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Corp. Reg. Nr.

# **ZUGLÓ-THERM ENERGIASZOLGÁLTATÓ KFT.**

**1131 Budapest, Babér utca 1-5.**

address

**2018. december 31.**

## **Annual Financial Startements**



Budapest, 28th March 2019.

*Translation of the Hungarian original*

## INDEPENDENT AUDITOR'S REPORT

To the Quotaholders of Zugló-Therm Energiaszolgáltató Kft.

### ***Opinion***

We have audited the financial statements of Zugló-Therm Energiaszolgáltató Kft. (the „Company”) for the year 2018 which comprise the balance sheet as at December 31, 2018 – which shows total assets of thHUF 1.162.444 and loss after tax for the year of thHUF 356.746 –, as well as the related profit and loss account for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

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

### ***Basis for Opinion***

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

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

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

### ***Other Information: The Business Report***

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

Our responsibility in connection with our audit of the financial statements is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

We also:

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

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

#### ***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 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

ZUGLÓ-THERM ENERGIASZOLGÁLTATÓ KFT.  
BALANCE SHEET

2018. december 31.

Assets		Data in THUF	
Nr.	Description	2017.12.31	2018.12.31.
<b>1</b>	<b>A. Non Current Assets (02.+10.+18. rows)</b>	<b>594 528</b>	<b>352 176</b>
2	I. INTANGIBLE ASSETS (03.-09. rows)	0	0
3	Capitalised value of foundation and restructuring costs	0	0
4	Capitalised value of research and development costs	0	0
5	Concessions and similar rights and assets	0	0
6	Intellectual property	0	0
7	Goodwill	0	0
8	Advance payments on intangible assets	0	0
9	Revaluation of intangible assets	0	0
<b>10</b>	<b>II. FIXED ASSETS (11.-17. rows)</b>	<b>594 528</b>	<b>352 176</b>
11	Land and buildings and related concessions and similar rights	56 041	32 971
12	Technical equipment, machinery and vehicles	538 487	319 205
13	Other equipment, fittings and vehicles	0	0
14	Breeding stock	0	0
15	Capital WIP, renovations	0	0
16	Advance payments on Capital WIP	0	0
17	Revaluation of tangible assets	0	0
<b>18</b>	<b>III. FINANCIAL INVESTMENTS (19.-25. rows)</b>	<b>0</b>	<b>0</b>
19	Long term investments in related companies	0	0
20	Long term loans given to related companies	0	0
21	Other long term investments	0	0
22	Long term loans given to other investees	0	0
23	Other long term loans given	0	0
24	Securities representing long term loans	0	0
25	Revaluation of financial investments	0	0
<b>26</b>	<b>B. Current Assets (27.+34.+40.+45. rows)</b>	<b>563 424</b>	<b>535 145</b>
<b>27</b>	<b>I. INVENTORIES (28.-33. rows)</b>	<b>74 343</b>	<b>22 569</b>
28	Raw materials and consumables	21 882	21 882
29	Work in progress and semi-finished products	0	0
30	Animals	0	0
31	Finished goods	0	0
32	Goods	52 461	687
33	Advance payments on inventories	0	0
<b>34</b>	<b>II. RECEIVABLES (35.-39. rows)</b>	<b>16 679</b>	<b>506 319</b>
35	Trade accounts receivable	0	375 222
36	Receivables from related companies	4 166	23 707
37	Receivables from other investees	0	0
38	Bills of exchange receivable	0	0
39	Other receivables	12 513	107 390
<b>40</b>	<b>III. MARKETABLE SECURITIES (41.-44. sorok)</b>	<b>0</b>	<b>0</b>
41	Investments in related companies	0	0
42	Other investments	0	0
43	Own shares, own quotas	0	0
44	Securities representing loans held for sale	0	0
<b>45</b>	<b>IV. LIQUID ASSETS (46.-47. rows)</b>	<b>472 402</b>	<b>6 257</b>
46	Cash in hand, cheques	0	0
47	Bank deposits	472 402	6 257
<b>48</b>	<b>C. Prepaid expenses and Accrued incomes (49.-51. rows)</b>	<b>295 618</b>	<b>275 123</b>
49	Accrued income	295 618	266 818
50	Prepaid expenses	0	8 305
51	Deferred expenses	0	0
<b>52</b>	<b>TOTAL ASSETS (01.+26.+48. rows)</b>	<b>1 453 570</b>	<b>1 162 444</b>

Budapest, 28th March 2019.

Directors of the Company

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

ZUGLÓ-THERM ENERGIASZOLGÁLTATÓ KFT.  
BALANCE SHEET

2018. december 31.

Equity and Liabilities

Data in THUF

Nr.	Description	2017.12.31	2018.12.31.
<b>53</b>	<b>D. Shareholders' Equity (54.+56.+57.+58.+59.+60.+61. rows)</b>	<b>150 087</b>	<b>- 6 659</b>
54	I. ISSUED CAPITAL	73 000	73 000
55	thereof: treasury shares repurchased at face value	0	0
56	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0
57	III. CAPITAL RESERVES	0	0
58	IV. ACCUMULATED PROFIT RESERVE	0	77 087
59	V. NON-DISTRIBUTABLE RESERVES	0	200 000
60	VI. REVALUATION RESERVE	0	0
61	VII. PROFIT AFTER TAX	77 087	- 356 746
<b>62</b>	<b>E. Provisions (63.-65. rows)</b>	<b>65 702</b>	<b>0</b>
63	Provisions for expected liabilities	65 702	0
64	Provisions for future expenses	0	0
65	Other provision	0	0
<b>66</b>	<b>F. Liabilities (67.+71.+80. rows)</b>	<b>681 930</b>	<b>660 746</b>
<b>67</b>	<b>I. SUBORDINATED LIABILITIES (68.-70. rows)</b>	<b>0</b>	<b>0</b>
68	Subordinated liabilities to related companies	0	0
69	Subordinated liabilities to other investees	0	0
70	Subordinated liabilities to other enterprises	0	0
<b>71</b>	<b>II. LONG TERM LIABILITIES (72.-79. rows)</b>	<b>222 306</b>	<b>0</b>
72	Long term credits	0	0
73	Convertible bonds	0	0
74	Debts on the issue of bonds	0	0
75	Investment and development loans	175 416	0
76	Other long term loans	0	0
77	Long term liabilities to related companies	46 890	0
78	Long term liabilities to other investees	0	0
79	Other long term liabilities	0	0
<b>80</b>	<b>III. SHORT TERM LIABILITIES (81. és 83.-89. rows)</b>	<b>459 624</b>	<b>660 746</b>
81	Short term loans	0	0
82	- thereof: Convertible bonds	0	0
83	Short term credits	338 365	175 416
84	Advance payments received from customers	0	0
85	Trade accounts payable	0	288 367
86	Bills of exchange payable	0	0
87	Short term liabilities to related companies	36 762	196 461
88	Short term liabilities to other investees	0	0
89	Other short term liabilities	84 497	502
<b>90</b>	<b>G. Accrued expenses and deferred incomes (91.-93. rows)</b>	<b>555 851</b>	<b>508 357</b>
91	Deferred revenues	0	0
92	Accrued expenses	548 211	508 357
93	Deferred income	7 640	0
<b>94</b>	<b>TOTAL LIABILITIES AND SHEREHOLDERS' EQUITY (53.+62.+66.+90. rows)</b>	<b>1 453 570</b>	<b>1 162 444</b>

Budapest, 28th March 2019.

Directors of the Company

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

Total cost method

Data in THUF

Nr.	Description	2017.01.01. - 2017.12.31	2018.01.01. - 2018.12.31
01.	Net domestic sales revenues	2 717 498	2 479 680
02.	Net export sales revenues	0	0
<b>I.</b>	<b>NET SALES REVENUES</b>	<b>2 717 498</b>	<b>2 479 680</b>
03.	Change in self-manufactured inventories	0	0
04.	Capitalised value of self-manufactured assets	0	0
<b>II.</b>	<b>CAPITALISED VALUE OF OWN PERFORMANCE</b>	<b>0</b>	<b>0</b>
<b>III.</b>	<b>Other revenues</b>	<b>72 043</b>	<b>101 786</b>
	<i>of which: reversal of impairment loss provision</i>	0	0
05.	Cost of raw materials	1 631 451	1 686 998
06.	Value of services used	550 900	667 309
07.	Value of other services	16 472	16 415
08.	Cost of goods sold	0	0
09.	Value of recharged services	109	0
<b>IV.</b>	<b>MATERIAL TYPE EXPENDITURES</b>	<b>2 198 932</b>	<b>2 370 722</b>
10.	Wages	0	0
11.	Other payments to personnel	0	0
12.	Personnel related contributions	0	0
<b>V.</b>	<b>PAYMENTS TO PERSONNEL</b>	<b>0</b>	<b>0</b>
<b>VI.</b>	<b>DEPRECIATION CHARGE AND AMORTIZATION</b>	<b>238 346</b>	<b>242 352</b>
<b>VII.</b>	<b>Other expenses</b>	<b>213 020</b>	<b>307 828</b>
	<i>of which: impairment loss provision</i>	0	0
<b>A.</b>	<b>PROFIT ON OPERATIONG ACTIVITIES (I.+II.+III.-IV.-V.-VI.-VII.)</b>	<b>139 243</b>	<b>- 339 436</b>
13.	Dividend received or due	0	0
	<i>of which: with related parties</i>	0	0
14.	Gain on sale of investment	0	0
	<i>of which: with related parties</i>	0	0
15.	Interest received and gain on financial investments	0	0
	<i>of which: with related parties</i>	0	0
16.	Other interest received or due	0	0
	<i>of which: with related parties</i>	0	0
17.	Other revenues from financial transactions	18 352	8 083
<b>VIII.</b>	<b>Financial revenues</b>	<b>18 352</b>	<b>8 083</b>
18.	Loss on financial investments	0	0
	<i>of which: with related parties</i>	0	0
19.	Interest paid	7 475	3 574
	<i>of which: with related parties</i>	0	0
20.	Impairment loss of financial investment, securities and bank deposits	0	0
21.	Other expenditures of financial transactions	16 866	21 819
<b>IX.</b>	<b>Financial expenses</b>	<b>24 341</b>	<b>25 393</b>
<b>B.</b>	<b>PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)</b>	<b>- 5 989</b>	<b>- 17 310</b>
<b>C.</b>	<b>NET PROFIT BEFORE TAXATION (±A.±B.)</b>	<b>133 254</b>	<b>- 356 746</b>
<b>X.</b>	<b>Tax liability</b>	<b>56 167</b>	<b>0</b>
<b>F.</b>	<b>PROFIT AFTER TAX (±C.-X)</b>	<b>77 087</b>	<b>- 356 746</b>

Budapest, 28th March 2019.

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Directors of the Company



Assets

Data in THUF

Nr.	Description	2018.12.31.	Electricity	Heat
<b>1</b>	<b>A. Non Current Assets (02.+10.+18. rows)</b>	<b>352 176</b>	<b>184 230</b>	<b>167 946</b>
<b>2</b>	<b>I. INTANGIBLE ASSETS (03.-09. rows)</b>	<b>0</b>	<b>0</b>	<b>0</b>
3	Capitalised value of foundation and restructuring costs	0	0	0
4	Capitalised value of research and development costs	0	0	0
5	Concessions and similar rights and assets	0	0	0
6	Intellectual property	0	0	0
7	Goodwill	0	0	0
8	Advance payments on intangible assets	0	0	0
9	Revaluation of intangible assets	0	0	0
<b>10</b>	<b>II. FIXED ASSETS (11.-17. rows)</b>	<b>352 176</b>	<b>184 230</b>	<b>167 946</b>
11	Land and buildings and related concessions and similar rights	32 971	21 468	11 503
12	Technical equipment, machinery and vehicles	319 205	162 762	156 443
13	Other equipment, fittings and vehicles	0	0	0
14	Breeding stock	0	0	0
15	Capital WIP, renovations	0	0	0
16	Advance payments on Capital WIP	0	0	0
17	Revaluation of tangible assets	0	0	0
<b>18</b>	<b>III. FINANCIAL INVESTMENTS (19.-25. rows)</b>	<b>0</b>	<b>0</b>	<b>0</b>
19	Long term investments in related companies	0	0	0
20	Long term loans given to related companies	0	0	0
21	Other long term investments	0	0	0
22	Long term loans given to other investees	0	0	0
23	Other long term loans given	0	0	0
24	Securities representing long term loans	0	0	0
25	Revaluation of financial investments	0	0	0
<b>26</b>	<b>B. Current Assets (27.+34.+40.+45. rows)</b>	<b>535 145</b>	<b>335 810</b>	<b>199 335</b>
<b>27</b>	<b>I. INVENTORIES (28.-33. rows)</b>	<b>22 569</b>	<b>14 247</b>	<b>8 322</b>
28	Raw materials and consumables	21 882	14 247	7 635
29	Work in progress and semi-finished products	0	0	0
30	Animals	0	0	0
31	Finished goods	0	0	0
32	Goods	687	0	687
33	Advance payments on inventories	0	0	0
<b>34</b>	<b>II. RECEIVABLES (35.-39. rows)</b>	<b>506 319</b>	<b>317 489</b>	<b>188 830</b>
35	Trade accounts receivable	375 222	244 312	130 910
36	Receivables from related companies	23 707	9 178	14 529
37	Receivables from other investees	0	0	0
38	Bills of exchange receivable	0	0	0
39	Other receivables	107 390	63 999	43 391
<b>40</b>	<b>III. MARKETABLE SECURITIES (41.-44. sorok)</b>	<b>0</b>	<b>0</b>	<b>0</b>
41	Investments in related companies	0	0	0
42	Other investments	0	0	0
43	Own shares, own quotas	0	0	0
44	Securities representing loans held for sale	0	0	0
<b>45</b>	<b>IV. LIQUID ASSETS (46.-47. rows)</b>	<b>6 257</b>	<b>4 074</b>	<b>2 183</b>
46	Cash in hand, cheques	0	0	0
47	Bank deposits	6 257	4 074	2 183
<b>48</b>	<b>C. Prepaid expenses and Accrued incomes (49.-51. rows)</b>	<b>275 123</b>	<b>177 818</b>	<b>97 305</b>
49	Accrued income	266 818	173 728	93 090
50	Prepaid expenses	8 305	4 090	4 215
51	Deferred expenses	0	0	0
<b>52</b>	<b>TOTAL ASSETS (01.+26.+48. rows)</b>	<b>1 162 444</b>	<b>697 858</b>	<b>464 586</b>

Budapest, 28th March 2019.

Equity and Liabilities

Data in THUF

Nr.	Description	2018.12.31.	Electricity	Heat
<b>53</b>	<b>D. Shareholders' Equity (54.+56.+57.+58.+59.+60.+61. rows)</b>	<b>- 6 659</b>	<b>310 733</b>	<b>- 317 392</b>
54	I. ISSUED CAPITAL	73 000	24 155	48 845
55	thereof: treasury shares repurchased at face value	0	0	0
56	II. ISSUED BUT NOT PAID CAPITAL (-)	0	0	0
57	III. CAPITAL RESERVES	0	0	0
58	IV. ACCUMULATED PROFIT RESERVE	77 087	25 507	51 580
59	V. NON-DISTRIBUTABLE RESERVES	200 000	66 178	133 822
60	VI. REVALUATION RESERVE	0	0	0
61	VII. PROFIT AFTER TAX	- 356 746	194 893	- 551 639
<b>62</b>	<b>E. Provisions (63.-65. rows)</b>	<b>0</b>	<b>0</b>	<b>0</b>
63	Provisions for expected liabilities	0	0	0
64	Provisions for future expenses	0	0	0
65	Other provision	0	0	0
<b>66</b>	<b>F. Liabilities (67.+71.+80. rows)</b>	<b>660 746</b>	<b>218 916</b>	<b>441 830</b>
67	I. SUBORDINATED LIABILITIES (68.-70. rows)	0	0	0
68	Subordinated liabilities to related companies	0	0	0
69	Subordinated liabilities to other investees	0	0	0
70	Subordinated liabilities to other enterprises	0	0	0
71	II. LONG TERM LIABILITIES (72.-79. rows)	0	0	0
72	Long term credits	0	0	0
73	Convertible bonds	0	0	0
74	Debts on the issue of bonds	0	0	0
75	Investment and development loans	0	0	0
76	Other long term loans	0	0	0
77	Long term liabilities to related companies	0	0	0
78	Long term liabilities to other investees	0	0	0
79	Other long term liabilities	0	0	0
80	III. SHORT TERM LIABILITIES (81. és 83.-89. rows)	660 746	218 916	441 830
81	Short term loans	0	0	0
82	- thereof: Convertible bonds	0	0	0
83	Short term credits	175 416	58 043	117 373
84	Advance payments received from customers	0	0	0
85	Trade accounts payable	288 367	95 417	192 950
86	Bills of exchange payable	0	0	0
87	Short term liabilities to related companies	196 461	65 290	131 171
88	Short term liabilities to other investees	0	0	0
89	Other short term liabilities	502	166	336
<b>90</b>	<b>G. Accrued expenses and deferred incomes (91.-93. rows)</b>	<b>508 357</b>	<b>168 209</b>	<b>340 148</b>
91	Deferred revenues	0	0	0
92	Accrued expenses	508 357	168 209	340 148
93	Deferred income	0	0	0
<b>94</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (53.+62.+66.+90. rows)</b>	<b>1 162 444</b>	<b>697 858</b>	<b>464 586</b>

Budapest, 28th March 2019.

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

a vállalkozás vezetője

Total cost method

Data in THUF

Nr.	Description	2018.01.01. - 2018.12.31	Electricity	Heat
01.	Net domestic sales revenues	2 479 680	1 614 552	865 128
02.	Net export sales revenues	0	0	0
<b>I.</b>	<b>NET SALES REVENUES</b>	<b>2 479 680</b>	<b>1 614 552</b>	<b>865 128</b>
03.	Change in self-manufactured inventories	0	0	0
04.	Capitalised value of self-manufactured assets	0	0	0
<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>101 786</b>	<b>52 335</b>	<b>49 451</b>
	<i>of which: reversal of impairment loss provision</i>	0	0	0
05.	Cost of raw materials	1 686 998	803 097	883 901
06.	Value of services used	667 309	356 328	310 981
07.	Value of other services	16 415	10 688	5 727
08.	Cost of goods sold	0	0	0
09.	Value of recharged services	0	0	0
<b>IV.</b>	<b>MATERIAL TYPE EXPENDITURES</b>	<b>2 370 722</b>	<b>1 170 113</b>	<b>1 200 609</b>
10.	Wages	0	0	0
11.	Other payments to personnel	0	0	0
12.	Personnel related contributions	0	0	0
<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>242 352</b>	<b>126 832</b>	<b>115 520</b>
<b>VII.</b>	<b>Other expenses</b>	<b>307 828</b>	<b>163 778</b>	<b>144 050</b>
	<i>of which: impairment loss provision</i>	0	0	0
<b>A.</b>	<b>PROFIT ON OPERATING ACTIVITIES (I.±II.+III.-IV.-V.-VI.-VII.)</b>	<b>- 339 436</b>	<b>206 164</b>	<b>- 545 600</b>
13.	Dividend received or due	0	0	0
	<i>of which: with related parties</i>	0	0	0
14.	Gain on sale of investment	0	0	0
	<i>of which: with related parties</i>	0	0	0
15.	Interest received and gain on financial investments	0	0	0
	<i>of which: with related parties</i>	0	0	0
16.	Other interest received or due	0	0	0
	<i>of which: with related parties</i>	0	0	0
17.	Other revenues from financial transactions	8 083	5 263	2 820
<b>VIII.</b>	<b>Financial revenues</b>	<b>8 083</b>	<b>5 263</b>	<b>2 820</b>
18.	Loss on financial investments	0	0	0
	<i>of which: with related parties</i>	0	0	0
19.	Interest paid	3 574	2 327	1 247
	<i>of which: with related parties</i>	0	0	0
20.	Impairment loss of financial investment, securities and bank deposits	0	0	0
21.	Other expenditures of financial transactions	21 819	14 207	7 612
<b>IX.</b>	<b>Financial expenses</b>	<b>25 393</b>	<b>16 534</b>	<b>8 859</b>
<b>B.</b>	<b>PROFIT ON FINANCIAL ACTIVITIES (VIII.-IX.)</b>	<b>- 17 310</b>	<b>- 11 271</b>	<b>- 6 039</b>
<b>C.</b>	<b>NET PROFIT BEFORE TAXATION (±A.±B.)</b>	<b>- 356 746</b>	<b>194 893</b>	<b>- 551 639</b>
<b>X.</b>	<b>Tax liability</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>F.</b>	<b>PROFIT AFTER TAX (±C.-X)</b>	<b>- 356 746</b>	<b>194 893</b>	<b>- 551 639</b>

Budapest, 28th March 2019.

**I. PRESENTATION OF THE COMPANY**

Key information concerning the Company	
Name	Zugló-Therm Energiaszolgáltató Korlátolt Felelősségű Társaság
Registered office	H-1131 Budapest, Babér utca 1-5.
Company registration number	01-09-717404
Tax number	13073570-2-41
Core business	NACE 3530 – Steam and air conditioning supply
Capital stock on 1/1/2018	HUF 73,000 thousand
Capital stock on the reporting date	HUF 73,000 thousand
Chosen auditor	Deloitte Könyvvizsgáló és Tanácsadó Kft.

Zugló-Therm Energiaszolgáltató Kft. is a single-member company owned by ALTEO Energiaszolgáltató Nyrt. (company registration number: 01-10-045985). On March, 20 2018, Sinergy Kft. acquired another 51% stake in the Company, increasing its business share to 100%. Sinergy Kft., part of ALTEO Group, previously held a 49% stake in the block heating power plant with 18 MW electricity and 17 MW heating capacity, whose operation it is also in charge of and which has also been a member of ALTEO's Control Center for years. On October 1, 2018, through legal succession, the Company was passed into the full ownership of ALTEO Energiaszolgáltató Nyrt.

The Company is consolidated by Wallis Portfólió Kft., as superior parent company in its own consolidated report prepared to Hungarian accounting standards.

Pursuant to Annex 1 to Act CCXVII of 2012, the Company's activity is subject to a carbon dioxide emissions permit (permit no.: UHG1151-1-05) as the power plant operates with a thermal input exceeding the 20 MW/h specified by law.

The Company provides services at Főtáv Zrt.'s Füredi utca site in Budapest, on a natural gas fuel base, using gas engine technology with a power plant suitable for the cogeneration of heat and electricity, and capacity optimized to the needs of heat consumers.

The Company's primary economic goal is to provide Főtáv Zrt. with heat energy in the long-term, and to sell the electricity cogenerated with the heat.

Date of the Articles of Association: July 2, 2003. The latest amendment of the Articles of Association occurred on March 20, 2018, when the Company was acquired by Sinergy Kft.

The Company publishes its 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 an annual report and, accordingly, maintains its book in conformity with the rules of double entry book-keeping.

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

The 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 annual report in conformity with 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. The Company prepares a version "A" statement of profit or loss relying on the total cost method.

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

Viktor Varga, managing director (H-3599 Sajószöged, Hajnalka út 23) and Attila Lőrincz, managing director (H-1094 Budapest, Liliom utca 30. II. em. 6) are jointly authorized to sign the annual report.

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

The definition of material error is set out in the Accounting Policy. An error is regarded as material if in the year of its detection the aggregate value of errors and impacts of errors discovered by various audits and affecting a particular business year (separately for each year) that increase or decrease 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.

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

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

- 12 years 8.46%

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

**d) Inventories**

The steam and heat produced by the Company cannot be stored, we do not keep them on inventory. The inventory consists of fuel oil kept in reserve for periods without gas supply. During the year, the Company keeps records of this in terms of both value and volume. In addition, the Company's inventories also include the CO<sub>2</sub> quota.

**e) Receivables**

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

**f) Provisions**

The Company recognizes a provision for liabilities to third parties arising from past or current transactions or contracts (including provisioning for CO<sub>2</sub> quota deficiency uncovered by inventories or other contracts) that are likely or certain to exist at the end of the reporting period but whose amount or due date is uncertain and the necessary coverage cannot be ensured in any other manner.

**g) Revenue**

The net revenue from sales is recognized at the time of performance, without VAT. The Company records as revenue the amount stated on invoices calculated and issued in the manner specified in the service contract and accepted by the customer. The Company recognizes revenue invoiced by the end of the year but relating to the business year in question from the perspective of performance as accrued income in the statement of financial position.

**h) Corporate tax**

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

**i) Changes in the accounting policy**

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



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

Indicators of financial position and capital structure:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Leverage ratio	$\frac{\text{Equity}}{\text{Liabilities}}$	22.0%	-1.0%
Equity to issued capital ratio	$\frac{\text{Equity}}{\text{Issued capital}}$	205.6%	-9.1%
Coverage of non-current assets	$\frac{\text{Equity}}{\text{Non – current assets}}$	25.2%	-1.9%
Asset structure	$\frac{\text{Non – current assets}}{\text{Current assets}}$	105.5%	65.8%
Ratio of non-current assets	$\frac{\text{Non – current assets}}{\text{Total assets}}$	40.9%	30.3%

Short-term indicators of financial position:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Quick ratio	$\frac{\text{Financial assets} + \text{Receivables}}{\text{Short – term liabilities}}$	106.4%	77.6%
Net working capital	Current assets – short-term liabilities	103,800	-125,601

Profitability indicators:

NAME OF INDICATOR	CALCULATION OF INDICATOR	PREVIOUS YEAR	SUBJECT YEAR
Profit after taxation to equity	$\frac{\text{Profit and loss after taxes}}{\text{Equity}}$	51.4%	5,357.4%
Asset efficiency	$\frac{\text{Profit and loss after taxes}}{\text{Total assets}}$	5.3%	-30.7%

**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>				
Intangible property rights	112	0	0	112
Buildings	349,548	0	0	349,548
Production equipment	4,441,614	0	0	4,441,614
Other plant, equipment and vehicles	13,384	0	0	13,384
Total investments, renovations	0	0	0	0
<b>TOTAL GROSS VALUE</b>	<b>4,804,658</b>	<b>0</b>	<b>0</b>	<b>4,804,658</b>
<b>Accumulated depreciation</b>				
Intangible property rights	112	0	0	112
Buildings	293,507	23,070	0	316,577
Production equipment	3,903,127	219,282	0	4,122,409
Other plant, equipment and vehicles	13,384	0	0	13,384
Total investments, renovations	0	0	0	0
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>4,210,130</b>	<b>242,352</b>	<b>0</b>	<b>4,452,482</b>
<b>Change in net value</b>				
Intangible property rights	0	0	0	0
Buildings	56,041	0	23,070	32,971
Production equipment	538,487	0	219,282	319,205
Other plant, equipment and vehicles	0	0	0	0
Total investments, renovations	0	0	0	0
<b>TOTAL NET VALUE</b>	<b>594,528</b>	<b>0</b>	<b>242,352</b>	<b>352,176</b>

No extraordinary depreciation was recognized in the reporting period.

**b) Non-current financial assets**

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

**c) Inventories**

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

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
CO <sub>2</sub> quota	0	687
Materials	21,882	21,882
Gas engine safety replacement parts	52,461	0
<b>TOTAL INVENTORIES</b>	<b>74,343</b>	<b>22,569</b>

**d) Receivables**

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Trade receivables	0	375,222
Receivables from affiliated companies	4,166	23,707
Other receivables	12,513	107,390
<b>TOTAL RECEIVABLES</b>	<b>16,679</b>	<b>506,319</b>

Other receivables comprise the corporate tax recoverable by the Company, energy suppliers' income tax, VAT receivables, local business tax, energy tax and supplier receivables.

**e) Financial assets**

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Operating account – HUF	234,783	5,059
Operating account – EURO	237,619	1,198
<b>TOTAL LIQUID ASSETS</b>	<b>472,402</b>	<b>6,257</b>

The liquid assets are freely available for the Company.

**f) Accrued income and deferred charges**

The accrued income and deferred charges line shows the electricity, capacity fee, capacity fee premium, primary control owed to Sinergy Energiaker. Kft. in 2018, and the fixed system usage fee for January 2019.

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Electricity and capacity fee, primary control	199,712	266,818
Heat energy	95,878	0
Other	28	0
<b>Accrued revenue</b>	<b>295,618</b>	<b>266,818</b>
fixed gas system usage fee	0	8,305
<b>Accrued expenses</b>	<b>0</b>	<b>8,305</b>
<b>Accrued income and deferred charges</b>	<b>295,618</b>	<b>275,123</b>

**g) Equity**

<i>data in thousand HUF</i>	Issued capital	Capital reserve	Retained earnings	Allocated reserves	Profit after taxes
Opening balance, 1/1/2018	73,000	0	0	0	77,087
Addition of profit after taxation to retained earnings	0	0	77,087	0	-77,087
Additional monetary contribution	0	0	0	200,000	0
Profit after taxation for the year	0	0	0	0	-356,746
<b>Closing balance on 12/31/2018</b>	<b>73,000</b>	<b>0</b>	<b>77,087</b>	<b>200,000</b>	<b>-356,746</b>

The profit and loss after taxes for 2018 is HUF -356,746 thousand.

**h) Provisions**

Provisions were as follows:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
CO <sub>2</sub> quota accrual	65,702	0
<b>Provisions</b>	<b>65,702</b>	<b>0</b>

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.

**i) Liabilities**

The liabilities of the Company were as follows:

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Investment and development project loans	175,416	0
Long-term liabilities to affiliated companies	46,890	0
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>222,306</b>	<b>0</b>
Short-term credits	338,365	175,416
Trade payables	0	288,367
Short-term liabilities to affiliated companies	36,762	196,461
Other short-term liabilities	84,497	502
<b>TOTAL SHORT-TERM LIABILITIES</b>	<b>459,624</b>	<b>660,746</b>
<b>LIABILITIES TOTAL</b>	<b>681,930</b>	<b>660,746</b>

In 2017, long-term liabilities included the project-financing loan portfolio, which the Company classified under short-term liabilities in 2018. The long-term liabilities to affiliated companies line of the statement of financial position shows one trade payable, which Zugló-Therm Kft. paid in 2018.

The short-term liabilities to affiliated companies include the member's loan to the owner ALTEO Nyrt. in an amount of HUF 69,522 thousand, dividend payment from 2016 profits, and affiliated trade payables.

Other short-term liabilities include taxes and other tax-type liabilities. In 2018, these also included the environmental pollution tax.

**j) Accrued expenses and deferred income**

<i>data in thousand HUF</i>	<b>12/31/2017</b>	<b>12/31/2018</b>
Gas costs	435,296	214,048
CO <sub>2</sub> quota	0	188,500
Operating costs	7,640	0
Maintenance fee	46,064	8,587
Rent	8,275	36,000
Audit	0	750
Electricity, balancing energy, contingency fee	35,956	51,439
Electricity sales commission	12,110	0
Penalty	1,729	0
Other	900	8,961
Interest on loans	241	72
<b>Cost accruals</b>	<b>548,211</b>	<b>508,357</b>
<b>Total deferred income</b>	<b>7,640</b>	<b>0</b>
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>555,851</b>	<b>508,357</b>

**k) Revenue**

<i>data in thousand HUF</i>	<b>12/31/2017</b>	<b>12/31/2018</b>
Electricity	1,532,983	1,238,222
Capacity	260,165	169,077
Contingency fee, reg. energy	0	359,431
Heat energy	920,961	709,670
Rent	3,280	3,280
Other	109	0
<b>Net revenue from sales</b>	<b>2,717,498</b>	<b>2,479,680</b>

The net revenue from domestic sales line shows the electricity sold to Sinergy Energiakereskedő Kft. in the current period in an amount of HUF 1,238,222 thousand, capacity sold in an amount of HUF 169,077 thousand, district heating sold to Budapesti Távhőszolgáltató Zrt. in an amount of HUF 709,670 thousand, the leasing of the Füredi utca building to ALTEO Nyrt. in an amount of HUF 3,280 thousand.

The Company has no revenue from exports.

**l) Other revenues**

<i>data in thousand HUF</i>	<b>12/31/2017</b>	<b>12/31/2018</b>
Release of the provision related to the CO <sub>2</sub> quota	71,214	98,711
Other revenues	829	3,075
<b>Other revenues</b>	<b>72,043</b>	<b>101,786</b>

**m) Material expenses**

Key components of material expenses:

<i>data in thousand HUF</i>	<b>12/31/2017</b>	<b>12/31/2018</b>
Gas costs	1,627,946	1,681,444
Other	3,505	5,554
<b>Cost of raw materials</b>	<b>1,631,451</b>	<b>1,686,998</b>
Maintenance costs	124,307	0
Operating fee paid to parent company	91,676	438,135
Rent	31,550	69,800
Auditing costs	900	1,500
Electricity sales commission	74,531	0
Contingency fee, service fee	223,977	154,439
Other	3,959	3,435
<b>Value of services used</b>	<b>550,900</b>	<b>667,309</b>
Insurance	13,231	12,959
Other	3,241	3,456
<b>Value of other services</b>	<b>16,472</b>	<b>16,415</b>
<b>Value of services sold (intermediated)</b>	<b>109</b>	<b>0</b>

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

## n) Other expenditures

<i>data in thousand HUF</i>	12/31/2017	12/31/2018
Quota obligation	71,214	271,853
Provisions recognized	54,318	0
Local tax paid	25,540	19,675
Other taxes and contributions	10,178	11,292
Penalty	51,769	4,978
Other	1	13
Fines paid	0	17
<b>Other expenditures</b>	<b>213,020</b>	<b>307,828</b>

## o) 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	0	0
Exchange rate gain on assets and liabilities denominated in foreign currency	18,352	8,083
<b>Income from financial transactions</b>	<b>18,352</b>	<b>8,083</b>
Interest payable on investment loan	7,475	3,574
Exchange rate loss on assets and liabilities denominated in foreign currency	16,866	21,819
<b>Expenditures of financial transactions</b>	<b>24,341</b>	<b>25,393</b>
<b>Financial profit</b>	<b>-5,989</b>	<b>-17,310</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>133,254</b>	<b>-356,746</b>
Depreciation and amortization eligible under the Accounting Act	62,471	60,290
Amount used from the provisions of previous years	59,871	65,702
<b>Total items decreasing the tax base</b>	<b>122,342</b>	<b>125,992</b>
Recognized depreciation	238,346	242,352
Provisions recognized	65,702	0
Fines	0	2
<b>Total items increasing the tax base</b>	<b>304,048</b>	<b>242,354</b>
<b>TAX BASE</b>	<b>314,960</b>	<b>-240,384</b>
<b>Corporate tax</b>	<b>28,346</b>	<b>0</b>
<b>Profit after taxation</b>	<b>77,087</b>	<b>-356,746</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 maintenance fee	110,384	420,135
Administration fee	2,540	18,000
Rent	0	36,000
<b>Parent company (ALTEO Nyrt.-Sinergy Kft.)</b>	<b>112,924</b>	<b>474,135</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**

Zugló-Therm Kft. performs its environmental protection-oriented activities in possession of an air quality protection permit pertaining to air pollution point sources, as well as resolutions establishing noise emission limits, which resolutions define the permitted emissions and limits relating to the given environmental elements. The air pollutant emissions of all operated 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 to the ground and groundwater of the activity is minimal.

**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 was 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, in the framework of its accounting policy, Zugló-Therm Kft. has drawn up the settlement and distribution rules that serve as the foundation for its reports on

- electricity production
- heat energy production, service provision and
- other activities

The statement of financial position of the activity report of Zugló-Therm Kft.: on a separate sheet

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

Budapest, March 28, 2019

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Viktor Varga  
managing director

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Attila Lőrincz  
managing director