

**10728068-3511-114-01**  
Statistical code

**01-10-041825**  
Registration number

**ANNUAL REPORT**  
**Budapesti Erőmű Zrt.**  
**01/01/2018 - 31/12/2018**

Date and place: Budapest, 21/05/2019

stamp

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Manager of the Company  
(representative)

10728068-3511-114-01  
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01-10-041825  
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Budapesti Erőmű Zrt.  
ANNUAL REPORT  
BALANCE SHEET - Assets

Data in thousand HUF

Number		Description	31/12/2017	Modifications to prior year(s)	31/12/2018
A		B	C	D	E
1	A.	<b>FIXED ASSETS (I.+II.+III. row)</b>	<b>10 821 435</b>	<b>0</b>	<b>12 234 271</b>
2	I.	<b>INTANGIBLE ASSETS</b>	<b>90 338</b>	<b>0</b>	<b>179 957</b>
3	1	Capitalised value of formation and transformation	0		0
4	2	Capitalised value of research and development	0		0
5	3	Rights and concessions	90 338		179 957
6	4	Intellectual property	0		0
7	5	Goodwill	0		0
8	6	Advances on intangible assets	0		0
9	7	Upwards revaluation of intangible assets	0		0
10	II.	<b>TANGIBLE ASSETS</b>	<b>10 612 479</b>	<b>0</b>	<b>11 925 188</b>
11	1	Land and buildings and related rights and concessions	4 176 625		4 692 470
12	2	Plant, equipment, machinery, vehicles	6 399 280		7 144 067
13	3	Other equipment, fittings, vehicles	28 564		36 160
14	4	Breeding animals	0		0
15	5	Assets under construction, renovations	8 010		52 491
16	6	Payments on account	0		0
17	7	Upwards revaluation of tangible assets	0		0
18	III.	<b>INVESTMENTS</b>	<b>118 618</b>	<b>0</b>	<b>129 126</b>
19	1	Long-term interests in related companies	0		0
20	2	Long-term loans to related companies	0		0
21	3	Long-term significant ownership interest	110 802		0
22	4	Long-term loans to companies related through significant ownership interest	0		0
23	5	Other long-term interests	0		110 802
24	6	Long-term loans to affiliated companies	0		0
25	7	Other long-term loans	7 816		18 324
26	8	Long-term debt securities	0		0
27	9	Upwards revaluation of investments	0		0
29	B.	<b>CURRENT ASSETS (I.+II.+III.+IV. row)</b>	<b>14 252 774</b>	<b>0</b>	<b>16 318 975</b>
30	I.	<b>INVENTORIES</b>	<b>3 331 365</b>	<b>0</b>	<b>4 547 717</b>
31	1	Raw materials and consumable goods	2 344 492		2 262 134
32	2	Work in progress and semi-finished goods	0		0
33	3	Young, fattened and other livestock	0		0
34	4	Finished goods	0		0
35	5	Goods	986 873		2 285 583
36	6	Advances on inventories	0		0
37	II.	<b>RECEIVABLES</b>	<b>7 087 857</b>	<b>0</b>	<b>10 600 424</b>
38	1	Trade receivables	5 796 008		8 745 324
39	2	Receivables from related companies	0		0
40	3	Receivables from companies related through significant ownership interest	8 269		8 199
41	4	Receivables from affiliated companies	0		0
42	5	Bills receivable	0		0
43	6	Other receivables	1 283 580		1 846 901
46	III.	<b>SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
47	1	Interests in related companies	0		0
48	2	Significant ownership interest	0		0
49	3	Other interests	0		0
50	4	Treasury shares, business shares	0		0
51	5	Debt securities held for trading	0		0
53	IV.	<b>LIQUID ASSETS</b>	<b>3 833 552</b>	<b>0</b>	<b>1 170 834</b>
54	1	Petty cash, cheques	0		0
55	2	Bank deposits	3 833 552		1 170 834
56	C.	<b>DEFERRED EXPENSES AND ACCRUED INCOME</b>	<b>0</b>	<b>0</b>	<b>8 763</b>
57	1	Accrued income	0		0
58	2	Prepayments	0		8 763
59	3	Deferred expenses	0		0
60		<b>TOTAL ASSETS (A.+B.+C. row)</b>	<b>25 074 209</b>	<b>0</b>	<b>28 562 009</b>

DDate and place Budapest, 21/05/2019

representative of the entity  
(representative)

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**Budapesti Erőmű Zrt.**  
**ANNUAL REPORT**  
**BALANCE SHEET - Equity and Liabilities**

Data in thousand HUF

Number		Description	31/12/2017	Modifications to prior year(s)	31/12/2018
A		B	C	D	E
61	D.	SHAREHOLDERS' EQUITY (rows I+II+III+IV+V+VI+VII/1. row)	6 352 283	0	7 991 102
62	I.	Subscribed / Registered capital	3 591 628		3 591 628
63		of which: repurchased ownership shares at face value	0		0
64	II.	SUBSCRIBED / REGISTERED, BUT UNPAID CAPITAL (-)	0		0
65	III.	CAPITAL RESERVE	43 748		43 748
66	IV.	PROFIT RESERVE	-3 811 221		316 907
67	V.	NON-DISTRIBUTABLE RESERVE	2 900 000		0
68	VI.	VALUATION RESERVE	0	0	0
71	VII.	PROFIT/LOSS AFTER TAX	3 628 128	0	4 038 819
72	E.	PROVISIONS	2 251 612	0	2 266 252
73	1	Provisions for expected liabilities	2 251 612		2 266 252
74	2	Provisions for future costs	0		0
75	3	Other provisions	0		0
76	F.	LIABILITIES (I.+II.+III. row)	15 805 420	0	17 278 079
77	I.	SUBORDINATED LIABILITIES	0	0	0
78	1	Subordinated liabilities to related companies	0		0
79	2	Subordinated liabilities to companies related through significant ownership interest	0		0
80	3	Subordinated liabilities to affiliated companies	0		0
81	4	Subordinated liabilities to other entities	0		0
82	II.	LONG-TERM LIABILITIES	9 000 000	0	8 000 000
83	1	Long-term borrowings	0		0
84	2	Convertible and equity bonds	0		0
85	3	Debts on the issuance of bonds	0		0
86	4	Investment and development loans	0		0
87	5	Other long-term loans	0		0
88	6	Long-term liabilities to related companies	9 000 000		8 000 000
89	7	Long-term liabilities to companies related through significant ownership interest	0		0
90	8	Long-term liabilities to affiliated companies	0		0
91	9	Other long-term liabilities	0		0
92	III.	CURRENT LIABILITIES	6 805 420	0	9 278 079
93	1	Short-term borrowings	0		0
94		- of which: convertible and equity bonds	0		0
95	2	Short-term loans	0		0
96	3	Advances from customers	0		0
97	4	Trade creditors	4 131 372		3 003 444
98	5	Bills payable	0		0
99	6	Current liabilities to related companies	2 291 526		5 026 290
100	7	Current liabilities to companies related through significant ownership interest	0		0
101	8	Current liabilities to affiliated companies	0		0
102	9	Other current liabilities	382 522		1 248 345
105	G.	ACCRUED EXPENSES AND DEFERRED INCOME	664 894	0	1 026 576
106	1	Income accruing for future periods	0		0
107	2	Accrued expenses	228 981		405 693
108	3	Deferred income	435 913		620 883
109		TOTAL EQUITY AND LIABILITIES (D.+E.+F.+G. row)	25 074 209	0	28 562 009

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Budapesti Erőmű Zrt.

ANNUAL REPORT

Income statement

Data in thousand HUF

Number		Description	01/01/2017 - 31/12/2017	Modifications to prior year(s)	01/01/2018 - 31/12/2018
A		B	C	D	E
1	1	Net domestic sales revenue	28 108 248		30 675 194
2	2	Net export sales revenue	15 882 687		15 679 675
3	I.	Net sales revenue (01+02)	43 990 935	0	46 354 869
4	3	Changes in self-manufactured inventories	0		0
5	4	Capitalised value of self-manufactured assets	709		881 534
6	II.	Own performance capitalised (±03+04)	709	0	881 534
7	III.	Other income	2 633 977		1 789 610
8		of which: reversed impairment	0		0
9	5	Material costs	31 811 380		36 392 743
10	6	Services used	1 815 295		1 437 618
11	7	Other services	326 664		344 312
12	8	Cost of goods sold	1 555 594		2 458 337
13	9	Services sold (mediated)	0		0
14	IV.	Material-type expenses (05+06+07+08+09)	35 508 933	0	40 633 010
15	10	Wage costs	2 033 450		2 049 127
16	11	Other staff benefits	319 769		300 835
17	12	Wage contributions	573 247		521 009
18	V.	Staff costs (10+11+12)	2 926 466	0	2 870 971
19	VI.	Depreciation	1 783 329		1 599 099
20	VII.	Other expenses	2 629 677		2 425 072
21		of which: impairment	60 418		904
22	A.	OPERATING PROFIT/LOSS (I.±II.+III.-IV.-V.-VI.-VII.)	3 777 216	0	1 497 861
23	13	Dividends and profit shares received (due)	0		0
24		of which: from related companies	0		0
25	14	Income from, exchange gains on interests	0		0
26		of which: from related companies	0		0
27	15	Income from, exchange gains on investments (securities, loans)	0		0
28		of which: from related companies	0		0
29	16	Other interest received (due) and similar income	51 302		13 043
30		of which: from related companies	51 296		13 040
31	17	Other income from financial transactions	1 704 794		4 258 762
32		of which: revaluation difference	0		0
33	VIII.	Income from financial transactions (13+14+15+16+17)	1 756 096	0	4 271 805
34	18	Expenses from exchange losses on interests	0		0
35		of which: to related companies	0		0
36	19	Expenses from exchange gains on investments (securities, loans)	0		0
37		of which: to related companies	0		0
38	20	Interest payable (paid) and similar expenses	699 975		417 424
39		of which: to related companies	696 135		411 717
40	21	Impairment on interests, securities, long-term loans, bank deposits	0		0
41	22	Other expenses on financial transactions	439 208		493 862
42		of which: revaluation difference	0		0
43	IX.	Expenses on financial transactions (18+19+20+21+22)	1 139 183	0	911 286
44	B.	PROFIT OF FINANCIAL TRANSACTIONS (VIII.-IX.)	616 913	0	3 360 519
45	C.	PROFIT/LOSS BEFORE TAX (±A.±B.)	4 394 129	0	4 858 380
46	X.	Tax payable	766 001		819 561
47	D.	PROFIT/LOSS AFTER TAX (±C.-X.)	3 628 128	0	4 038 819

Date and place: Budapest, 21/05/2019

representative of the entity  
Income statement

Stamp

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**Supplementary notes**  
**Budapesti Erőmű Zrt.**  
**01/01/2018 - 31/12/2018**

Date and place: Budapest, 21/05/2019

## SUPPLEMENT

## A. GENERAL INFORMATION

## 1 Details of Company

Full name of Company: Budapesti Erőmű Zártkörűen Működő Részvénytársaság  
 Abbreviated name of Company: Budapesti Erőmű Zrt.  
 hereinafter referred to as: "Company"  
 Registration no.: 01-10-041825  
 Statistical code: 10728068-3511-114-01

Budapesti Erőmű Zrt. (hereinafter referred to as the "Company"), as the legal successor of Budapesti Hőerőmű Vállalat, was transformed into a company limited by shares on 31 December 1991. The Company was registered by the Court of Registration on 11 June 2013 with retrospective effect.

## 2 Registered office and sites

Registered office: 1117 Budapest, Budafoki út 52.

The annual report of Company is also available on the website of Company.  
 Address of or link to the website: [www.budapestieromu.hu](http://www.budapestieromu.hu)

Sites of the Company:

- Kelenföldi Power Plant: 1117 Budapest, Budafoki út 52.
- Kőbánya Power Plant 1183 Budapest, Nefelejcs utca 2.
- Újpesti Power Plant 1045 Budapest, Tó utca 7.

## 3 Activity of Company

- Production of electric energy
- Generation and supply of heat
- Electric energy trade
- Other activities

## 4 Management of the Company

Person(s) authorised to sign the report

Name	Address	Signatory authority
Vinkovits András	2040 Budaörs, Sóvirág u. 2.	joint
Csillag-Nagy Zsuzsanna	2049 Diósd, Nóra utca 5.	joint

## 5 Ownership structure

Name	Owner			
	Registered office	Voting right (%)	Amount of subscribed/registered capital	Level of influence of the owner
EP Energy A.S.	CZ 60200 BRNO Příkop út 843/4	95,62%	3 434 203	majority
Local governments		3,92%	140 808	Other
Small investors		0,45%	16 150	Other
Individuals		0,01%	467	Other
<b>Total</b>		100,00%	3 591 628	

## 6 Preparation of consolidated annual report

## 6.1 Inclusion in the preparation of consolidated annual report

The following entity prepares the consolidated annual report for the largest unit in the Group in which Company is included as a subsidiary:

Name: Energetický a průmyslový holding, a.s.  
 Registered office: CZ 11000 Praha 1, Pařížská 26  
 Place or website where the report is available for inspection: CZ 11000 Praha 1, Pařížská 26

The following entity prepares the consolidated annual report for the smallest unit in the Group in which Company is included as a subsidiary:

Name: EP ENERGY A.S.  
 Registered office: CZ 60200 Brno Příkop út 843/4  
 Place or website where the report is available for inspection: CZ 60200 Brno Příkop út 843/4

## 7 Preparation of the report

Person responsible for directing and managing bookkeeping tasks and for the preparation of the report

Name: Csillag-Nagy Zsuzsanna  
 Name at birth: Nagy Zsuzsanna  
 Registration number: 180891

## 8 Audit

The report of Company was audited by an auditor.

Data of the entity and natural person performing the audit:

Name of company:	KPMG Hungária Könyvvizsgáló, Adó- és Közgazdasági Tanácsadó Korlátolt Felelősségű Társaság
Address:	31 Váci street, Budapest, H-1134
Registration number:	000202
Name of natural person:	Fébbő László
Address:	2112 Verezegyház, Mikes Kelemen u.3
Registration number:	006702

## B. DESCRIPTION OF ACCOUNTING POLICIES

### 1 Compliance with laws and accounting principles

The procedures, measurement principles and accounting methods used by Company in the preparation of the annual report comply in all material respects with Act C of 2000 on Accounting (hereinafter referred to as "Act on Accounting") and its amendments.

Company prepared its accounting policies in accordance with the provisions of the Act on Accounting, and they do not deviate from the general accounting principles.

### 2 Financial year, reporting date, balance sheet preparation date

Financial year of Company:	Period from 01/01/2018 to 31/12/2018
Balance sheet preparation date:	20/02/2019

### 3 Bookkeeping, balance sheet and income statement structure

Accounting records are prepared in accordance with the rules of double-entry bookkeeping.

The Act on Accounting provides the option to choose from the balance sheet and income statement templates with different structures included in its Appendix.

Type of chosen balance sheet template:	"A"
Chosen method of preparing the income statement:	total-cost method
Reporting and bookkeeping currency:	Forint

In addition, it prepares activity balance sheets and income statements, thus complying with its obligation set forth in Sections 103-105 of Act LXXXVI of 2007 on Electricity (hereinafter referred to as Electricity Act) and the accounting unbundling rules prescribed by Act XVIII of 2005 on District Heating Services. Such activity balance sheets and income statements form an integral part of the Supplementary Notes.

### 4 Significant errors

An error is significant if, in the year when discovered by audit, the aggregate amount of all errors (whether negative or positive) for the same year and the aftereffects thereof - increasing or decreasing the profit/loss, equity - exceeds 2 per cent of the balance sheet total of the year audited, or HUF 1 million, if such 2 per cent of the balance sheet total does not exceed HUF 1 million.

### 5 Valuation of items and transactions in currencies other than the bookkeeping currency

Exchange rate used for revaluation of assets and liabilities denominated in other than presentation currency at the transaction date and at the year end is the official foreign exchange rate published by the Hungarian National Bank ("HNB").

Method used to determine the cost of FX and currency stocks:	individual value
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### 6 Exceptional items in terms of size

The Company deems an item exceptional in terms of size if the amount exceeds 2% of the balance sheet total of the financial year.

### 7 Permanent and significant

Any difference that meets the following criteria is considered permanent and significant for the purposes of extraordinary depreciation/impairment and reversal thereof:

#### Permanent

The difference between the carrying amount and the market value is considered permanent, if it exists for at least one year based on past facts or future expectations. The difference is also considered permanent, irrespective of the period of its existence, if it can be deemed final at valuation based on information available.

#### Significant

It shall be deemed significant if the amount exceeds 2 per cent of the balance sheet total of the financial year.

### 8 Valuation of receivables

The Company assesses customers, debtors individually when determining impairment on receivables, and the impairment is accounted for based on the expected recoverable amount.

## 9 Valuation of inventories

### Method used for the valuation of inventories

Description	Valuation method	Determination of direct prime cost
Raw materials and consumable goods	weighted average cost	-
Goods	weighted average cost	-

Inventories are measured using the weighted purchase price, with the exception of CO2 allowances, for which the Company chose to apply the FIFO method. For derogation allowances individual purchase values are to be applied.

## 10 Depreciation of intangible and tangible assets

### 10.1 Depreciation method

Depreciation is accounted for using the straight-line method from the date of capitalisation.  
Depreciation is accounted (frequency) monthly

Low-value assets are accounted for in one amount as ordinary depreciation upon first use.  
Value limit for low-value assets: 100 eFt

### 10.2 Useful life, depreciation rate

Company specified the following useful lives and depreciation rates for the individual asset groups:

Balance sheet row	Asset group: useful life (years) or depreciation rate (%)
<b>INTANGIBLE ASSETS</b>	
Capitalised value of formation and transformation	20,00%
Capitalised value of research and development	33,00%
Rights and concessions	25,00%
Intellectual property	25,00%
<b>TANGIBLE ASSETS</b>	
Land and buildings and related rights and concessions	0,4-6%
Plant, equipment, machinery, vehicles	0,4-33%
Other equipment, fittings, vehicles	14,5-34%

### 10.3 Residual value

Except for passenger cars, due to the special nature of the assets, the Company determined the residual value of tangible assets in its accounting policies as zero.

### 10.4 Other information relating to ordinary and extraordinary depreciation of intangible and tangible assets

Extraordinary depreciation is accounted for if the value of the tangible asset drops permanently, recovery of its value is not ensured and if the useful life changes as a result of strategic decisions.

## 11 Derivative transactions

The Company enters into hedges to minimise its financial risk arising from its activities. Through such transactions it avoids risk exposures arising from market price movements (foreign exchange and energy). It enters into hedges only for risk management purposes in relation to real business events arising from its activities.

## 12 Material changes in the accounting policies and quantitative effects thereof on profit/loss

Accounting policies did not change during 2018.

## C. NOTES TO THE BALANCE SHEET

### † Fixed assets

#### 1.1 INTANGIBLE ASSETS

##### 1.1.1 Changes to intangible assets in the reporting year

Changes to intangible assets in the reporting year are presented in the table included in Appendix 1.



## 1.2 TANGIBLE ASSETS

### 1.2.1 Changes to tangible assets in the reporting year

Changes to tangible assets in the reporting year are presented in the table included in Appendix 2.

As of the reporting date the Company revised the recovery of its tangible assets. The calculations evidenced that the net value of tangible assets does not differ from the market value. Thus no impairment needs to be booked.

### 1.2.2 Assets under construction, renovations

Description	Amount
Value-added investments	52 491
<b>Total assets under construction</b>	<b>52 491</b>

#### 1.2.2.1 Long-term significant ownership interest

Data of the subsidiaries of the Company are included in Appendix 3.

The Company has 25.1% interest in Kőbányahő Kft. No impairment was accounted for in 2018. Its equity amounted to THUF 460,068 in 2016 and THUF 542,639 in 2017.

### 1.2.3 Other long-term interests

Data of interests in affiliated companies are included in Appendix 3.

### 1.2.4 Impairment on investments

#### 1.2.4.1 Changes in impairment on investments in the reporting year

Description	Opening	Reporting year impairment	Reversed impairment	Derecognition and other	Closing
Long-term significant ownership interest	96 998				96 998
<b>Total</b>	<b>96 998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96 998</b>

### 1.2.5 Other information on investments

Long-term loans include the long-term portion of housing loans granted to employees through financial institutions.

## 2 Current assets

### 2.1 Inventories

#### 2.1.1 Other information on inventories

THUF 89,224 technically applicable impairment was booked on warehouse material inventories during the year.

### 2.2 Receivables

#### 2.2.1 Trade receivables

Description	Previous year	Reporting year	Change %
Electricity, heat energy and other trade receivables	5 131 606	8 499 794	66%
Performed, but not invoiced trade receivables	664 402	245 530	-63%
<b>Total trade receivables</b>	<b>5 796 008</b>	<b>8 745 324</b>	<b>51%</b>

Trade receivables rose primarily due to the increase in the share of free electricity market trade debtors who have longer payment deadline. Furthermore, the changed invoicing process of the heat energy sold also increased the level of trade receivables. This latter factor had an opposite effect on the portfolio of not invoiced trade receivables.

#### 2.2.2 Receivables from companies related through significant ownership interest

Description	Previous year	Reporting year	Change %
Trade receivables	8 269	8 199	-1%
<b>Total Receivables from companies related through significant ownership interest</b>	<b>8 269</b>	<b>8 199</b>	<b>-1%</b>

Outstanding receivables exclusively from Kőbányahő Kft. as at the reporting date are due to re-charged rentals and overheads.

## 2.2.3 Other receivables

Description	Previous year	Reporting year	Change %
Trade creditors with debts	72 796	689 027	847%
Receivables from employees	1 604	5 631	251%
Corporation tax	148 143	257 818	74%
Income tax for energy suppliers	82 225	-	-100%
Local business tax	250 042	-	-100%
Other taxes and similar payment obligations	105	61	-42%
Other	231 763	131 291	-43%
Energy tax	212 819	167 336	-21%
Margin (energy trade)	271 411	595 737	119%
Innovation contribution	12 672	-	-100%
<b>Total other receivables</b>	<b>1 283 580</b>	<b>1 846 901</b>	<b>44%</b>

Other receivables grew on the one hand because income tax advances paid exceeded the actual payment liability. Demand for margin continued to grow due to the increase in the commodity exchange trade volume.

## 2.3 Liquid assets

### 2.3.1 Bank deposits

Description	Previous year	Reporting year	Change %
HUF bank deposits	1 879 424	632 292	-66%
FX bank deposits	1 954 128	538 542	-72%
<b>Total bank deposits</b>	<b>3 833 552</b>	<b>1 170 834</b>	<b>-69%</b>
<b>Total liquid assets</b>	<b>3 833 552</b>	<b>1 170 834</b>	<b>-69%</b>

Petty cash was ceased in previous years. In addition to the increased demand for margin, the reason behind the decrease in the year-end balance of bank deposits is the modification of payment deadlines.

## 3 Deferred expenses and accrued income

### 3.1 Prepayments

Description	Previous year	Reporting year	Change %
Subscriptions	-	8 763	100%
<b>Total prepayments</b>	<b>-</b>	<b>8 763</b>	<b>100%</b>

Prepayments are due to services used in relation to not only the reporting year but also the following year.

## 4 Equity

### 4.1 Changes in the elements of equity in the reporting year

The table presenting the changes in the individual elements of equity by title is included in Appendix 4.

Equity grew owing to the profit for the year. At the same time the additional capital contribution provided previously by the parent company was repaid in full.

### 4.2 Non-distributable reserve and its changes in the reporting year

Breakdown of non-distributable reserve by title as well as changes in the non-distributable reserve by title are included in Appendix 5.

The item allocated previously for development purposes was released because the construction project was completed.

### 4.2.1 Number and nominal value of shares issued by type of share

Type of share	Total shares issued		Shares issued in the reporting year	
	number	nominal value	number	nominal value
Ordinary share	1 436 651	3 591 628	-	-
<b>Total</b>	<b>1 436 651</b>	<b>3 591 628</b>	<b>-</b>	<b>-</b>

## 5 Provisions

### 5.1 Provisions for expected liabilities

#### 5.1.1 Changes in provisions for expected liabilities in the reporting year by title

Description	Opening	Allocation in the reporting year	Use in the reporting year	Release in the reporting year	Closing
Redundancies, early retirement pension	201 499	36 758	-	54 524	183 733
Actuarial costs	54 874	-	-	-	54 874
CO2 deficit	954 442	1 317 023	- 954 442	-	1 317 023
Oil contamination cleanup	153 600	-	-	-	153 600
Demolitions	485 156	10 500	-	40 489	455 167
Asbestos removal	83 796	-	-	-	83 796
Other liabilities	318 245	-	-	300 186	18 059
<b>Total</b>	<b>2 251 612</b>	<b>1 364 281</b>	<b>- 954 442</b>	<b>- 395 189</b>	<b>2 266 252</b>

### 5.2 Other information on provisions

Due to degressivity and significant price increase of the emission allowances allocated by the state, the increase in provisions for this purpose was the most significant.

## 6 Long-term liabilities

### 6.1 Long-term liabilities to related companies

#### 6.1.1 Long-term liabilities to related companies according to the nature of the relationship

Description	Previous year	Reporting year	Change %
Parent company	9 000 000	8 000 000	-11%
<b>Total long-term liabilities to related companies</b>	<b>9 000 000</b>	<b>8 000 000</b>	<b>-11%</b>

#### 6.1.2 Details of long-term liabilities to related companies

Description	Previous year	Reporting year	Change %
Long-term borrowings	9 000 000	8 000 000	-11%
<b>Total long-term liabilities to related companies</b>	<b>9 000 000</b>	<b>8 000 000</b>	<b>-11%</b>

The loan agreement relating to the loan disbursed by the parent company does not stipulate any required repayment, the whole outstanding amount is long-term, contractual maturity is 31.01.2020.

## 7 Current liabilities

### 7.1 Trade liabilities

Description	Previous year	Reporting year	Change %
Domestic trade payables	2 929 610	2 636 123	-10%
Foreign trade payables	806 988	107 957	-113%
Received, but not invoiced trade payables	394 774	475 278	20%
<b>Total trade liabilities</b>	<b>4 131 372</b>	<b>3 003 444</b>	<b>-27%</b>

Trade liabilities decreased in 2018 mainly due to lower liabilities to foreign trade creditors as at the end of the year.

### 7.2 Current liabilities to related companies

#### 7.2.1 Current liabilities to related companies according to the nature of the relationship

Description	Previous year	Reporting year	Change %
Subsidiary, or subsidiary of direct or indirect parent company	2 291 526	5 026 290	119%
<b>Total current liabilities to related companies</b>	<b>2 291 526</b>	<b>5 026 290</b>	<b>119%</b>

#### 7.2.2 Details of current liabilities to related companies

Description	Previous year	Reporting year	Change %
Trade payables	2 291 526	5 026 290	119%
<b>Total current liabilities to related companies</b>	<b>2 291 526</b>	<b>5 026 290</b>	<b>119%</b>

Liabilities to a related company which became previously a major fuel supplier increased further in 2018

### 7.3 Other current liabilities

Description	Previous year	Reporting year	Change %
Liabilities related to employees	100 583	100 909	0%
Value added tax	179 177	992 661	454%
Personal income tax	22 266	25 056	13%
Other taxes and similar payment obligations	20 131	21 890	9%
Other	2 630	50 232	1810%
Pension contribution	14 880	15 865	7%
Social contribution tax	31 782	29 883	-6%
Voluntary pension fund	11 073	11 849	7%
<b>Total other current liabilities</b>	<b>382 522</b>	<b>1 248 345</b>	<b>226%</b>

The main reason behind this outstanding increase is the change in the payment terms of hot water customer (which resulted in a higher invoice amount and consequently higher VAT content).

## 8 Accrued expenses and deferred income

### 8.1 Accrued expenses

Description	Previous year	Reporting year	Change %
Interest	-	171 779	100%
Electricity fee discount	2 000	-	-100%
Wages and contributions	226 981	233 914	3%
<b>Total accrued expenses</b>	<b>228 981</b>	<b>405 693</b>	<b>77%</b>

The increase is primarily due to the accrual of the interest on the parent company loan.

### 8.2 Deferred income

#### 8.2.1 Composition of deferred income

Description	Previous year	Reporting year	Change %
Deferred income from CO2 allowances	430 242	620 883	44%
Materials received free of charge	5 671	-	-100%
<b>Total deferred income</b>	<b>435 913</b>	<b>620 883</b>	<b>42%</b>

Because of the significantly higher price of the reporting-year CO2 allowance, the amount of the related deferred income is also higher.

## D. NOTES TO THE INCOME STATEMENT

### 1 Net sales revenue

#### 1.1 Sales revenue from related companies

Description	Previous year	Reporting year	Change %
Subsidiary, or subsidiary of direct or indirect parent company	794	-	-100%
<b>Total net sales revenue from related companies</b>	<b>794</b>	<b>-</b>	<b>-100%</b>

Due to the previous sale of the related company, there was no closing balance at the end of 2018.

#### 1.2 Net sales revenue by activity

Description	Previous year	Reporting year	Change %
Electricity	22 527 785	24 029 383	7%
Sale of heat	20 955 726	21 211 915	1%
Other revenue	507 423	1 113 571	119%
<b>Total net sales revenue</b>	<b>43 990 935</b>	<b>46 354 869</b>	<b>5%</b>

The small increase in the revenue from electricity resulted from a slight growth in the market price of electricity, which was somewhat counterbalanced by the volume sold which was minimally lower than in the previous year.

Revenue from the sale of heat changed only insignificantly in 2018 as compared with the previous year.

The considerable growth in other revenue is due to the positive balance of the settlement of balancing natural gas connected to independent natural gas portfolio management.



### 1.3 Net export sales revenue

#### 1.3.1 Net export sales revenue broken down by goods exports and services exports

Description	Previous year	Reporting year	Change %
Electricity	15 882 687	15 679 675	-1%
<b>Goods exports</b>	<b>15 882 687</b>	<b>15 679 675</b>	<b>-1%</b>
<b>Services exports</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net export sales revenue</b>	<b>15 882 687</b>	<b>15 679 675</b>	<b>-1%</b>

In 2018 we again sold the vast majority of our electricity generating capacity, in a similar volume as in the previous year, to foreign partners on the free market.

#### 1.3.2 Export sales revenue by geographical region

Description	Previous year	Reporting year	Change %
European Union (EU)	14 076 950	13 807 906	-2%
Countries outside the EU	1 805 737	1 871 769	4%
<b>Total net export sales revenue</b>	<b>15 882 687</b>	<b>15 679 675</b>	<b>-1%</b>

In 2018 the regional breakdown of the sale of significant part of the electricity generated by the Company was the same as previously. Our trading partner outside the EU was again an electricity trading company registered in Switzerland.

## 2 Other income and other expenses

### 2.1 Other income

Description	Previous year	Reporting year	Change %
Income from sale of intangible and tangible assets	658 649	1 635	-100%
Use of provisions	1 090 559	1 349 641	24%
Other	432 572	2 003	-100%
Release of deferred income from CO2 allowances	451 928	430 242	-5%
Fines, penalties, storage charges, default interest, damage compensation received	269	418	55%
Extraordinary income	-	5 671	100%
<b>Total other income</b>	<b>2 633 977</b>	<b>1 789 610</b>	<b>-32%</b>

There was no major sale of tangible assets compared to previous years. Use of provisions mainly comprised reporting-year settlement related to CO2 allowances. In 2018 the Company settled the allowances received from the state, the related THUF 430,242 deferred income was released. In addition, provisions for restructuring expenses and related staff costs were used.

### 2.4 Other expenses

Description	Previous year	Reporting year	Change %
Carrying amount of intangible and tangible assets sold	79 060	9	-100%
Impairment on receivables	60 418	-	-100%
Carrying amount of forgiven liabilities not considered bad debts	-	905	100%
Carrying amount of missing, destroyed and derecognised inventories	5 058	5 689	12%
Local business tax	217 102	209 691	-3%
Other	16	111	594%
Settlement of CO2 allowances	451 928	430 242	-5%
Expenses from remeasurement of materials	-	89 224	100%
Fines, penalties, storage charges, default interest, damage compensation	1 578	3 506	122%
Provisioning	1 460 910	1 364 281	-7%
Other taxes and similar payment obligations	806	3 183	295%
Other local government taxes	191 376	170 760	-11%
Environmental pollution charge	17 797	17 387	-2%
Innovation contribution	32 565	31 454	-3%
Definitive liquid asset transfers	111 063	98 630	-11%
<b>Total other expenses</b>	<b>2 629 677</b>	<b>2 425 072</b>	<b>-8%</b>

As compared to the previous year, the carrying amount of tangible assets sold fell significantly because no tangible assets were sold, another considerable decrease resulted from a major item impaired due to 2017 bankruptcy proceedings. Increase in expenses due to remeasurement of warehouse material inventories had a considerable opposite impact.

### 3 Material-type expenses

#### 3.1 Material costs

Description	Previous year	Reporting year	Change %
Gas fee	31 317 342	34 998 489	12%
Fuel oil	1 662	3 532	113%
Other	83 899	134 883	61%
Spare parts	49 718	874 260	1658%
Water charge and related contributions	148 559	142 957	-4%
Purchased electric energy	210 200	238 622	14%
<b>Total material costs</b>	<b>31 811 380</b>	<b>36 392 743</b>	<b>14%</b>

The main factor behind the increase in gas fees is the rise in the market price of the natural gas purchased in 2018. This was only partly counterbalanced by the lower consumption. Much more was spent on spare part purchases as compared with 2017 due to the renewed maintenance programme.

#### 3.2 Services used

Description	Previous year	Reporting year	Change %
Maintenance	481 563	304 908	-37%
Telecommunications (telephone, internet)	22 018	20 897	-5%
Travel	3 354	4 802	43%
Other services used	273 447	204 128	-25%
Sewage charge and related contributions	184 395	193 401	5%
Balancing energy	173 331	141 082	-19%
Support for IT equipment	45 833	41 149	-10%
Operation services	43 347	42 731	-1%
Product pipe fee (MOL)	27 563	28 389	3%
Expert fees	186 856	88 037	-53%
Cleaning, park maintenance	80 245	82 494	3%
Training fees paid	11 817	11 101	-6%
Legal representation	45 114	29 524	-35%
Translation fees	13 828	15 515	12%
Security service	46 328	41 946	-9%
Measurement technology services	11 872	37 620	217%
Diagnostic test, laboratory test	81 933	72 560	-11%
Audit fee	8 652	12 452	44%
Revision of fire extinguishers	63 750	56 621	-11%
Revision of other technical equipment	10 049	8 261	-18%
<b>Total services used</b>	<b>1 815 295</b>	<b>1 437 618</b>	<b>-21%</b>

While in 2017 the revision of business processes required the use of expert and IT services for a significant amount, these items were not incurred in 2018. Accordingly, in addition to maintenance costs, the majority of the 21% fall was due to the joint effect of the decrease in other services used and in expert fees.

#### 3.3 Cost of goods sold

Description	Previous year	Reporting year	Change %
Other	77 556	17 855	-77%
Electricity	161 287	1 037 650	543%
Hot water	430 897	436 844	1%
CO2	885 854	965 988	9%
<b>Total cost of goods sold</b>	<b>1 555 594</b>	<b>2 458 337</b>	<b>58%</b>

While in the previous year the Company typically sold its own production, in 2018 the amount of cost of goods sold of electricity increased significantly. Purchased CO2 allowances also increased in proportion to the decreasing free allocation and in line with the significant price increase.

### 4 Staff costs

#### 4.1 Staff-related data

Wage costs and other staff benefits incurred in the reporting year and headcount

Description	Wage earners	Salaried employees	Total
Wage costs	611 636	1 437 491	2 049 127
Other staff benefits	110 213	190 622	300 835
<b>Total</b>	<b>721 849</b>	<b>1 628 113</b>	<b>2 349 962</b>
Average number of staff	85	119	204

#### 4.1 Wage contributions by title

Title	Amount
Social contribution tax	433 687
Vocational training contribution, rehabilitation contribution	12 668
Benefit in kind	31 082
Health care contribution	43 572
<b>Total Wage contributions</b>	<b>521 009</b>

## 5 Depreciation

### 5.1 Reporting year depreciation

Depreciation of intangible and tangible assets broken down by balance sheet row and depreciation method is presented in the tables included in Appendices 1. and 2.

## 6 Income from and expenses on financial transactions

### 6.1 Income from financial transactions

#### 6.1.1 Other income from financial transactions

Description	Previous year	Reporting year	Change %
Unrealised exchange gain	18 431	118 164	541%
Realised exchange gain	189 858	193 598	2%
Gain on forward transactions	1 496 505	3 947 000	164%
<b>Total other income from financial transactions</b>	<b>1 704 794</b>	<b>4 258 762</b>	<b>150%</b>

The Company entered into EUR/HUF forward transactions and gas price (fixed-variable) swaps over the counter exclusively for hedging purposes. Due to exchange rate and price development the transactions had favourable results. See Appendix 6 for details.

#### 6.1.2 Deferred income from related companies accounted for as income from financial transactions

Description	Previous year	Reporting year	Change %
Subsidiary, or subsidiary of direct or indirect parent company	51 296		-100%
<b>Total Deferred income from related companies accounted for as income from financial transactions</b>	<b>51 296</b>	<b>-</b>	<b>-100%</b>

While in 2017 interest on deposits fixed at the parent company was a major item, no such factor existed as at the reporting date.

### 6.2 Expenses on financial transactions

#### 6.2.1 Interest payable (paid) and similar expenses

Description	Previous year	Reporting year	Change %
Interest on EPH loan	696 135	411 717	-41%
Interest on other loans	3 840	5 707	49%
<b>Total interest payable (paid) and similar expenses</b>	<b>699 975</b>	<b>417 424</b>	<b>-40%</b>

Interest charged on the long-term loan from the parent company was lower due to the significant amount of repayments at the end of 2017 and 2018.

## 7 Tax liability

The Company had THUF 79,694 corporation tax payment liability for 2018. Income tax for energy suppliers amounted to THUF 739,867.

## 8 Proposal for the use of profit/loss after tax

The Company does not pay dividend from its 2018 profit.

## E. ADDITIONAL INFORMATION

### 1 Fees for services provided by the auditor

Description	Reporting year
Audit	12 452
Other assurance services	
Tax advisory services	3 303
Other non-audit services	
<b>Total audit-related services</b>	<b>15 755</b>

## 2 Import purchases

Value of import purchases broken down by import of goods and import of services and by geographical segments

Description	Previous year	Reporting year	Change %
Goods	6 903 323	18 107 160	162%
<b>Total import of goods</b>	<b>6 903 323</b>	<b>18 107 160</b>	<b>162%</b>
Services	831 879	2 073 808	149%
<b>Total import of services</b>	<b>831 879</b>	<b>2 073 808</b>	<b>149%</b>
<b>Total value of import purchases broken down by import of goods and import of services</b>	<b>7 735 202</b>	<b>20 180 968</b>	<b>161%</b>
European Union (EU)	7 698 269	19 936 546	159%
Countries outside the EU	34 669	242 706	600%
Other parts of the world	2 264	1 716	-24%
<b>Total value of import purchases broken down by geographical segments</b>	<b>7 735 202</b>	<b>20 180 968</b>	<b>161%</b>

The volume of business with our significant foreign partner for natural gas purchases increased further. With respect to services, the extent of import followed the new maintenance timetable.

## 3 Derivative transactions

Derivative transaction are presented in Appendix 6

## 4 Off-balance sheet items

### 4.1 Financial liabilities not recognised in the balance sheet

Description	Amount
Tender guarantee	100 000
Performance guarantee	369 949
Payment guarantee	415 250

## 5 Tangible assets supporting environmental protection

GROSS VALUE	Amount
Opening balance	221 914
Increase	34 754
Decrease	
Reclassification	
Other	
<b>Closing balance</b>	<b>256 668</b>
ACCUMULATED DEPRECIATION	Amount
Opening balance	206 900
Ordinary depreciation	1 410
Extraordinary depreciation	
Reversal of extraordinary depreciation	
Decrease	
Reclassification	
Other	
<b>Closing balance</b>	<b>208 310</b>
NET VALUE	Amount
Opening balance	15 014
<b>Closing balance</b>	<b>48 358</b>

Assets directly supporting environmental protection primarily include emission meters, waste containers and neutralisation systems.

## 6 Environmental protection liabilities

Provisions for environmental protection liabilities and future costs serving environmental protection by title

Title	Provision		Booked cost		Expected amount*
	Previous year	Reporting year	Previous year	Reporting year	Reporting year
Asbestos removal	83 796	83 796			
Mazut contamination	153 600	153 600			
Other			2 531		
<b>Total</b>	<b>237 396</b>	<b>237 396</b>	<b>2 531</b>	<b>-</b>	<b>-</b>

\* Expected amount of environmental protection and restoration liabilities not yet recognised among liabilities.

### Emission trading

2018 was the sixth year of the third trading period between 2013 and 2020 in the carbon-dioxide trade. This trading period differs from the previous periods in that under the applicable legal regulation free emission units are received only for heat generation but not electricity production. Allocation of free emission units for 2018 was carried out in 2018 Q1 in accordance with the Allocation Table.

The carbon-dioxide emission of the Company's facilities totalled 729,967 tonnes in 2018. The emission of greenhouse gases is certified by an independent expert and reported to the authority by the end of March 2019, while emission units corresponding to the volume of emission are delivered by the end of April 2019 in accordance with legal regulations.



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## 7 Hazardous waste

Changes in hazardous waste is presented in Appendix 7.

During electricity production, limits and requirements specified in various laws and in various permits of the power plants (integrated environmental permit, water permits, emissions permit for greenhouse gases) have to be complied with. Compliance has to be described and proved in the form of data supply and annual reports, as well as during on-site audits to the professionals of the authorities.

The volume of waste transferred for disposal fluctuated significantly in the period under review, which is clearly attributable to the change in oil waste (in particular oily sludge). Waste is transported from all sites at least once a year. The waste produced is transferred only to transporters and managers who hold a licence.

In 2018 there was no soil or groundwater contamination on the territory of the power plants. Of the remediations carried out previously and not yet closed, the groundwater quality inspections at the Újpest Power Plant are carried out in accordance with the provisions. Based on the analysis of the results of the inspections, no further technical intervention will be necessary in the case of Újpest either.

The groundwater monitoring wells located on the territories of the power plants are operated by an accredited laboratory and the Company complies with the reporting obligations prescribed by the authority.

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## 8 Reconciling items

Calculation of the tax base is included in Appendix 8.

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## 9 Remuneration of, advances and loans to senior executives, board members, supervisory board members

### 9.1 Remuneration

Senior executives, board members, supervisory board members did not receive remuneration.

### 9.2 Advances, loans and guarantees

The Company did not disburse advances to senior executives, board members, supervisory board members.

The Company did not disburse loans to senior executives, board members, supervisory board members.

The Company did not undertake guarantees for senior executives, board members, supervisory board members.

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## 10 Material transactions with related parties

There were no material related party transactions not conducted on terms equivalent to those prevailing in arm's length transactions.

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## 11 Other disclosures required by laws

Based on Act LXXXVI of 2007 on Electricity and Act XVIII of 2005 on District Heating Services Budapesti Erőmű Zrt. is obliged to perform accounting unbundling. The table was updated in accordance with the change relating to accounting unbundling as per Section 20 of Act XCIX of 2018. In compliance with legal regulations, the unbundling policy was prepared as part of the prime cost calculation policy, based on which the following activity financial statements were prepared for 2018:

- Electricity generation licence holder's financial statements
- Electricity trading licence holder's financial statement
- Újpest site, district heat generation licence holder's financial statements
- Újpest site, electricity generation licence holder's financial statements
- Kispeszt site, district heat generation licence holder's financial statements
- Kispeszt site, electricity generation licence holder's financial statements
- Kelenföld site, district heat generation licence holder's financial statements
- Kelenföld site, electricity generation licence holder's financial statements
- Other activities financial statements as per the Act on District Heating

Activity financial statements are presented in Appendix 12.

From 2016 the electricity generation divisions perform services to the district heat generation divisions, which means the electricity included in the price of district heat needed for circulating the water in the district heating system. In the case of consumption of own-produced electricity, since there is no external invoice, the cost of the service provided can be determined for the heat generation division by multiplying the volume by the spot market price, which generate an equal revenue from electricity for the electricity generation division. This accumulation is eliminated in the divisional financial statements in the sales revenue and material-type costs line items.

From 2016 the CO<sub>2</sub> allowance received has not covered the emission any more, thus the CO<sub>2</sub> settlement for 2017 and the 2018 deficit was distributed among the divisions which caused the emission. When distributing costs we applied the cost allocation used for the pricing of HEPURA effective from 1 October 2018. The cost allocation applied reduced profit before tax by HUF 820 million.

#### Division results

Effects that influenced the profitability of the individual divisions as compared with 2017:

A general effect is the higher price of natural gas as compared with the previous year.

#### Electricity generation

- Revenue from electricity increased due to the rise in the market price of electricity, which was counterbalanced by the decrease in the volume sold and the lower level of system-level services as compared with the previous year.

#### District heat generation

- Heat demand decreased as compared with the 2017 figure due to the warmer weather.
- Effective from 1 October 2018 regulated heat prices increased.

#### Electricity trading

- Because of the warm weather in 2018 Q4, electricity sold forward could not be produced economically, but it could be repurchased only with a loss due to higher market prices. This resulted in a loss for the year.

#### Other activities not requiring a licence

- No assets were sold in contrast to the previous year, which decreased profit.
- The steam division made losses in both years.

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## 12 Assets, financial position, results of operations

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Indicators relating to assets, financial position and results of operation are included in Appendix 10.

## F. Cash flow statement

The cash flow statement of the Company is included in Appendix 11.

Date and place Budapest 21/05/2019

Stamp

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Manager (representative) of the Company

## Appendix 1.

## Intangible assets

	Capitalised value of formation and transformation	Capitalised value of research and development	Rights and concessions	Intellectual property	Goodwill	Total
<b>GROSS BOOK VALUE</b>						
Opening balance	175 756	0	2 321 715	0	0	2 497 471
Increase			145 909			145 909
Decrease			-1 321			-1 321
Reclassification			-1 000			-1 000
Other						0
Closing balance	175 756	0	2 465 303	0	0	2 641 059
<b>Accumulated amortization</b>						
Opening balance	175 756	0	2 231 377	0	0	2 407 133
Amortization			56 290			56 290
Extraordinary amortization						0
Reversal of extraordinary amortization						0
Decrease			-1 321			-1 321
Reclassification			-1 000			-1 000
Other						0
Closing balance	175 756	0	2 285 346	0	0	2 461 102
<b>ADVANCES ON INTANGIBLE ASSETS</b>						
Opening balance	0	0	90 338	0	0	90 338
Closing balance	0	0	179 957	0	0	179 957
<b>ADVANCES ON INTANGIBLE ASSETS</b>						
Opening balance						0
Closing balance						0
Opening balance	0	0	90 338	0	0	90 338
Closing balance	0	0	179 957	0	0	179 957

## Appendix 2.

## Tangible assets

	Land and buildings and related rights and concessions	Plant, equipment, machinery, vehicles	Other equipment, fittings, vehicles	Breeding animals	Assets under construction, renovations	Total
<b>GROSS BOOK VALUE</b>						
Opening balance	16 993 933	87 765 207	767 744	0	8 010	105 534 894
Capitalization	685 213	2 092 118	33 715		-2 811 046	0
Increase					2 855 527	2 855 527
Decrease		-24 908	-82 176			-107 084
Reclassification		1 000				1 000
Other						0
Closing balance	17 679 146	89 833 417	719 283	0	52 491	108 284 337
<b>Accumulated amortization</b>						
Opening balance	12 817 308	81 365 927	739 180	0	0	94 922 415
DEPRECIATION	169 368	1 347 322	26 119			1 542 809
Extraordinary amortization						0
Reversal of extraordinary amortization						0
Decrease		-24 899	-82 176			-107 075
Reclassification		1 000				1 000
Other						0
Closing balance	12 986 676	82 689 350	683 123	0	0	96 359 149
<b>Net book value</b>						
Opening balance	4 176 625	6 399 280	28 564	0	8 010	10 612 479
Closing balance	4 692 470	7 144 067	36 160	0	52 491	11 925 188
<b>PAYMENTS ON ACCOUNT</b>						
Opening balance						0
Closing balance						0
<b>Net value</b>						
Opening balance	4 176 625	6 399 280	28 564	0	8 010	10 612 479
Closing balance	4 692 470	7 144 067	36 160	0	52 491	11 925 188



## Appendix 4.

## Equity movement schedule

	31/12/2017	Subscribed / Registered capital	Subscribed / Registered, but unpaid capital	Capital reserve	Profit reserve	Non-distributable reserve	Valuation reserve	Profit/loss after tax	TOTAL
<b>Opening balance</b>		3 591 628	0	43 748	-3 811 221	2 900 000	0	3 628 128	6 352 283
Increase in subscribed / registered capital									0
Decrease in subscribed / registered capital									0
Transformation									0
Additional payments						-2 400 000			-2 400 000
Additional payments for loss									0
Repayment of additional payments for loss									0
Offset negative profit reserve					0				0
Increase in non-distributable reserve						0			0
Decrease in non-distributable reserve					500 000	-500 000			0
Assets obtained based on regulations									0
Assets given based on regulations									0
Amount transferred to replenish subscribed, but unpaid capital									
Approved dividends and profit shares									0
Upwards revaluation							0		0
Transfer of profit/loss after tax					3 628 128			-3 628 128	0
Retained profit for the year								4 038 819	4 038 819
<b>Closing balance</b>	31/12/2018	3 591 628	0	43 748	316 907	0	0	4 038 819	7 991 102

## Appendix 5.

Non-distributable reserve

	Opening balance	Increase	Decrease	Closing balance
Increase of subscribed / registered capital from non-distributable reserve	0			0
Decrease of subscribed / registered capital to non-distributable reserve	0			0
<b>Movements against subscribed / registered capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Treasury shares, business shares	0			0
Net book value of capitalised value of formation and transformation, research and development	0			0
Amount of difference between accrued unrealised exchange losses on FX debts and the related provisions	0			0
Voted amount of additional capital contribution payable to provide coverage for losses	0			0
Capital reserve to be tied up based on legal regulation, or the part repayable of the amount received as capital reserve based on legal regulation, if the criteria are not met, which is not covered by the capital reserve	0			0
Other amounts reclassified from profit reserve based on other regulations or the decision of the entity	500 000		-500 000	0
<b>Reclassification from profit reserve</b>	<b>500 000</b>	<b>0</b>	<b>-500 000</b>	<b>0</b>
Repayable part of assets obtained based on regulations in case of non-compliance	0			0
Other amounts reclassified from capital reserve based on other regulations or the decision of the entity	0			0
<b>Reclassification from capital reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additional payments	2 400 000		-2 400 000	0
Non-distributable reserve used to compensate for negative retained earnings resulting from losses	0			0
<b>Other movements</b>	<b>2 400 000</b>	<b>0</b>	<b>-2 400 000</b>	<b>0</b>
<b>Non-distributable reserve</b>	<b>2 900 000</b>	<b>0</b>	<b>-2 900 000</b>	<b>0</b>

Appendix 6.

Derivative transactions

1 Details of derivative transactions that are still open at the reporting date

Identifier	Subject matter of the transaction	Type of derivative deal	Hedge deal?	Clearing or delivery purpose?	Stock exchange deal?	Maturity date	Contracted amount (strike price, rate)	Estimated impact on profit or loss (fair value)	Expected cash flow effect	Impact on profit or loss for the current year
EUR/HUF FWD	EUR/HUF CURRENCY PAIR	Forward	hedge deal	delivery purpose	non-stock exchange deal	2019.01.11.-2019.11.13		17 215	17 215	
GAS SWAP	SWAP OF VARIABLE PRICE TO FIX	Swap	hedge deal	clearing purpose	non-stock exchange deal	2019.01.-2019.09.		897 551	- 897 551	
Total								880 336	- 880 336	-

2 Details of derivative transactions closed out by the reporting date

Identifier	Subject matter of the transaction	Type of derivative deal	Hedge deal?	Clearing or delivery purpose?	Stock exchange deal?	Gain or loss on the transaction	Cash flow effect
EUR/HUF FWD	EUR/HUF CURRENCY PAIR	Forward	hedge deal	delivery purpose	non-stock exchange deal	71 090	71 090
GAS SWAP	SWAP OF VARIABLE PRICE TO FIX	Swap	hedge deal	clearing purpose	non-stock exchange deal	3 822 629	3 822 629
Total						3 893 719	3 893 719



## Appendix 7.

Hazardous waste

Hazard classification		Opening balance	Written-down and write-back	Increase	Decrease	Closing balance
Substances contaminated with oil, tar	Quantity	0		39 767	-39 767	0
	Value	0				0
Electronic waste, substances contaminated with asbestos, mercury	Quantity	0		371	-371	0
	Value	0				0
Contaminated soil	Quantity	0		0	0	0
	Value	0				0
Other contaminated substances	Quantity	0		910	-910	0
	Value	0				0
	Total	0	0	0	0	0

## Appendix 8.

Corporate income tax calculation1 Income tax calculation

Description	Corporate income tax
<b>Profit or loss before tax</b>	<b>4 858 380</b>
<b>Tax base increasing items</b>	
Provision made	1 364 280
Depreciation expense according to Hungarian Accounting Law, disposal of tangible assets and intangible assets	1 599 109
Costs and expenses not incurred in the interest of the business activity	5 790
Fine, expenses arising from sanctions prescribed by law	163
Debts cancelled, if the debts are not treated as irrecoverable	1 048
<b>Tax base decreasing items</b>	
Utilization of tax loss carry-forward	- 2 792 502
Provision used, released	- 1 349 641
Depreciation deductible for corporate income tax purposes	- 894 120
<b>Tax base</b>	<b>2 792 507</b>
Tax rate	9%
<b>Calculated tax</b>	<b>251 326</b>
Previous years' adjustments	- 323
Team sport, cinematographic works and performers subsidy	- 171 309
<b>Tax liability for the current year</b>	<b>79 694</b>
<b>Profit or loss before tax</b>	<b>4 858 380</b>
<b>Total tax liability for the current year</b>	<b>819 561</b>
<b>Profit or loss after tax</b>	<b>4 038 819</b>

2 Future effect of temporary tax base adjustments

The reconciling effect of tax depreciation and book depreciation results in a significant amount in the case of the Company. Since the Act on Corporation Tax sets forth a higher depreciation rate than that in the accounting records, significant losses carried forward were generated in the previous years, which the Company expects to use in the coming years.

**Appendix 9.**

**Transactions with related parties**

Transaction type	Type of relationship	Transaction value	Other information necessary to evaluate the transaction
Loans received	Parent company	411 717	Interest on the loan disbursed by EP Energy a.s. The value of the loan as at the reporting date is THUF 8,000,000. It matures on 31 January 2020 and bears fixed interest.
Deposit	Parent company	13 040	Interest on the short-term deposit placed by the Company with EP Energy a.s.
Insurance premium	Parent company	254 546	Annual insurance premium (machine brokerage and business interruption).
Fuel supply contract	other related party	16 824 900	Gas fee and related fees
Expert fees	other related party	10 867	Administration advisory services
Option premium	other related party	301 435	Option contract for sale of electricity
Fee for parent company guarantee	Parent company	2 360	Parent company guarantee provided to partners

## Appendix 10.

Profitability, financial indicators, property and capital structure, expense structure**1 Profitability**

Description	Calculation method	Balance Sheet reference	Previous year	Current year
Return on sales	$\frac{\text{Trading profit}}{\text{Net sales revenue}}$	$\frac{\text{Er. A}}{\text{Er. I.}}$	8,59%	3,23%
Net equity effectiveness	$\frac{\text{Profit after tax}}{\text{Equity}}$	$\frac{\text{Er. F}}{\text{D.}}$	57,12%	50,54%
Net equipment effectiveness	$\frac{\text{Profit after tax}}{\text{Total assets}}$	$\frac{\text{Er. F}}{\text{A+B+C}}$	14,47%	14,14%

**2 Financial indicators**

Description	Calculation method	Balance Sheet reference	Previous year	Current year
Liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\text{B}}{\text{F.III.}}$	2,09	1,76
Liquidity quick ratio	$\frac{\text{Liquid assets + Securities + Receivables}}{\text{Current liabilities}}$	$\frac{\text{B.IV.+B.III.+B.II.}}{\text{F.III.}}$	1,60	1,27
Cash liquidity ratio	$\frac{\text{Liquid assets + Securities}}{\text{Current liabilities}}$	$\frac{\text{B.IV.+B.III.}}{\text{F.III.}}$	0,56	0,13
Net working capital	$\text{Current assets} - \text{Current liabilities}$	$\text{B} - \text{F.III.}$	7 447 354	7 040 896
Receivables (in days)	$\frac{\text{Closing receivables}}{\text{Daily average revenue}}$	$\frac{\text{B.II.1.}}{\text{Er.I./365}}$	48,09	68,86
Inventories (goods) (in days)	$\frac{\text{Closing inventories (goods)}}{\text{Daily average cost of goods sold}}$	$\frac{\text{B.I.5.}}{\text{Er.IV.8/365}}$	231,56	339,35

### 3 Property and capital structure

Description	Calculation method	Balance Sheet reference	Previous year	Current year
Capital structure ratio	$\frac{\text{Equity}}{\text{Liabilities}}$	$\frac{D}{F}$	0,40	0,46
Equity - Subscribed / Registered capital ratio	$\frac{\text{Equity}}{\text{Subscribed / Registered capital}}$	$\frac{D}{D.I.}$	1,77	2,22
Fixed assets coverage by equity	$\frac{\text{Fixed assets}}{\text{Equity}}$	$\frac{A}{D}$	1,70	1,53
Property structure	$\frac{\text{Fixed assets}}{\text{Current assets}}$	$\frac{A}{B}$	0,76	0,75
Fixed assets coverage	$\frac{\text{Fixed assets}}{\text{Total assets}}$	$\frac{A}{A+B+C}$	43,16%	42,83%

### 4 Cost structure

Description	Previous year		Current year	
	Amount	%	Amount	%
Net sales revenue	43 990 935	-	46 354 869	-
Changes in self-manufactured inventories	0	-	0	-
Capitalised value of self-manufactured assets	709	-	881 534	-
Gross revenue	43 991 644	-	47 236 403	-
Other income	2 633 977	-	1 789 610	-
<b>Total income</b>	<b>46 625 621</b>	<b>100,00%</b>	<b>49 026 013</b>	<b>100,00%</b>
Material costs	31 811 380	68,23%	36 392 743	74,23%
Services used	1 815 295	3,89%	1 437 618	2,93%
Other services	326 664	0,70%	344 312	0,70%
Cost of goods sold	1 555 594	3,34%	2 458 337	5,01%
Services sold (mediated)	0	0,00%	0	0,00%
<b>Material-type expenses</b>	<b>35 508 933</b>	<b>76,16%</b>	<b>40 633 010</b>	<b>82,88%</b>
Wage costs	2 033 450	4,36%	2 049 127	4,18%
Other staff benefits	319 769	0,69%	300 835	0,61%
Wage contributions	573 247	1,23%	521 009	1,06%
<b>Staff costs</b>	<b>2 926 466</b>	<b>6,28%</b>	<b>2 870 971</b>	<b>5,86%</b>
Depreciation	1 783 329	3,82%	1 599 099	3,26%
Other expenses	2 629 677	5,64%	2 425 072	4,95%
<b>Total expenses</b>	<b>42 848 405</b>	<b>91,90%</b>	<b>47 528 152</b>	<b>96,94%</b>
<b>Trading profit</b>	<b>3 777 216</b>	<b>8,10%</b>	<b>1 497 861</b>	<b>3,06%</b>

## Appendix 11.

## Cash-flow statement

	01/01/2017 - 31/12/2017	01/01/2018 - 31/12/2018
<b>I. Variation in cash-flow from operations (Operating cash-flow) (Rows: 1-18)</b>	<b>8 532 029</b>	<b>3 747 591</b>
1 Profit or loss before tax ±	4 394 129	4 858 380
2 Amortisation +	1 783 329	1 599 099
3 Impairment loss and reversal ±	60 418	0
4 Difference between the creation and usage of provisions ±	370 350	14 640
5 Gain or loss on sale of fixed assets ±	-579 589	-1 626
6 Unrealised foreign exchange difference ±	0	0
7 Change in trade payables ±	-2 568 664	-1 127 928
8 Change in short-term liabilities ±	1 990 651	3 600 587
9 Change in income accruing for future periods, accrued expenses and deferred income ±	-359 572	361 682
10 Change in trade receivables ±	-1 141 047	-2 949 316
11 Change in current assets (excluding trade receivables and liquid assets) ±	4 805 941	-1 779 603
12 Change in accrued income, prepayments and deferred expenses ±	542 084	-8 763
13 Other (±)	0	0
14 Other (±)	0	0
15 Other (±)	0	0
16 Other (±)	0	0
17 Tax paid or payable (on profit) -	-766 001	-819 561
18 Dividends and profit-sharing paid or payable -	0	0
<b>II. Variation in cash-flow from investments (Investment cash-flow) (Rows: 19-23)</b>	<b>735 822</b>	<b>-2 999 801</b>
19 Purchase of fixed assets -	-177 367	-3 001 436
20 Sale of fixed assets +	913 189	1 635
21 Dividends and profit-sharing received +	0	0
22 Other (±)	0	0
23 Other (±)	0	0
<b>III. Variation in cash-flow from financial transactions (Financial cash-flow) (Rows:24-36)</b>	<b>-6 000 000</b>	<b>-3 410 508</b>
24 Receipts from share issue, capital increase +	0	0
25 Receipts from the issue of bonds and debt securities +	0	0
26 Receipt of loans +	0	0
27 Repayment, termination and redemption of long-term loans and bank deposits +	0	0
28 Liquid assets received free of charge +	0	0
29 Cancellation of shares, disinvestment (capital reduction) -	0	0
30 Redemption of bonds and debt securities -	0	0
31 Redemption and repayment of loans -	-6 000 000	-1 000 000
32 Long-term loans and bank deposits -	0	0
33 Liquid assets given free of charge -	0	0
34 Change in liabilities to founders and in other long-term liabilities ±	0	0
35 Supplementary payment by owner	0	-2 400 000
36 Loans granted to employees	0	-10 508
37 Other (±)	0	0
<b>IV. Change in liquid assets (±)</b>	<b>3 267 851</b>	<b>-2 662 718</b>
<b>Opening balance of liquid assets</b>	<b>565 701</b>	<b>3 833 552</b>
Self-revision	0	0
<b>Closing balance of liquid assets</b>	<b>3 833 552</b>	<b>1 170 834</b>

## Appendix 12.

Calculation of income tax on energy suppliers1 Income tax calculation

Description	Income tax on energy suppliers
Profit or loss before tax	4 858 380
<b>Tax base increasing items</b>	
Provisions recognised	1 364 280
<b>Tax base decreasing items</b>	
Use of provisions - disallowed item in previous years	- 1 349 641
Release of deferred income	- 430 242
<b>Total</b>	<b>4 442 777</b>
Revenue of activities generating tax payment liability	24 901 932
<b>Total revenue</b>	<b>46 354 870</b>
<b>Ratio</b>	<b>54%</b>
<b>Tax base</b>	<b>2 386 669</b>
Tax rate	31%
<b>Calculated tax</b>	<b>739 867</b>
<b>Tax liability for the current year</b>	<b>739 867</b>

## Reports by activity

BUDAPESTI ERŐMŰ ZRT. 31.12.2018							
BALANCE SHEET Assets							Company total
A.	Fixed assets	8 833 965	0	3 400 306			12 234 271
I.	Intangible assets	159 990	0	19 967			179 957
II.	Tangible assets	8 673 975	0	3 251 213			11 925 188
III.	Investments	0	0	129 126			129 126
B.	Current assets	8 879 754	169 163	7 270 058			16 318 975
I.	Inventories	2 147 710	0	2 400 007			4 547 717
II.	Receivables	5 633 887	143 688	4 822 849			10 600 424
III.	Securities	0	0	0			0
IV.	Liquid assets	1 098 157	25 475	47 202			1 170 834
C.	Deferred expenses and accrued income	0	0	8 763			8 763
Total assets:							28 562 009
BALANCE SHEET Equity and liabilities							
D.	Shareholders' equity	5 897 695	86 481	2 006 926			7 991 102
I.	SUBSCRIBED CAPITAL	2 593 396	0	998 232			3 591 628
II.	Subscribed, but unpaid capital (-)	0	0	0			0
III.	CAPITAL RESERVE	31 589	0	12 159			43 748
IV.	RETAINED EARNINGS	-949 356	87 413	1 178 850			316 907
V.	Non-distributable reserve	0	0	0			0
VI.	Valuation reserve	0	0	0			0
VII.	Profit/Loss after tax	4 222 066	-932	-182 315			4 038 819
E.	Provisions	943 751	0	1 322 501			2 266 252
F.	Liabilities	10 773 073	82 682	6 422 324			17 278 079
I.	Subordinated liabilities	0	0	0			0
II.	Long-term liabilities	5 293 299	0	2 706 701			8 000 000
III.	Current liabilities	5 479 774	82 682	3 715 623			9 278 079
G.	Accrued expenses and deferred income	99 200	0	927 376			1 026 576
Total equity and liabilities:							28 562 009
INCOME STATEMENT							
I.	Net sales revenue	23 567 303	1 036 738	21 994 099	-243 271		46 354 869
II.	Own performance capitalised	881 534	0	0			881 534
III.	Other income	653 710	28	1 135 872			1 789 610
IV.	Material-type expenses	18 611 707	1 037 764	21 226 810	-243 271		40 633 010
V.	Staff costs	1 217 538	0	1 653 433			2 870 971
VI.	Depreciation/Amortisation	1 143 758	0	455 341			1 599 099
VII.	Other expenses	1 106 913	11	1 318 148			2 425 072
A.	Operating profit/loss (I+II+III-IV-V-VI-VII)	3 022 631	-1 009	-1 523 761	0		1 497 861
VIII.	Income from financial transactions	2 220 466	77	2 051 262			4 271 805
IX.	Expenses on financial transactions	400 929	0	510 357			911 286
B.	Profit/Loss on financial transactions (VIII-IX)	1 819 537	77	1 540 905	0		3 360 519
C.	Profit/Loss before tax (A+B)	4 842 168	-932	17 144	0		4 858 380
X.	Tax liability	620 102	0	199 459			819 561
D.	Profit/Loss after tax (C-X)	4 222 066	-932	-182 315	0		4 038 819



## Reports by activity

BUDAPESTI ERŐMŰ ZRT. 31.12.2018	As per the Electricity Act												Company total
	Újpest site			Kispest site			Kelenföld site			Elimination			
	Combined electricity generation	District heat generation	Part of other activity	Combined electricity generation	District heat generation	Part of other activity	Combined electricity generation	District heat generation	Part of other activity	Electric energy trade	Natural gas trade	Other activities not requiring a licence	
BALANCE SHEET Assets													
A.	Fixed assets	3 022 738	783 602	4 210 101	1 577 356	1 601 126	397 435	0	641 913				12 234 271
I.	Intangible assets	11 293	7 643	11 175	5 078	137 522	6 674	0	572				179 957
II.	Tangible assets	3 011 445	775 959	4 198 926	1 572 278	1 463 604	390 761	0	512 215				11 925 188
III.	Investments	0	0	0	0	0	0	0	129 126				129 126
B.	Current assets	2 825 646	2 014 254	2 589 236	2 021 580	3 464 872	1 777 230	169 163	1 456 994				16 318 975
I.	Inventories	758 344	822 565	677 574	683 794	711 792	818 996	0	74 652				4 547 717
II.	Receivables	1 616 870	1 191 689	1 571 916	1 337 786	2 445 101	958 234	143 688	1 335 140				10 600 424
III.	Securities	0	0	0	0	0	0	0	0				0
IV.	Liquid assets	450 432	0	339 746	0	307 979	0	25 475	47 202				1 170 834
C.	Deferred expenses and accrued income	0	0	0	0	0	0	0	8 763				8 763
Total assets: 28 562 009													
BALANCE SHEET Equity and liabilities													
D.	Shareholders' equity	2 443 571	-31 227	3 417 740	1 547 895	36 384	-504 472	86 481	994 730				7 991 102
I.	SUBSCRIBED CAPITAL	887 388	230 043	1 235 964	463 066	470 044	116 675	0	188 448				3 591 628
II.	Subscribed, but unpaid capital (-)	0	0	0	0	0	0	0	0				0
III.	CAPITAL RESERVE	10 809	2 802	15 055	5 640	5 725	1 421	0	2 296				43 748
IV.	RETAINED EARNINGS	58 691	-286 458	1 219 872	1 044 212	-2 227 919	-282 684	87 413	703 780				316 907
V.	Non-distributable reserve	0	0	0	0	0	0	0	0				0
VI.	Valuation reserve	0	0	0	0	0	0	0	0				0
VII.	Profit/Loss after tax	1 486 683	22 386	946 849	34 977	1 788 534	-339 884	-932	100 206				4 038 819
E.	Provisions	314 770	197 763	322 671	182 333	306 310	216 278	0	726 127				2 266 252
F.	Liabilities	3 059 021	2 376 149	3 025 111	1 668 556	4 688 941	2 191 209	82 682	186 410				17 278 079
I.	Subordinated liabilities	0	0	0	0	0	0	0	0				0
II.	Long-term liabilities	1 434 852	1 036 276	1 434 852	688 439	2 423 595	904 815	0	77 171				8 000 000
III.	Current liabilities	1 624 169	1 339 873	1 590 259	980 117	2 265 346	1 286 394	82 682	109 239				9 278 079
G.	Accrued expenses and deferred income	31 022	255 171	33 815	200 152	34 363	271 650	0	200 403				1 026 576
Total equity and liabilities: 28 562 009													
INCOME STATEMENT													
I.	Net sales revenue	7 945 996	7 234 521	8 010 599	5 906 990	7 610 708	7 789 110	1 036 738	1 063 478				46 354 869
II.	Own performance capitalised	776 735	0	78 971	0	25 828	0	0	0				881 534
III.	Other income	222 011	269 351	189 250	225 294	242 449	266 315	28	374 912				1 789 610
IV.	Material-type expenses	6 786 801	6 995 986	6 361 188	5 777 151	5 463 718	7 578 191	1 037 764	875 482				40 633 010
V.	Staff costs	380 751	493 719	415 034	436 034	421 753	672 521	0	51 159				2 870 971
VI.	Depreciation/Amortisation	329 926	120 931	643 615	128 373	170 217	191 890	0	14 147				1 599 099
VII.	Other expenses	363 913	398 611	370 854	334 406	372 146	429 974	11	155 157				2 425 072
A.	Operating profit/loss (I-II-III-IV-V-VI-VII)	1 083 351	-505 375	488 129	-543 680	1 451 151	-817 151	-1 009	342 445				1 497 861
VIII.	Income from financial transactions	746 728	655 030	736 023	648 124	737 715	621 359	77	126 749				4 271 805
IX.	Expenses on financial transactions	115 355	76 285	115 438	50 947	170 136	70 568	0	312 557				911 286
B.	Profit/Loss on financial transactions (VIII-IX)	631 373	578 745	620 585	597 177	567 579	550 791	77	-185 808				3 360 519
X.	Profit/Loss before tax (A+B)	1 714 724	73 370	1 108 714	53 497	2 018 730	-266 360	-932	156 637				4 858 380
Y.	Tax liability	228 041	50 984	161 865	18 520	230 196	73 524	0	56 431				819 561
Total Profit/Loss after tax (C-X): 4 038 819													

