11675293-3530-113-08
Statistical Code

08-09-019412
Corp. Reg. Nr.

Sopron Erőmű Kft.

name

9400 Sopron Somfalvi út 3.
address

31st December 2018

Simplified Annual Financial Statements

Budapest, 28th March 2019.

Deloitte.

Deloitte Auditing and Consulting Ltd.
Dózsa György út 84/C.
1068 Budapest, Hungary
Postal address:
1438 Budapest, P.O.Box 471, Hungary

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.hu

Registered by the Capital Court of Regsitration:
Company Registration Number: 01-09-071057

VAT ID: 10443785-2-42
EU VAT ID: HU10443785

Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT

To the Quotaholder of Soproni Erőmű Kft.

Opinion

We have audited the simplified financial statements of Soproni Erőmű Kft. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 − which shows total assets of thHUF 1.737.491 and loss after tax for the year of thHUF 78.431 −, 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 X 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 X. 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 X 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	dr. Hruby Attila
Deloitte Auditing and Consulting Ltd.	Statutory registered auditor
1068 Budapest, Dózsa György út 84/C.	Registration number: 007118
Registration number: 000083	

Soproni Erőmű Kft. **11675293-3530-113-08** **08-09-019412** 2018. december 31.

Balance Sheet Statistical code Company reg. Nr.

Assets *Data in THUF*

Nr.	Description	31. Dec 2017.	31. Dec 2018.
1	**A. NON-CURRENT ASSETS**	**1 328 187**	**1 243 193**
2	I. INTANGIBLE ASSETS	526	82
3	II. TANGIBLE ASSETS	1 327 661	1 243 111
4	III. FINANCIAL INVESTMENTS	0	0
5	**B. CURRENT ASSETS**	**532 437**	**354 655**
6	I. INVENTORIES	24 031	5 493
7	II. RECEIVABLES	339 145	224 786
8	III. MARKETABLE SECURITIES	25 004	0
9	IV. LIQUID ASSETS	144 257	124 376
10	**C. PREPAID EXPENSES AND ACCRUED INCOME**	**34 743**	**139 643**
11	**TOTAL ASSETS**	**1 895 367**	**1 737 491**

Equity and Liabilities *Data in THUF*

Nr.	Description	31. Dec 2017.	31. Dec 2018.
12	**D. SHAREHOLDERS' EQUITY**	**175 734**	**186 176**
13	I. ISSUED CAPITAL	30 100	30 100
14	*thereof: treasury shares repurchased at face value*		
15	II. ISSUED BUT NOT PAID CAPITAL (-)		
16	III.CAPITAL RESERVES	641 430	641 430
17	IV. ACCUMULATED PROFIT RESERVE	- 409 058	- 495 796
18	V. NON-DISTRIBUTABLE RESERVES		88 873
19	VI. REVALUATION RESERVE		
20	VII. PROFIT AFTER TAX	- 86 738	- 78 431
21	**E. PROVISIONS**	**90 794**	**1 459**
22	**F. LIABILITIES**	**1 441 343**	**1 292 208**
23	I. SUBORDINATED LIABILITIES		563 103
24	II. LONG TERM LIABILITIES	972 673	420 617
25	III. SHORT TERM LIABILITIES	468670	308 488
26	**G. ACCRUED EXPENSES AND DEFERRED INCOME**	**187 496**	**257 648**
27	**TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY**	**1 895 367**	**1 737 491**

Budapest, 28th March 2019.

Oláh János **Varga Viktor**

Directors of the Company

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

Soproni Erőmű Kft. | **11675293-3530-113-08** | **08-09-019412**
P/L Statement | Statistical code | Company reg. Nr.

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**
	of which: reversal of impairment loss provision	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**
	of which: impairment loss provision	0	0
A.	**PROFIT ON OPERATIONG 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, 28th March 2019.

Oláh János **Varga Viktor**
Directors of the Company

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

Soproni Erőmű Kft. **11675293-3530-113-08** **08-09-019412** 2018. december 31.
Balance Sheet Statistical code Company reg. Nr.

Assets *Data in THUF*

Nr.	Description	31. Dec 2018.	Electricity	Heat	Other
1	**A. NON-CURRENT ASSETS**	**1 243 193**	**332 674**	**521 516**	**389 003**
2	I. INTANGIBLE ASSETS	82	20	28	34
3	II. TANGIBLE ASSETS	1 243 111	332 654	521 488	388 969
4	III. FINANCIAL INVESTMENTS	0	0	0	0
5	**B. CURRENT ASSETS**	**354 655**	**81 774**	**123 597**	**149 284**
6	I. INVENTORIES	5 493	1 187	2 354	1 952
7	II. RECEIVABLES	224 786	51 880	78 055	94 851
8	III. MARKETABLE SECURITIES	0	0	0	0
9	IV. LIQUID ASSETS	124 376	28 707	43 188	52 481
10	**C. PREPAID EXPENSES AND ACCRUED INCOME**	**139 643**	**31 868**	**48 733**	**59 042**
11	**TOTAL ASSETS**	**1 737 491**	**446 316**	**693 846**	**597 329**

Equity and Liabilities *Data in THUF*

Nr.	Description	31. Dec 2018.	Electricity	Heat	Other
12	**D. SHAREHOLDERS' EQUITY**	**186 176**	**120 030**	**16 449**	**49 697**
13	I. ISSUED CAPITAL	30 100	6 331	13 143	10 626
14	*thereof: treasury shares repurchased at face value*	0	0	0	0
15	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0	0	0
16	III.CAPITAL RESERVES	641 430	134 911	280 088	226 431
17	IV. ACCUMULATED PROFIT RESERVE	- 495 796	- 104 280	- 216 495	- 175 021
18	V. NON-DISTRIBUTABLE RESERVES	88 873	18 693	38 807	31 373
19	VI. REVALUATION RESERVE	0	0	0	0
20	VII. PROFIT AFTER TAX	- 78 431	64 375	- 99 094	- 43 712
21	**E. PROVISIONS**	**1 459**	307	637	**515**
22	**F. LIABILITIES**	**1 292 208**	**271 788**	**564 255**	**456 164**
23	I. SUBORDINATED LIABILITIES	563 103	118 436	245 885	198 781
24	II. LONG TERM LIABILITIES	420 617	88 468	183 666	148 483
25	III. SHORT TERM LIABILITIES	308 488	64 884	134 704	108 900
26	**G. ACCRUED EXPENSES AND DEFERRED INCOME**	**257 648**	**54 191**	**112 505**	**90 952**
27	**TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY**	**1 737 491**	**446 316**	**693 846**	**597 328**

Budapest, 28th March 2019.

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

Soproni Erőmű Kft. **11675293-3530-113-08** **08-09-019412**

P/L Statement Statistical code Company reg. Nr.

Data in THUF

Nr.	Description	Total 2018	Electricity	Heat	Other
I.	**NET SALES REVENUES**	**1 363 635**	**314 736**	**473 501**	**575 398**
II.	**CAPITALISED VALUE OF OWN PERFORMANCE**	**0**	**0**	**0**	**0**
III.	**Other revenues**	**170 952**	**95 257**	**35 232**	**40 463**
	of which: reversal of impairment loss provision	0			
IV.	**MATERIAL TYPE EXPENDITURES**	**1 334 672**	**236 820**	**512 353**	**585 499**
V.	**PAYMENTS TO PERSONNEL**	**23**	**5**	**7**	**11**
VI.	**DEPRECIATION CHARGE AND AMORTIZATION**	**85 228**	**17 779**	**48 494**	**18 955**
VII.	**Other expenses**	**162 546**	**83 963**	**36 366**	**42 217**
	of which: impairment loss provision	0			
A.	**PROFIT ON OPERATIONG ACTIVITIES** (I.±II.+III.-IV.-V.-VI.-VII.)	**- 47 882**	**71 426**	**- 88 487**	**- 30 821**
VIII.	**Financial revenues**	**2 798**	**646**	**972**	**1 180**
IX.	**Financial expenses**	**33 347**	**7 697**	**11 579**	**14 071**
B.	**PROFIT ON FINANCIAL ACTIVITIES** (VIII.-IX.)	**- 30 549**	**- 7 051**	**- 10 607**	**- 12 891**
C.	**NET PROFIT BEFORE TAXATION (±A.±B.)**	**- 78 431**	**64 375**	**- 99 094**	**- 43 712**
X.	**Tax liability**	0	0	0	**0**
D.	**PROFIT AFTER TAX (±C.-X)**	**- 78 431**	**64 375**	**- 99 094**	**- 43 712**

Budapest, 28th March 2019.

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

I. PRESENTATION OF THE COMPANY

Key information concerning the Company	
Name	Soproni Erőmű Korlátolt Felelősségű Társaság
Registered office	H-9400 Sopron, Somfalvi u. 3
Company registration number	08-09-019412
Tax number	11675293-2-08
Core business	NACE 3511 – Production of electricity
Equity capital as at 1/1/2017	HUF 30,100 thousand
Capital stock on the reporting date	HUF 30,100 thousand
Chosen auditor	Deloitte Könyvvizsgáló és Tanácsadó Kft.

Soproni Erőmű Kft. is a single-member company owned by ALTEO Energiaszolgáltató Nyrt. (company registration number: 01-10-045985). The Company was established on December 31, 2009 by way of transformation, and in line with the provisions of the Business Associations Act and the Accounting Act, it commenced its economic activities in its current form on January 1, 2010.

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).

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

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 és Tanácsadó 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 a version “A” 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.

Viktor Varga, managing director (H-3599 Sajószöged, Táncsics út 16) and János Oláh, managing director (H-3580 Tiszaújváros, Kosztolányi Dezső utca 5) 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 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 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

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

In respect of fixed assets – with the exception of the gas engine – and intangible assets, the Company uses the method of straight-line depreciation on gross asset value. The amortization of the gas engine is booked in proportion to production, by taking service hours completed into account. Reasons for the methods applied:

- The factor with the greatest impact on the useful life of the gas engine is the number of planned service hours. Wear and tear occurs in proportion to the performance completed.
- In the case of the technological equipment used for energy production, the straight-line depreciation method used for other assets generally provides an accurate reflection of physical and moral depreciation.
- It simplifies the planning of depreciation.

Depreciation rates are determined on the basis of expected useful life.

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. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

a) Intangible assets and Fixed assets

In the current period, the Company did not recognize any extraordinary depreciation.

The Company made no significant investments in the subject year.

b) Non-current financial assets

The Company had no non-current financial assets in 2018, nor in the year preceding it.

c) Current assets

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

data in thousand HUF	12/31/2017	12/31/2018
TOTAL INVENTORIES	**24,031**	**5,493**
Trade receivables	237,096	221,241
Receivables from affiliated companies	62,103	0
Other receivables	39,946	3,545
TOTAL RECEIVABLES	**339,145**	**224,786**
TOTAL SECURITIES	**25,004**	**0**
Bank account	144,257	124,376
TOTAL LIQUID ASSETS	**144,257**	**124,376**
TOTAL CURRENT ASSETS	**523,437**	**354,655**

Other receivables are made up of reclaims and overpayments of various tax types, as well as supplier overpayments, both in the subject year and the previous year.

d) Accrued income and deferred charges

The accrued income and deferred charges line shows the capacity premium for December 2018 from Sinergy Energiakereskedő, the prorated portion of the 2019 insurance paid in 2018 and the amount of the gas network usage fee for January 2019.

data in thousand HUF	12/31/2017	12/31/2018
Accrued income in the subject year	17,225	133,250
Accrued revenue	**17,225**	**133,250**
Accrual of the pipe repair	10,933	0
Accrued expenses for the next year	6,585	6,393
Accrued expenses	**17,518**	**6,393**
Accrued income and deferred charges	**34,743**	**139,643**

e) Equity

data in thousand HUF	Issued capital	Capital reserve	Retained earnings	Allocated reserves	Profit after taxes
Opening balance as at 1/1/2018	30,100	641,430	-409,058	0	-86,738
Profit transfer	0	0	-86,738	0	86,738
Additional monetary contribution	0	0	0	88,873	0
Subject year profit or loss	0	0	0	0	-78,431
Closing balance as at 12/31/2018	**30,100**	**641,430**	**-495,796**	**88,873**	**-78,431**

The profit and loss after taxes for 2018 is HUF -78,431 thousand, which is transferred by the Company to the retained earnings.

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 88,873 thousand of their loan receivables from the Company to serve as additional monetary contribution.

The Company has no treasury shares.

f) Provisions

data in thousand HUF	12/31/2017	12/31/2018
Provisions recognized due to the CO_2 quota	18,428	0
Costs of major overhauls	72,366	1,459
TOTAL PROVISIONS	**90,794**	**1,459**

The so-called "64,000-hour major overhaul" of the gas engine was carried out in 2018, for which the Company used the provisions recognized in previous years. The Company recognized provisions of HUF 1,459 thousand in the subject year for next major overhaul.

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 CO_2 quota is not to be considered uncovered even though there is no CO_2 quota in stock.

g) Liabilities

The liabilities of the Company were as follows:

data in thousand HUF	12/31/2017	12/31/2018
Subordinated liabilities to affiliated companies	0	563,103
SUBORDINATED LIABILITIES	**0**	**563,103**
Long-term loans	972,973	0
Long-term loans	0	420,617
TOTAL LONG-TERM LIABILITIES	**972,673**	**420,617**
Trade payables	136,580	149,133
Short-term liabilities to affiliated companies	330,304	62,109
Other short-term liabilities	1,786	97,246
TOTAL SHORT-TERM LIABILITIES	**468,670**	**308,488**
LIABILITIES TOTAL	**1,441,343**	**1,292,208**

On December 7, 2018, Soproni Erőmű Kft. took out a loan of HUF 500,000 thousand from K&H Bank, with the maturity date on September 30, 2025 and an interest of 3-month BUBOR + 2.1%.

Due to the bank loan, the Company reclassified its loan outstanding to ALTEO Energiaszolgáltató Nyrt. under subordinated liabilities. Interest on the loan: 3-month BUBOR + 3% interest premium. The loan interest unpaid by 11/15/2018 was capitalized in the amount of HUF 19,833 thousand.

The loan taken from Győri Erőmű Kft. in 2013 in the amount of HUF 85,580 thousand, previously shown under long-term liabilities, was repaid in full by the Company on December 7, 2018.

Short-term liabilities to affiliated companies shows liabilities arising from trade payables and services in the amount of HUF 52,900 thousand to ALTEO Nyrt. and HUF 5,653 thousand to Sinergy Energiaszolgáltató Kft., as well as customer overpayments of HUF 3,556 thousand to Sinergy Energiakereskedő Kft.

h) Accrued expenses and deferred income

data in thousand HUF	12/31/2017	12/31/2018
Deferred income (CO_2 quota)	0	1,058
Assets taken over without charge	4,455	4,219
Deferred income	**4,455**	**5,277**
Income accruals	16,711	16,849
Income accruals	**16,711**	**16,849**
Services used	115,552	203,597
Interests payable to other affiliated companies	28,744	1,109
Services used as provided by affiliated companies	22,034	30,042
Interest on bank loans	0	774
Cost accruals	**166,330**	**235,522**
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**187,496**	**257,648**

The value of assets taken over without charge amounting to HUF 4,219 thousand and the accrual of the revenue arising from CO_2 quota for 2018 are recognized under accrued expenses and deferred income as deferred income. The amount of accrued services in the subject year was HUF 203,597 thousand, while the accrual relating to services used as provided by affiliated companies shows the variable service fee and contingency fee payable to Sinergy Energiakereskedő Kft. in the amount of HUF 14,025 thousand, the electricity bill for December to ALTEO Energiakereskedő Zrt. in the amount of HUF 3,669 thousand, as well as the maintenance costs by ALTEO Nyrt. in the amount of HUF 12,348 thousand. The accrued interest payable to the affiliated company is HUF 1,109 thousand, which includes the unpaid interest on the loan outstanding to ALTEO Nyrt. An unpaid interest of HUF 774 thousand on the bank loan is shown under accrued expenses and deferred income.

i) Revenue

data in thousand HUF	2017	2018
Heat sales	513,733	559,207
Electricity sales, capacity and compensation fees	392,262	357,542
Capacity fee	334,088	358,181
Rent	29,708	30,153
Other income	3,311	58,552
Net revenue from domestic sales	**1,273,102**	**1,363,635**

The Company has no revenue from exports.

j) Other revenues

data in thousand HUF	2017	2018
CO_2 quota	17,172	69,623
Fixed assets sold	10,146	0
Provisions used	7,405	90,794
Subsidies and grants received	236	236
Penalties and default interest received	144	703
Other income	2,920	9,596
Other revenues	**38,023**	**170,952**

k) Material expenses

Key components of material expenses:

data in thousand HUF	2017	2018
Gas costs	757,032	834,755
Other (electricity costs, water costs, heat)	25,062	32,996
Cost of raw materials	**782,094**	**867,751**
Operating, administration and maintenance fees paid to affiliated companies	252,713	369,683
Service and compensation fees	103,369	61,472
Auditor’s fee	1,465	1,500
Other	10,611	24,196
Value of services used	**368,158**	**456,851**
Insurance	3,401	3,707
Other	2,152	6,363
Value of other services	**5,553**	**10,070**
Purchase value of goods sold	0	0
Value of services sold (intermediated)	238	0
Total material expenses	**1,156,043**	**1,334,672**

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

l) Personnel expenses

data in thousand HUF	2017	2018
Other personnel expenses	8	10
Wage contributions	12	13
Total personnel expenses	**20**	**23**

As of January 1, 2016, the Company has no employees. Personnel expenses include the personal income tax booked for telephones and the healthcare contribution.

m) Other expenditures

data in thousand HUF	2017	2018
Provisions	61,766	1,459
Expenditures of fixed assets sold	29,759	0
CO_2 quota	22,605	134,833
Fines, default interest, penalties paid	16,936	7
Other taxes and contributions	12,704	3,957
Local tax paid	9,815	18,725
Other	103	3,565
Other expenditure	153,688	162,546

n) Finance income

Key components of the Finance income include the following:

data in thousand HUF	2017	2018
Other interests received	347	371
Other incomes of financial transactions	1,761	2,427
Income from financial transactions	**2,108**	**2,798**
Interest payable to affiliated companies	29,273	31,668
Other payable interests	2	1,093
Other expenditures of financial transactions	1,497	586
Expenditures of financial transactions	**30,772**	**33,347**
Financial profit	**-28,664**	**-30,549**

IV. TRANSACTIONS WITH AFFILIATED PARTIES

During the year, the Company concluded the following transactions with its parent company:

data in thousand HUF	Balance as at 12/31/2018	Flows in 2018
Management fees	3,264	30,842
Operation	41,699	164,167
Maintenance	7,510	18,262
Accounting	427	4,032
Parent company (ALTEO Nyrt.)	**52,900**	**217,303**

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

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

In the past year, the Company had no significant problems related to environmental protection and caused no environmental damage. No environmental protection fines were imposed on account of the violation of environmental protection regulations.

Fixed assets that are only used for environmental protection purposes are not shown separately in the report.

VI. 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.

VII. LEGAL PROCEEDINGS

There are no ongoing legal proceedings against the Company.

VIII. 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.

IX. Errors discovered, effects of errors

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

X. 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, Soproni 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 Soproni Erőmű Kft.: on a separate sheet

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

Budapest, March 28, 2019

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János Oláh	Viktor Varga
managing director	managing director