



**Independent Auditors' Report
issued on the 2014 Annual Report
and Business Report
of EDF DÉMÁSZ Zrt.**

**This is an English translation of the statutory Annual Report and the Business Report, and the
Independent Auditors' Report thereon issued in Hungarian. In case of any differences, the
Hungarian language original prevails.**





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This is an English translation of the Independent Auditors' Report on the 2014 statutory Annual Report of EDF DÉMÁSZ Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory Annual Report it refers to. This translation has been prepared solely for the information of the shareholders of EDF DÉMÁSZ Zrt. and must not be distributed to any other party.

Independent Auditors' Report

To the shareholder of EDF DÉMÁSZ Zrt.

Report on the Annual Report

We have audited the accompanying 2014 annual report of EDF DÉMÁSZ Zrt. (hereinafter referred to as "the Company"), which comprises the balance sheet as at 31 December 2014, which shows total assets of MHUF 144,383 and retained earnings for the year of MHUF 0, and the income statement for the year then ended, and supplementary notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Annual Report

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

Auditors' Responsibility

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the annual report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

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

Opinion

In our opinion, the annual report gives a true and fair view of the financial position of EDF DÉMÁSZ Zrt. as at 31 December 2014, and of its financial performance for the year then ended in accordance with the provisions of the Hungarian Act on Accounting.





Report on the Business Report

We have audited the accompanying 2014 business report of EDF DÉMÁSZ Zrt..

Management is responsible for the preparation of the business report in accordance with the provisions of the Hungarian Act on Accounting. Our responsibility is to assess whether this business report is consistent with the annual report prepared for the same business year. Our work with respect to the business report was limited to the assessment of the consistency of the business report with the annual report, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

In our opinion, the 2014 business report of EDF DÉMÁSZ Zrt. is consistent with the data included in the 2014 annual report of EDF DÉMÁSZ Zrt.

Review Report on Compliance with Other Requirements

We have reviewed the separate balance sheet and income statement (hereinafter referred to as "Statement") of EDF DÉMÁSZ Zrt. (hereinafter referred to as "the Company") as an electricity enterprise and natural gas enterprise as of 31 December 2014 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, and Act XL of 2008 on Natural Gas Supply and Government Decree 19/2009 (I.30.) on the implementation of provisions thereof (hereinafter together referred to as "Regulations"). Our responsibility is to provide a report on the Statement based on the review.

Scope of Review

We conducted our review based on the 2410 Hungarian Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The Review of the Statement primarily consists of seeking information of persons responsible for financial and accounting issues, as well as applying analytical and other review procedures. The scope of a review is significantly narrower than an audit conducted in accordance with standards on auditing, and therefore it does not enable us to obtain assurance that we have identified all significant matters which would possibly have been identified during an audit. Accordingly, we do not express an audit opinion on the Statement.

Conclusion

On the basis of our review we became aware of no fact indicating 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, 28 May 2015

KPMG Hungária Kft.

Registration number: 000202

Szabó Péter

Szabó Péter

Partner, Professional Accountant

Registration number: 005301





EDF DÉMÁSZ ZÁRTKÖRŰEN MŰKÖDŐ
RÉSZVÉNYTÁRSASÁG

ANNUAL REPORT

2014

EDF DÉMÁSZ Zrt.

Statistical code: 10734441-3514-114-06

Registration number: 06-10-000056

Balance sheet (Assets)

Data in HUF million

| | Description | PREVIOUS YEAR 31.12.2013 | REPORTING YEAR 31.12.2014 |
|-----|---|-----------------------------|------------------------------|
| a | b | c | d |
| 1. | A. FIXED ASSETS (rows 2+10+18) | 121 920 | 118 192 |
| 2. | I. INTANGIBLE ASSETS (rows 3-9) | 1 818 | 1 532 |
| 3. | I/1. Capitalised value of formation and transformation | 0 | 0 |
| 4. | I/2. Capitalised value of research and development | 0 | 0 |
| 5. | I/3. Rights and concessions | 1 812 | 1 528 |
| 6. | I/4. Intellectual property | 6 | 4 |
| 7. | I/5. Goodwill | 0 | 0 |
| 8. | I/6. Advances on intangible assets | 0 | 0 |
| 9. | I/7. Upwards revaluation of intangible assets | 0 | 0 |
| 10. | II. TANGIBLE ASSETS (rows 11-17) | 7 167 | 6 575 |
| 11. | II/1. Land and buildings and related rights and concessions | 6 491 | 6 013 |
| 12. | II/2. Plant, equipment, machinery, vehicles | 50 | 39 |
| 13. | II/3. Other equipment, fittings, vehicles | 466 | 464 |
| 14. | II/4. Breeding animals | 0 | 0 |
| 15. | II/5. Assets under construction, renovations | 160 | 59 |
| 16. | II/6. Payments on account | 0 | 0 |
| 17. | II/7. Upwards revaluation of tangible assets | 0 | 0 |
| 18. | III. INVESTMENTS (rows 19-25) | 112 935 | 110 085 |
| 19. | III/1. Long-term interests in related companies | 107 469 | 107 421 |
| 20. | III/2. Long-term loans to related companies | 5 400 | 2 600 |
| 21. | III/3. Other long-term interests | 5 | 5 |
| 22. | III/4. Long-term loans to affiliated companies | 0 | 0 |
| 23. | III/5. Other long-term loans | 61 | 59 |
| 24. | III/6. Long-term debt securities | 0 | 0 |
| 25. | III/7. Upwards revaluation of investments | 0 | 0 |

Statistical code: 10734441-3514-114-06

Registration number: 06-10-000056

Balance sheet (Assets)

Data in HUF million

| | Description | PREVIOUS YEAR 31.12.2013 | REPORTING YEAR 31.12.2014 |
|-----|---|-----------------------------|------------------------------|
| a | b | c | d |
| 26. | B. CURRENT ASSETS (rows 27+34+40+45) | 28 762 | 19 852 |
| 27. | I. INVENTORIES (rows 28-33) | 483 | 370 |
| 28. | I/1. Raw materials and consumable goods | 483 | 370 |
| 29. | I/2. Work in progress and semi-finished goods | 0 | 0 |
| 30. | I/3. Young, fattened and other livestock | 0 | 0 |
| 31. | I/4. Finished goods | 0 | 0 |
| 32. | I/5. Goods | 0 | 0 |
| 33. | I/6. Advances on inventories | 0 | 0 |
| 34. | II. RECEIVABLES (rows 35-39) | 25 931 | 18 106 |
| 35. | II/1. Trade receivables | 10 557 | 7 943 |
| 36. | II/2. Receivables from related companies | 13 890 | 9 620 |
| 37. | II/3. Receivables from affiliated companies | 0 | 0 |
| 38. | II/4. Bills receivable | 0 | 0 |
| 39. | II/5. Other receivables | 1 484 | 543 |
| 40. | III. SECURITIES (rows 41-44) | 1 | 1 |
| 41. | III/1. Interests in related companies | 0 | 0 |
| 42. | III/2. Other interests | 1 | 1 |
| 43. | III/3. Treasury shares, business shares | 0 | 0 |
| 44. | III/4. Debt securities held for trading | 0 | 0 |
| 45. | IV. LIQUID ASSETS (rows 46-47) | 2 347 | 1 375 |
| 46. | IV/1. Petty cash, cheques | 0 | 0 |
| 47. | IV/2. Bank deposits | 2 347 | 1 375 |
| 48. | C. DEFERRED EXPENSES AND ACCRUED INCOME (rows 49-51) | 7 875 | 6 339 |
| 49. | 1. Accrued income | 7 655 | 6 266 |
| 50. | 2. Prepayments | 220 | 73 |
| 51. | 3. Deferred expenses | 0 | 0 |
| 52. | TOTAL ASSETS (rows 1+26+48) | 158 557 | 144 383 |

Statistical code: 10734441-3514-114-06

Registration number: 06-10-000056

BALANCE SHEET (Equity and Liabilities)

Data in HUF million

| | Description of the item | PREVIOUS YEAR 31.12.2013 | REPORTING YEAR 31.12.2014 |
|-----|---|-----------------------------|------------------------------|
| a | b | c | d |
| 53. | D. SHAREHOLDER'S EQUITY (rows 54+56+57+58+59+60+61) | 122 016 | 118 529 |
| 54. | I. SUBSCRIBED CAPITAL | 37 029 | 37 029 |
| 55. | of which: a. repurchased ownership shares at face value | 0 | 0 |
| 56. | II. SUBSCRIBED, BUT UNPAID CAPITAL (-) | 0 | 0 |
| 57. | III. CAPITAL RESERVE | 4 066 | 4 066 |
| 58. | IV. RETAINED EARNINGS | 80 921 | 77 434 |
| 59. | V. NON-DISTRIBUTABLE RESERVE | 0 | 0 |
| 60. | VI. VALUATION RESERVE | 0 | 0 |
| 61. | VII. RETAINED PROFIT/LOSS FOR THE YEAR | 0 | 0 |
| 62. | E. PROVISIONS (rows 63-65) | 1 789 | 1 456 |
| 63. | 1. Provisions for expected liabilities | 1 789 | 1 456 |
| 64. | 2. Provisions for future costs | 0 | 0 |
| 65. | 3. Other provisions | 0 | 0 |
| 66. | F. LIABILITIES (rows 67+71+80) | 26 070 | 16 520 |
| 67. | I. SUBORDINATED LIABILITIES (rows 68-70) | 0 | 0 |
| 68. | 1. Subordinated liabilities to related companies | 0 | 0 |
| 69. | 2. Subordinated liabilities to affiliated companies | 0 | 0 |
| 70. | 3. Subordinated liabilities to other entities | 0 | 0 |
| 71. | II. LONG-TERM LIABILITIES (rows 72-79) | 0 | 0 |
| 72. | 1. Long-term borrowings | 0 | 0 |
| 73. | 2. Convertible bonds | 0 | 0 |
| 74. | 3. Debts on the issuance of bonds | 0 | 0 |
| 75. | 4. Investment and development loans | 0 | 0 |
| 76. | 5. Other long-term loans | 0 | 0 |
| 77. | 6. Long-term liabilities to related companies | 0 | 0 |
| 78. | 7. Long-term liabilities to affiliated companies | 0 | 0 |
| 79. | 8. Other long-term liabilities | 0 | 0 |
| 80. | III. CURRENT LIABILITIES (rows 81-89) | 26 070 | 16 520 |
| 81. | 1. Short-term borrowings | 0 | 0 |
| 82. | Of which: convertible bonds | 0 | 0 |
| 83. | 2. Short-term loans | 0 | 194 |
| 84. | 3. Advances from customers | 7 | 18 |
| 85. | 4. Trade liabilities | 3 430 | 2 628 |
| 86. | 5. Bills payable | 0 | 0 |
| 87. | 6. Current liabilities to related companies | 18 139 | 9 332 |
| 88. | 7. Current liabilities to affiliated companies | 0 | 0 |
| 89. | 8. Other current liabilities | 4 494 | 4 348 |
| 90. | G. ACCRUED EXPENSES AND DEFERRED INCOME (rows 91-93) | 8 682 | 7 878 |
| 91. | 1. Income accruing for future periods | 22 | 9 |
| 92. | 2. Accrued expenses | 8 072 | 7 414 |
| 93. | 3. Deferred income | 588 | 455 |
| 94. | TOTAL EQUITY AND LIABILITIES (rows 53+62+66+90) | 158 557 | 144 383 |

Szeged, 28 May 2015

EDF DÉMÁSZ Zrt.
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 Eric MANSUY
 Chairman and CEO

EDF DÉMÁSZ Zrt.

Statistical code: 10734441-3514-114-06

Registration number: 06-10-000056

INCOME STATEMENT VERSION "A"

Data in HUF million

| | Description | PREVIOUS YEAR 2013 | REPORTING YEAR 2014 |
|------|---|-----------------------|------------------------|
| a | b | c | d |
| 01. | Net domestic sales revenue | 119 606 | 102 166 |
| 02. | Net external sales revenue | 4 022 | 1 127 |
| I. | NET SALES REVENUE (01.+02.) | 123 628 | 103 293 |
| 03. | Change in self-manufactured inventories | 0 | 0 |
| 04. | Capitalised value of self-manufactured assets | 67 | 6 |
| II. | OWN PERFORMANCE CAPITALISED (03+04) | 67 | 6 |
| III. | OTHER INCOME | 2 458 | 1 939 |
| | Of which: reversed impairment | 717 | 753 |
| 05. | Material costs | 295 | 252 |
| 06. | Services used | 3 502 | 3 124 |
| 07. | Other services | 900 | 755 |
| 08. | Cost of goods sold | 78 215 | 61 125 |
| 09. | Services sold (mediated) | 30 357 | 27 465 |
| IV. | MATERIAL-TYPE EXPENSES (05+06+07+08+09) | 113 269 | 92 721 |
| 10. | Wage costs | 2 517 | 2 280 |
| 11. | Other staff benefits | 1 268 | 812 |
| 12. | Wage contributions | 1 044 | 811 |
| V. | STAFF COSTS (10+11+12) | 4 829 | 3 903 |
| VI. | DEPRECIATION | 1 687 | 1 272 |
| VII. | OTHER EXPENSES | 4 312 | 2 787 |
| | Of which: impairment | 1 134 | 1 086 |
| A. | OPERATING PROFIT/LOSS (I+II+III-IV-V-VI-VII) | 2 056 | 4 555 |

INCOME STATEMENT VERSION "A"

Data in HUF million

| | Description | PREVIOUS YEAR 2013 | REPORTING YEAR 2014 |
|-------|---|-----------------------|------------------------|
| a | b | c | d |
| 13. | Dividends and profit shares received (due) | 503 | 37 |
| | Of which: from related companies | 503 | 37 |
| 14. | Exchange gains from the sale of interests | 0 | 0 |
| | Of which: from related companies | 0 | 0 |
| 15. | Interest and exchange gains on investments | 0 | 0 |
| | Of which: from related companies | 0 | 0 |
| 16. | Other interest received (due) and similar income | 1 182 | 507 |
| | Of which: from related companies | 1 153 | 500 |
| 17. | Other income from financial transactions | 575 | 697 |
| VIII. | INCOME FROM FINANCIAL TRANSACTIONS (13+14+15+16+17) | 2 260 | 1 241 |
| 18. | Exchange losses on investments | 0 | 0 |
| | Of which: to related companies | 0 | 0 |
| 19. | Interest paid and similar expenses | 78 | 40 |
| | Of which: to related companies | 53 | 27 |
| 20. | Impairment on interests, securities and bank deposits | 733 | 0 |
| 21. | Other expenses on financial transactions | 521 | 605 |
| IX. | EXPENSES ON FINANCIAL TRANSACTIONS (18+19+20+21) | 1 332 | 645 |
| B. | PROFIT/LOSS ON FINANCIAL TRANSACTIONS (VIII-IX) | 928 | 596 |
| C. | PROFIT/LOSS ON ORDINARY ACTIVITIES (A+B) | 2 984 | 5 151 |
| X. | EXTRAORDINARY INCOME | 134 | 1 475 |
| XI. | EXTRAORDINARY EXPENSES | 410 | 1 742 |
| D. | EXTRAORDINARY PROFIT/LOSS (X-XI) | -276 | -267 |
| E. | PROFIT/LOSS BEFORE TAX (C+D) | 2 708 | 4 884 |
| XII. | TAX LIABILITY | 1 026 | 2 071 |
| F. | PROFIT/LOSS AFTER TAX (E-XII) | 1 682 | 2 813 |
| 22. | Use of retained earnings for dividends, profit shares | 11 818 | 3 487 |
| 23. | Approved dividends and profit shares | 13 500 | 6 300 |
| G. | RETAINED PROFIT/LOSS FOR THE YEAR (F+22-23) | 0 | 0 |

Szeged, 28 May 2015

EDF DÉMÁSZ Zrt.
P10


Eric MANSUY
Chairman and CEO



SUPPLEMENT

2014

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I. GENERAL

1. Company Profile

1.1. General data of the Company

| | |
|--|---|
| Name of company: | EDF DÉMÁSZ Zrt. (hereinafter referred to as: Company) |
| Registered office: | 6720 Szeged, Klauzál tér 9. |
| Date of the Company's Articles of Association: | 31 December 1991 |
| Number and date of last registration by the Court of Registration: | Registration Court of the Municipal Court of Szeged Cg. 06-10-000056/317. 18.12.2014 |
| Subscribed capital: | HUF 37,029,110,000 |
| Duration of the Company: | unlimited |
| Financial year: | corresponds to the calendar year |
| Name and address of auditors: | KPMG Hungária Kft. 1134 Budapest, Váci út 31. |
| Name of auditor: | Péter Szabó |
| Chamber registration number: | 005301 |
| Name and chamber registration number of the person responsible for directing bookkeeping-related tasks: | Ágnes Csőke 176911 |
| Place of publication for Company announcements: | the Company's website |
| Person(s) authorised to represent the Company: | Eric Mansuy (from 01.12.2014) |
| Position of person(s) authorised to represent the Company: | Chairman-CEO |
| Scope of activities: | 3514 Electricity trading - core activity |
| Parent company: | EDF International S.A. Tour EDF, 20. place de la Défense 92050 Paris |
| Name and registered office of the parent company preparing consolidated annual report | EDF S.A 22-30 Avenue de Wagram 75008 Paris |
| Name and registered office of the entity compiling the consolidated annual report for the largest unit in Group in which the Company is included as a subsidiary: | EDF S.A 22-30 Avenue de Wagram 75008 Paris |
| Name and registered office of the entity compiling the consolidated annual report for the smallest unit in Group in which the Company is included as a subsidiary: | EDF S.A 22-30 Avenue de Wagram 75008 Paris |
| The consolidated annual report is available for inspection at: | EDF DÉMÁSZ Zrt. 6720 Szeged, Klauzál tér 9. |
| The annual report is available on the Internet at: | www.edfdemasz.hu |

The Board of Directors of EDF DÉMÁSZ Zrt. as the founder of EDF DÉMÁSZ Hálózati Elosztó Kft., DÉMÁSZ PRIMAVILL Kft. and EDF DÉMÁSZ Partner Kft. made a decision on the merger of DÉMÁSZ PRIMAVILL Kft. and EDF DÉMÁSZ Partner Kft. into EDF DÉMÁSZ Hálózati Elosztó Kft.

The Court of Registration of the Municipal Court of Szeged registered the merger of EDF DÉMÁSZ Partner Kft. and DÉMÁSZ PRIMAVILL Kft. into EDF DÉMÁSZ Hálózati Elosztó Kft. by its Resolution 06-09-010805/82. Date of transformation: 31 January 2014.

Under the provisions of the Act on Accounting the Company must be audited.

The ownership structure of EDF DÉMÁSZ Zrt. is presented in the table below:

| | Number of shares | | Nominal value (HUF million) | | Interest (%) | |
|------------------------|------------------|------------------|-----------------------------|---------------|---------------|---------------|
| | 31.12.2013 | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 | 31.12.2014 |
| EDF International S.A. | 3,702,911 | 3,702,911 | 37,029 | 37,029 | 100.00 | 100.00 |
| Total | 3,702,911 | 3,702,911 | 37,029 | 37,029 | 100.00 | 100.00 |

As of 31 December 2014 EDF International S.A. held 100% of the shares of EDF DÉMÁSZ Zrt. (3,702,911 shares).

1.2. Scope of activities

EDF DÉMÁSZ Zrt. performs its core activity based on universal service provider operating licence No. 71/2008 and electricity trading operating licence No. 75/2008 issued by the Hungarian Energy Office (HEO, from 4 April 2013 Hungarian Energy and Public Utility Regulatory Authority (HEPURA)) in its resolutions dated 1 January 2008.

88.5% of the Company's net sales revenue derives from this activity.

For the gas year started in 2011 the Board of Directors of EDF DÉMÁSZ Zrt. decided to commence licensed free-market natural gas trading; the Company performs this activity based on natural gas trading operating licence No. 50/2011 issued by HEO resolution dated 18 January 2011.

Under an amendment to legal regulations in 2013, street lighting operating licence is needed for the operation of street lighting equipment. In compliance with legal regulations, the Company provides its street lighting operation services to local governments based on street lighting operation licence No. 1983/2013 issued by HEPURA resolution dated 29 October 2013.

2. Main features of accounting policies

2.1. Purpose of accounting policies

The purpose of the Company's accounting policies is to regulate the issues which based on the Act on Accounting are within the scope of authority and responsibility of the Company. Compliance with accounting policies as internal regulations ensures true and fair presentation of the Company's assets, financial situation and the result of operations.

2.2. Type of report, bookkeeping system and method

In accordance with applicable laws, i.e. Act V of 2013 on the Civil Code and Act C of 2000 on Accounting as amended several times (hereinafter referred to as the Act), the Company prepares an annual report and keeps double-entry books. The Company keeps its books in accordance with the Act and general accounting principles.

The Company prepares its consolidated annual report in accordance with the rules of International Financial Reporting Standards (hereinafter referred to as: IFRS).

Continuous bookkeeping is performed based on accounting documents in a credible way; accounting principles are observed during bookkeeping.

To prepare the annual report the Company applies a system of accounts aligned to the balance sheet model; this system of accounts fully ensures the preparation of the annual report.

Within the accounting system financial, general ledger recording, cost and raw material recording, tangible asset recording and wage accounting is processed in an integrated online computer-based system (SAP).

Sub-ledger recording of sale of electricity is performed using the SAP ISU software. Electricity sales denominated in EUR as well as natural gas sales are invoiced using the SAP SD system.

Costs are primarily booked under account code 5, i.e. by cost type. To satisfy internal and external information needs, costs are presented in the SAP CO system.

The reporting date is 31 December, while the balance sheet preparation date is 7 January of the following year.

In line with the principles applied within the Group, EDF DÉMÁSZ Zrt. prepares version "A" of the balance sheet as well as of the income statement using the total-cost method.

2.3. Valuation methods

Intangible assets

Intangible assets are measured at cost (purchase or production cost) less accumulated amortisation.

Intangible assets are written off using the straight-line method over their expected useful lives assessed individually; for rights and concessions: trademarks are written off over 5 years, telephone access fees over 3 years.

Tangible assets

Tangible assets which existed at the time of the transformation as of 31 December 1991 are carried at the values recorded in the transformation balance sheet and verified by an appraisal firm, at 1991 price level. The appraisal involved assessment of the replacement cost reduced in accordance with the actual technical condition. Assets purchased since then are measured at cost (purchase or production cost) less accumulated depreciation.

Depreciation is based on the cost of assets expected at the end of the useful life less their residual value.

Depreciation is accounted monthly, using the straight-line method, from the date of capitalisation.

The table below presents average useful lives currently used to assess depreciation of main asset groups:

| Asset group | Useful life |
|-----------------------------------|-----------------------------|
| Buildings | 2-50 years |
| Separate street lighting networks | 16 years 8 months |
| Street lighting equipment | 2 years - 16 years 8 months |
| Machinery and equipment, vehicles | 3-12 years |
| IT equipment | 3-4 years |
| Other | 3-15 years |

In the case of tangible assets with a value below THUF 100 the entire purchase price is recorded as depreciation in one lump sum, except for assets that are not capable of independent operation, which are recorded as accessories, and network equipment (separate street lighting network and street lighting equipment) where retrospective capitalisation takes place. The Company does not apply the lump sum depreciation method for IT equipment with a value below THUF 100.

Extraordinary depreciation is accounted for if the value of the tangible or intangible assets or assets under construction drops permanently, the asset becomes superfluous in part or in full, becomes damaged or is destroyed.

Investments

Investments are recorded at the lower of purchase price and net realisable value.

Investments representing ownership shares in business associations are recognised in the annual report at the value defined in the articles of association or at the amount paid, less any impairment plus reversal.

Inventories

Inventories (mainly materials needed for network construction and maintenance as well as operational safety reserves) are carried at average purchase price. Purchased inventories are measured at weighted average price, while self-manufactured inventories are measured at direct production cost. Impairment on inventories is assessed by comparing market value and the carrying amount taking into account expected use and intended purpose of inventories.

Receivables

Acknowledged receivables are presented in the balance sheet at carrying amount less booked impairment, plus reversed impairment. Bad debts are written off as credit losses; impairment is booked on overdue receivables in the amount of the difference between the carrying amount and the amount expected to be recovered. Individual assessment is performed for the top 50 overdue receivables of clients in the scope of universal service provision and for the top 100 overdue receivables in the case of free-market clients. In all other cases impairment is assessed progressively. For outstanding debts overdue by 30-60 days 5% impairment is booked. After 60 days 15% and after 90 days 25% impairment is booked. 50% impairment is booked on outstanding debts overdue by 121-180 days, 75% on debts overdue by more than 181 days, while 100% impairment is booked on debts overdue by more than one year.

Securities, liquid assets and equity and liabilities

Securities, liquid assets and equity and liabilities are recognised in the balance sheet at cost.

The value in the books of liabilities, receivables and liquid assets denominated in FX is adjusted for exchange differences during the year-end valuation.

Deferrals and accruals

Deferrals and accruals are recognised in the balance sheet at amounts in the invoice, contract, agreement or accounting posting, or at amounts calculated from these. Deferrals and accruals related to sale and purchase of electricity represent a significant item within accruals and deferrals of EDF DÉMÁSZ Zrt. Sales revenue of electric energy used by consumers before the end of the reporting period but not yet invoiced (unbilled energy) is recognised as accrued income. Uninvoiced costs related to electric energy purchase are recognised as accrued expenses.

Provisions

The Company recognises provisions from profit before tax

- for payment obligations to third parties derived from historical or present transactions, contracts, which based on information available on the reporting date are expected or certain to arise, however, their amount or the date of occurrence are uncertain and the Company has not provided the necessary coverage in any other way;
- for expected future costs which are significant and occur periodically and which, based on information available as of the reporting date, will presumably or certainly occur but their amount or date of occurrence is uncertain as of the reporting date and cannot be included under accrued expenses and deferred income.

Net sales revenue

Based on the matching principle, since 1997 the Company has determined revenue from electricity sales on the basis of the energy volume actually consumed, that is in addition to the sales revenue of read and billed energy, it also takes into account the sales revenue of electricity used by consumers before the end of the reporting period but not yet invoiced. The consumption is assessed using a method defined for the calculation of "unbilled energy". The method produces an estimate for the volume of unbilled energy based on consumption (kWh) corresponding to the same period in the previous year, thus it also takes seasonality into account.

Extraordinary items

Based on the Company's accounting policies, extraordinary items are independent from the business activity, are outside of the normal course of business of the Company and are not directly related to the ordinary business activity.

In accordance with the provisions of the Act, as from 1997 the Company recognises income in its books in proportion to the amortisation booked on developments implemented from received funds and on assets received free of charge.

2.4. Deviations from the accounting principles

The Company prepares the annual report in compliance with accounting principles; there is no need for different accounting.

3. Assets, financial position and profitability

3.1. Assets

| Main indicators of asset position | | | |
|-----------------------------------|--|-----------------------------|------------------------------|
| Description | Calculation | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| Asset structure | | | |
| 1. Fixed asset ratio (%) | $\frac{\text{Fixed assets}}{\text{Total assets}}$ | 76.9 | 81.9 |
| 2. Current asset ratio (%) | $\frac{\text{Current assets (i)}}{\text{Total assets}}$ | 23.1 | 18.1 |
| Capital structure | | | |
| 3. Capital adequacy (%) | $\frac{\text{Own sources (ii)}}{\text{Total equity and liabilities}}$ | 78.1 | 83.1 |
| 4. Indebtedness ratio | $\frac{\text{Long-term liabilities}}{\text{Shareholders' equity + Long-term liabilities}}$ | 0.0 | 0.0 |
| 5. Capital structure (%) | $\frac{\text{External capital (iii)}}{\text{Total equity and liabilities}}$ | 21.5 | 16.6 |

(i) Including deferred expenses and accrued income.

(ii) Own sources: Shareholders' equity + Provisions.

(iii) Including accrued expenses and deferred income, but excluding deferred network development contributions and accrued expenses and deferred income related to assets received free of charge.

Balance sheet total as of 31 December 2014 amounted to HUF 144,383 million; this amount is HUF 14,174 million down on the previous year.

Fixed assets decreased by HUF 3,728 million in the reporting year. Intangible assets fell by HUF 286 million, tangible assets by HUF 592 million and investments by HUF 2,850 million as compared with the previous year. The fall in investments was due to the principal repayment of HUF 2,800 million in the reporting year as set forth in contract of the loans disbursed to EDF DÉMÁSZ Hálózati Elosztó Kft. in 2011 and 2012. In 2014 the Company did not disburse further long-term loans to its related companies.

The adjusted balance of current assets dropped by HUF 10,446 million in the reporting year, including HUF 7,825 million decrease in receivables, HUF 1,536 million decrease in deferred expenses and accrued income, HUF 972 million decrease in liquid assets and HUF 113 million decrease in inventories. Within receivables, trade receivables were down by HUF 2,614 million, while receivables from related companies fell by HUF 4,270 million. Receivables from related companies decreased principally due to the reduction in cash advanced to subsidiaries and to the parent company in the cash pool system operated within the Group.

Deferred expenses and accrued income dropped by HUF 1,536 million because of the fall in accrued income.

Within sources of the Company, the proportion of own sources slightly increased as compared with the previous year. Shareholders' equity decreased by HUF 3 487 million. Provisions for expected liabilities decreased by HUF 333 million.

Liabilities fell by HUF 9 550 million, mainly due to the decrease in liabilities to related companies. Accrued expenses and deferred income were HUF 804 million down on the previous year.

There were no material changes in the asset structure of the Company. In contrast, as far as capital structure is concerned, the decrease in the balance sheet total was accompanied by a decrease in external capital and an increase in shareholders' equity, thus the capital adequacy ratio increased.

In 2014 the Company had no long-term liabilities, thus the indebtedness ratio is not applicable.

3.2. Profitability

Profitability indicators

| Description | Calculation | Previous year 2013 | Reporting year 2014 |
|-------------------------------------|---|--------------------------|---------------------------|
| 1. Operating return on sales (%) | $\frac{\text{Operating profit/loss}}{\text{Net sales revenue}}$ | 1.7 | 4.4 |
| 2. Ordinary return on equity (%) | $\frac{\text{Profit/Loss on ordinary activities}}{\text{Equity}}$ | 2.4 | 4.3 |
| 3. Return on subscribed capital (%) | $\frac{\text{Profit/Loss after tax}}{\text{Subscribed capital}}$ | 4.5 | 7.6 |
| 4. Return on equity (ROE) (%) | $\frac{\text{Profit/Loss after tax}}{\text{Shareholders' equity}}$ | 1.4 | 2.4 |
| 5. Return on total assets (%) | $\frac{\text{Profit/Loss on ordinary activities}}{\text{Total assets}}$ | 1.9 | 3.6 |

Profitability indicators increased as compared with the previous year. Net sales revenue fell by HUF 20,335 million in the reporting year. Material-type expenses, staff costs, booked depreciation and other expenses decreased to a greater extent, by HUF 23,414 million; as a result, operating profit was HUF 2,499 million up on the previous year.

Profit on financial transactions decreased by HUF 332 million as compared with the previous year due to the drop in the amount of dividend received from subsidiaries and interest received.

Profit after tax totalled HUF 2,813 million, which is HUF 1,131 million up on the prior-year figure.

3.3. Summary of the Company's financial position

Main financial position indicators

| Description | Calculation | Previous year 31.12.2013 | Reporting year 31.12.2014 |
|--|--|-----------------------------|------------------------------|
| 1. Cash ratio (Quick ratio) | $\frac{\text{Cash}}{\text{Current liabilities (i)}}$ | 0.07 | 0.06 |
| 2. Liquid asset ratio (Acid-test ratio) | $\frac{\text{Cash} + \text{Receivables (ii)} + \text{Securities}}{\text{Current liabilities (i)}}$ | 0.62 | 0.56 |
| 3. Current asset ratio (%) | $\frac{\text{Current assets (iv)}}{\text{Current liabilities (i)}}$ | 107.2 | 109.4 |
| 4. Working capital ratio (%) | $\frac{\text{Current assets (iv)} - \text{Current liabilities (i)}}{\text{Shareholders' equity}}$ | 2.0 | 1.9 |
| 5. Trade debtor turnover | $\frac{\text{Trade debtors (overdue) (iii)}}{\text{Sales revenue per day}}$ | 13.3 | 11.3 |

(i) Including accrued expenses and deferred income, but excluding deferred network development contributions and accrued expenses and deferred income related to assets received free of charge.

(ii) Without trade receivables not yet due.

(iii) Trade debtors net of VAT.

(iv) Including deferred expenses and accrued income.

Liquid assets of the Company comprise the balance of bank accounts and other restricted accounts. At the end of 2014 cash amounted to HUF 1,375 million; this figure is less by HUF 972 million as compared with the previous year. Receivables decreased mainly due to the drop in the amount of cash pool receivables from related companies.

Due trade receivables, the aggregated amount of receivables from related companies, other receivables and liquid assets, as well as current assets plus deferred expenses and accrued income decreased as compared with the previous year. The aggregated amount of current liabilities and accrued expenses fell to a less extent, thus the value of all financial indicators decreased.

The decrease in the value of the indicator illustrating trade debtor turnover resulted from the fall in sales revenue per day and the even greater decrease in overdue trade debtors.

CASH FLOW STATEMENT

Data in HUF million

| | Previous year 2013 | Reporting year 2014 |
|---|--------------------------|---------------------------|
| Profit before tax | 2,708 | 4,884 |
| Adjustment: dividends received | -503 | -37 |
| Adjusted profit before tax | 2,205 | 4,847 |
| Booked amortisation and depreciation | 1,687 | 1,272 |
| Amortisation booked on assets received free of charge and on network development contribution | -164 | -140 |
| Changes in current assets (without trade receivables and liquid assets) | -553 | 1,072 |
| Impairment on other receivables | 0 | 110 |
| Other changes in tangible assets | 0 | -3 |
| Impairment on tangible assets | 83 | 6 |
| Impairment on interests | 733 | 0 |
| Scrapped inventories, impairment on inventories | 11 | 10 |
| Changes in trade receivables | -606 | 2,407 |
| Impairment on trade receivables | 324 | 207 |
| Difference between provisions recognised and used | 418 | -333 |
| Changes in trade payables | -620 | -802 |
| Changes in accrued expenses and deferred income | 1,693 | -671 |
| Changes in deferred expenses and accrued income | -663 | 1,536 |
| Changes in liabilities to related companies and other current liabilities | 3,834 | -881 |
| Corporation tax and income tax for energy suppliers payable | -1,026 | -2,071 |
| Profit/Loss on the sale of fixed assets | -8 | 7 |
| Corporation tax, income tax for energy suppliers paid in the reporting year | -1,325 | -2,035 |
| Dividends paid in the reporting year | -7,470 | -13,500 |
| CASH FLOWS FROM OPERATING ACTIVITIES | -1,447 | -8,962 |
| Fixed asset additions | -787 | -447 |
| Proceeds on the sale of fixed assets | 251 | 43 |
| Dividends received | 503 | 37 |
| Changes in interests (due to merger) | 0 | 48 |
| CASH FLOWS FROM INVESTING ACTIVITIES | -33 | -319 |
| Borrowings | 0 | 194 |
| Repayment of long-term loans | 2,800 | 2,800 |
| Repayment of long-term loans and bank deposits | 17 | 2 |
| Changes in cash pool receivables | -1,149 | 5,306 |
| Assets received free of charge | 0 | 7 |
| Repayment of loans | -142 | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | 1,526 | 8,309 |
| NET CHANGE IN LIQUID ASSETS | 46 | -972 |
| Cash at the beginning of the year | 2,301 | 2,347 |
| Cash at the end of the year | 2,347 | 1,375 |

Cash flows from operating activities totalled HUF -8,962 million. Cash flows from operating activities were reduced by dividends paid, trade liabilities to related companies and changes in accrued expenses and deferred income, while increasing factors included profit before tax, changes in trade receivables and in deferred expenses and accrued income. Based on the owner's decision, HUF 6 300 million dividend is payable.

Cash flows from investing activities decreased because of the drop in dividends received from related companies. The Company spent HUF 447 million on acquiring fixed assets.

The Company is a member of the cash pool system operated by the parent company and the local cash pool system, in which it was mainly in a lender position in both the previous year and the reporting year. Reporting-year changes in the cash pool balance had favourable impact on the Company's cash flows from financing activities.

II. SUPPLEMENTARY NOTES

II.1. NOTES TO THE BALANCE SHEET

1. General notes

The balance sheet contain no figures that are not comparable.

2. Specific notes

2.1. Intangible and tangible assets

2.1.1. Intangible assets

The table below summarises changes to intangible assets in FY 2013 and FY 2014:

Data in HUF million

| Gross value | Rights and concessions | Rights and concessions not yet authorised | Intellectual property | Total |
|--|-----------------------------------|--|----------------------------------|--------------|
| Opening balance, 1 January 2013 | 6,822 | 416 | 718 | 7,956 |
| Purchases | 0 | 433 | 0 | 433 |
| Capitalisation | 642 | -648 | 6 | 0 |
| Derecognition, other decreases | 360 | 0 | 79 | 439 |
| Closing balance, 31 December 2013 | 7,104 | 201 | 645 | 7,950 |
| Purchases | 0 | 137 | 0 | 137 |
| Capitalisation | 195 | -195 | 0 | 0 |
| Derecognition, other decreases | 26 | 0 | 0 | 26 |
| Closing balance, 31 December 2014 | 7,273 | 143 | 645 | 8,061 |

In 2014 rights and concessions were capitalised in a value of HUF 195 million, mainly including licences and software (administration, customer service, technical, machine room licences).

HUF 25 million of the HUF 26 million decrease in gross value in the reporting year is connected with scrapping of software.

Data in HUF million

| Accumulated amortisation | Rights and concessions | Rights and concessions not yet authorised | Intellectual property | Total |
|--|-------------------------------|--|------------------------------|--------------|
| Opening balance, 1 January 2013 | 5,257 | 0 | 717 | 5,974 |
| Amortisation | 528 | 0 | 1 | 529 |
| Derecognition, other decreases | 292 | 0 | 79 | 371 |
| Closing balance, 31 December 2013 | 5,493 | 0 | 639 | 6,132 |
| Amortisation | 420 | 0 | 2 | 422 |
| Extraordinary depreciation (expense) | 0 | 1 | 0 | 1 |
| Derecognition, other decreases | 26 | 0 | 0 | 26 |
| Closing balance, 31 December 2014 | 5,887 | 1 | 641 | 6,529 |
| Net value 31 December 2013 | 1,611 | 201 | 6 | 1,818 |
| Net value 31 December 2014 | 1,386 | 142 | 4 | 1,532 |

In 2014 the Company booked HUF 422 million ordinary amortisation on intangible assets.

The table below presents reporting-year amortisation by type:

Data in HUF million

| Amortisation by type | Rights and concessions | Intellectual property | Total |
|--|-----------------------------------|----------------------------------|--------------|
| Booked in 2013 using the straight-line method | 528 | 1 | 529 |
| 2013 ordinary depreciation | 528 | 1 | 529 |
| Extraordinary depreciation (expense), derecognised net value | 68 | 0 | 68 |
| 2013 extraordinary depreciation | 68 | 0 | 68 |
| Booked in 2014 using the straight-line method | 420 | 2 | 422 |
| 2014 ordinary depreciation | 420 | 2 | 422 |
| Extraordinary depreciation (expense), derecognised net value | 1 | 0 | 1 |
| 2014 extraordinary depreciation | 1 | 0 | 1 |

2.1.2. Tangible assets

Changes to tangible assets in FY 2013 and FY 2014:

Data in HUF million

| Gross value | Land and buildings | Plant, equipment, machinery, vehicles | Other equipment, fittings, vehicles | Assets under construction | Total |
|--|--------------------|---------------------------------------|-------------------------------------|---------------------------|---------------|
| Opening balance, 1 January 2013 | 16,207 | 596 | 4,222 | 90 | 21,115 |
| Purchases | 0 | 0 | 0 | 356 | 356 |
| Capitalisation | 119 | 2 | 129 | -250 | 0 |
| Other increase | 27 | 0 | 0 | -27 | 0 |
| Scrapping, sale, other decrease | 330 | 12 | 171 | 0 | 513 |
| Closing balance, 31 December 2013 | 16,023 | 586 | 4,180 | 169 | 20,958 |
| Purchases | 0 | 0 | 0 | 310 | 310 |
| Capitalisation | 133 | 4 | 266 | -403 | 0 |
| Other increase | 7 | 0 | 0 | -7 | 0 |
| Scrapping, sale, other decrease | 256 | 31 | 90 | 0 | 377 |
| Closing balance, 31 December 2014 | 15,907 | 559 | 4,356 | 69 | 20,891 |

Capitalisation of tangible assets amounted to HUF 403 million, of which street lighting networks, equipment and land and buildings totalled HUF 133 million, while capitalised value of IT equipment, telecommunication equipment and other office equipment amounted to HUF 266 million.

The HUF 377 million fall in gross value in the reporting year comprises HUF 139 million sale of tangible assets, HUF 177 million decrease due to scrapped tangible assets and HUF 61 million street lighting equipment transferred free of charge.

| Accumulated depreciation | Land and buildings | Plant, equipment, machinery, vehicles | Other equipment, fittings, vehicles | Assets under construction | Total |
|--|-------------------------------|--|--|--------------------------------------|---------------|
| Opening balance, 1 January 2013 | 8,794 | 529 | 3,560 | 3 | 12,886 |
| Depreciation | 818 | 18 | 322 | 0 | 1,158 |
| - of which prior-year adjustment | 11 | 0 | 0 | 0 | 11 |
| Extraordinary depreciation (expense) | 0 | 0 | 0 | 6 | 6 |
| Scrapping, sale, other decrease | 80 | 11 | 168 | 0 | 259 |
| Closing balance, 31 December 2013 | 9,532 | 536 | 3,714 | 9 | 13,791 |
| Depreciation | 573 | 15 | 262 | 0 | 850 |
| - of which prior-year adjustment | 1 | 0 | 0 | 0 | 1 |
| Extraordinary depreciation (expense) | 0 | 0 | 0 | 1 | 1 |
| Scrapping, sale, other decrease | 211 | 31 | 84 | 0 | 326 |
| Closing balance, 31 December 2014 | 9,894 | 520 | 3,892 | 10 | 14,316 |
| Net value 31 December 2013 | 6,491 | 50 | 466 | 160 | 7,167 |
| Net value 31 December 2014 | 6,013 | 39 | 464 | 59 | 6,575 |

In 2014 the Company booked HUF 850 million ordinary depreciation on tangible assets.

Data in HUF million

| Depreciation by type | Land and buildings | Plant, equipment, machinery, vehicles | Other equipment, fittings, vehicles | Assets under construction | Total |
|--|-----------------------|--|--|------------------------------|--------------|
| 2013 | | | | | |
| Booked using the straight-line method | 818 | 18 | 318 | 0 | 1,154 |
| of which prior-year adjustment | 11 | 0 | 0 | 0 | 11 |
| Booked using the lump-sum method | 0 | 0 | 4 | 0 | 4 |
| 2013 ordinary depreciation | 818 | 18 | 322 | 0 | 1,158 |
| Extraordinary depreciation expense, net value of derecognised assets (other and extraordinary) | 250 | 1 | 3 | 6 | 260 |
| 2013 extraordinary depreciation | 250 | 1 | 3 | 6 | 260 |
| 2014 | | | | | |
| booked using the straight-line method | 573 | 15 | 261 | 0 | 849 |
| of which prior-year adjustment | 1 | 0 | 0 | 0 | 1 |
| Booked using the lump-sum method | 0 | 0 | 1 | 0 | 1 |
| 2014 ordinary depreciation | 573 | 15 | 262 | 0 | 850 |
| Extraordinary depreciation expense, net value of derecognised assets (other and extraordinary) | 45 | 0 | 6 | 1 | 52 |
| 2014 extraordinary depreciation | 45 | 0 | 6 | 1 | 52 |

2.1.3. Tangible assets supporting environmental protection

Gross value of tangible assets directly supporting environmental protection:

Data in HUF million

| Gross value | Oil sludge tank | Waste container | Oil separation equipment | Oil tank | Transformer tank | Total |
|--------------------------------------|-----------------------|--------------------|--------------------------------|----------|---------------------|-------|
| Opening balance, 1 January 2013 | 2 | 26 | 5 | 5 | 10 | 48 |
| Closing balance, 31 December 2013 | 2 | 26 | 5 | 5 | 10 | 48 |
| Closing balance, 31 December 2014 | 2 | 26 | 5 | 5 | 10 | 48 |

Depreciation booked on tangible assets directly supporting environmental protection and net value of these assets:

Data in HUF million

| Accumulated depreciation | Oil sludge tank | Waste container | Oil separation equipment | Oil tank | Transformer tank | Total |
|--------------------------------------|-----------------------|--------------------|--------------------------------|----------|---------------------|-------|
| Opening balance, 1 January 2013 | 1 | 3 | 1 | 1 | 3 | 9 |
| Depreciation | 0 | 1 | 0 | 0 | 0 | 1 |
| Closing balance, 31 December 2013 | 1 | 4 | 1 | 1 | 3 | 10 |
| Depreciation | 0 | 1 | 0 | 0 | 1 | 2 |
| Closing balance, 31 December 2014 | 1 | 5 | 1 | 1 | 4 | 12 |
| Net value 31 December 2013 | 1 | 22 | 4 | 4 | 7 | 38 |
| Net value 31 December 2014 | 1 | 21 | 4 | 4 | 6 | 36 |

In 2014 the Company did not pay any environmental protection fines.

2.1.4. Assets without a recorded value

Short-term expendable tangible assets (tools, work and protective clothing, etc.) and, except for IT equipment, tangible assets below THUF 100 are written off fully as cost when first used. For protection purposes, itemised records of these assets are kept in terms of quantity.

2.2. Investments

2.2.1. Interests

Interests held by the Company as of 31 December 2013 and 2014:

| Subsidiaries | Data in HUF million | | | | | | | | | |
|---|---------------------|----------------|-----------------------------------|----------------|-----------------|-------|--------------|---------|----------------|----------------|
| | Value of interest | | Registered capital of the company | | Ownership share | | Voting power | | Equity | |
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| DÉMÁSZ PRIMAVILL Kft. (6724 Szeged, Pulcz u. 42.) | 891 | - | 600 | - | 100.0 | - | 100.0 | - | 891 | - |
| EDF DÉMÁSZ Partner Kft. (6724 Szeged, Kossuth L. sgt 64-66.) | 541 | - | 645 | - | 100.0 | - | 100.0 | - | 541 | - |
| EDF DÉMÁSZ Hálózati Elosztó Kft. (6720 Szeged, Klauzál tér 1.) | 105,697 | 107,081 | 103,021 | 104,266 | 100.0 | 100.0 | 100.0 | 120,737 | 116,054 | 2,776 |
| Zöldforrás Energia Kft. (6720 Szeged, Klauzál tér 9.) | 0 | 0 | 175 | 175 | 50.29 | 50.29 | 50.29 | 62 | 115 | -53 |
| Kecskeméti TERMOSTAR Kft. (6000 Kecskemét, Akadémia krt. 4.) (i) | 340 | 340 | 1,114 | 1,114 | 30.49 | 30.49 | 30.49 | 144 | 1,894 | 87 |
| Zánka Üdülő Egyesület (8400 Ajka, Kandó K. ltp. 20.) (ii) | 5 | 5 | | | | | | | | |
| Total | 107,474 | 107,426 | 105,555 | 105,555 | | | | | 119,495 | 122,693 |
| (i) Associated company, | | | | | | | | | 2,223 | 3,333 |
| (ii) Other interests | | | | | | | | | 2,079 | 3,246 |

Due to changes in the provisions of the Electricity Act on outsourcing, EDF DÉMÁSZ Partner Kft. and DÉMÁSZ PRIMAVILL Kft. fully owned by EDF DÉMÁSZ Zrt. merged into EDF DÉMÁSZ Hálózati Elosztó Kft. (also fully owned by EDF DÉMÁSZ Zrt.), which became the general legal successor of the companies.

The carrying amount of interests recorded in the Company's books decreased by HUF 48 million in the reporting year due to the lower cost of the interest received in exchange of the investment representing ownership share in the merged companies.

2.2.2. Securities

As of 31 December 2014 the Company had no long-term debt securities.

2.2.3. Loans granted

Long-term loans comprise investment loans granted to EDF DÉMÁSZ Hálózati Elosztó Kft. for network development and housing and general investment loans disbursed to employees.

In 2011 and 2012 the Company disbursed a total of HUF 14,000 million loan to EDF DÉMÁSZ Hálózati Elosztó Kft., of which HUF 8,600 million was repaid. HUF 2,800 million repayment due within one year is recognised as receivables from related companies, while HUF 2,600 million is recognised as long-term loans to related companies under investments.

Loans disbursed to employees totalled HUF 59 million as of 31 December 2014.

2.3. Inventories

Inventories as of 31 December 2013 and 2014:

| Description | Data in HUF million | |
|--|-----------------------------|------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| Raw materials | 456 | 334 |
| Auxiliary materials | 13 | 14 |
| Other materials | 14 | 22 |
| Total raw materials and consumable goods | 483 | 370 |
| <u>Total inventories</u> | <u>483</u> | <u>370</u> |

Chronological average inventories and turnover ratio:

| Description | Previous year 2013 | Reporting year 2014 |
|-----------------------------------|-----------------------|------------------------|
| Chronological average HUF million | 454 | 410 |
| Turnover ratio (turn/year) | 5.4 | 7.1 |

Impairment on inventories

In 2014 the Company booked HUF 9 million impairment on inventories.

| Description | Data in HUF million | | |
|------------------------------------|---|----------------------|-----------------------------------|
| | Closing inventories before booking impairment 31.12.2014 | Booked impairment | Closing inventories 31.12.2014 |
| Raw materials and consumable goods | 379 | 9 | 370 |
| Total | 379 | 9 | 370 |

The Company incurred HUF 1 million expenses in relation to scrapped inventories.

Hazardous waste

2013 and 2014 data of hazardous waste disposal in terms of quantity and value:

| Description of waste | Disposed quantity (t) | | Disposal fee (HUF million) | |
|-----------------------------------|-----------------------|-------------|----------------------------|----------|
| | 2013 | 2014 | 2013 | 2014 |
| Metal halide lamps | 3.63 | 5.00 | 2 | 4 |
| Office tapes | 0.03 | 0.15 | 0 | 0 |
| Electronic waste | 0.40 | 1.81 | 0 | 0 |
| Oily soil | 2,747.04 | 0.00 | 46 | 0 |
| Scrapped audio frequency receiver | 0.10 | 0.58 | 0 | 0 |
| Total | 2,751.20 | 7.54 | 48 | 4 |

In 2014 the Company paid HUF 4 million disposal fee as environmental product charge for street lighting lamps.

2.4. Receivables

Receivables as of 31 December 2013 and 2014:

| | Data in HUF million | |
|---|--------------------------------|---------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| Trade receivables | 10,557 | 7,943 |
| of which: overdue receivables (universal) | 4,138 | 2,860 |
| overdue receivables (competitive market) | 1,146 | 707 |
| overdue receivables (other) | 397 | 464 |
| Of which: | | |
| - Electricity trade debtors (universal) | 3,984 | 2,961 |
| - households | 3,449 | 2,594 |
| - business customers | 535 | 367 |
| - Electricity trade debtors (competitive market) | 6,139 | 4,444 |
| - business customers | 6,138 | 4,444 |
| - households | 1 | 0 |
| - Other trade debtors | 434 | 538 |
| Receivables from related companies | 13,890 | 9,620 |
| of which: overdue receivables | 4 | 11 |
| of which: receivables from the parent company | 4,930 | 4,085 |
| receivables from subsidiaries | 7,890 | 4,486 |
| receivables from sister companies | 1,066 | 1,049 |
| receivables from associated companies | 4 | 0 |
| Other receivables | 1,484 | 543 |
| of which: | | |
| Deferred VAT | 706 | 392 |
| Local taxes | 146 | 89 |
| Income tax for energy suppliers | 140 | 19 |
| Receivables from employees | 17 | 16 |
| - Claims from the state budget and payment thereof | 5 | 7 |
| Receivables from the transmission system operator | 298 | 0 |
| Corporation tax | 146 | 0 |
| Liabilities to the state budget and payment thereof | 2 | 0 |
| Payments to pension, mutual aid and health funds | 1 | 0 |
| Other receivables | 23 | 20 |
| Total | 25,931 | 18,106 |

Receivables from the sale of electricity were HUF 2,718 million down on the previous year. Within this, competitive market receivables decreased by HUF 1,695 million, while universal service provider electricity receivables fell by HUF 1,023 million.

The drop in universal service provider electricity receivables was the joint effect of the reduction of household electricity prices and the decrease in consumption.

Competitive market receivables fell due to the less volume of customer base of free market.

Composition of receivables from related companies was as follows: 42.5% (HUF 4,085 million) cash pool receivables from the parent company, 24.9% (HUF 2,400 million) loans to related companies, 29.1% (HUF 2,801 million) receivables relating to the short-term portion and interest thereof of the loan disbursed to EDF DÉMÁSZ Hálózati Elosztó Kft., 3.5% (HUF 334 million) trade receivables from related companies. The amount of loans to related companies comprises receivables from subsidiaries and sister companies in the cash pool system operated by the Group.

Impairment on receivables in 2014:

| Impairment | Data in HUF million | | | | | |
|------------------------------------|---------------------------------|-------------------|---------------------|--|---------------------------------------|-----------------------------------|
| | Opening balance, 1 January 2014 | Booked impairment | Reversed impairment | Derecognition of impairment on receivables written off | Impairment on receivables transferred | Closing balance, 31 December 2014 |
| Trade receivables | 2,349 | 954 | -753 | -108 | -208 | 2,234 |
| Of which: | | | | | | |
| - Electricity trade debtors | 2,132 | 701 | -578 | -108 | -208 | 1,939 |
| - Other trade debtors | 217 | 253 | -175 | 0 | 0 | 295 |
| Receivables from related companies | 1 | 6 | 0 | 0 | 0 | 7 |
| Other receivables | 1 | 110 | 0 | -1 | 0 | 110 |
| Total | 2,351 | 1,070 | -753 | -109 | -208 | 2,351 |

HUF 2,234 million impairment was booked on overdue receivables as of 31 December 2014 totalling HUF 4,031 million.

2.5. Securities

As of 31 December 2013 and 2014 the Company had no securities of a significant amount recognised under current assets.

The Company has HUF 1 million interest in Normon-Tool Kft., which represents 1.1% ownership share.

In 2014 the Company booked no impairment on its securities.

2.6. Liquid assets

Liquid assets as of 31 December 2013 and 2014:

| | Data in HUF million | |
|-----------------------------|-----------------------------|------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| Current accounts | 1,949 | 544 |
| Restricted deposit accounts | 398 | 831 |
| Total | 2,347 | 1,375 |

As of 31 December 2014 EDF DÉMÁSZ Zrt. had HUF 1,375 million liquid assets. The closing balance of current accounts decreased, while the balance of restricted deposit accounts increased.

Due to the special feature of the cash pool system operated between the EDF parent company and the Group, the change in the closing balance of the current accounts shows the change in the joint liquidity position of the Group.

2.7. Deferrals and accruals

Deferred expenses and accrued income as of 31 December 2013 and 2014:

| | Data in HUF million | |
|--|-----------------------------|------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| <i>Income</i> | | |
| Sale of electricity (unbilled energy) | 4,844 | 4,297 |
| Sales revenue from transmission system operation fee | 1,820 | 1,222 |
| Intra-group services | 791 | 602 |
| Operation and expansion of street lighting lamps, efficiency fee | 152 | 121 |
| Accrued interest income | 22 | 7 |
| Other | 26 | 17 |
| <i>Total income</i> | <u>7,655</u> | <u>6,266</u> |
| <i>Costs</i> | | |
| Software licences | 27 | 28 |
| Crediting of PCC costs | 0 | 19 |
| Insurance premiums | 13 | 13 |
| Software updates and maintenance | 10 | 2 |
| Support services | 133 | 0 |
| Rebate on postage | 16 | 0 |
| Other | 21 | 11 |
| <i>Total costs</i> | <u>220</u> | <u>73</u> |
| <i>Deferred expenses</i> | | |
| <i>Total deferred expenses</i> | <u>0</u> | <u>0</u> |
| Total | <u>7,875</u> | <u>6,339</u> |

The most significant items within deferred expenses and accrued income are the unbilled electricity sales of HUF 4,297 million and the amount of transmission system operation fee accrued as sales revenue amounting to HUF 1,222 million.

Accrued electricity sales decreased by HUF 547 million, comprising HUF 32 million drop in accruals related to customers served in the capacity of universal service provider and a fall of HUF 515 million related to competitive market customers. Accrued sales revenue from transmission system operation fees also decreased in relation to both customer groups (universal service and competitive market), in total by HUF 598 million as compared with the previous year.

The fall in accrued universal service provider electricity and transmission system operation fees was the joint effect of the decrease in volume of electricity sold but not yet invoiced which forms the basis of unbilled energy and the transmission system operation fee as well as the reduction of household electricity prices. The customer base of free market licensed

operator shrank as compared with the previous year resulting in the decrease in the volume of electricity sold, which caused a fall in accrued electricity sales. As a result of drop in volume, accrued sales revenue from transmission system operation fees also decreased.

Accrued intra-group services decreased by HUF 189 million. Continuous business and support services were actually invoiced in 2013 and 2014 for the whole year except for December; the accrued amount includes the value of services for one months and ad hoc services. Due to the merger of subsidiaries within the Group, in 2014 services provided to subsidiaries decreased, accordingly, related accruals also fell.

Accrued expenses and deferred income as of 31 December 2013 and 2014:

| | Data in HUF million | |
|--|-----------------------------|------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| <i>Income</i> | | |
| Other deferred income | 22 | 9 |
| <i>Total income</i> | <u>22</u> | <u>9</u> |
| <i>Deferred income</i> | | |
| Assets received free of charge | 317 | 267 |
| Network development contribution | 270 | 187 |
| Development grant received | 1 | 1 |
| <i>Total deferred income</i> | <u>588</u> | <u>455</u> |
| <i>Costs and expenses</i> | | |
| Purchase of electricity | 3,816 | 3,452 |
| Transmission system operation fees paid to licensed network operator | 2,820 | 2,384 |
| Services not invoiced | 966 | 1,107 |
| Staff costs and related contributions | 346 | 366 |
| Street lighting distribution fee | 89 | 56 |
| Intra-group services | 2 | 31 |
| Interest expenses | 3 | 2 |
| Other | 30 | 16 |
| <i>Total costs</i> | <u>8,072</u> | <u>7,414</u> |
| <u>Total</u> | <u>8,682</u> | <u>7,878</u> |

Accrued expenses and deferred income were HUF 804 million down on the previous year, the main contributing factor being deferred expenses of purchase of electricity.

The reason behind the decrease is on the one hand the lower volume of electricity purchased, because due to the drop in volume sold to end users the volume of electricity purchased by licensees was lower in the reporting year. On the other hand, average purchase prices also decreased as compared with the previous year, which also resulted in the fall in accruals and deferrals.

Due to the drop in electricity sold, deferred transmission system operation fees paid to the licensed network operator also decreased.

2.8. Changes to shareholders' equity

2014 changes in the elements of the shareholders' equity:

Data in HUF million

| | Subscribed capital | Capital reserve | Retained earnings | Retained profit/loss for the year | Shareholders' equity |
|---|-----------------------|--------------------|----------------------|--|-------------------------|
| 31 December 2013 | 37,029 | 4,066 | 80,921 | 0 | 122,016 |
| Payment of dividend from available retained earnings | 0 | 0 | -3 487 | 0 | -3 487 |
| 2014 profit | 0 | 0 | 0 | 0 | 0 |
| 31 December 2014 | 37,029 | 4,066 | 77 434 | 0 | 118 529 |

HUF 2 813 million dividends will be distributed from the Company's 2014 profit after tax to the extent provided by law, which will be supplemented by HUF 3 487 million available retained earnings, thus total intended dividends amount to HUF 6 300 million.

2.9. Provisions

Changes to provisions in 2014:

| | Data in HUF million | | | |
|--|--------------------------------|------------|------------|---------------------------------|
| | Previous year 31.12.2013 | Allocation | Use | Reporting year 31.12.2014 |
| Expected liabilities | 675 | 46 | 52 | 669 |
| Pre-retirement and long-service bonuses | 414 | 69 | 30 | 453 |
| Other liabilities related to termination of employment | 362 | 112 | 182 | 292 |
| Environmental protection obligations | 25 | 0 | 3 | 22 |
| Remaining balance of welfare budget | 7 | 20 | 7 | 20 |
| Expected liabilities related to universal service price decree | 306 | 0 | 306 | 0 |
| Total provisions for future costs | 0 | 0 | 0 | 0 |
| Total other provisions | 0 | 0 | 0 | 0 |
| Total provisions | 1,789 | 247 | 580 | 1,456 |

A significant part of total provisions comprises provisions for collaterals provided by EDF DÉMÁSZ Zrt. in relation to a loan granted to one of its subsidiaries; the amount of this provision as of 31 December 2014 was HUF 411 million.

Another significant portion of total provisions comprises future payment liabilities relating to termination of employment, as well as for "Pre-retirement and long-service bonus" specified in the collective contract and supported by actuarial calculations.

The Company recognised HUF 22 million provisions for environmental protection obligations.

2.10. Liabilities

2.10.1. Long-term and short-term borrowings and loans

As of 31 December 2014 the Company had no long-term liabilities.

Short-term loans

| Description | Data in HUF million | |
|------------------------|---------------------|------------|
| | As of 31.12.2014 | Maturity |
| ING Bank HUF overdraft | 193 | continuous |
| ING Bank USD overdraft | 1 | continuous |
| <u>Total</u> | <u>194</u> | |

As a feature of the local cash pool system operated by the Company, the Group level loan balance appears on the cash pool account at EDF DÉMÁSZ Zrt. The cash pool accounts held at CIB Bank and at OTP Bank are recognised under liquid assets with positive balance, while the account held at ING Bank is recognised under loans with a negative balance.

2.10.2. Current liabilities

Current liabilities as of 31 December 2013 and 2014:

| | Data in HUF million | |
|---|-----------------------------|------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| Short-term borrowings | 0 | 0 |
| Short-term loans | 0 | 194 |
| Advances from customers | 7 | 18 |
| Trade liabilities | 3,430 | 2,628 |
| Bills payable | 0 | 0 |
| Current liabilities to related companies | 18,139 | 9 332 |
| Of which: | | |
| liabilities to parent company | 16,330 | 8 962 |
| liabilities to subsidiaries | 1,483 | 353 |
| liabilities to sister companies | 326 | 17 |
| Other current liabilities | 4,494 | 4,348 |
| Deferred VAT | 1,531 | 1,372 |
| Advance payments from consumers | 1,051 | 1,139 |
| VAT | 1,262 | 1,110 |
| Consideration for withdrawn shares | 132 | 132 |
| Liabilities to employees | 113 | 110 |
| Social security contribution liability | 84 | 85 |
| Liabilities to the transmission system operator | 0 | 71 |
| Liabilities from consignment inventories | 68 | 69 |
| Energy tax (due) | 61 | 61 |
| Deferred energy tax | 52 | 45 |
| Liabilities to the state budget | 77 | 42 |
| Personal income tax | 35 | 40 |
| Corporation tax liability | 0 | 22 |
| Payments to pension, mutual aid and health funds | 0 | 19 |
| Payment liability for income tax for energy suppliers | 0 | 0 |
| Other | 28 | 31 |
| Total current liabilities | 26,070 | 16 520 |

Total liabilities in the reporting year were HUF 9 550 million down on the previous year. Within liabilities to related companies, liabilities to the parent company fell by HUF 7 368 million, comprising HUF 7 200 million decrease in dividend liability, HUF 132 million drop in cash pool liability to the parent company and HUF 36 million decrease in trade liabilities to the parent company. Liabilities to subsidiaries fell by HUF 1 130 million, mainly due to the fact that in the previous year the Company was in a borrower position in the cash pool system, while in the reporting year it was in a depositor position.

Trade liabilities decreased by HUF 802 million.

Other current liabilities are around the prior-year figure.

II.2. NOTES TO THE INCOME STATEMENT

1. General notes

The income statement contains no figures that are not comparable.

2. Specific notes

2.1. Net sales revenue

Net sales revenue by activity:

Data in HUF million

| Activity | Previous year 2013 | Share (%) | Reporting year 2014 | Share (%) |
|------------------------------------|-----------------------|--------------|------------------------|--------------|
| Sale of electricity | 81,319 | 65.8 | 64,430 | 62.4 |
| Transmission system operation fees | 29,524 | 23.9 | 26,965 | 26.1 |
| Business services | 7,042 | 5.7 | 6,066 | 5.8 |
| Sale of materials | 2,596 | 2.1 | 3,105 | 3.0 |
| Energy tax | 687 | 0.5 | 613 | 0.6 |
| Mediated services | 154 | 0.1 | 80 | 0.1 |
| Other | 2,306 | 1.9 | 2,034 | 2.0 |
| Net sales revenue | 123,628 | 100.0 | 103,293 | 100.0 |

Net sales revenue decreased by 16.4% in 2014.

In the reporting year revenue from the sale of electricity was 20.8% down on the prior-year figure. The reason behind is that the Company's customer portfolio became smaller as compared with the previous year; furthermore, the volume of sales to commercial partners also decreased.

Sales revenue from transmission system operation fees was down on the previous year due to the reduction of household electricity prices in the case of clients in the scope of universal service provision, as well as the narrower client base on the free market.

Revenue from energy tax decreased in line with the sale of electricity.

Revenue from the sale of materials increased by 19.6% in 2014. The main reason behind is that the number of construction projects implemented by external partners grew in the

reporting year. External partners purchase the materials necessary for the constructions from EDF DÉMÁSZ Zrt.

The reasons for the decrease in other sales revenue in 2014 include that commissions deriving from the transfer of a won electric energy tender were discontinued, as well as the changes in other commissions, contract termination fees and fees collected to cover costs related to street lighting.

Income from related companies:

Data in HUF million

| | Net sales revenue | Other income | Extraordinary income | Financial income |
|-------------------------------------|----------------------|-----------------|-------------------------|---------------------|
| Income from the parent company | 0 | 0 | 0 | 102 |
| Income from subsidiaries | 16,344 | 7 | 1,384 | 383 |
| Income from sister companies | 1,174 | 0 | 0 | 15 |
| Income from related companies | 94 | 0 | 0 | 37 |
| Total income from related companies | 17,612 | 7 | 1,384 | 537 |
| Other | 85,681 | 1,932 | 91 | 704 |
| Total | 103,293 | 1,939 | 1,475 | 1,241 |

In 2014 17.1% of net sales revenue comprise intra-group revenue, realised mainly from use of business and support services, sale of materials and sale of electricity.

Extraordinary income includes equity attributable to the interest terminated due to the merger of EDF DÉMÁSZ Partner Kft. and DÉMÁSZ PRIMAVILL Kft. into EDF DÉMÁSZ Hálózati Elosztó Kft.

Of financial income from related company cash pool interest from the parent company amounts to HUF 102 million, while cash pool interest from subsidiaries totals HUF 383 million. Financial income from related companies also includes HUF 37 million dividend received in 2014.

Related party transactions

Related party transactions were carried out at arm's length and in compliance with legal regulations.

Net export sales revenue:

Net export sales revenue broken down by region (EU and non-EU):

Data in HUF million

Export of goods:

| Separate geographical area | Previous year 2013 | Share (%) | Reporting year 2014 | Share (%) |
|---|-----------------------|-------------|------------------------|-------------|
| <i>Within the EU:</i> | | | | |
| United Kingdom | 2,349 | 58.4 | 614 | 54.5 |
| Czech Republic | 1,484 | 36.9 | 455 | 40.3 |
| Slovenia | 14 | 0.4 | 17 | 1.5 |
| Denmark | 1 | 0.0 | 12 | 1.1 |
| Germany | 47 | 1.2 | 4 | 0.4 |
| Luxembourg | 102 | 2.5 | 0 | 0.0 |
| Total within the EU: | 3,997 | 99.4 | 1,102 | 97.8 |
| <i>Outside the EU:</i> | | | | |
| Switzerland | 8 | 0.2 | 3 | 0.2 |
| Total outside the EU: | 8 | 0.2 | 3 | 0.2 |
| Net sales revenue from export of goods | 4,005 | 99.6 | 1,105 | 98.0 |

Export of services:

| Separate geographical area | Previous year 2013 | Share (%) | Reporting year 2014 | Share (%) |
|--|-----------------------|--------------|------------------------|--------------|
| <i>Within the EU:</i> | | | | |
| Ireland | 17 | 0.4 | 22 | 2.0 |
| Total within the EU: | 17 | 0.4 | 22 | 2.0 |
| <i>Outside the EU:</i> | | | | |
| Total outside the EU: | 0 | 0.0 | 0 | 0.0 |
| Net sales revenue from export of services | 17 | 0.4 | 22 | 2.0 |
| Total export sales: | 4,022 | 100.0 | 1,127 | 100.0 |

In 2014 sales revenue from the export of goods comprises sale of electricity to foreign-registered partners. The sale of goods takes place within the borders of Hungary, consequently no cross-border capacity is recognised in the reporting year.

The Company recognises in its books commissions invoiced based on an agency agreement concluded with a foreign-registered insurance company as export of services.

2.2. Material-type expenses

Material-type expenses in 2013 and 2014:

| Costs broken down by type | Data in HUF million | | |
|---|-----------------------|------------------------|----------------|
| | Previous year 2013 | Reporting year 2014 | Change |
| Material costs | 295 | 252 | -43 |
| Services used | 3,502 | 3,124 | -378 |
| of which: | | | |
| postal, telephone, telecommunication charges | 584 | 516 | -68 |
| repair, maintenance | 591 | 506 | -85 |
| subcontractors' performance | 580 | 429 | -151 |
| expert fees | 366 | 348 | -18 |
| rentals | 105 | 98 | -7 |
| technical books, printing services, newspaper | 94 | 92 | -2 |
| security, reception service | 86 | 83 | -3 |
| advertisements, market research | 92 | 60 | -32 |
| public sanitation, cleaning | 65 | 51 | -14 |
| temporary agency work | 55 | 37 | -18 |
| other | 884 | 904 | 20 |
| Other services | 900 | 755 | -145 |
| Cost of goods sold | 78,215 | 61,125 | -17,090 |
| Services sold (mediated) | 30,357 | 27,465 | -2,892 |
| <i>Material-type expenses</i> | <u>113,269</u> | <u>92,721</u> | <u>-20,548</u> |

The most significant item within material-type expenses is the purchase cost related to the sale of electricity which is recognised under cost of goods sold.

In line with the reduction in the sale of electricity, cost of goods sold also decreased.

2.3. Audit fees

Statement on fees charged by the auditor:

| Description | Data in HUF million | |
|--|-----------------------------|------------------------------|
| | Previous year 31.12.2013 | Reporting year 31.12.2014 |
| Fee charged for the audit of the financial statements for the reporting year | 11 | 11 |
| Fees charged for tax advisory services | 0 | 1 |
| Fees for other non-audit services | 0 | 1 |
| Total: | 11 | 13 |

2.4. Import purchases

Import purchases broken down by region (EU and non-EU) and within this by separated geographical market:

| Data in HUF million | | | | | |
|------------------------------|-----------------------|--------------|------------------------|--------------|--------------|
| Import of goods | | | | | |
| Separate geographical area | Previous year 2013 | Share (%) | Reporting year 2014 | Share (%) | Index (%) |
| <i>Within the EU:</i> | | | | | |
| United Kingdom | 34,123 | 82.6 | 21,450 | 65.7 | 62.9 |
| Czech Republic | 5,961 | 14.4 | 7,674 | 23.5 | 128.7 |
| Germany | 210 | 0.5 | 609 | 1.9 | 290.0 |
| Slovenia | 355 | 0.9 | 115 | 0.3 | 32.4 |
| Romania | 22 | 0.1 | 38 | 0.1 | 172.7 |
| France | 57 | 0.1 | 27 | 0.1 | 47.4 |
| Poland | 61 | 0.1 | 17 | 0.1 | 27.9 |
| Portugal | 0 | 0.0 | 15 | 0.0 | - |
| Denmark | 54 | 0.1 | 6 | 0.0 | 11.1 |
| Austria | 1 | 0.0 | 0 | 0.0 | 0.0 |
| <i>Total within the EU:</i> | 40,844 | 98.8 | 29,951 | 91.7 | 73.3 |
| <i>Outside the EU:</i> | | | | | |
| Switzerland | 400 | 1.0 | 2,045 | 6.3 | 511.3 |
| <i>Total outside the EU:</i> | 400 | 1.0 | 2,045 | 6.3 | 511.3 |
| Total import of goods | 41,244 | 99.8 | 31,996 | 98.0 | 77.6 |

Import of services:

| Separate geographical area | Previous year 2013 | Share (%) | Reporting year 2014 | Share (%) | Index (%) |
|--------------------------------|-----------------------|--------------|------------------------|--------------|--------------|
| <i>Within the EU:</i> | | | | | |
| France | 50 | 0.1 | 650 | 2.0 | 1,300.0 |
| United Kingdom | 15 | 0.1 | 14 | 0.0 | 93.3 |
| Slovakia | 0 | 0.0 | 4 | 0.0 | - |
| Belgium | 0 | 0.0 | 1 | 0.0 | - |
| Germany | 1 | 0.0 | 0 | 0.0 | 0.0 |
| Romania | 1 | 0.0 | 0 | 0.0 | 0.0 |
| Total within the EU: | 67 | 0.2 | 669 | 2.0 | 998.5 |
| <i>Outside the EU:</i> | | | | | |
| Total outside the EU: | 0 | 0.0 | 0 | 0.0 | - |
| Import of services: | 67 | 0.2 | 669 | 2.0 | 998.5 |
| Total import purchases: | 41,311 | 100.0 | 32,665 | 100.0 | 79.1 |

The most significant item (HUF 21,450 million) of import purchases relates to purchase of electricity.

2.5. Research and development

The Company incurred no research and development costs in 2013 and 2014.

2.6. Other income and expenses

| Description | Data in HUF million | |
|--|-----------------------|------------------------|
| | Previous year 2013 | Reporting year 2014 |
| Reversed impairment on receivables | 717 | 753 |
| Use of provisions | 862 | 581 |
| Amount received as fine, penalty, default interest | 230 | 253 |
| Reminder fee | 324 | 250 |
| Proceeds from sale of intangible and tangible assets | 251 | 43 |
| Sundry income | 74 | 59 |
| Total other income | 2,458 | 1,939 |
| Booked impairment | 1,134 | 1,086 |
| Energy tax | 685 | 612 |
| Taxes to local governments | 560 | 504 |
| Provisioning | 1,280 | 247 |
| Tax on public utility lines | 178 | 179 |
| Taxes and fees paid to the state budget | 84 | 77 |
| Costs of sale of intangible and tangible assets | 243 | 36 |
| Costs related to damage | 60 | 6 |
| Sundry expenses | 88 | 40 |
| Total other expenses | 4,312 | 2,787 |

Other income decreased by HUF 519 million, while other expenses dropped by HUF 1,525 million as compared with the previous year. Income was decreased significantly by the use of provisions, while recognition of provisions reduced expenses considerably.

2.7. Income from and expenses on financial transactions

Composition of income from and expenses on financial transactions:

Data in HUF million

| Description | Previous year 2013 | Reporting year 2014 |
|---|-----------------------|------------------------|
| Dividends, profit shares received | 503 | 37 |
| Interest received and similar income | 1,182 | 507 |
| Gains on closed hedges | 145 | 181 |
| Exchange gains on financial transactions | 430 | 516 |
| Total income from financial transactions | 2,260 | 1,241 |
| Interest paid and similar expenses | 78 | 40 |
| Write down of investments | 733 | 0 |
| Loss on closed hedges | 100 | 57 |
| Exchange loss on financial transactions | 421 | 548 |
| Total expenses on financial transactions | 1,332 | 645 |
| Total profit on financial transactions | 928 | 596 |

In the reporting year both income from and expenses on financial transactions were down on the previous year. As income decreased more than expenses, profit on financial transactions also fell. The drop in income is attributable to the decrease in dividend and interest received, while the smaller amount of expenses is due to the impairment on interests booked in the previous year.

Finance income from closed hedges amounts to HUF 124 million.

2.8. Extraordinary income and expenses

Data in HUF million

| Description | Previous year 2013 | Reporting year 2014 |
|--|-----------------------|------------------------|
| Equity attributable to the interest terminated for the transforming entity's owner | 0 | 1,384 |
| Amortisation booked on receipt of funds and assets received free of charge | 112 | 58 |
| Expired liabilities forgiven by the lender | 22 | 24 |
| Other extraordinary income | 0 | 9 |
| Total extraordinary income | 134 | 1,475 |
| Carrying amount of interests contributed to the company | 0 | 1,432 |
| Liquid asset transfer for other purposes | 202 | 250 |
| Liquid asset transfer to foundations | 206 | 50 |
| Carrying amount of assets transferred free of charge, cost of services provided free of charge | 0 | 10 |
| Other extraordinary expenses | 2 | 0 |
| Total extraordinary expenses | 410 | 1,742 |
| Total extraordinary loss | -276 | -267 |

In 2014 extraordinary loss of the Company amounted to HUF -267 million. The impact of the change in interests as a result of the merger of EDF DÉMÁSZ Partner Kft. and DÉMÁSZ PRIMAVILL Kft. into EDF DÉMÁSZ Hálózati Elosztó Kft. on profit or loss (HUF -48 million) is a component of the reporting-year extraordinary loss. Other extraordinary items had similar values as in the previous year.

2.9. Environmental protection costs

Environmental protection costs incurred in 2013 and 2014:

Data in HUF million

| Environmental protection costs by type | Previous year 2013 | Reporting year 2014 | Difference | Index (%) |
|--|-----------------------|------------------------|------------|-------------|
| Material-type expenses | 4 | 5 | 1 | 125.0 |
| Other expenses | 55 | 3 | -52 | 5.5 |
| Total | 59 | 8 | -51 | 13.6 |

In 2014 the Company booked HUF 5 million environmental protection costs and incurred HUF 3 million other expenses.

2.10. Grants received

Grants received under a grant scheme in 2014 with no repayment obligation and use thereof:

| Description | Data in HUF million | | | |
|------------------------------|--------------------------|-------------|----------------------------|------------------|
| | Amount of grant received | Amount used | Used for | Available amount |
| TÁMOP-2.1.3.C-12/1-2012-0258 | 8 | 8 | Workplace training support | 0 |
| Total | 8 | 8 | | 0 |

In August 2012 the Company submitted a bid for the invitation to tender entitled "Support for workplace training for large companies in the convergence region" announced under the New Széchenyi Plan, and won HUF 35 million non-repayable EU grant. In 2013 the Company received HUF 9 million advance grant payment which was used up. In 2014 HUF 8 million advance grant payment was received and used. The Company must spend the amount of grant to implement the project specified in the bid.

2.11. Intra-group items

| Description | Data in HUF million | |
|--|-----------------------|------------------------|
| | Previous year 2013 | Reporting year 2014 |
| Purchase of intangible and tangible assets | 71 | 103 |
| Investments | 5,400 | 2,600 |
| Inventories | 0 | 0 |
| Receivables | 7,890 | 4,486 |
| Deferred expenses and accrued income | 1,824 | 1,562 |
| Liabilities | 1,483 | 353 |
| Long-term liabilities | 0 | 0 |
| Current liabilities | 1,483 | 353 |
| Accrued expenses and deferred income | 2,800 | 2,467 |
| Net sales revenue | 18,838 | 16,344 |
| Material-type expenses | 31,341 | 28,850 |
| Material costs | 0 | 0 |
| Services used | 620 | 439 |
| Other services | 0 | 0 |
| Cost of goods sold | 2,018 | 2,084 |
| Services sold (mediated) | 28,703 | 26,327 |
| Other profit/loss | 2 | 7 |
| Other income | 3 | 7 |
| Other expenses | 1 | 0 |
| Profit on financial transactions | 613 | 381 |
| Income from financial transactions | 1,367 | 383 |
| Expenses on financial transactions | 754 | 2 |
| Extraordinary loss | -1 | -48 |
| Extraordinary income | 0 | 1,384 |
| Extraordinary expenses | 1 | 1,432 |

The main part of intra-group net sales revenue comprises sale of electricity and street lighting distribution fee.

The Company coordinates the Group's stock management, thus revenue from sale of materials to the subsidiaries is also included in intra-group net sales revenue.

The Company provides support services to its subsidiaries.

EDF DÉMÁSZ Hálózati Elosztó Kft. as the legal successor of DÉMÁSZ PRIMAVILL Kft. and EDF DÉMÁSZ Partner Kft. provides maintenance and operation services relating to street lighting lamps and networks to the Company.

III. SUPPLEMENTARY INFORMATION

1. Accounting unbundling

The Act LXXXVI. of 2007 on Electric Energy (Electricity Act), the Act. XL. of 2008 on distribution of natural gas (Gas Act.) related decrees and HEO Directive 1/2002 require accounting unbundling for both the balance sheet and the income statement.

Main principles used for accounting unbundling:

1. Down to the level of operating profit/loss in the income statement – except for other income and other expenses – accounting unbundling is performed through transaction unbundling carried out in the SAP CO system. Other, financial and extraordinary items are allocated using Excel worksheets. When presenting the profit/loss of each licensed activity, the Company also considers the services developed within the framework of the Internal Customer System.
2. EDF DÉMÁSZ Zrt. divided its activities into five main groups (HEO Directive II.9):
 - Licensed universal service provider core activity;
 - Licensed electricity trading core activity;
 - Licensed natural gas trading core activity;
 - Licensed street lighting operation core activity;
 - Other core activity.

Core activities are unbundled based on HEO Directive 1/2002, that is adhering to the principle of grossing up, as if legal unbundling would have carried out. Resulting accumulations then are eliminated against other activity.

In 2014, when unbundling the balance sheet we deviate from the principles applied in the previous year as follows:

- Components of shareholders' equity are unbundled in accordance with the HEPURA directive.
- The unbundling difference is presented in a separate row among equity and liabilities.

The Company performs its licensed activities based on operating licences received in the following resolutions: licensed universal service provision HEO 71/2008, licensed electricity trading HEO 75/2008, licensed natural gas trading HEO 50/2011 and licensed street lighting operation HEPURA 1983/2013. The fifth core activity of EDF DÉMÁSZ Zrt. includes services supporting the Group as a whole (customer service, communication, security, IT, logistics, financial, HR and commercial services).

Asset position by licensed activity

Data in HUF million

| Description | Previous year 31.12.2013 | | | | | | Reporting year 31.12.2014 | | | | | |
|--|--|------------------------------------|---------------------------------------|---|-------------------|---------------------------|--|------------------------------------|---------------------------------------|---|-------------------|----------------------------|
| | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Previous year total | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Reporting year total |
| A. FIXED ASSETS | 0 | 0 | 2 | 0 | 121,918 | 121,920 | 0 | 0 | 1 | 0 | 118,191 | 118,192 |
| I. INTANGIBLE ASSETS | 0 | 0 | 2 | 0 | 1,816 | 1,818 | 0 | 0 | 1 | 0 | 1,531 | 1,532 |
| I/3. Rights and concessions | 0 | 0 | 2 | 0 | 1,810 | 1,812 | 0 | 0 | 1 | 0 | 1,527 | 1,528 |
| I/4. Intellectual property | 0 | 0 | 0 | 0 | 6 | 6 | 0 | 0 | 0 | 0 | 4 | 4 |
| II. TANGIBLE ASSETS | 0 | 0 | 0 | 0 | 7,167 | 7,167 | 0 | 0 | 0 | 0 | 6,575 | 6,575 |
| II/1. Land and buildings and related rights and concessions | 0 | 0 | 0 | 0 | 6,491 | 6,491 | 0 | 0 | 0 | 0 | 6,013 | 6,013 |
| II/2. Plant, equipment, machinery, vehicles | 0 | 0 | 0 | 0 | 50 | 50 | 0 | 0 | 0 | 0 | 39 | 39 |
| II/3. Other equipment, fittings, vehicles | 0 | 0 | 0 | 0 | 466 | 466 | 0 | 0 | 0 | 0 | 464 | 464 |
| II/5. Assets under construction, renovations | 0 | 0 | 0 | 0 | 160 | 160 | 0 | 0 | 0 | 0 | 59 | 59 |
| III. INVESTMENTS | 0 | 0 | 0 | 0 | 112,935 | 112,935 | 0 | 0 | 0 | 0 | 110,085 | 110,085 |
| III/1. Long-term interests in related companies | 0 | 0 | 0 | 0 | 107,469 | 107,469 | 0 | 0 | 0 | 0 | 107,421 | 107,421 |
| III/2. Long-term loans to related companies | 0 | 0 | 0 | 0 | 5,400 | 5,400 | 0 | 0 | 0 | 0 | 2,600 | 2,600 |
| III/3. Other long-term interests | 0 | 0 | 0 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 5 | 5 |
| III/5. Other long-term loans | 0 | 0 | 0 | 0 | 61 | 61 | 0 | 0 | 0 | 0 | 59 | 59 |
| B. CURRENT ASSETS | 4,830 | 7,223 | 20 | 54 | 16,635 | 28,762 | 3,277 | 5,136 | 11 | 138 | 11,290 | 19,852 |
| I. INVENTORIES | 0 | 0 | 0 | 0 | 483 | 483 | 0 | 0 | 0 | 0 | 370 | 370 |
| I/1. Raw materials and consumable goods | 0 | 0 | 0 | 0 | 483 | 483 | 0 | 0 | 0 | 0 | 370 | 370 |
| II. RECEIVABLES | 4,699 | 6,534 | 19 | 54 | 14,625 | 25,931 | 3,277 | 4,486 | 11 | 138 | 10,194 | 18,106 |
| II/1. Trade receivables | 3,984 | 6,139 | 18 | 54 | 362 | 10,557 | 2,961 | 4,444 | 10 | 116 | 412 | 7,943 |
| II/2. Receivable from related companies | 0 | 7 | 0 | 0 | 13,883 | 13,890 | 0 | 4 | 0 | 0 | 9,616 | 9,620 |
| II/5. Other receivables | 715 | 388 | 1 | 0 | 380 | 1,484 | 316 | 38 | 1 | 22 | 166 | 543 |
| III. SECURITIES | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 |
| III/2. Other interests | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 |
| IV. LIQUID ASSETS | 131 | 689 | 1 | 0 | 1,526 | 2,347 | 0 | 650 | 0 | 0 | 725 | 1,375 |
| IV/2. Bank deposits | 131 | 689 | 1 | 0 | 1,526 | 2,347 | 0 | 650 | 0 | 0 | 725 | 1,375 |
| C. DEFERRED EXPENSES AND ACCRUED INCOME | 2,792 | 3,876 | 20 | 45 | 1,142 | 7,875 | 2,403 | 3,120 | 14 | 53 | 749 | 6,339 |
| Accrued income | 2,792 | 3,875 | 18 | 45 | 925 | 7,655 | 2,403 | 3,120 | 12 | 53 | 678 | 6,266 |
| Prepayments | 0 | 1 | 2 | 0 | 217 | 220 | 0 | 0 | 2 | 0 | 71 | 73 |
| TOTAL ASSETS | 7,622 | 11,099 | 42 | 99 | 139,695 | 158,557 | 5,680 | 8,256 | 26 | 191 | 130,230 | 144,383 |

Data in HUF million

| Description | Previous year 31.12.2013 | | | | | | Reporting year 31.12.2014 | | | | | |
|--|-------------------------------------|------------------------------|------------------------------|------------------------------------|----------------|---------------------|-------------------------------------|------------------------------|------------------------------|------------------------------------|----------------|----------------------|
| | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Previous year total | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Reporting year total |
| D. SHAREHOLDERS' EQUITY | 1,498 | 817 | 3 | -72 | 119,770 | 122,016 | -1,616 | 3,009 | -180 | -8 | 117,324 | 118,529 |
| I. SUBSCRIBED CAPITAL | 1,780 | 2,592 | 10 | 23 | 32,624 | 37,029 | 0 | 0 | 0 | 0 | 37,029 | 37,029 |
| II. SUBSCRIBED, BUT UNPAID CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III. CAPITAL RESERVE | 91 | -3,527 | 139 | -67 | 7,430 | 4,066 | 0 | 0 | 0 | 0 | 4,066 | 4,066 |
| IV. RETAINED EARNINGS | 673 | 662 | -130 | 0 | 79,716 | 80,921 | -373 | 1,752 | -146 | -28 | 76,229 | 77,434 |
| V. NON-DISTRIBUTABLE RESERVE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VI. VALUATION RESERVE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VII. RETAINED PROFIT/LOSS FOR THE YEAR | -1,046 | 1,090 | -16 | -28 | 0 | 0 | -1,243 | 1,257 | -34 | 20 | 0 | 0 |
| E. PROVISIONS | 318 | 223 | 0 | 0 | 1,248 | 1,789 | 10 | 247 | 0 | 0 | 1,199 | 1,456 |
| 1. Provisions for expected liabilities | 318 | 223 | 0 | 0 | 1,248 | 1,789 | 10 | 247 | 0 | 0 | 1,199 | 1,456 |
| F. LIABILITIES | 3,562 | 5,651 | 8 | 171 | 16,678 | 26,070 | 4,417 | 5,808 | 27 | 114 | 6,154 | 16,520 |
| I. SUBORDINATED LIABILITIES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. LONG-TERM LIABILITIES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III. CURRENT LIABILITIES | 3,562 | 5,651 | 8 | 171 | 16,678 | 26,070 | 4,417 | 5,808 | 27 | 114 | 6,154 | 16,520 |
| 2. Short-term loans | 0 | 0 | 0 | 0 | 0 | 0 | 542 | 322 | 13 | 17 | -700 | 194 |
| 3. Advances from customers | 0 | 0 | 0 | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 18 | 18 |
| 4. Trade liabilities | 1,264 | 888 | 3 | 169 | 1,106 | 3,430 | 1,160 | 3 | 2 | 0 | 1,463 | 2,628 |
| 6. Current liabilities to related companies | 0 | 3,175 | 0 | 0 | 14,964 | 18,139 | 380 | 4,069 | 9 | 87 | 4,787 | 9,332 |
| 8. Other current liabilities | 2,298 | 1,588 | 5 | 2 | 601 | 4,494 | 2,335 | 1,414 | 3 | 10 | 586 | 4,348 |
| G. ACCRUED EXPENSES AND DEFERRED INCOME | 2,244 | 4,408 | 31 | 0 | 1,999 | 8,682 | 1,951 | 3,917 | 16 | 1 | 1,993 | 7,878 |
| 1. Income accruing for future periods | 0 | 0 | 4 | 0 | 18 | 22 | 0 | 0 | 1 | 1 | 7 | 9 |
| 2. Accrued expenses | 2,244 | 4,408 | 27 | 0 | 1,393 | 8,072 | 1,951 | 3,917 | 15 | 0 | 1,531 | 7,414 |
| 3. Deferred income | 0 | 0 | 0 | 0 | 588 | 588 | 0 | 0 | 0 | 0 | 455 | 455 |
| Unbundling difference | 0 | 0 | 0 | 0 | 0 | 0 | 918 | -4,725 | 163 | 84 | 3,560 | 0 |
| TOTAL EQUITY AND LIABILITIES | 7,622 | 11,099 | 42 | 99 | 139,695 | 158,557 | 5,680 | 8,256 | 26 | 191 | 130,230 | 144,383 |

Profitability by licensed activity
INCOME STATEMENT

Data in HUF million

| Description | Previous year 2013 | | | | | | Reporting year 2014 | | | | | |
|---|--|------------------------------------|---------------------------------------|---|-------------------|---------------------------|--|------------------------------------|---------------------------------------|---|-------------------|----------------------------|
| | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Previous year total | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Reporting year total |
| Net domestic sales revenue | 53,884 | 60,096 | 237 | 116 | 5,273 | 119,606 | 47,329 | 50,664 | 143 | 619 | 3,411 | 102,166 |
| Net export sales revenue | 17 | 4,005 | 0 | 0 | 0 | 4,022 | 22 | 1,105 | 0 | 0 | 0 | 1,127 |
| NET SALES REVENUE | 53,901 | 64,101 | 237 | 116 | 5,273 | 123,628 | 47,351 | 51,769 | 143 | 619 | 3,411 | 103,293 |
| Capitalised value of self-manufactured assets | 0 | 0 | 0 | 0 | 67 | 67 | 0 | 0 | 0 | 0 | 6 | 6 |
| OWN PERFORMANCE CAPITALISED | 0 | 0 | 0 | 0 | 67 | 67 | 0 | 0 | 0 | 0 | 6 | 6 |
| OTHER INCOME | 1,686 | 124 | 1 | 6 | 641 | 2,458 | 1,204 | 219 | 1 | 63 | 452 | 1,939 |
| Of which: reversed impairment | 572 | 76 | 0 | 6 | 63 | 717 | 488 | 90 | 1 | 62 | 112 | 753 |
| Material costs | 0 | 0 | 0 | 0 | 295 | 295 | 0 | 0 | 0 | 0 | 252 | 252 |
| Services used | 2,714 | 1,094 | 34 | 150 | -490 | 3,502 | 2,397 | 938 | 40 | 544 | -795 | 3,124 |
| Other services | 1 | 14 | 0 | 0 | 885 | 900 | 0 | 8 | 0 | 0 | 747 | 755 |
| Cost of goods sold | 29,573 | 52,421 | 170 | 0 | -3,949 | 78,215 | 24,891 | 40,257 | 97 | 0 | -4,120 | 61,125 |
| Services sold (mediated) | 22,836 | 6,996 | 41 | 0 | 484 | 30,357 | 21,485 | 5,648 | 32 | 0 | 300 | 27,465 |
| MATERIAL-TYPE EXPENSES | 55,124 | 60,525 | 245 | 150 | -2,775 | 113,269 | 48,773 | 46,851 | 169 | 544 | -3,616 | 92,721 |
| Wage costs | 0 | 0 | 0 | 0 | 2,517 | 2,517 | 0 | 0 | 0 | 0 | 2,280 | 2,280 |
| Other staff benefits | 2 | 6 | 0 | 0 | 1,260 | 1,268 | 1 | 10 | 0 | 0 | 801 | 812 |
| Wage contributions | 1 | 2 | 0 | 0 | 1,041 | 1,044 | 0 | 2 | 0 | 0 | 809 | 811 |
| STAFF COSTS | 3 | 8 | 0 | 0 | 4,818 | 4,829 | 1 | 12 | 0 | 0 | 3,890 | 3,903 |
| DEPRECIATION | 0 | 0 | 1 | 0 | 1,686 | 1,687 | 0 | 0 | 1 | 0 | 1,271 | 1,272 |
| OTHER EXPENSES | 1,229 | 1,156 | 10 | | 1,917 | 4,312 | 992 | 861 | 8 | 114 | 812 | 2,787 |
| Of which: impairment | 772 | 152 | 3 | | 207 | 1,134 | 683 | 132 | 3 | 108 | 160 | 1,086 |
| OPERATING PROFIT/LOSS | -769 | 2,536 | -18 | -28 | 335 | 2,056 | -1,211 | 4,264 | -34 | 24 | 1,512 | 4,555 |

Data in HUF million

| Description | Previous year 2013 | | | | | | Reporting year 2014 | | | | | |
|---|--|------------------------------------|---------------------------------------|---|-------------------|---------------------------|--|------------------------------------|---------------------------------------|---|-------------------|----------------------------|
| | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Previous year total | Licensed universal service provider | Licensed electricity trading | Licensed natural gas trading | Licensed street lighting operation | Other activity | Reporting year total |
| Dividends and profit shares received (due) | 0 | 0 | 0 | 0 | 503 | 503 | 0 | 0 | 0 | 0 | 37 | 37 |
| Of which: from related companies | 0 | 0 | 0 | 0 | 503 | 503 | 0 | 0 | 0 | 0 | 37 | 37 |
| Other interest received (due) and similar income | 0 | 0 | 0 | 0 | 1,463 | 1,463 | 0 | 0 | 0 | 0 | 565 | 565 |
| Of which: from related companies | 0 | 0 | 0 | 0 | 1,153 | 1,153 | 0 | 0 | 0 | 0 | 500 | 500 |
| Other income from financial transactions | 0 | 572 | 3 | 0 | 0 | 575 | 0 | 697 | 0 | 0 | 0 | 697 |
| INCOME FROM FINANCIAL TRANSACTIONS | 0 | 572 | 3 | 0 | 1,966 | 2,541 | 0 | 697 | 0 | 0 | 602 | 1,299 |
| Interest paid and similar expenses | 148 | 210 | 1 | 0 | 0 | 359 | 57 | 39 | 0 | 2 | 0 | 98 |
| Of which: to related companies | 22 | 31 | 0 | 0 | 0 | 53 | 15 | 11 | 0 | 1 | 0 | 27 |
| Impairment on interests, securities and bank deposits | 0 | 0 | 0 | 0 | 733 | 733 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other expenses on financial transactions | 0 | 521 | 0 | 0 | 0 | 521 | 0 | 605 | 0 | 0 | 0 | 605 |
| EXPENSES ON FINANCIAL TRANSACTIONS | 148 | 731 | 1 | 0 | 733 | 1,613 | 57 | 644 | 0 | 2 | 0 | 703 |
| PROFIT/LOSS ON FINANCIAL TRANSACTIONS | -148 | -159 | 2 | 0 | 1,233 | 928 | -57 | 53 | 0 | -2 | 602 | 596 |
| PROFIT/LOSS ON ORDINARY ACTIVITIES | -917 | 2,377 | -16 | -28 | 1,568 | 2,984 | -1,268 | 4,317 | -34 | 22 | 2,114 | 5,151 |
| EXTRAORDINARY INCOME | 21 | 0 | 0 | 0 | 113 | 134 | 25 | 2 | 0 | 0 | 1,448 | 1,475 |
| EXTRAORDINARY EXPENSES | 150 | 0 | 0 | 0 | 260 | 410 | 0 | 0 | 0 | 0 | 1,742 | 1,742 |
| EXTRAORDINARY PROFIT/LOSS | -129 | 0 | 0 | 0 | -147 | -276 | 25 | 2 | 0 | 0 | -294 | -267 |
| PROFIT/LOSS BEFORE TAX | -1,046 | 2,377 | -16 | -28 | 1,421 | 2,708 | -1,243 | 4,319 | -34 | 22 | 1,820 | 4,884 |
| TAX LIABILITY | 0 | 905 | 0 | 0 | 121 | 1,026 | 0 | 1,879 | 0 | 2 | 190 | 2,071 |
| PROFIT/LOSS AFTER TAX | -1,046 | 1,472 | -16 | -28 | 1,300 | 1,682 | -1,243 | 2,440 | -34 | 20 | 1,630 | 2,813 |
| Use of retained earnings for dividends, profit shares | 0 | 0 | 0 | 0 | 11,818 | 11,818 | 0 | 0 | 0 | 0 | 3,487 | 3,487 |
| Approved dividends and profit shares | 0 | 382 | 0 | 0 | 13,118 | 13,500 | 0 | 1,183 | 0 | 0 | 5,117 | 6,300 |
| RETAINED PROFIT/LOSS FOR THE YEAR | -1,046 | 1,090 | -16 | -28 | 0 | 0 | -1,243 | 1,257 | -34 | 20 | 0 | 0 |

EDF DÉMÁSZ Zrt.'s licensed electricity trading and licensed universal service provision activities belong to the same balance group for the purposes of settlements with MAVIR system operator, where EDF DÉMÁSZ Zrt. is the balance responsible party.

Due to changes in legal regulations in 2013, a licence is needed for street lighting operation. Based on a licence issued by HEPURA, the Company has been entitled to perform this activity since 31 October 2013.

In 2014 sales revenue from street lighting operation accounts for only 0.6% of the Company's total sales revenue, therefore only the two months following the acquisition of the licence are presented for 2013 as prior-year figures in the income statement, as it has no significant impact on comparison between the years.

In 2014 operating profit of EDF DÉMÁSZ Zrt. totalled HUF 4,555 million, which is HUF 2,499 million up on the 2013 profit. This includes the following profit/loss figures: universal service provision operating loss of HUF -1,211 million (down by HUF 442 million); licensed electricity trading operating profit of HUF 4,264 million (up by HUF 1,728 million); licensed natural gas trading operating loss of HUF -34 million (down by HUF 16 million) and other activity operating profit of HUF 1,512 million (up by HUF 1,177 million). Operating profit of licensed street lighting operation amounted to HUF 24 million in 2014.

In the reporting year sales revenue, cost of goods sold and mediated services of universal service provider were all down on the previous year.

- There was a significant decline in the consumption of customers receiving universal services in the reporting year compared to the previous year.
- Both the average sale price and average purchase price of electricity decreased as compared with the previous period, mainly due to changes in legal regulations.

Sales revenue, cost of goods sold and mediated services of licensed electricity trading were all down on the previous year.

- In the reporting period the revenue from the sale of electricity fell short of the previous year. The main reason for the decrease is that in 2014 the Company had a smaller customer portfolio than in the previous year.

-
- Changes in the national settlement system of electricity subject to the mandatory off-take system brought about changes in the composition of procurement sources. The volume of electricity subject to mandatory off-take decreased, while its unit price went up compared to the previous year.

The balance of other income and other expenses totals HUF -848 million, which is HUF 1,006 million up on the previous year. Balance of other income and other expenses in the case of the individual activities were as follows: universal service provision HUF 212 million, licensed electricity trading HUF -642 million, licensed natural gas trading HUF-7 million, street lighting operation HUF -51 million, other activities HUF -360 million.

For the universal service provider:

- Reporting-year balance of impairment and reversal on trade receivables is HUF -195 million.
- Balance of provisions recognised and used is HUF 308 million, of which balance of use related to regulated pricing is HUF 306 million, which was increased by the balance of provisions recognised and released in relation to expected liabilities.
- Local business tax and innovation contribution jointly reduced profit by HUF 231 million in the reporting year.
- Balance of other items is HUF 330 million.

For licensed electricity trading:

- Reporting-year balance of impairment and reversal on trade receivables is HUF -42 million.
- Balance of recognition and use of provisions for expected liabilities is HUF -25 million.
- Local business tax and innovation contribution jointly reduced profit by HUF 113 million in the reporting year.
- Balance of other items is HUF -462 million.

For other activity:

- Reporting-year balance of impairment allowance and reversal is HUF -48 million.
- For the other activity the balance of provisions recognised and used is HUF 50 million, mainly comprising provisions recognised and released for human liabilities and expected future payment liabilities.
- Local business tax and innovation contribution jointly reduced profit by HUF 155 million in the reporting year.
- The tax on public utility lines introduced in 2013 increased the balance of other expenses by HUF 179 million in 2014.
- Balance of other items is HUF -28 million.

The accounting unbundling rules described above, which were developed and applied by the Company ensure that there is no cross financing between the business lines.

2. Remuneration of the Board of Directors and the Supervisory Board

Remuneration of the Board of Directors and the Supervisory Board in 2013 and 2014:

| Year | Data in HUF million | | |
|------|---------------------|-------------------|-------|
| | Board of Directors | Supervisory Board | Total |
| 2013 | 0 | 4 | 4 |
| 2014 | 0 | 4 | 4 |

The Company did not disburse loans to the members of the Board of Directors or the Supervisory Board, nor did it undertake any guarantees on their behalf. It has no pension payment liability to former members of the Boards either.

3. Staff number and wage costs

Average staff number in 2013 and 2014 by category (persons):

| | Previous year 2013 | Reporting year 2014 |
|--------------------|-----------------------|------------------------|
| Wage earners | 43 | 39 |
| Salaried employees | 513 | 456 |
| Total | 556 | 495 |

Average staff number of EDF DÉMÁSZ Zrt. was 495 in 2014. The proportion of full-time employees at the Company was 98.25%.

Wage costs in 2013 and 2014 by category:

Data in HUF million

| Description | Wage costs | | Other staff benefits | |
|--------------------|-----------------------|------------------------|-----------------------|------------------------|
| | Previous year 2013 | Reporting year 2014 | Previous year 2013 | Reporting year 2014 |
| Wage earners | 139 | 139 | 78 | 72 |
| Salaried employees | 2,273 | 2,009 | 1,166 | 734 |
| Not on the payroll | 105 | 132 | 24 | 6 |
| Total | 2,517 | 2,280 | 1,268 | 812 |

In 2014 wage costs totalled HUF 2,280 million and other staff benefits amounted to HUF 812 million.

| Description | Previous year 2013 | Reporting year 2014 | Index (%) |
|---------------------------------------|-----------------------|------------------------|--------------|
| Average headcount (persons) | 556 | 495 | 89.0 |
| Total wages (HUF million) (i) | 2,541 | 2,267 | 89.2 |
| Average salary (HUF/person/year) (ii) | 4,305,658 | 4,318,952 | 100.3 |

(i) Total wages differ from wage costs due to the change in amount of bonuses accounted for as accruals.

(ii) Average salary: Total wages of full-time employees / Average annual number of full-time staff

4. Items reconciling the corporation tax base

Calculation of corporation tax base for 2013 and 2014:

| | Data in HUF million | |
|---|---------------------|--------------|
| | 2013 | 2014 |
| Profit before tax | 2,708 | 4,884 |
| <u>Temporary differences:</u> | | |
| Adjustment due to provisions | 418 | -334 |
| Adjustment due to depreciation | 399 | 194 |
| Impairment accounted for as expenses | -213 | -92 |
| <u>Total temporary differences</u> | 604 | -232 |
| <u>Permanent differences:</u> | | |
| Dividends received | -503 | -37 |
| Fines, penalties | 5 | 8 |
| Tax audit, self-revision, income and expense for the tax year | -116 | -65 |
| Other adjustments | -11 | 32 |
| Loss carry forward | -34 | 0 |
| <u>Total permanent differences</u> | -659 | -62 |
| <u>Tax base</u> | 2,653 | 4,590 |
| Corporation tax | 299 | 630 |
| Income tax of energy supplier | 700 | 1,408 |
| Taxes for previous years | 27 | 33 |
| <u>Profit after tax</u> | 1,682 | 2,813 |

5. Use of profit after tax

The Company's profit after tax amounted to HUF 2,813 million. Based on the decision of the owner HUF 6 300 million will be distributed as dividend; HUF 2 813 million from the profit after tax and HUF 3 487 million from retained earnings, thus the Company's retained profit/loss for the year amounts to HUF 0.

6. Registration of mortgage

The business share of the Company in Zöldforrás Energia Kft. is mortgaged.

7. Pending litigation

The Company recognised no provisions for its passive pending lawsuits.

8. Off-balance sheet items

Off-balance sheet items of the Company:

| Date of commitment | Primary obligor | Beneficiary | Issuer of the guarantee | Provided commitment | Amount of commitment | Maturity |
|--------------------------------|-----------------|-----------------------------|-------------------------|---|----------------------|------------|
| Contingent liabilities: | | | | | | |
| 26.06.2014 | EDF DÉMÁSZ | ÉGÁZ-DÉGÁZ Fgsz. | ING | payment guarantee | HUF 2 million | 31.08.2015 |
| 19.06.2014 | EDF DÉMÁSZ | FÖGÁZ Földgázelosztási Kft. | ING | payment guarantee | HUF 0.11 million | 01.07.2015 |
| 01.12.2013 | EDF DÉMÁSZ | Mátrai Erőmű Zrt. | ING | payment guarantee | HUF 71 million | 31.01.2015 |
| 01.12.2013 | EDF DÉMÁSZ | Mátrai Erőmű Zrt. | ING | payment guarantee | EUR 237,000 | 31.01.2015 |
| 09.12.2014 | EDF DÉMÁSZ | Mavir Zrt. | ING | payment guarantee | HUF 485 million | 31.12.2015 |
| 01.01.2014 | EDF DÉMÁSZ | Mavir Zrt. | ING | payment guarantee | HUF 350 million | 31.12.2014 |
| 26.11.2013 | EDF DÉMÁSZ | based on a separate list | Raiffeisen | payment guarantee | HUF 20 million | 29.11.2015 |
| 01.01.2014 | EDF DÉMÁSZ | MVM Partner Zrt. | Raiffeisen | payment guarantee | HUF 84 million | 31.01.2015 |
| 21.11.2014 | EDF DÉMÁSZ | MVM Partner Zrt. | Raiffeisen | payment guarantee | HUF 377 million | 30.04.2015 |
| 21.11.2014 | EDF DÉMÁSZ | MVM Partner Zrt. | Raiffeisen | payment guarantee | HUF 51 million | 31.03.2015 |
| 21.11.2014 | EDF DÉMÁSZ | MVM Partner Zrt. | Raiffeisen | payment guarantee | HUF 119 million | 31.03.2015 |
| 16.09.2014 | EDF DÉMÁSZ | MVM Partner Zrt. | BNP Paribas | payment guarantee | HUF 67 million | 31.12.2014 |
| 16.09.2014 | EDF DÉMÁSZ | MVM Partner Zrt. | BNP Paribas | payment guarantee | HUF 93 million | 31.01.2015 |
| 27.11.2014 | EDF DÉMÁSZ Zrt. | FHB Bank Zrt. | | Zöldforrás Energia Kft. Overdraft facility – joint and several liability | HUF 75 million | 28.11.2015 |
| 09.11.2010 | EDF DÉMÁSZ Zrt. | FHB Bank Zrt. | | Zöldforrás Energia Kft. Investment loan – joint and several liability | HUF 381 million | 31.03.2022 |
| 27.03.2013 | EDF DÉMÁSZ Zrt. | FHB Bank Zrt. | | Zöldforrás Energia Kft. Bank guarantee contract – joint and several liability | HUF 308 million | 31.03.2016 |
| Guarantees received: | | | | | | |
| 14.01.2011 | Ezpada s.r.o. | EDF DÉMÁSZ Zrt. | Ezpada AG | payment guarantee | EUR 1 million | 31.10.2015 |

Off-balance sheet items of the Company mainly comprise bank guarantees issued related to electricity purchases in 2014 and guarantees received related to sale of electricity. In addition to these guarantees, the Company assumed a guarantee in relation to the loan and bank guarantee contracts of Zöldforrás Energia Kft. which is majority owned by the Company.

Further representations common in bank loan and other contracts are not presented, as those are not expected to give rise to payment liabilities or other risks for the Company.

9. Hedges

Due to the practice followed by the Company in sale and purchase of electricity, the Company is exposed to foreign currency risk in connection with the core activity. This is caused by the fact that majority of electricity purchases is in EUR, while the majority of sales is realised in HUF. This circumstance gives rise to a natural imbalance in the cash flows arising from income and expenses in both currencies, which mainly generates an EUR short position throughout the year.

As from 11 July 2011 the Company also sells natural gas to its customers. Gas is mainly purchased for USD while sale is realised in HUF. Similarly to the electricity business line, in the gas business line this circumstance gives rise to a natural imbalance in the cash flows arising from income and expenses in both currencies, which mainly generates a USD short position throughout the year.

Hedges are booked as "cash flow hedges". In relation to the risks described above, the processes necessary for the management of foreign currency risk are regulated by the FX Policy.

The Company entered into long hedges of EUR 35,958,000 and short hedges of EUR 1,616,000 with maturity in 2015, and long hedges of EUR 3,055,000 and short hedges of EUR 230,000 with maturity in 2016.

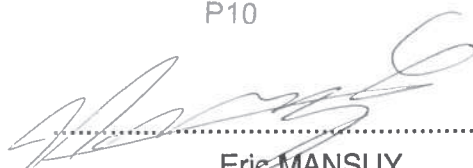
The Company also entered into short hedges of USD 22,000 with maturity in 2015.

10. Significant events after the reporting date

There were no material changes in the Company's operation after the reporting date.

Szeged, 28 May 2015

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Eric MANSUY
Chairman-CEO