the Company were as follows:

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Trade payables	571,161	697,457
Short-term liabilities to associates	30,617	52,447
Other short-term liabilities	3915	17,960
TOTAL SHORT-TERM LIABILITIES	605,693	767,864
LIABILITIES TOTAL	605,693	767,864

The short-term liabilities to associates include HUF 52,447 thousand of troubleshooting, re-invoiced services, operational and administration fees payable to the owner, Sinergy Kft.

j) Accrued expenses and deferred income

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Accrual of availability fee	980,445	928,282
Income accruals	980,445	928,282
Costs and expenses	9,813	695,585
Interest on loans	0	0
Cost accruals	9,813	695,585
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	990,258	1,623,867

Cost accruals encompass expenditures relating to the CO₂ quota and the audit fee, in the amount of HUF 1,000 thousand. Income accruals include the deferral of the availability fee due to the increased principal repayment because of the shortening of the term of the loan as well as the recognition of the availability fee for the reporting year, in accordance with the principle of comparability of income, costs and expenditures, in the aggregate amount of HUF 928,282 thousand.

k) Revenue

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Sale of steam	3,876,322	4,423,537
Capacity fee	960,623	1,536,800
Troubleshooting fee	10,292	13,050
Net revenue from sales	4,847,237	5,973,387

100% of the annual sales of the Company was transacted with BorsodChem Zrt. The Company has no revenue from exports.

l) Other revenue

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Release of the provision related to the CO ₂ quota	161,021	216,617
Revenue from the sale of fixed assets	0	0
Other revenue	161,021	216,617

m) Material expenses

Key components of material expenses:

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Energy cost (water, steam, electricity)	3,876,594	4,423,638
Cost of raw materials	3,876,594	4,423,638
Maintenance costs	151,255	56,999
Operating fee paid to parent company	77,776	78,357
Administration costs	20,510	21,187
Other	17,062	17,148
Value of services used	266,603	173,691
Insurance	9,060	8,781
Other	2,474	4,757
Value of other services	11,534	13,538

In 2018 the Company recognized HUF 2,000 thousand as cost of auditing.

n) Other expenditures

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Quota obligation	216,617	694,585
Quota purchase	119,958	373,762
Local tax paid	19,413	30,995
Other taxes and contributions	6,614	7,712
Other	0	327
Fines paid	28	0
Other expenditures	362,630	1,107,381

o) Finance income

Key components of the Finance income include the following:

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Interests received	0	0
Exchange rate gain on assets and liabilities denominated in foreign currency	8,222	9,093
Income from financial transactions	8,222	9,093
Interest payable on investment loan	3,465	0
Exchange rate loss on assets and liabilities denominated in foreign currency	6,987	3,433
Expenditures of financial transactions	10,452	3,433
Financial profit	-2,230	5,660

V. TAXATION

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

<i>data in thousands of HUF</i>	31.12.2017	31.12.2018
Profit or loss before taxes	81,858	70,643
Depreciation and amortization eligible under the Accounting Act	168,402	168,367
Amount used from the provisions of previous years	161,021	216,617
Total items decreasing the tax base	329,423	384,984
Recognized depreciation	406,809	406,773
Provisions recognized	216,617	0
Fines	0	0
Total items increasing the tax base	623,426	406,773
TAX BASE	375,861	92,432
Corporate income tax	33,827	8,319
Profit after taxation	48,031	62,324

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 which might give rise to a significant obligation in this context.

VI. INTERCOMPANY TRANSACTIONS WITH AFFILIATED COMPANIES

In the course of the year the Company engaged in the following inter-company transactions with affiliated companies:

<i>data in thousands of HUF</i>	31.12.2018 balance	Flows in 2018
Operating and maintenance fee	28,720	120,426
Administration fee	13,454	21,187
Re-invoiced services	10,272	13,050
Other	0	0
Parent company	52,446	154,663

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

VII. THE COMPANY'S ACTIVITY IN RELATION TO ENVIRONMENTAL PROTECTION

The activity of BC-Therm Kft. is subject to an integrated IPPC permit, which specifies maximum emissions and limits for each environmental compartment. We continued to comply with the new, more stringent air pollution emission limits effective as of 1 January 2016; the operation of the boiler did not cause permissible emission limits of air pollutants to be exceeded, as evidenced by test reports. The operation of the boiler caused no soil, groundwater or surface water pollution; a minimum amount of non-hazardous and hazardous waste is produced in the course of the activity. The hazardous and non-hazardous wastes are stored at collection points within the site and, in compliance with regulatory requirements, are removed twice a year. We do not exceed the noise nuisance limits during our operation.

The complex emergency plan concerning BC-Therm was reviewed in 2016, including the worksite damage control plan; furthermore, in compliance with legal requirements, the explosion protection documentation concerning the operation of the boiler was completed.

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

Litigation is in progress between BC-Therm Kft. as plaintiff and one of its subcontractors concerning the enforcement of a claim arising from defective performance. Based on the claim enforced in the lawsuit, the plaintiff BC-Therm Kft. requested the court to oblige the defendant to pay HUF 63,258,125. The commercial law division of the Budapest-Capital Regional Court, in its judgment delivered on 4 January 2018, dismissed the claim of the plaintiff due to prescription. The Company appealed the judgment; therefore, the first-instance court decision did not become final. The Budapest-Capital Regional Court of Appeal upheld the judgment of the Regional Court, with no possibility of appeal, thus the judgment is now final and enforceable.

X. Events after the reporting period

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 31 December 2018.

XI. Errors discovered, effects of errors

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

Budapest, 31 January 2019

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Viktor Varga
managing director

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Gábor Hohol
managing director