

12905971-3600-113-05

Statistical code

05-09-009864

Corp. reg. Nr.

Tisza-WTP Kft.

name

3580 Tiszújváros, Ipartelep 2069/3 hrsz.

adress

2018. december 31.

Simplified Annual Financial Statements



Budapest, 31st January 2019.

Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT

To the Quotaholder of Tisza-WTP Vízkezelő és Szolgáltató Kft.

Opinion

We have audited the simplified financial statements of Tisza-WTP Vízkezelő és Szolgáltató Kft. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 – which shows total assets of thHUF 2.251.034 and profit after tax for the year of thHUF 28.790 –, 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.

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	31. Dec 2017.	31. Dec 2018.
1	A. NON-CURRENT ASSETS	1 551 836	1 496 944
2	I. INTANGIBLE ASSETS	0	0
3	II. TANGIBLE ASSETS	1 551 836	1 496 944
4	III. FINANCIAL INVESTMENTS	0	0
5	B. CURRENT ASSETS	547 426	713 797
6	I. INVENTORIES	0	0
7	II. RECEIVABLES	438 618	455 040
8	III. MARKETABLE SECURITIES	0	0
9	IV. LIQUID ASSETS	108 808	258 757
10	C. PREPAID EXPENSES AND ACCRUED INCOME	75 184	40 293
11	TOTAL ASSETS	2 174 446	2 251 034

Equity and Liabilities

Data in THUF

Nr.	Description	31. Dec 2017.	31. Dec 2018.
12	D. SHAREHOLDERS' EQUITY	325 946	222 790
13	I. ISSUED CAPITAL	191 265	95 265
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	98 735	98 735
18	V. NON-DISTRIBUTABLE RESERVES	0	0
19	VI. REVALUATION RESERVE	0	0
20	VII. PROFIT AFTER TAX	35 946	28 790
21	E. PROVISIONS	0	0
22	F. LIABILITIES	1 497 702	1 568 410
23	I. SUBORDINATED LIABILITIES	0	0
24	II. LONG TERM LIABILITIES	0	0
25	III. SHORT TERM LIABILITIES	1497702	1 568 410
26	G. ACCRUED EXPENSES AND DEFERRED INCOME	350 798	459 834
27	TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY	2 174 446	2 251 034

Budapest.

Budapest, 31st January 2019.

Varga Viktor Lükő András
Directors of the Company

Data in THUF

Nr.	Description	2017	2018
I.	NET SALES REVENUES	936 755	1 157 914
II.	CAPITALISED VALUE OF OWN PERFORMANCE	0	0
III.	Other revenues	0	39 569
	<i>of which: reversal of impairment loss provision</i>	0	0
IV.	MATERIAL TYPE EXPENDITURES	842 088	993 207
V.	PAYMENTS TO PERSONNEL	0	0
VI.	DEPRECIATION CHARGE AND AMORTIZATION	42 897	154 864
VII.	Other expenses	10 408	12 729
	<i>of which: impairment loss provision</i>	0	0
A.	PROFIT ON OPERATING ACTIVITIES (I.±II.+III. IV.-V.-VI.-VII.)	41 362	36 683
VIII.	Financial revenues	4 319	5 568
IX.	Financial expenses	7 205	2 564
B.	PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)	- 2 886	3 004
C.	NET PROFIT BEFORE TAXATION (±A.±B.)	38 476	39 687
X.	Tax liability	2 530	10 897
D.	PROFIT AFTER TAX (±C.-X)	35 946	28 790

Budapest, 31st January 2019.

Varga Viktor

Lükő András

Directors of the Company

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

I. PRESENTATION OF THE COMPANY

Key information concerning the Company	
Name	Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság
Registered office	H-3580 Tiszaújváros, Ipartelep 2069/3. Hrsz., Hungary
Company registration number	05-09-009864
Tax number	12905971-2-05
Core business	NACE 3600 – Water collection, treatment and supply
Capital stock on 1/1/2018	HUF 191,265 thousand
Capital stock on the reporting date	HUF 95,265 thousand
Chosen auditor	Deloitte Könyvvizsgáló Kft.

Tisza-WTP Vízelőkészítő 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 October 1, 2018.

The Company is consolidated by Wallis Portfólió Kft., as superior parent company in its own consolidated report prepared to Hungarian accounting standards. The Company is included in the IFRS consolidated financial statements of MOL Nyrt. pursuant to the IFRIC 4 standard.

Date of the Articles of Association: September 19, 2002. The latest amendment of the Articles of Association occurred on 16 July 2018, when the owner, Sinergy Kft., reduced the amount of the capital stock by HUF 96,000,000, from HUF 191,265,000 to HUF 95,265,000.

The Company started its operations on November 21, 2003, which means that in 2002 and until November 21, 2003, it did not pursue its core activity and did not generate any revenues. Regarding its expenses, in 2002 and until November 21, 2003, the costs incurred in relation to its investments were recognized among unfinished investments. The desalinated water produced in the water treatment facility is supplied exclusively to MOL Petrolkémia Zrt (MPK) and the company owned by it, TVK-Erőmű Kft., under the Long-term Feed Water Supply Contract. On November 8, 2016 the Company and MPK extended their long-term contract for feed water supply concluded on October 11, 2002 with an original expiry date of December 31, 2018. Pursuant to the newly signed contract, Tisza-WTP will supply feed water to MPK until July 25, 2027.

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

II. ACCOUNTING SYSTEM, ACCOUNTING POLICY

a) General information

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

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

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

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

The Company prepares its simplified annual report in conformity with Section 96 (1) of the Accounting Act, with the statement of financial position prepared in the structure required for version "A" set forth in Appendix 1 to the Accounting Act, with the simplification that it only contains the items indicated in capital letters and Roman numerals. The Company prepares 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 András Lükő, managing director (H-3586 Sajóörös, Széchenyi út 52) 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.

The Company reckons with no residual value for the assets used for its core business, 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 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 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.

Main water treatment installation

The depreciation of the fixed asset concerned is based on its useful life as evidenced by long-term contracts. During the subject year, the Company and MPK extended their long-term contract for feed water supply. In accordance with the terms and conditions of the newly signed contract and bearing in mind the stipulations of the accounting policy, the useful life of the water treatment plant assets has also been modified.

Valuation of inventories

Purchased inventories are measured at purchase price.

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

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

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

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

Valuation of receivables

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

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

Recognition of exchange rate changes

Upon acquisition:

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

Upon financial settlement:

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

Valuation at the end of the reporting period:

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

Recognition of the aggregate revaluation difference:

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

c) Fixed assets

The Company's major assets include the industrial water treatment equipment.

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

Depreciation of the water treatment plant:

- The Company calculates depreciation for the water treatment plant assets for the duration of the contract concluded with MPK Zrt. In 2016 the Company and MPK extended their long-term contract for feed water supply. In accordance with the terms and conditions of the newly signed contract, the useful life of the water treatment plant assets has also been modified. The planned depreciation period of the assets has been extended until July 25, 2027.

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 year.

III. Analysis of the financial position and liquidity

Indicators of financial position and capital structure:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Leverage ratio	$\frac{\text{Equity}}{\text{Liabilities}}$	21.8%	14.2%
Equity to issued capital ratio	$\frac{\text{Equity}}{\text{Issued capital}}$	170.4%	233.9%
Coverage of non-current assets	$\frac{\text{Equity}}{\text{Non – current assets}}$	21%	14.9%
Asset structure	$\frac{\text{Non – current assets}}{\text{Current assets}}$	283.5%	209.7%
Ratio of non-current assets	$\frac{\text{Non – current assets}}{\text{Total assets}}$	71.4%	66.5%

Short-term indicators of financial position:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Quick ratio	$\frac{\text{Financial assets} + \text{Receivables}}{\text{Short – term liabilities}}$	36.6%	45.5%
Net working capital	Current assets – short-term liabilities	HUF -950,276 thousand	HUF -854,613 thousand
Accounts receivable in days	$\frac{\text{Closing balance of accounts receivable}}{\text{Revenue per day}}$	51 days	45 days

Profitability indicators:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Profit after taxation to equity	$\frac{\text{Profit and loss after taxes}}{\text{Equity}}$	11.0%	12.9%
Asset efficiency	$\frac{\text{Profit and loss after taxes}}{\text{Total assets}}$	1.7%	1.3%

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 thousand HUF</i>	Opening balance	Increase	Decrease	Closing balance
Change in gross value				
Buildings	441,590	581,114	0	1,022,704
Production equipment	2,187,307	427,876	0	2,615,183
Other plant, equipment and vehicles	147,777	199,019	0	346,796
Total investments, renovations	1,108,036	99,973	1,208,009	0
TOTAL GROSS VALUE	3,884,710	1,307,982	1,208,009	3,984,683
Accumulated depreciation				
Buildings	334,158	61,601	0	395,759
Production equipment	1,868,865	72,940	0	1,941,805
Other plant, equipment and vehicles	129,852	20,323	0	150,175
Total investments, renovations	0	0	0	0
TOTAL ACCUMULATED DEPRECIATION	2,332,875	154,864	0	2,487,739
Change in net value				
Buildings	107,432	581,114	61,601	626,945
Production equipment	318,442	427,876	72,940	673,378
Other plant, equipment and vehicles	17,925	199,019	20,323	196,621
Total investments, renovations	1,108,036	99,973	1,208,009	0
TOTAL NET VALUE	1,551,835	1,307,982	1,362,873	1,496,944

No extraordinary depreciation was recognized in the reporting period.

The useful life of the assets of the Water Treatment Plant has been extended during 2016 in line with the amendments of the long-term feed water supply contract.

MPK's feed water demand has increased as a result of its SSBR-OBL (synthetic rubber) project to be implemented, which requires Tisza-WTP to manufacture and install a desalinated water tank with 5,000 m³ capacity, as well as the expansion of the Water Treatment Plant. The expansion of the Water Treatment Plant is necessary so that the supply of desalinated water and steam to consumers can be ensured. The expansion will be connected to the existing Water Treatment Plant at several points. The capacity expansion project of the Water Treatment Plant has been completed in 2018, and it started commercial operation.

b) Non-current financial assets

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

c) Current assets

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

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Trade receivables	132,008	141,882
Other receivables	306,610	313,158
TOTAL RECEIVABLES	438,618	455,040
Operating account – EURO	81,062	165,203
Reserve account for debt service	0	0
Operating account – HUF	27,746	93,554
TOTAL LIQUID ASSETS	108,808	258,757
TOTAL CURRENT ASSETS	547,426	713,797

In the subject year, other receivables comprise the local business tax, a supplier credit notes, corporate tax receivables, the VAT of advance payments and other taxes.

d) Accrued income and deferred charges

The accrued income and deferred charges line includes the compensation expected from the insurance company and the write-back of the property leasing fee for 2019.

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Accrual of availability fee	75,184	0
Insurance compensation accruals	0	39,525
Proportionate part of property leasing fee accruals	0	768
Accrued income and deferred charges	75,184	40,293

e) Equity

<i>data in thousand HUF</i>	Issued capital	Capital reserve	Retained earnings	Profit after taxes
Opening balance as at 01/01/2017	191,265	0	98,735	35,946
Profit transfer	0	0	35,946	-35,946
Dividend payment	0	0	-35,946	0
Issued capital decrease	-96,000	0	0	0
Subject year profit or loss	0	0	0	28,790
Closing balance as at 12/31/2017	95,265	0	98,735	28,790

The Company reduced its issued capital during the business year. The profit and loss after taxes for 2018 is HUF 28,790 thousand. The Company has no treasury shares.

f) Liabilities

The liabilities of the Company were as follows:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Advance received from customers	1,183,021	1,391,973
Trade payables	97,537	65,088
Short-term liabilities to affiliated companies	216,837	97,464
Other short-term liabilities	307	13,885
TOTAL SHORT-TERM LIABILITIES	1,497,702	1,568,410
LIABILITIES TOTAL	1,497,702	1,568,410

The advance received from customers consists of the capacity increased due to the expansion and invoiced as advance in the amount of HUF 1,391,973 thousand. The short-term liabilities to affiliated companies include trade payables to the owner, ALTEO Nyrt., in the amount of HUF 90,712 thousand and to Sinergy Kft. in the amount of HUF 6,752 thousand.

g) Accrued expenses and deferred income

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Capacity fee of safety enhancing investments	97,740	87,521
Availability fee due the change of lifetime of the water treatment plant	248,330	280,119
2018 Accounting for the availability fee	0	67,094
Income accruals	346,070	434,734
Costs	4,728	25,100
Cost accruals	4,728	25,100
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	350,798	459,834

The Company carried out a safety enhancing investment in 2014. The amount of HUF 87,521 thousand in income accruals contains the capacity fee paid in relation to this investment in line with the principle of comparison. Furthermore, the proportionate part of the capacity fee accounted for in the subject year due to the change in the lifetime of the water treatment plant in 2016 is also recognized here in the amount of HUF 280,119 thousand.

Cost accruals include fire protection service fee in the amount of HUF 168 thousand, maintenance service fee in the amount of HUF 11,743 thousand, energy fee in the amount of HUF 12,189 and the audit fee in the amount of HUF 1,000 thousand.

h) Revenue

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Net revenue from domestic sales	936,755	1,157,914
Net revenue from sales	936,755	1,157,914

Nearly 100% of the Company's annual revenues came from MOL Petrolkémia Zrt. and TVK-Erőmű Kft. The Company's revenue is generated from domestic sales only.

i) Material expenses

Key components of material expenses:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Energy cost (water, steam, electricity)	385,420	485,372
Chemicals	66,494	58,848
Cost of raw materials	451,914	544,220
Operating fee paid to parent company	233,629	249,559
Maintenance costs	139,829	180,340
Other	6,740	7,731
Value of services used	380,198	437,630
Insurance	8,793	9,909
Other	1,183	1,448
Value of other services	9,976	11,357
Total material expenses	842,088	993,207

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

j) Other expenditures

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Local tax paid	8,330	10,263
Other taxes and contributions	1,432	1,361
Fines and self-review charges paid	646	1,105
Other expenditure	10,408	12,729

k) Finance income

Key components of the Finance income include the following:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Interests received	29	1
Exchange rate gain on assets and liabilities denominated in foreign currency	4,290	5,567
Income from financial transactions	4,319	5,568
Interest payable on investment loan	480	0
Exchange rate loss on assets and liabilities denominated in foreign currency	6,725	2,564
Expenditures of financial transactions	7,205	2,564
Financial profit	- 2,886	3,004

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
Profit or loss before taxes	38,476	39,687
Depreciation and amortization eligible under the Accounting Act	53,298	73,468
Total items decreasing the tax base	53,298	73,468
Recognized depreciation	42,897	154,864
Fines	33	0
Total items increasing the tax base	42,930	154,864
TAX BASE	28,108	121,083
Corporate tax (9%)	2,530	10,897
Profit after taxation	35,946	28,790

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. 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 thousand HUF</i>	Balance as at	
	12/31/2018	Flows in 2018
Items related to the water treatment plant investment	11,831	63,280
Operating and maintenance fee	67,245	448,881
Administration fee	18,388	36,776
Re-invoiced services	0	10,997
Other	0	182
Parent company	97,464	560,116

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

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

The Company currently carries out its activity under the water rights operating license granted in a consolidated structure in 2018. The operating license in a consolidated structure includes the requirements of the water authority set in the basic license, in the course of the safety enhancing investment, and regarding the expansion of the water preparation plant completed in 2018.

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 used water and wastewater discarded in the "Sajó-csatorna" channel as surface collector is checked every quarter according to a self-check plan in line with the provisions of the law and the water permit. The quality of cleaned water is continuously within statutory limits. No equipment with air pollutant emissions operates in the Water Preparation Plant; 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. No environmental noise emission limit was defined for the facility's operation, and workers are not exposed to harmful noise pollution.

No incident causing environmental pollution occurred during the facility's operation so far.

The environmental risk of the operation of Tisza-WTP 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 major ongoing legal proceedings against the Company.

X. Events after the reporting date

There were no events after the reporting date 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.

Budapest, January 31, 2019

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Viktor Varga
managing director

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András Lükő
managing director