



**Independent Auditors' Report issued on the  
2017  
Annual Financial Statements  
and Business Report  
of Budapesti Erömű Zrt.**

This is an English translation of the Independent Auditors' Report on the 2017 annual financial statements of Budapesti Erömű Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete set of annual financial statements it refers to.

Budapesti Erömű Zrt. - 18 - 2017.12.31.





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Budapesti Erömű Zrt. - 18 - 2017.12.31.





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## Independent Auditors' Report

To the shareholders of Budapesti Erömű Zrt.

### Report on the Annual Financial Statements

#### *Opinion*

We have audited the 2017 annual financial statements of Budapesti Erömű Zrt. (hereinafter referred to as "the Company"), which comprise the balance sheet as at 31 December 2017, which shows total assets of THUF 25,074,209 and profit after tax for the year of THUF 3,628,128, and the income statement for the year then ended, and supplementary notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance for the year then ended in accordance with Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

#### *Basis for Opinion*

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company for the purposes of our audit of the annual financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these, in the "Code of Ethics for Professional Accountants" issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

The other information comprises the 2017 Business Report of the Company. Management is responsible for the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the annual financial statements expressed in the Opinion section of our report does not cover the business report.

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

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Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements.

In our opinion the 2017 business report of the Company is consistent, in all material respects, with the 2017 annual financial statements of the Company and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the business report of the Company, therefore, we do not express an opinion in this respects.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

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

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

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern; and, management is responsible for preparing the annual financial statements on a going concern basis. Valuation made by management shall be based on the principle of going concern, 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.

#### *Auditors' Responsibilities for the Audit of the Annual Financial Statements*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 annual financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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.

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- Conclude on the appropriateness of management's use of the going concern basis for the preparation of the annual financial statements 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 our auditors' report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 annual financial statements, including the disclosures, and whether the annual 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 internal control that we identify during our audit.

### **Review Report on Compliance with Other Requirements**

#### *Introduction*

We have reviewed the separate balance sheet and income statement (hereinafter referred to as "Statement") of Budapesti Erömű Zrt. (hereinafter referred to as "the Company") as an electricity enterprise, natural gas enterprise and district heating provider as of 31 December 2017 included in the Supplement. Management of the Company is responsible for elaborating and applying the unbundling rules and procedures, pricing the transactions between the individual activities under applicable legal regulations and internal procedures, and for preparing the Statement in accordance with Act LXXXVI of 2007 on Electrical Energy and Government Decree 273/2007 (X.19.) on the implementation of provisions thereof, Act XL of 2008 on Natural Gas Supply and Government Decree 19/2009 (I.30.) on the implementation of provisions thereof, and Act XVIII of 2005 on District Heating Services, (hereinafter together referred to as "Regulations"). Our responsibility is to provide a report on the Statement based on our review.

#### *Scope of Review*

We conducted our review in accordance with Hungarian Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the Statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hungarian National Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the public benefit status report.

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Budapesti Erömű Zrt. - 18 - 2017.12.31.





*Conclusion*

Based on our review, nothing has come to our attention that the attached Statement was not prepared by elaborating and applying unbundling rules that comply with the Regulations, and that the pricing between individual activities enables cross-financing between the divisions.

Budapest, 26 April 2018

KPMG Hungária Kft.

Registration number: 000202

Marcin Ciesielski  
*Partner*

László Fébő  
*Professional Accountant*  
Registration number: 006702

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Budapesti Erőmű Zrt. - 18 - 2017.12.31.



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

**01-10-041825**  
Registration number

**ANNUAL REPORT**  
**Budapesti Erőmű Zrt.**  
**01/01/2017 - 31/12/2017**

Date and place: Budapest, 26/04/2018

stamp

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Manager of the Company  
(representative)





10728068-3511-114-01  
Statistical code

01-10-041825  
Registration number

Budapesti Erőmű Zrt.  
ANNUAL REPORT  
BALANCE SHEET - Assets

Data in thousand HUF

Number		Description	31/12/2016	Modifications to prior year(s)	31/12/2017
A		B	C	D	E
1	A.	FIXED ASSETS (I.+II.+III. row)	12 760 997	0	10 821 435
2	I.	INTANGIBLE ASSETS	98 603	0	90 336
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	98 603		90 336
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.	TANGIBLE ASSETS	12 289 235	0	10 612 479
11	1	Land and buildings and related rights and concessions	4 406 472		4 176 625
12	2	Plant, equipment, machinery, vehicles	7 712 373		6 399 280
13	3	Other equipment, fittings, vehicles	69 087		28 564
14	4	Breeding animals	0		0
15	5	Assets under construction, renovations	101 303		8 010
16	6	Payments on account	0		0
17	7	Upwards revaluation of tangible assets	0		0
18	III.	INVESTMENTS	373 159	0	118 618
19	1	Long-term interests in related companies	255 000		0
20	2	Long-term loans to related companies	0		0
21	3	Long-term significant ownership interest	110 802		110 802
22	4	Long-term loans to companies related through significant ownership interest	0		0
23	5	Other long-term interests	0		0
24	6	Long-term loans to affiliated companies	0		0
25	7	Other long-term loans	7 357		7 816
26	8	Long-term debt securities	0		0
27	9	Upwards revaluation of investments	0		0
29	B.	CURRENT ASSETS (I.+II.+III.+IV. row)	14 710 235	0	14 252 774
30	I.	INVENTORIES	3 022 960	0	3 331 265
31	1	Raw materials and consumable goods	1 773 968		2 344 492
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	1 248 992		986 873
36	6	Advances on inventories	0		0
37	II.	RECEIVABLES	11 121 574	0	7 087 657
38	1	Trade receivables	4 705 509		5 795 008
39	2	Receivables from related companies	5 755 675		0
40	3	Receivables from companies related through significant ownership interest	7 780		8 269
41	4	Receivables from affiliated companies	0		0
42	5	Bills receivable	0		0
43	6	Other receivables	652 610		1 283 580
46	III.	SECURITIES	0	0	0
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.	LIQUID ASSETS	565 701	0	3 833 552
54	1	Petty cash, cheques	3 770		0
55	2	Bank deposits	561 931		3 833 552
56	C.	DEFERRED EXPENSES AND ACCRUED INCOME	542 084	0	0
57	1	Accrued income	542 084		0
58	2	Prepayments	0		0
59	3	Deferred expenses	0		0
60		TOTAL ASSETS (A.+B.+C. row)	28 013 316	0	25 074 209

Date and place: Budapest, 26/04/2018

representative of the entity  
(representative)

10728068-3511-114-01

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Registration number

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

Data in thousand HUF

Number		Description	31/12/2016	Modifications to prior year(s)	31/12/2017
A		B	C	D	E
61	D.	SHAREHOLDERS' EQUITY (rows I+II+III+IV+V+VI+VII/1. row)	2 724 155	0	6 352 283
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	-3 609 621		-3 811 221
67	V.	NON-DISTRIBUTABLE RESERVE	2 400 000		2 900 000
68	VI.	VALUATION RESERVE	0	0	0
71	VII.	PROFIT/LOSS AFTER TAX	298 400	0	3 628 128
72	E.	PROVISIONS	1 881 262	0	2 251 612
73	1	Provisions for expected liabilities	1 881 262		2 251 612
74	2	Provisions for future costs	0		0
75	3	Other provisions	0		0
76	F.	LIABILITIES (I-II.+III. row)	22 383 433	0	15 805 420
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	15 000 000	0	9 000 000
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	15 000 000		9 000 000
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	7 383 433	0	6 805 420
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	6 700 036		4 131 372
98	5	Bills payable	0		0
99	6	Current liabilities to related companies	0		2 291 526
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	683 397		382 522
105	G.	ACCRUED EXPENSES AND DEFERRED INCOME	1 024 466	0	664 894
106	1	Income accruing for future periods	0		0
107	2	Accrued expenses	567 034		228 981
108	3	Deferred income	457 432		435 913
109		TOTAL EQUITY AND LIABILITIES (D.+E.+F.+G. row)	28 013 316	0	25 074 209

Date and place: Budapest, 26/04/2018

\_\_\_\_\_  
representative of the entity  
(representative)

10728068-3511-114-01

Statistical code

01-10-041825

Registration number

Budapesti Erőmű Zrt.

ANNUAL REPORT

Income statement

Data in thousand HUF

Number		Description	01/01/2016 - 31/12/2016	Modifications to prior year(s)	01/01/2017 - 31/12/2017
A		B	C	D	E
1	1	Net domestic sales revenue	41 917 864		28 108 248
2	2	Net export sales revenue	6 389 379		15 882 687
3	I.	Net sales revenue (01+02)	48 307 243	0	43 990 935
4	3	Changes in self-manufactured inventories	0		0
5	4	Capitalised value of self-manufactured assets	196 667		709
6	II.	Own performance capitalised (±03+04)	196 667	0	709
7	III.	Other income	1 430 691		2 633 977
8		<i>of which: reversed impairment</i>	267 264		0
9	5	Material costs	29 551 898		31 811 380
10	6	Services used	1 626 523		1 815 295
11	7	Other services	333 560		326 664
12	8	Cost of goods sold	1 611 456		1 555 594
13	9	Services sold (mediated)	0		0
14	IV.	Material-type expenses (05+06+07+08+09)	33 123 437	0	35 508 933
15	10	Wage costs	2 233 717		2 033 450
16	11	Other staff benefits	588 391		319 769
17	12	Wage contributions	807 213		573 247
18	V.	Staff costs (10+11+12)	3 629 321	0	2 926 466
19	VI.	Depreciation	2 269 418		1 783 329
20	VII.	Other expenses	7 231 529		2 629 677
21		<i>of which: impairment</i>	4 537 568		60 418
22	A.	OPERATING PROFIT/LOSS (I.-II.+III.-IV.-V.-VI.-VII.)	3 680 896	0	3 777 216
23	13	Dividends and profit shares received (due)	0		0
24		<i>of which: from related companies</i>	0		0
25	14	Income from, exchange gains on interests	0		0
26		<i>of which: from related companies</i>	0		0
27	15	Income from, exchange gains on investments (securities, loans)	0		0
28		<i>of which: from related companies</i>	0		0
29	16	Other interest received (due) and similar income	14 327		51 302
30		<i>of which: from related companies</i>	802		51 296
31	17	Other income from financial transactions	429 801		1 704 794
32		<i>of which: revaluation difference</i>	0		0
33	VIII.	Income from financial transactions (13+14+15+16+17)	444 128	0	1 756 096
34	18	Expenses from exchange losses on interests	200		0
35		<i>of which: to related companies</i>	0		0
36	19	Expenses from exchange gains on investments (securities, loans)	0		0
37		<i>of which: to related companies</i>	0		0
38	20	Interest payable (paid) and similar expenses	1 073 294		699 975
39		<i>of which: to related companies</i>	1 071 972		696 135
40	21	Impairment on interests, securities, long-term loans, bank deposits	12 038		0
41	22	Other expenses on financial transactions	2 560 791		439 208
42		<i>of which: revaluation difference</i>	0		0
43	IX.	Expenses on financial transactions (18+19+20+21+22)	3 646 323	0	1 139 183
44	B.	PROFIT OF FINANCIAL TRANSACTIONS (VIII.-IX.)	-3 202 195	0	616 913
45	C.	PROFIT/LOSS BEFORE TAX (±A.±B.)	478 701	0	4 394 129
46	X.	Tax payable	180 301		766 001
47	D.	PROFIT/LOSS AFTER TAX (±C.-X.)	298 400	0	3 628 128

Date and place: Budapest, 26/04/2018

representative of the entity  
Income statement

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**Supplementary notes**  
**Budapesti Erómű Zrt.**  
**01/01/2017 - 31/12/2017**

Date and place: Budapest, 26/04/2018

## 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

Sites of the Company:  
 - Kelenföldi Power Plant: 1117 Budapest, Budafoki út 52.  
 - Kispesti 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
András Vinkovits	2040 Budaörs, Sövirág u. 2	joint
Zsuzsanna Csillag-Nagy	2049 Döböd, 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
<b>Total</b>		<b>100,00%</b>	<b>3 591 628</b>	

## 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 Prága 1, Pařížská 26  
 Place or website where the report is available for inspection: CZ 11000 Prága 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: Zsuzsanna Csillag-Nagy  
 Name at birth: Zsuzsanna Nagy  
 Registration number: 180891

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 Kézzgazdasági Tanácsadó Korlátolt Felelősségű Társaság  
 Address: 31 Váci street, Budapest, H-1134  
 Registration number: 000202  
 Name of natural person: László Fébő  
 Address: 2112 Veresegyház, 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 01/01/2017 to 31/12/2017  
 Balance sheet preparation date: 20/02/2018

### 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  
 Type of the chosen income statement template: "A"  
 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 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

### 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

Under Sections 53-56 of the Act on Accounting, 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	0,4-34%
Other equipment, fittings, vehicles	14,5-33%

### 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 2017.

## C. NOTES TO THE BALANCE SHEET

### 1 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	8 010
<b>Total assets under construction</b>	<b>8 010</b>

### 1.2.3 Long-term interests in related companies

#### 1.2.3.1 Interests

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

The Company had no subsidiaries as of the reporting date. Its former subsidiary, BE-Optimum Kft. was sold in 2017.

#### 1.2.3.2 Long-term significant ownership interest

Data of long-term significant ownership interest of the Company are included in Appendix 3.

The Company has 25.1% interest in Kőbányhő Kft. No impairment was accounted for in 2017. Its equity amounted to THUF 448.154 in 2015 and THUF 460,068 in 2016.

### 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 interests in related companies	1 292 500			- 1 292 500	-
Long-term significant ownership interest	96 998				96 998
<b>Total</b>	<b>1 389 498</b>	<b>-</b>	<b>-</b>	<b>- 1 292 500</b>	<b>96 998</b>

BE-Optimum Kft. was sold in 2017.

#### 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

### 2.2 Receivables

#### 2.2.1 Trade receivables

Description	Previous year	Reporting year	Change %
Electricity, heat energy and other trade receivables	4 705 509	5 131 606	9%
Performed, but not invoiced trade receivables	-	664 402	100%
<b>Total trade receivables</b>	<b>4 705 509</b>	<b>5 796 008</b>	<b>23%</b>

Trade receivables increased primarily due to the higher share of free electricity market trade debtors who have longer payment deadline. Performed, but not invoiced trade receivables were transferred from the previous classification as accrued income into receivables.

#### 2.2.2 Receivables from related companies

##### 2.2.2.1 Receivables from related companies according to the nature of relationship

Description	Previous year	Reporting year	Change %
Subsidiary, or subsidiary of direct or indirect parent company	5 755 675	-	-100%
<b>Total receivables from related companies</b>	<b>5 755 675</b>	<b>-</b>	<b>-100%</b>



### 2.2.2.2 Receivables from related companies

Description	Previous year	Reporting year	Change %
Short-term loans given	5 755 160	-	-100%
Trade receivables	575	-	-100%
<b>Total receivables from related companies</b>	<b>5 755 675</b>	<b>-</b>	<b>-100%</b>

In accordance with accounting regulations, at the end of the previous year receivables from subsidiaries included the loan disbursed to EP Energy a.s., which was repaid in 2017.

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

Description	Previous year	Reporting year	Change %
Trade receivables	7 780	8 269	6%
<b>Total Receivables from companies related through significant ownership interest</b>	<b>7 780</b>	<b>8 269</b>	<b>6%</b>

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

### 2.2.4 Other receivables

Description	Previous year	Reporting year	Change %
Trade creditors with debts	85 725	72 796	-15%
Receivables from employees	2 269	1 604	-29%
Corporation tax	-	148 143	100%
Income tax for energy suppliers	-	82 225	100%
Local business tax	-	250 042	100%
Other taxes and similar payment obligations	115	105	-9%
Other	4 895	231 763	4635%
Energy tax	498 407	212 819	-57%
Innovation contribution	-	12 672	100%
Margin (energy trade)	61 199	271 411	343%
<b>Total other receivables</b>	<b>662 610</b>	<b>1 283 580</b>	<b>97%</b>

Other receivables grew on the one hand because income tax advances paid exceeded the actual payment liability, and based on the decision of the Cuna, significant amount of local business tax, previously established by the tax authority was refunded to the Company. Furthermore, demand for margin increased due to changes in commodity exchange trade.

### 2.2.5 Changes in impairment on receivables in the reporting year

Description	Cost	Opening	Reporting year impairment	Reversed impairment	Recognition and other	Closing
Trade receivables	50 548		50 548			50 548
Other receivables	9 870		9 870			9 870
<b>Total</b>	<b>60 418</b>	<b>-</b>	<b>60 418</b>	<b>-</b>	<b>-</b>	<b>60 418</b>

A creditor's claim was filed in respect to our receivable from an electricity customer against whom bankruptcy proceedings were launched, it was accounted for as impairment.

## 2.3 Liquid assets

### 2.3.1 Petty cash, cheques

Description	Previous year	Reporting year	Change %
Petty cash in HUF	3 770	-	-100%
<b>Total petty cash, cheques</b>	<b>3 770</b>	<b>-</b>	<b>-100%</b>

### 2.3.2 Bank deposits

Description	Previous year	Reporting year	Change %
HUF bank deposits	349 233	1 879 424	438%
FX bank deposits	212 698	1 954 128	819%
<b>Total bank deposits</b>	<b>561 931</b>	<b>3 833 552</b>	<b>582%</b>
<b>Total liquid assets</b>	<b>565 701</b>	<b>3 833 552</b>	<b>578%</b>

Petty cash was ceased during the year. Due to the modification of payment deadlines the year-end balance of bank deposits increased significantly.

## 3 Equity

### 3.1 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.

### 3.2 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.

Non-distributable reserve increased due to the allocation of an item for development purposes.

### 3.2.1 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>

## 4 Provisions

### 4.1 Provisions for expected liabilities

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

Description	Opening	Allocation in the reporting year	Use in the reporting year	Closing
Redundancies, early retirement pension	260 090	36 240	- 94 831	201 499
Actuarial costs	54 874	-	-	54 874
CO2 deficit	880 689	954 442	- 880 689	954 442
Demolitions	351 826	170 041	- 36 711	485 156
Oil contamination cleanup	156 667	-	- 3 067	153 600
Asbestos removal	83 796	-	-	83 796
Restructuring	55 066	-	- 55 066	-
Other liabilities	36 254	300 186	- 20 195	316 245
<b>Total</b>	<b>1 881 262</b>	<b>1 460 909</b>	<b>- 1 090 559</b>	<b>2 251 612</b>

### 4.2 Other information on provisions

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

## 5 Long-term liabilities

### 5.1 Long-term liabilities to related companies

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

Description	Previous year	Reporting year	Change %
Parent company	15 000 000	9 000 000	-40%
<b>Total long-term liabilities to related companies</b>	<b>15 000 000</b>	<b>9 000 000</b>	<b>-40%</b>

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

Description	Previous year	Reporting year	Change %
Long-term borrowings	15 000 000	9 000 000	-40%
<b>Total long-term liabilities to related companies</b>	<b>15 000 000</b>	<b>9 000 000</b>	<b>-40%</b>

The loan disbursed by the parent company matured during the year and was extended. THUF 6,000,000 was repaid in December 2017. Since the contract does not stipulate any required repayment, the whole outstanding amount is long-term, contractual maturity is 31.01.2020.

## 6 Current liabilities

### 6.1 Trade liabilities

Description	Previous year	Reporting year	Change %
Domestic trade payables	6 406 170	2 929 610	-54%
Foreign trade payables	293 866	806 988	175%
Received, but not invoiced trade payables	-	394 774	100%
<b>Total trade liabilities</b>	<b>6 700 036</b>	<b>4 131 372</b>	<b>-38%</b>

Within the purchase of fuel, the share of purchases from related parties increased. Accordingly, trade payables decreased considerably, mainly due to reclassification into current liabilities to related companies.

### 6.2 Current liabilities to related companies

#### 6.2.1 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	100%
<b>Total current liabilities to related companies</b>	<b>-</b>	<b>2 291 526</b>	<b>100%</b>

### 6.2.2 Details of current liabilities to related companies

Description	Previous year	Reporting year	Change %
Trade payables	-	2 291 526	100%
<b>Total current liabilities to related companies</b>	-	<b>2 291 526</b>	<b>100%</b>

Liabilities to a related company which became a major fuel supplier in the reporting year was recognised.

### 6.3 Other current liabilities

Description	Previous year	Reporting year	Change %
Liabilities related to employees	90 902	100 593	11%
Value added tax	73 112	179 177	145%
Corporation tax	69 197	-	-100%
Income tax for energy suppliers	54 785	-	-100%
Personal income tax	82 750	22 266	-73%
Other taxes and similar payment obligations	85 938	20 131	-77%
Other	4 299	2 630	-39%
Pension contribution	54 845	14 890	-73%
Social contribution tax	146 620	31 782	-78%
Voluntary pension fund	20 949	11 073	-47%
<b>Total other current liabilities</b>	<b>663 397</b>	<b>362 522</b>	<b>-44%</b>

In addition to the higher amount of VAT settlement, the decrease in other current liabilities was the result of the change in staff-related taxes and contributions, which fell to normal level after the high level in the previous year caused by payments under terminations by mutual agreement due to redundancies.

## 7 Accrued expenses and deferred income

### 7.1 Accrued expenses

Description	Previous year	Reporting year	Change %
Purchased electric energy	231 751	-	-100%
Wages and contributions	205 561	226 981	10%
Water and sewage charge	34 969	-	-100%
Maintenance bills	14 270	-	-100%
Warden, cleaning	6 989	-	-100%
Audit fee	5 191	-	-100%
Electricity fee discount	3 000	2 000	-33%
Other accruals	65 303	-	-100%
<b>Total accrued expenses</b>	<b>567 034</b>	<b>228 981</b>	<b>-60%</b>

Except for staff-related items (wages and contributions, electricity fee discount), the other categories are included in trade payables, since these items were settled by the balance sheet preparation date.

## 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	5 436	794	-85%
<b>Total net sales revenue from related companies</b>	<b>5 436</b>	<b>794</b>	<b>-85%</b>

Prorated items incurred in 2017 before the sale of BE Optimum Kft.

#### 1.2 Net sales revenue by activity

Description	Previous year	Reporting year	Change %
Electricity	24 626 115	22 527 785	-9%
Sale of heat	22 849 387	20 955 726	-8%
Other revenue	831 741	507 423	-39%
<b>Total net sales revenue</b>	<b>48 307 243</b>	<b>43 990 936</b>	<b>-9%</b>

The revenue from the sale of electricity resulted from several factors: The volume sold increased; however, for lack of a contract with MVM, the whole volume was sold on the market under EFET contracts and on the HUPX at a lower average price.

The decrease in sale of heat is owing to the fall in the regulated price of the hot water product, which effect was only mitigated by the higher demand for heat due to the cold winter. Other revenue fell because there were no re-charged CO2 allowances in 2017.

### 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	6 389 334	15 882 687	149%
Goods exports	6 389 334	15 882 687	149%
Other	45	-	-100%
Services exports	45	-	-100%
<b>Total net export sales revenue</b>	<b>6 389 379</b>	<b>15 882 687</b>	<b>149%</b>

In 2017 we were able to sell the vast majority of our electricity generating capacity released due to the termination at the end of 2016 of the MVM electricity purchase contract – which was considered domestic – 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)	5 585 204	14 076 950	152%
Countries outside the EU	804 175	1 805 737	125%
<b>Total net export sales revenue</b>	<b>6 389 379</b>	<b>15 882 687</b>	<b>149%</b>

Our trading partner outside the EU was 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	2 345	658 649	27987%
Reversed amount of extraordinary depreciation of intangible and tangible assets	267 264	-	-100%
Use of provisions	-	1 090 559	100%
Other	1 311	432 572	32896%
Release of deferred income from CO2 allowances	801 981	451 928	-44%
Fines, penalties, storage charges, default interest, damage compensation received	746	269	-64%
Release of provisions	357 044	-	-100%
<b>Total other income</b>	<b>1 430 691</b>	<b>2 633 977</b>	<b>84%</b>

Sale of tangible assets increased due to the sale of the site in Révész utca. Use of provisions mainly comprised restructuring expenses and related staff costs. In 2017 the Company settled 264,802 tonnes allowances received from the state for 2016, the related THUF 451,928 deferred income was released.

### 2.2 Other expenses

Description	Previous year	Reporting year	Change %
Carrying amount of intangible and tangible assets sold	3 699	79 060	2037%
Extraordinary depreciation of intangible and tangible assets	4 537 568	-	-100%
Impairment on receivables	-	60 418	100%
Carrying amount of missing, destroyed and derecognised inventories	3 115	5 058	62%
Local business tax	346 759	217 102	-37%
Other	64 293	16	-100%
Settlement of CO2 allowances	801 981	451 928	-44%
Fines, penalties, storage charges, default interest, damage compensation	5 834	1 578	-73%
Provisioning	1 159 742	1 460 910	26%
Other taxes and similar payment obligations	938	806	-14%
Other local government taxes	187 196	191 376	2%
Environmental pollution charge	17 612	17 797	1%
Innovation contribution	52 014	32 565	-37%
Definitive liquid asset transfers	50 778	111 063	119%
<b>Total other expenses</b>	<b>7 231 529</b>	<b>2 629 677</b>	<b>-64%</b>

Impairment on receivables mainly comprises the debt of an electricity customer against which bankruptcy proceedings were launched. The carrying amount of tangible assets sold rose due to the carrying amount of the sold site in Révész utca. Other expenses decreased year on year, because no extraordinary depreciation was accounted for in the reporting year. Furthermore, provisions were recognised at a higher amount, composition is detailed in Section C 4.1.1. Settlement of emission allowances is the consequence of the decreasing value of the state allocation. Definitive liquid asset transfers increased due to the higher amount of sporting donations entitling to corporation tax allowance.

### 3 Material-type expenses

#### 3.1 Material costs

Description	Previous year	Reporting year	Change %
Gas fee	28 921 810	31 317 342	8%
Fuel oil	4 784	1 662	-65%
Other	119 893	83 899	-30%
Spare parts	229 147	49 718	-78%
Water charge and related contributions	108 444	148 559	37%
Purchased electric energy	167 820	210 200	25%
<b>Total material costs</b>	<b>29 551 898</b>	<b>31 811 380</b>	<b>8%</b>

Gas fees increased due to higher consumption and the higher average price of natural gas.

There was much lower need for spare parts in 2017 due to the new maintenance programme. Due to the higher production more water and purchased electricity was necessary, the price of which increased as compared with the previous year.

#### 3.2 Services used

Description	Previous year	Reporting year	Change %
Maintenance	462 870	481 563	4%
Telecommunications (telephone, internet)	25 563	22 018	-14%
Travel	5 978	3 354	-44%
Other services used	90 068	273 447	204%
Sewage charge and related contributions	166 849	184 395	11%
Balancing energy	112 877	173 331	54%
Support for IT equipment	41 589	45 833	10%
Operation services	127 175	43 347	-66%
Product pipe fee (MOL)	27 563	27 563	0%
Expert fees	146 647	186 856	27%
Cleaning, park maintenance	92 261	80 245	-13%
Training fees paid	16 598	11 817	-29%
Legal representation	51 826	45 114	-13%
Translation fees	16 795	13 828	-18%
Security service	74 317	46 328	-38%
Measurement technology services	20 421	11 872	-42%
Diagnostic test, laboratory test	65 887	81 933	24%
Audit fee	8 758	8 652	-1%
Revision of fire extinguishers	61 192	63 750	4%
Revision of other technical equipment	11 289	10 049	-11%
<b>Total services used</b>	<b>1 626 523</b>	<b>1 815 295</b>	<b>12%</b>

Services used rose slightly year on year. The revision of business processes required the use of expert and IT services for a significant amount.

#### 3.3 Cost of goods sold

Description	Previous year	Reporting year	Change %
Electricity	952 044	161 287	-83%
CO2	659 412	885 854	34%
Hot water	-	430 897	100%
Other	-	77 556	100%
<b>Total cost of goods sold</b>	<b>1 611 456</b>	<b>1 555 594</b>	<b>-3%</b>

The cost of goods sold of electricity decreased due to the significant fall in volume, in the reporting year the Company typically sold its own production. In contrast, as a new element we sold hot water acquired from external sources in a significant amount, and purchased CO2 allowances also increased due to the decreasing free allocation.

### 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	608 590	1 424 860	2 033 450
Other staff benefits	111 023	208 746	319 769
<b>Total</b>	<b>719 613</b>	<b>1 633 606</b>	<b>2 353 219</b>
Average number of staff	89	121	210

#### 4.2 Wage contributions by title

Title	Amount
Health care contribution	48 922
Social contribution tax	481 107
Benefit in kind	31 169
Vocational training contribution, rehabilitation contribution	12 049
<b>Total Wage contributions</b>	<b>573 247</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 %
Realised exchange gain	147 570	189 859	29%
Gain on forward transactions	282 231	1 496 505	430%
Unrealised exchange gain	-	18 431	100%
<b>Total other income from financial transactions</b>	<b>429 801</b>	<b>1 704 794</b>	<b>297%</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 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	802	51 296	6296%
<b>Total income from related companies accounted for as income from financial transactions</b>	<b>802</b>	<b>51 296</b>	<b>6296%</b>

Interest on deposits fixed at the parent company increased as compared with the previous year due to the longer term.

### 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	1 069 342	696 135	-35%
Interest on other loans	3 952	3 840	-3%
<b>Total interest payable (paid) and similar expenses</b>	<b>1 073 294</b>	<b>699 975</b>	<b>-35%</b>

Interest charged on the long-term loan from the parent company was lower due to the significant amount of repayment and the decreasing interest rate.

#### 6.2.2 Other expenses on financial transactions

Description	Previous year	Reporting year	Change %
Unrealised exchange loss	19 973	30 289	52%
Realised exchange loss	129 379	146 798	13%
Loss on forward transactions	2 411 439	262 121	-89%
<b>Total other expenses on financial transactions</b>	<b>2 560 791</b>	<b>439 208</b>	<b>-83%</b>

The result of hedges (FX forward and natural gas price swap) was favourable in the reporting year due to exchange rate and price development; expenses decreased significantly.

## 7 Tax liability

The Company had THUF 127,535 corporation tax payment liability for 2017. As from 2017, under Section (1) f) of Act LXXXI of 1996, THUF 500,000 allocated reserve for investment projects to be carried out in 2018 is taken into account as a deductible item for corporation tax purposes. Income tax for energy suppliers amounted to THUF 638,838.

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

The Company does not pay dividend from its 2017 profit.

## E. ADDITIONAL INFORMATION

### 1 Fees for services provided by the auditor

Description	Reporting year
Audit	8 652
Other assurance services	
Tax advisory services	
Other non-audit services	
<b>Total audit-related services</b>	<b>8 652</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	893 413	6 903 323	673%
Total import of goods	893 413	6 903 323	673%
Services	3 813 820	831 879	-78%
Total import of services	3 813 820	831 879	-78%
Total value of import purchases broken down by import of goods and import of services	4 707 233	7 735 202	64%
European Union (EU)	4 450 417	7 698 269	73%
Countries outside the EU	104 318	34 669	-67%
Other parts of the world	152 498	2 264	-99%
Total value of import purchases broken down by geographical segments	4 707 233	7 735 202	64%

An agreement was signed with a significant new foreign partner for natural gas purchases. With respect to services, the extent of import followed the maintenance timetable.

## 3 Derivative transactions

Derivative transactions 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	521 008
Payment guarantee	236 058

## 5 Tangible assets supporting environmental protection

GROSS VALUE	Amount
Opening balance	221 914
Increase	
Decrease	
Reclassification	
Other	
Closing balance	221 914
ACCUMULATED DEPRECIATION	Amount
Opening balance	206 176
Ordinary depreciation	724
Extraordinary depreciation	
Reversal of extraordinary depreciation	
Decrease	
Reclassification	
Other	
Closing balance	206 900
NET VALUE	Amount
Opening balance	15 738
Closing balance	15 014

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

## 6 Environmental protection liabilities

### Emission trading

2017 was the fifth 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 2017 was carried out in 2017 Q1 in accordance with the Allocation Table.

The carbon-dioxide emission of the Company's facilities totalled 790,494 tonnes in 2017. The emission of greenhouse gases is certified by an independent expert and reported to the authority by the end of March 2018, while emission units corresponding to the volume of emission are delivered by the end of April 2018 in accordance with legal regulations.

## 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 and to external auditors.

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 2017 there was no soil or groundwater contamination on the territory of the power plants. Of the remediations carried out previously, the authority declared the technical intervention at Kelenfold completed; in the case of Újpest the groundwater quality inspections 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.

## 8 Reconciling items

Calculation of the tax base is included in Appendix 8.

## 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

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

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

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

## 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.

## 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. 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 2017:

- 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 cogeneration licence holder's financial statements
- Kispeszt site, district heat generation licence holder's financial statements
- Kispeszt site, electricity cogeneration licence holder's financial statements
- Kelenfold site, district heat generation licence holder's financial statements
- Kelenfold site, electricity cogeneration 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 CO2 allowance received has not covered the emission any more, thus the CO2 settlement for 2016 and the deficit was distributed among the divisions which caused the emission.

### Division results

Effects that influenced the profitability of the individual divisions as compared with 2016:

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

#### Combined and not combined electricity generation

- The revenue from the sale of electricity resulted from several factors: The volume sold increased, however, for lack of a contract with MVM, the whole volume was sold on the market under EFET contracts and on the HUPX at a lower average price.

On the market of system-level services we did not manage to reach the level of revenue of the prior-year intensive secondary uses.

Kelenfold is an exception, where revenue increased due to the higher volume of system-level services as compared with the previous year.

The improved result is attributable mainly to the fact that no extraordinary depreciation was accounted for.

#### District heat generation

- Heat demand increased as compared with 2016 figure due to the colder weather.
- Effective from 1 October 2017 regulated heat prices decreased
- No extraordinary depreciation within other expenses.

#### Electricity trading

- While prices remained almost unchanged, the margin decreased due to lower volumes.

#### Other activities not requiring a licence

- Sale of tangible assets (Révész heating power plant) in 2017 increased profit.
- The steam division made losses in both years.



### 13 Assets, financial position, results of operations

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

### 14 Other information

As of 31 December 2008, Act LXX of 2008 terminated long-term electricity and capacity allocation agreements.

In accordance with legal regulations, the Hungarian Energy Office made the calculations for the repayment liability of prohibited state grants and for the value of investment projects not recoverable.

However, the European competition authority ordered to perform new calculations using a new methodology, as a result, it was established that the Company has no repayment obligation because the value of investment projects not recoverable exceeds significantly the amount of potential prohibited state grants.

In its Resolution 344/2010 the Hungarian Energy Office obliged the Company to present in detail the net cash flows attributable to LTA investment projects together with the principles and values of the distribution of the accounting items determining the cash flows, and to submit it to the Office until 31 March in each year. The Hungarian Energy Office calculates the value of the stranded costs according to the decree and the value of the eligible stranded costs every year, and prepares a summary account at the end of the compensation period. If, according to the summary account, the eligible stranded costs calculated on the basis of the actual data are less than the maximum stranded costs defined, then the Hungarian Energy Office will decide about the repayment of the state grant in a resolution.

In 2017 Budapesti Erőmű Zrt. fully met its data supply obligations. Similarly to the modifications of the previous years, the calculation was updated with the 2016 actual data. The difference between the stranded costs according to the decree (initial and periodic investments) and the eligible stranded costs (past and future cash flows) (frozen costs) exceeds considerably the amount of the state grant.

### F. Cash flow statement

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

Date and place: Budapest, 26/04/2018

\_\_\_\_\_  
Manager (representative) of the Company

Stamp

## 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	2 254 217	0	0	2 429 973
Increase			67 498			67 498
Decrease						0
Reclassification						0
Other						0
Closing balance	175 756	0	2 321 715	0	0	2 497 471
<b>Accumulated amortization</b>						
Opening balance	175 756	0	2 155 614	0	0	2 331 370
Amortization			75 763			75 763
Extraordinary amortization						0
Reversal of extraordinary amortization						0
Decrease						0
Reclassification						0
Other						0
Closing balance	175 756	0	2 231 377	0	0	2 407 133
<b>Opening balance</b>	0	0	98 603	0	0	98 603
<b>Closing balance</b>	0	0	90 338	0	0	90 338
<b>ADVANCES ON INTANGIBLE ASSETS</b>						
Opening balance						0
Closing balance						0
<b>Opening balance</b>	0	0	98 603	0	0	98 603
<b>Closing balance</b>	0	0	90 338	0	0	90 338

## 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	17 899 748	87 619 604	829 212	0	101 303	106 449 867
Capitalization	0	181 795	21 367		-203 162	0
Increase					109 869	109 869
Decrease	-905 815	-36 192	-82 836			-1 024 843
Reclassification					0	0
Other					0	0
Closing balance	16 993 933	87 765 207	767 744	0	8 010	105 534 893
<b>Accumulated depreciation</b>						
Opening balance	13 493 276	79 907 231	760 125	0	0	94 160 632
DEPRECIATION	166 895	1 494 501	46 170			1 707 566
Extraordinary depreciation						0
Reversal of extraordinary depreciation						0
Decrease	-842 863	-35 805	-67 115			-945 784
Reclassification						0
Other						0
Closing balance	12 817 308	81 365 927	739 180	0	0	94 922 414
<b>Opening balance</b>	4 406 472	7 712 373	69 087	0	101 303	12 289 235
<b>Closing balance</b>	4 176 625	6 399 280	28 564	0	8 010	10 612 479
<b>PAYMENTS ON ACCOUNT</b>						
Opening balance						0
Closing balance						0
<b>Opening balance</b>	4 406 472	7 712 373	69 087	0	101 303	12 289 235
<b>Closing balance</b>	4 176 625	6 399 280	28 564	0	8 010	10 612 479

Appendix 2.

Investments

1 Companies related through significant ownership interest

Name of entity	Address	Type of relationship	Interest (%)	Book value		Equity	Subscribed/Registered capital	Capital reserve	Profit reserve	Non-distributable reserve	Valuation reserve	Profit/loss after tax
				Long-term interest	Current assets							
Köszvényes Kft	1107, Budapest Felső u. 2.	associate	25%	110 802	-	416 154	828 000	-	639 544	-	-	620 202
Company related through significant ownership interest												

## Appendix 4.

## Equity movement schedule

	31/12/2016	Subscribed / Registered capital	Subscribed / Registered, but unpaid capital	Capital reserve	Profit reserve	Non-distributable reserve	Valuation reserve	Profit/loss after tax	TOTAL
Opening balance	3 591 628	0	43 748	-3 609 621	2 400 000	0	298 400	2 724 155	
Increase in subscribed / registered capital								0	
Decrease in subscribed / registered capital								0	
Transformation								0	
Additional payments								0	
Additional payments for loss								0	
Repayment of additional payments for loss								0	
Offset negative profit reserve								0	
Increase in non-distributable reserve								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								0	
Approved dividends and profit shares								0	
Upwards revaluation								0	
Transfer of profit/loss after tax				298 400				-298 400	
Retained profit for the year								3 628 128	
Closing balance	3 591 628	0	43 748	-3 811 221	2 900 000	0	3 628 128	6 352 283	

## Appendix 5.

## Non-distributable reserve

	Opening balance	Increase	Decrease	Closing balance
Increase of subscribed / registered capital from non-distributable reserve				0
Decrease of subscribed / registered capital to non-distributable reserve				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
Net book value of capitalised value of formation and transformation, research and development				0
Amount of difference between accrued unrealised exchange losses on FX debts and the related provisions				0
Voted amount of additional capital contribution payable to provide coverage for losses				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
Other amounts reclassified from profit reserve based on other regulations or the decision of the entity		500 000		500 000
<b>Reclassification from profit reserve</b>	<b>0</b>	<b>500 000</b>	<b>0</b>	<b>500 000</b>
Repayable part of assets obtained based on regulations in case of non-compliance				0
Other amounts reclassified from capital reserve based on other regulations or the decision of the entity				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
Non-distributable reserve used to compensate for negative retained earnings resulting from losses				0
<b>Other movements</b>	<b>2 400 000</b>	<b>0</b>	<b>0</b>	<b>2 400 000</b>
<b>Non-distributable reserve</b>	<b>2 400 000</b>	<b>500 000</b>	<b>0</b>	<b>2 900 000</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 or profit or loss (fair value)	Impact on profit or loss for the current year	Expected cash flow effect	Impact on the cash-flow for the current year
EUR/HUF forward	purchase	Forward	hedge deal	delivery purpose	non-stock exchange deal	02.01.2018-18.10.2018		14 834	-	14 834	-
Natural gas swap		Swap	hedge deal	clearing purpose	non-stock exchange deal	01.01.2018-31.12.2018		1 805 968	-	1 805 968	-
<b>Total</b>								<b>1 820 802</b>	<b>-</b>	<b>1 820 802</b>	<b>-</b>

## 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	Impact on profit or loss for the current year	Cash flow effect	Impact on the cash-flow for the current year
EUR/HUF forward	purchase	Forward	hedge deal	delivery purpose	non-stock exchange deal	-	192 600	-	192 600
Natural gas swap		Swap	hedge deal	clearing purpose	non-stock exchange deal		1 426 984	1 426 984	1 426 984
<b>Total</b>						<b>-</b>	<b>1 234 384</b>	<b>1 234 384</b>	<b>1 234 384</b>

## Appendix 7.

## Hazardous waste

Hazard classification		Opening balance	Written-down and write-back	Increase	Decrease	Closing balance
Substances contaminated with oil, tar	Quantity			65 777	(65 777)	0
	Value					0
Electronic waste, substances contaminated with asbestos, mercury	Quantity			114	(114)	0
	Value					0
Contaminated soil	Quantity					0
	Value					0
Other contaminated substances	Quantity			2 939	(2 939)	0
	Value					0
	Total	0	0	-	-	0



**Appendix 8.****Corporate income tax calculation****1 Income tax calculation**

Description	Corporate income tax
Profit or loss before tax	4 394 129
<b>Tax base increasing items</b>	
Provision made	1 460 910
Depreciation expense according to Hungarian Accounting Law, disposal of tangible assets and intangible assets	1 862 388
Costs and expenses not incurred in the interest of the business activity	6 446
Fine, expenses arising from sanctions prescribed by law	353
Debts cancelled, if the debts are not treated as irrecoverable	60 418
Under-capitalisation	311 806
<b>Tax base decreasing items</b>	
Utilization of tax loss carry-forward	- 2 406 290
Provision used, released	- 1 090 559
Depreciation deductible for corporate income tax purposes	- 1 352 486
Development reserve	- 500 000
The amount accounted for as an increase in income, capitalised value of own performance or as a reduction in costs, expenses in the course of a tax audit or self-revision	- 337 695
Grant to public benefit organization	- 3 130
<b>Tax base</b>	<b>2 406 290</b>
Tax rate	9%
<b>Calculated tax</b>	<b>216 566</b>
Correction (2016)	- 334
Team sport, cinematographic works and performers subsidy	- 89 031
<b>Tax liability for the current year</b>	<b>127 201</b>
<b>Profit or loss before tax</b>	<b>4 394 129</b>
<b>Total tax liability for the current year</b>	<b>766 001</b>
<b>Profit or loss after tax</b>	<b>3 628 128</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.

**3 Carry-forward balance of tax loss**

Year when incurred	Maturity date	Total	Other conditions
2008	2025	4 919 351	
2009	2025	1 332 771	
2011	2025	2 731 290	
2013	2025	10 327	
2014	2025	34 652	
		<b>9 028 391</b>	

## Appendix 9.

## Transactions with related parties

Transaction type	Type of relationship	Transaction value	Other information necessary to evaluate the transaction
Loans received	Parent company	696 135	Interest on the loan disbursed by EP Energy a.s. The value of the loan as at the reporting date is THUF 9,000,000. It matures on 31 January 2020 and bears fixed interest.
Loans granted	Parent company	51 296	Interest on the loan disbursed by the Company to EP Energy a.s.
Insurance premiums	Parent company	255 083	Annual insurance premium (machine brokerage and business interruption).
Rentals	Subsidiary	794	Fees invoiced to BE-Optimum Kft.
Fuel supply contract	other related party	5 549 965	Gas fee and related fees

## 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	$\frac{\text{Trading profit}}{\text{Net sales revenue}}$	$\frac{\text{Er. A}}{\text{Er. I.}}$	7,62%	8,59%
Net equity effectiveness	$\frac{\text{Profit after tax}}{\text{Equity}}$	$\frac{\text{Er. F}}{\text{D.}}$	10,95%	57,12%
Net equipment effectiveness	$\frac{\text{Profit after tax}}{\text{Total assets}}$	$\frac{\text{Er. F}}{\text{A+B+C}}$	1,07%	14,47%

**2 Financial indicators**

Description	Calculation method	Balance Sheet reference	Previous year	Current year
Liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\text{B}}{\text{F.III.}}$	1,99	2,09
Liquidity quick ratio	$\frac{\text{Liquid assets + Securities + Receivables}}{\text{Current liabilities}}$	$\frac{\text{B.IV.+B.III.+B.II.}}{\text{F.III.}}$	1,58	1,60
Cash liquidity ratio	$\frac{\text{Liquid assets + Securities}}{\text{Current liabilities}}$	$\frac{\text{B.IV.+B.III.}}{\text{F.III.}}$	0,08	0,56
Net working capital	Current assets – Current liabilities	B – F.III.	7 326 802	7 447 354
Receivables (in days)	$\frac{\text{Closing receivables}}{\text{Daily average revenue}}$	$\frac{\text{B.II.1.}}{\text{Er.I./365}}$	35,55	48,09
Inventories (goods) (in days)	$\frac{\text{Closing inventories (goods)}}{\text{Daily average cost of goods sold}}$	$\frac{\text{B.I.5.}}{\text{Er.IV.8/365}}$	282,90	231,56

### 3 Property and capital structure

Description	Calculation method	Balance Sheet reference	Previous year	Current year
Capital structure ratio	$\frac{\text{Equity}}{\text{Liabilities}}$	$\frac{D}{F}$	0,12	0,40
Equity - Subscribed / Registered capital ratio	$\frac{\text{Equity}}{\text{Subscribed / Registered capital}}$	$\frac{D}{D.I.}$	0,76	1,77
Fixed assets coverage by equity	$\frac{\text{Fixed assets}}{\text{Equity}}$	$\frac{A}{D}$	4,68	1,70
Property structure	$\frac{\text{Fixed assets}}{\text{Current assets}}$	$\frac{A}{B}$	0,87	0,76
Fixed assets coverage	$\frac{\text{Fixed assets}}{\text{Total assets}}$	$\frac{A}{A+B+C}$	45,55%	43,16%

### 4 Cost structure

Description	Previous year		Current year	
	Amount	%	Amount	%
Net sales revenue	48 307 243	-	43 990 935	-
Changes in self-manufactured inventories	0	-	0	-
Capitalised value of self-manufactured assets	196 667	-	709	-
Gross revenue	48 503 910	-	43 991 644	-
Other income	1 430 691	-	2 633 977	-
<b>Total income</b>	<b>49 934 601</b>	<b>100,00%</b>	<b>46 625 621</b>	<b>100,00%</b>
Material costs	29 551 898	59,18%	31 811 380	68,23%
Services used	1 626 523	3,26%	1 815 295	3,89%
Other services	333 560	0,67%	326 664	0,70%
Cost of goods sold	1 611 456	3,23%	1 555 594	3,34%
Services sold (mediated)	0	0,00%	0	0,00%
<b>Material-type expenses</b>	<b>33 123 437</b>	<b>66,33%</b>	<b>35 508 933</b>	<b>76,16%</b>
Wage costs	2 233 717	4,47%	2 033 450	4,36%
Other staff benefits	588 391	1,18%	319 769	0,69%
Wage contributions	807 213	1,62%	573 247	1,23%
<b>Staff costs</b>	<b>3 629 321</b>	<b>7,27%</b>	<b>2 926 466</b>	<b>6,28%</b>
Depreciation	2 269 418	4,54%	1 783 329	3,82%
Other expenses	7 231 529	14,48%	2 629 677	5,64%
<b>Total expenses</b>	<b>46 253 705</b>	<b>92,63%</b>	<b>42 848 405</b>	<b>91,90%</b>
<b>Trading profit</b>	<b>3 680 896</b>	<b>7,37%</b>	<b>3 777 216</b>	<b>8,10%</b>

## Appendix 11.

Cash-flow statement

	01/01/2016 - 31/12/2016	01/01/2017 - 31/12/2017
<b>I. Variation in cash-flow from operations (Operating cash-flow) (Rows: 1-18)</b>	<b>2 479 181</b>	<b>8 532 029</b>
1 Profit or loss before tax ±	478 701	4 394 129
2 Amortisation +	2 269 418	1 783 329
3 Impairment loss and reversal ±	4 282 342	60 418
4 Difference between the creation and usage of provisions ±	802 698	370 350
5 Gain or loss on sale of fixed assets ±	1 354	-579 589
6 Unrealised foreign exchange difference ±	0	0
7 Change in trade payables ±	1 496 892	-2 568 664
8 Change in short-term liabilities ±	275 955	1 990 651
9 Change in income accruing for future periods, accrued expenses and deferred	-1 126 924	-359 572
10 Change in trade receivables ±	-356 516	-1 141 047
11 Change in current assets (excluding trade receivables and liquid assets) ±	-5 354 339	4 805 941
12 Change in accrued income, prepayments and deferred expenses ±	-110 099	542 084
17 Tax paid or payable (on profit) -	-180 301	-766 001
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>-1 014 282</b>	<b>735 822</b>
19 Purchase of fixed assets -	-1 016 827	-177 367
20 Sale of fixed assets +	2 545	913 189
21 Dividends and profit-sharing received +	0	0
<b>III. Variation in cash-flow from financial transactions (Financial cash-flow) (Rows:24-36)</b>	<b>-1 017 136</b>	<b>-6 000 000</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 +	1 484	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 -	-3 418 620	-6 000 000
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	2 400 000	0
<b>IV. Change in liquid assets (±I±II±III.) ±</b>	<b>447 763</b>	<b>3 267 851</b>
Opening balance of liquid assets	117 938	565 701
Self-revision		0
Closing balance of liquid assets	565 701	3 833 552

## Appendix 12.

Calculation of income tax on energy suppliers1 Income tax calculation

Description	Income tax on energy suppliers
Profit or loss before tax	4 394 129
Tax base increasing items	
Provisions recognised	1 460 907
Tax base decreasing items	
The amount accounted for as an increase in income, capitalised value of own performance or as a reduction in costs, expenses in the course of a tax audit or self-revision	- 337 696
Use of provisions	- 1 090 488
Other tax base decreasing item	- 451 928
Total	3 974 924
Revenue of activities originating tax liability	22 806 767
Total revenue	43 990 935
Ratio	52%
Tax base	2 060 769
Tax rate	31%
Calculated tax	638 838
2016 adjustment	- 38
Tax liability for the current year	638 800

## Reports by activity

BUDAPESTI ERŐMŰ ZRT. 31.12.2017		Generation of electricity	Electric energy trade	Other activity	Elimination	Company total
<b>BALANCE SHEET Assets</b>						
A.	Fixed assets	7 079 928	0	3 741 507		10 821 435
I.	Intangible assets	61 214	0	29 124		90 338
II.	Tangible assets	7 018 714	0	3 593 765		10 612 479
III.	Investments	0	0	118 618		118 618
B.	Current assets	8 043 697	75 679	6 133 398		14 252 774
I.	Inventories	1 418 359	0	1 913 006		3 331 365
II.	Receivables	3 621 890	50 204	3 415 763		7 087 857
III.	Securities	0	0	0		0
IV.	Liquid assets	3 003 448	25 475	804 629		3 833 552
C.	Deferred expenses and accrued income	0	0	0		0
Total assets:		15 123 625	75 679	9 874 905		25 074 209
<b>BALANCE SHEET Equity and liabilities</b>						
D.	Shareholders' equity	5 084 240	45 650	1 222 383		6 352 283
I.	SUBSCRIBED CAPITAL	2 349 824	0	1 241 804		3 591 628
II.	Subscribed, but unpaid capital (-)	0	0	0		0
III.	CAPITAL RESERVE	28 622	0	15 126		43 748
IV.	RETAINED EARNINGS	-1 834 021	20 751	-1 997 951		-3 811 221
V.	Non-distributable reserve	1 897 326	0	1 002 674		2 900 000
VI.	Valuation reserve	0	0	0		0
VII.	Profit/Loss after tax	2 642 489	24 909	960 730		3 628 128
E.	Provisions	774 445	0	1 477 167		2 251 612
F.	Liabilities	9 127 210	30 019	6 648 191		15 805 420
I.	Subordinated liabilities	0	0	0		0
II.	Long-term liabilities	5 954 960	0	3 045 040		9 000 000
III.	Current liabilities	3 172 250	30 019	3 603 151		6 805 420
G.	Accrued expenses and deferred income	137 730	0	527 164		664 894
Total equity and liabilities:		15 123 625	75 679	9 874 905		25 074 209
<b>INCOME STATEMENT</b>						
f.	Net sales revenue	22 624 851	190 319	21 380 022	-204 257	43 990 935
II.	Own performance capitalised	709	0	0		709
III.	Other income	637 250	967	1 995 760		2 633 977
IV.	Material-type expenses	16 316 531	161 939	19 234 720	-204 257	35 508 933
V.	Staff costs	1 726 955	0	1 199 511		2 926 466
VI.	Depreciation/Amortisation	1 223 660	0	559 669		1 783 329
VII.	Other expenses	957 252	689	1 671 736		2 629 677
A.	Operating profit/loss (I+II+III-IV-V-VI-VII)	3 038 412	28 658	710 146	0	3 777 216
VIII.	Income from financial transactions	766 375	237	989 484		1 756 096
IX.	Expenses on financial transactions	603 306	0	535 877		1 139 183
B.	Profit/Loss on financial transactions (VIII-IX)	163 069	237	453 607	0	616 913
C.	Profit/Loss before tax (A+B)	3 201 481	28 895	1 163 753	0	4 394 129
X.	Tax liability	558 992	3 986	203 023		766 001
D.	Profit/Loss after tax (C-X)	2 642 489	24 909	960 730	0	3 628 128

