

12731781-3530-113-05  
Statistical Code

05-09-009230  
Corp. Reg. Nr.

**Tisza-Therm Kft.**

name

**3580 Tiszaújváros, Tisza út 1/D.**

address

**31st December 2018**

## **Simplified Annual Financial Statements**



Budapest, 28th March 2019.

*Translation of the Hungarian original*

## INDEPENDENT AUDITOR'S REPORT

To the Quotaholders of Tisza-Therm Kft.

### *Opinion*

We have audited the simplified financial statements of Tisza-Therm Kft. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 – which shows total assets of thHUF 876.943 and loss after tax for the year of thHUF 134.875 –, as well as the related profit and loss account for the year then ended and the notes to the simplified financial statements including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

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

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

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

Management is responsible for the preparation and fair presentation of the simplified financial statements in accordance with the Accounting Act, and for such internal control as management determines is

necessary to enable the preparation of simplified financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives during the audit are to obtain reasonable assurance about whether the simplified financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these simplified financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the simplified financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's preparation of the simplified financial statements in accordance with the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the simplified financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the simplified financial statements, including the disclosures, and whether the simplified financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

***Other reporting obligation regarding the divisional financial statements***

In accordance with Section 105/A (1) of Act LXXXVI of 2007 on Electricity and Section 18/B (1) of Act XVIII of 2005 on District Heat Supply, we reviewed Note XII of the notes to the simplified financial statements for 2018, Activity reports, which presents the distribution of activities for accounting purposes.

The management is responsible for developing and applying an accounting policy for the distribution of activities, and the pricing of the individual activities to avoid cross-financing between the various divisions of the company, as well as for disclosing the individual activities separately in accordance with Section 105 (2)-(4) of Act LXXXVI of 2007 on Electricity and Section 18/A (2)-(4) of Act XVIII. of 2008 on District Heat Supply.

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

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

Budapest, April 3, 2019

*The original Hungarian version has been signed.*

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

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

Assets

Data in THUF

Nr.	Description	31. Dec 2017.	31. Dec 2018.
<b>1</b>	<b>A. NON-CURRENT ASSETS</b>	<b>449 426</b>	<b>463 533</b>
2	I. INTANGIBLE ASSETS	0	0
3	II. TANGIBLE ASSETS	449 426	463 533
4	III. FINANCIAL INVESTMENTS		
<b>5</b>	<b>B. CURRENT ASSETS</b>	<b>467 691</b>	<b>366 131</b>
6	I. INVENTORIES	11 091	654
7	II. RECEIVABLES	336 426	315 403
8	III. MARKETABLE SECURITIES	0	0
9	IV. LIQUID ASSETS	120 174	50 074
<b>10</b>	<b>C. PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>32 937</b>	<b>47 279</b>
<b>11</b>	<b>TOTAL ASSETS</b>	<b>950 054</b>	<b>876 943</b>

Equity and Liabilities

Data in THUF

Nr.	Description	31. Dec 2017.	31. Dec 2018.
<b>12</b>	<b>D. SHAREHOLDERS' EQUITY</b>	<b>2 408</b>	<b>- 32 467</b>
13	I. ISSUED CAPITAL	3 000	3 000
14	thereof: treasury shares repurchased at face value	0	0
15	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0
16	III. CAPITAL RESERVES	0	0
17	IV. ACCUMULATED PROFIT RESERVE	- 251 964	- 346 722
18	V. NON-DISTRIBUTABLE RESERVES	346 130	446 130
19	VI. REVALUATION RESERVE	0	0
20	VII. PROFIT AFTER TAX	- 94 758	- 134 875
<b>21</b>	<b>E. PROVISIONS</b>	<b>28 631</b>	<b>0</b>
<b>22</b>	<b>F. LIABILITIES</b>	<b>787 030</b>	<b>703 653</b>
23	I. SUBORDINATED LIABILITIES	0	0
24	II. LONG TERM LIABILITIES		
25	III. SHORT TERM LIABILITIES	787 030	703 653
<b>26</b>	<b>G. ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>131 985</b>	<b>205 757</b>
<b>27</b>	<b>TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY</b>	<b>950 054</b>	<b>876 943</b>

Budapest, 28th March 2019.

Bana Gábor      Lőrincz Attila  
Directors of the Company

Data in THUF

Nr.	Description	2017.01.01. - 2017.12.31.	2018.01.01. - 2018.12.31.
<b>I.</b>	<b>NET SALES REVENUES</b>	<b>1 261 395</b>	<b>1 314 792</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>30 807</b>	<b>53 900</b>
	<i>of which: reversal of impairment loss provision</i>	0	0
<b>IV.</b>	<b>MATERIAL TYPE EXPENDITURES</b>	<b>1 272 967</b>	<b>1 328 872</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>27 560</b>	<b>31 473</b>
<b>VII.</b>	<b>Other expenses</b>	<b>86 394</b>	<b>143 060</b>
	<i>of which: impairment loss provision</i>	0	0
<b>A.</b>	<b>PROFIT ON OPERATING ACTIVITIES</b> (I.±II.+III.- IV.-V.-VI.-VII.)	<b>- 94 719</b>	<b>- 134 713</b>
<b>VIII.</b>	<b>Financial revenues</b>	<b>0</b>	<b>0</b>
<b>IX.</b>	<b>Financial expenses</b>	<b>39</b>	<b>162</b>
<b>B.</b>	<b>PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)</b>	<b>- 39</b>	<b>- 162</b>
<b>C.</b>	<b>NET PROFIT BEFORE TAXATION (±A.±B.)</b>	<b>- 94 758</b>	<b>- 134 875</b>
<b>X.</b>	<b>Tax liability</b>	<b>0</b>	<b>0</b>
<b>D.</b>	<b>PROFIT AFTER TAX (±C.-X)</b>	<b>- 94 758</b>	<b>- 134 875</b>

Budapest, 28th March 2019.

Bana Gábor Lőrincz Attila  
Directors of the Company

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

Assets

Data in THUF

Nr.	Description	31. Dec 2018.	Heat	Electricity
<b>1</b>	<b>A. NON-CURRENT ASSETS</b>	<b>463 533</b>	<b>336 883</b>	<b>126 650</b>
2	I. INTANGIBLE ASSETS	0	0	0
3	II. TANGIBLE ASSETS	463 533	336 883	126 650
4	III. FINANCIAL INVESTMENTS	0	0	0
<b>5</b>	<b>B. CURRENT ASSETS</b>	<b>366 131</b>	<b>351 901</b>	<b>14 230</b>
6	I. INVENTORIES	654	588	66
7	II. RECEIVABLES	315 403	309 741	5 662
8	III. MARKETABLE SECURITIES	0	0	0
9	IV. LIQUID ASSETS	50 074	41 572	8 502
<b>10</b>	<b>C. PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>47 279</b>	<b>23 282</b>	<b>23 997</b>
<b>11</b>	<b>TOTAL ASSETS</b>	<b>876 943</b>	<b>712 066</b>	<b>164 877</b>

Equity and Liabilities

Data in THUF

Nr.	Description	31. Dec 2018.	Heat	Electricity
<b>12</b>	<b>D. SHAREHOLDERS' EQUITY</b>	<b>- 32 467</b>	<b>- 86 897</b>	<b>54 430</b>
13	I. ISSUED CAPITAL	3 000	2 636	364
14	thereof: treasury shares repurchased at face value	0	0	0
15	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0	0
16	III. CAPITAL RESERVES	0	0	0
17	IV. ACCUMULATED PROFIT RESERVE	- 346 722	- 304 613	- 42 109
18	V. NON-DISTRIBUTABLE RESERVES	446 130	391 948	54 182
19	VI. REVALUATION RESERVE	0	0	0
20	VII. PROFIT AFTER TAX	- 134 875	- 176 868	41 993
<b>21</b>	<b>E. PROVISIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22</b>	<b>F. LIABILITIES</b>	<b>703 653</b>	<b>618 195</b>	<b>85 458</b>
23	I. SUBORDINATED LIABILITIES	0	0	0
24	II. LONG TERM LIABILITIES	0	0	0
25	III. SHORT TERM LIABILITIES	703 653	618 195	85 458
<b>26</b>	<b>G. ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>205 757</b>	<b>180 768</b>	<b>24 989</b>
<b>27</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>876 943</b>	<b>712 066</b>	<b>164 877</b>

Budapest, 28th March 2019.

Data in THUF

Nr.	Description	Total 2018	Heat	Electricity
<b>I.</b>	<b>NET SALES REVENUES</b>	<b>1 314 792</b>	<b>1 099 576</b>	<b>215 216</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>53 900</b>	<b>52 650</b>	<b>1 250</b>
	<i>of which: reversal of impairment loss provision</i>	0	0	0
<b>IV.</b>	<b>MATERIAL TYPE EXPENDITURES</b>	<b>1 328 872</b>	<b>1 180 566</b>	<b>148 306</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>31 473</b>	<b>22 874</b>	<b>8 599</b>
<b>VII.</b>	<b>Other expenses</b>	<b>143 060</b>	<b>125 573</b>	<b>17 487</b>
	<i>of which: impairment loss provision</i>	0	0	0
<b>A.</b>	<b>PROFIT ON OPERATING ACTIVITIES</b> (I.±II.+III.- IV.-V.-VI.-VII.)	<b>- 134 713</b>	<b>- 176 787</b>	<b>42 074</b>
<b>VIII.</b>	<b>Financial revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IX.</b>	<b>Financial expenses</b>	<b>162</b>	<b>81</b>	<b>81</b>
<b>B.</b>	<b>PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)</b>	<b>- 162</b>	<b>- 81</b>	<b>- 81</b>
<b>C.</b>	<b>NET PROFIT BEFORE TAXATION (±A.±B.)</b>	<b>- 134 875</b>	<b>- 176 868</b>	<b>41 993</b>
<b>X.</b>	<b>Tax liability</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D.</b>	<b>PROFIT AFTER TAX (±C.-X)</b>	<b>- 134 875</b>	<b>- 176 868</b>	<b>41 993</b>

Budapest, 28th March 2019.

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**I. PRESENTATION OF THE COMPANY**

Key information concerning the Company	
Name	Tisza-Therm Fűtőerőmű Korlátolt Felelősségű Társaság
Registered office	H-3580 Tiszaújváros, Tisza út 1/D
Company registration number	05-09-009230
Tax number	12731781-2-05
Core business	NACE 3530 – Steam and air conditioning supply
Equity capital as at 1/1/2017	HUF 3,000 thousand
Capital stock on the reporting date	HUF 3,000 thousand
Chosen auditor	Deloitte Könyvvizsgáló Kft.

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

The Company is included by ALTEO Nyrt., the sole owner of the parent company in its consolidated annual report compiled in accordance with the IFRSs and its consolidated business report, and consolidated by Wallis Portflió Kft. as a superior parent company in its report.

Date of the Articles of Association: October 1, 2001.

In line with the provisions of the District Heating Production and Long-term Heat Supply Contract concluded with the Municipality of Tiszaújváros, the Company started its activity on October 15, 2002. The Company and the Municipality of Tiszaújváros amended the Long-term Heat Supply Contract on June 16, 2017, with mutual understanding, according to which the expiration of the contract was extended until January 1, 2034.

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

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

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

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

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

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

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

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

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

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

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

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

## **b) Valuation principles and procedures**

### **Accounting for amortization**

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

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

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

For assets used for its core business, the Company specifies a residual value depending on the nature and use of the specific assets, using estimates based on technical information and market intelligence.

Other asset categories represent an immaterial portion within the aggregate value of fixed assets; consequently, their residual value is also zero.

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

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

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

### **Valuation of inventories**

Purchased inventories are measured at purchase price.

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

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

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

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

### **Valuation of receivables**

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

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

### **Recognition of exchange rate changes**

Upon acquisition:

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

Upon financial settlement:

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

Valuation at the end of the reporting period:

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

Recognition of the aggregate revaluation difference:

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

### **c) Fixed assets**

The Company's major assets include heating power plants and heating power plant equipment. Fixed assets are recognized in the statement of financial position at cost and/or production cost less accumulated depreciation.

#### Depreciation of the heating power plant:

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

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

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

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

### **d) Receivables**

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

### **e) Revenue**

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

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

**f) Corporate tax**

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

**g) Changes in the accounting policy and accounting estimations**

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

**III. Analysis of the financial position and liquidity**

Indicators of financial position and capital structure:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Leverage ratio	$\frac{Equity}{Liabilities}$	0.3%	-4.6%
Equity to issued capital ratio	$\frac{Equity}{Issued\ capital}$	80.3%	-1,082.2%
Coverage of non-current assets	$\frac{Equity}{Non - current\ assets}$	0.5%	-7.0%
Asset structure	$\frac{Non - current\ assets}{Current\ assets}$	96.1%	126.6%
Ratio of non-current assets	$\frac{Non - current\ assets}{Total\ assets}$	47.3%	52.9%

Short-term indicators of financial position:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Quick ratio	$\frac{Financial\ assets + Receivable}{Short - term\ liabilities}$	58%	51.9%
Net working capital	$Current\ assets - short-term\ liabilities$	HUF -319,339 thousand	HUF -337,522 thousand
Accounts receivable in days	$\frac{Closing\ balance\ of\ accounts\ receivable}{Revenue\ per\ day}$	82 days	84 days

Profitability indicators:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Profit after taxation to equity	$\frac{\text{Profit and loss after taxes}}{\text{Equity}}$	-3,935.1%	415.4%
Asset efficiency	$\frac{\text{Profit and loss after taxes}}{\text{Total assets}}$	-10.0%	-15.4%

#### 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 thousand HUF</i>	Opening balance	Increase	Decrease	Closing balance
<b>Change in gross value</b>				
Buildings	853,709	0	0	853,709
Production equipment	1,448,821	44,580	0	1,493,401
Other equipment	0	1,000	0	1,000
Total investments, renovations	0	45,580	45,580	0
<b>TOTAL GROSS VALUE</b>	<b>2,302,530</b>	<b>91,160</b>	<b>45,580</b>	<b>2,348,110</b>
<b>Accumulated depreciation</b>				
Buildings	671,686	10,568	0	682,254
Production equipment	1,181,418	20,824	0	1,202,242
Other equipment	0	81	0	81
Total investments, renovations	0	0	0	0
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>1,853,104</b>	<b>31,473</b>	<b>0</b>	<b>1,884,577</b>
<b>Change in net value</b>				
Buildings	182,024	0	10,568	171,455
Production equipment	267,402	44,580	20,824	291,159
Other equipment	0	1,000	81	919
Total investments, renovations	0	45,580	45,580	0
<b>TOTAL NET VALUE</b>	<b>449,426</b>	<b>91,160</b>	<b>77,053</b>	<b>463,533</b>

No extraordinary depreciation was recognized in the reporting period. Growth in the subject year in the production equipment results from the more modern control equipment purchased under the Company's program for improving heat production efficiency.

##### b) Non-current financial assets

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

### c) Current assets

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

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
<b>TOTAL INVENTORIES</b>	<b>11,091</b>	<b>654</b>
Trade receivables	284,855	304,134
Other receivables	51,571	11,269
<b>TOTAL RECEIVABLES</b>	<b>336,426</b>	<b>315,403</b>
Operating account – ERSTE	120,174	50,074
Operating account – MKB	0	0
<b>TOTAL LIQUID ASSETS</b>	<b>120,174</b>	<b>50,074</b>
<b>TOTAL CURRENT ASSETS</b>	<b>467,691</b>	<b>366,131</b>

In the subject year, other receivables comprise corporate tax, energy tax, environmental pollution tax, energy suppliers' tax and supplier credit notes.

### d) Accrued income and deferred charges

The accrued income and deferred charges include the capacity fee premium, capacity sales, penalty and electricity charge owed by Sinergy Energiakereskedő for December 2018, and the monthly fees owed to MET for January 2019.

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Sinergy En.ker. Kft. capacity fee premium, electricity for December 2018	24,305	39,689
Tisza BioTerm Kft. December 2017, gas and electricity for December	88	0
<b>Accrued revenue</b>	<b>24,393</b>	<b>39,689</b>
MET Zrt., system usage fees from January 2018 to January 2019	8,349	7,590
Émász Hálózati Kft. system usage fee for January	195	0
<b>Accrued expenses</b>	<b>8,544</b>	<b>7,590</b>
<b>Accrued income and deferred charges</b>	<b>32,937</b>	<b>47,279</b>

### e) Equity

<i>data in thousand HUF</i>	Issued capital	Allocated reserves	Retained earnings	Profit after taxes
Opening balance as at 1/1/2018	3,000	346,130	-251,964	-94,758
Profit transfer	0	0	-94,758	94,758
Additional monetary contribution	0	100,000	0	0
Subject year profit or loss	0	0	0	-134,875
<b>Closing balance as at 12/31/2018</b>	<b>3,000</b>	<b>446,130</b>	<b>-346,722</b>	<b>-134,875</b>

The profit and loss after taxes for 2018 is HUF -134,875 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 100,000 thousand of their receivables from the Company to serve as additional monetary contribution.

The Company has no treasury shares.

#### f) Provisions

The Company did not recognize provisions in 2018. 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<sub>2</sub> quota is not to be considered uncovered even though there is no CO<sub>2</sub> quota in stock.

#### g) Liabilities

The liabilities of the Company were as follows:

<i>data in thousand HUF</i>	<b>12/31/2017</b>	<b>12/31/2018</b>
Trade payables	132,100	132,260
Short-term liabilities to affiliated companies	654,075	557,514
Other short-term liabilities	855	13,879
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>787,030</b>	<b>703,653</b>
<b>LIABILITIES TOTAL</b>	<b>787,030</b>	<b>703,653</b>

The short-term liabilities to affiliated companies include trade payables to the owner ALTEO Nyrt. in the amount of HUF 554,556 thousand, to Sinergy Energiakereskedő Kft. in the amount of HUF 635 thousand and to ALTEO Zrt. in the amount of HUF 2,307 thousand.

Other short-term liabilities include the water abstraction fee in the amount of HUF 156 thousand, VAT payable in the amount of HUF 13,879 thousand and a customer credit note in the amount of HUF 5 thousand.

The Company's short-term liabilities exceed the value of its current assets by HUF 337,522 thousand as at December 31, 2018, of which liabilities in the amount of HUF 689,774 thousand are owed to affiliated companies. The Company's ability to operate as a going concern depends on the repayment of these liabilities. The Company's owner confirmed that, if necessary, he will provide financial backing to the Company by changing the due date of the above-mentioned liabilities so that the Company can continue its operation in the future to ensure there will be no material going concern uncertainty.



## h) Accrued expenses and deferred income

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Deferred income (CO <sub>2</sub> quota)	0	0
<b>Deferred income</b>	<b>0</b>	<b>0</b>
MET gas costs	115,604	127,110
Sinergy Energiaker. service fee, balancing energy	7,819	2,097
Non-reclaimable energy tax and 12-month energy tax	4,808	0
ÉRV water costs	2,659	1,898
Audit	600	750
Electricity purchased from Émász/ALTEO Zrt.	459	2,291
Other costs	36	48
CO <sub>2</sub> quota	0	71,563
<b>Cost accruals</b>	<b>131,985</b>	<b>205,757</b>
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>131,985</b>	<b>205,757</b>

## i) Revenue

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Heat sales	914,315	927,509
Electricity sales, capacity and compensation fees	339,100	378,115
Rent	6,153	5,602
Balancing energy	0	0
Other income	1,827	3,566
<b>Net revenue from domestic sales</b>	<b>1,261,395</b>	<b>1,314,792</b>

## j) Other revenues

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
CO <sub>2</sub> quota	28,272	52,650
Penalty	2,534	1,245
Other income	1	5
<b>Other revenues</b>	<b>30,807</b>	<b>53,900</b>

### k) Material expenses

Key components of material expenses:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Gas costs	804,783	873,499
Other (electricity costs, water costs, heat)	66,969	59,354
<b>Cost of raw materials</b>	<b>871,752</b>	<b>932,853</b>
Operating, administration and maintenance fees paid to parent company	329,505	340,855
Service and compensation fees	57,282	46,253
Auditor's fee	1,465	1,500
Other	2,472	325
<b>Value of services used</b>	<b>390,724</b>	<b>388,933</b>
Insurance	7,359	5,321
Other	3,132	1,765
<b>Value of other services</b>	<b>10,491</b>	<b>7,086</b>
Purchase value of goods sold	0	0
<b>Total material expenses</b>	<b>1,272,967</b>	<b>1,328,872</b>

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

### l) Other expenditures

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
CO <sub>2</sub> quota	28,977	121,334
Generation of provisions (for quota)	28,631	0
Fines, default interests, penalties paid	20,016	2,961
Local tax paid	6,988	6,872
Other taxes and contributions	1,723	1,703
Other	59	10,190
<b>Other expenditure</b>	<b>86,394</b>	<b>143,060</b>

### m) Finance income

Key components of the Finance income include the following:

<i>data in thousand HUF</i>	12/31/2017	12/31/2017
Exchange rate gains from hedge transactions	0	0
<b>Income from financial transactions</b>	<b>0</b>	<b>0</b>
Interest payable on investment loan	0	0
Exchange rate loss on assets and liabilities denominated in foreign currency	39	162
<b>Expenditures of financial transactions</b>	<b>39</b>	<b>162</b>
<b>Financial profit</b>	<b>-39</b>	<b>-162</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>-94,758</b>	<b>-134,875</b>
Loss carried forward from previous years	0	0
Amount used from the provisions of previous years	0	28,630
Depreciation and amortization eligible under the Accounting Act	11,004	24,456
<b>Total items decreasing the tax base</b>	<b>11,004</b>	<b>53,086</b>
Provisions recognized	28,631	0
Recognized depreciation	27,560	31,473
Fines	0	13
Other	0	10,000
<b>Total items increasing the tax base</b>	<b>56,191</b>	<b>41,486</b>
<b>TAX BASE</b>	<b>-49,571</b>	<b>-146,475</b>
<b>Corporate tax (9%)</b>	<b>0</b>	<b>0</b>
<b>Special tax of energy suppliers (31%)</b>	<b>0</b>	<b>0</b>
<b>Profit after taxation</b>	<b>-94,758</b>	<b>-134,875</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. TRANSACTIONS WITH THE PARENT COMPANY

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

<i>data in thousand HUF</i>	Balance as at 12/31/2018	Flows in 2018
Operating and accounting fees	546,932	430,135
Administration fee	7,623	30,494
Other	0	30,368
<b>Parent company (ALTEO Nyrt.)</b>	<b>554,555</b>	<b>490,997</b>

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

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

Tisza-Therm Kft. performs its activity subject to an integrated IPPC permit which specifies maximum emissions and limits for each environment. The comprehensive environmental review of our activity pursued subject to the IPPC permit took place in 2017 and was approved by the environmental authority. The environmental risk to the ground and groundwater involved in the activity is minimal, and the developed and integrated technical controls prevent the pollution of these environments. The air pollutant emissions of all combustion plants were below the emission limit, as evidenced by test reports. 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 environmental risk of the operation of Tisza-Therm Kft. is low.

**VIII. COMPANY MANAGEMENT, BOARD OF DIRECTORS, SUPERVISORY BOARD**

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

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

**IX. LEGAL PROCEEDINGS**

There are no ongoing legal proceedings against the Company.

**X. Events after the reporting date**

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

**XI. Errors discovered, effects of errors**

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

**XII. Activity reports**

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

Accordingly, as part of its accounting policy, Tisza-Therm 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 Tisza-Therm Kft.: on a separate sheet

The statement of profit or loss of the activity report of Tisza-Therm Kft.: on a separate sheet

Budapest, March 29, 2019

.....  
Gábor Bana  
managing director

.....  
Attila Lőrincz  
managing director