



**EDF DÉMÁSZ Zrt. and subsidiaries  
(„EDF DÉMÁSZ Group“)**

**Consolidated Financial Statements  
prepared in accordance with IFRS  
and Independent Auditor’s Report**

**for the year ended 31 December 2015**





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## **Independent Auditors' Report**

To the shareholder of EDF DÉMÁSZ Zrt.

### **Report on the Consolidated Financial Statements**

We have audited the accompanying 2015 consolidated financial statements of EDF DÉMÁSZ Zrt. (hereinafter referred to as "the Company") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, which shows total assets of MHUF 163,394, the consolidated statement of profit or loss and other comprehensive income, which shows profit for the year of MHUF 7,064, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements give a true and fair view of the consolidated financial position of EDF DÉMÁSZ Zrt. and its subsidiaries as at 31 December 2015, and of their

This is an English translation of the Independent Auditors' Report on the 2015 consolidated financial statements of the 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 consolidated financial statements it refers to.





consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### **Report on the Consolidated Business Report**

We have audited the accompanying 2015 consolidated business report of EDF DÉMÁSZ Zrt. and its subsidiaries.

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

In our opinion, the 2015 consolidated business report of EDF DÉMÁSZ Zrt. and its subsidiaries is consistent with the data included in the 2015 consolidated financial statements of EDF DÉMÁSZ Zrt. and its subsidiaries.

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

##### *Introduction*

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") and its subsidiaries as an electricity enterprise and natural gas enterprise as of 31 December 2015 included in the consolidated notes. 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 our review.

##### *Scope of Review*

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

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### *Conclusion*

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

Budapest, 29 April 2016

KPMG Hungária Kft.

Registration number: 000202



Marcin Ciesielski  
Partner



Dr. Ferenc Eperjesi  
Professional Accountant  
Registration number: 003161

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***EDF DÉMÁSZ Zrt. and subsidiaries  
("EDF DÉMÁSZ Group")***

**Consolidated financial statements prepared in  
accordance with International Financial Reporting  
Standards as adopted by the EU  
for the financial year ended 31 December 2015**

**EDF DÉMÁSZ Zrt.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**  
**(All figures are in HUF million)**

	Note	2015	2014
Revenue from the sale of electricity	31.	98,265	103,430
Revenue from the sale of heat	31.	4	5
Revenue from the sale of gas	31.	123	116
<b>Total sales revenue</b>		<b>98,392</b>	<b>103,551</b>
Cost of purchased electric energy	32.	-60,923	-66,597
Cost of purchased fuel	32.	-77	-70
Cost of purchased gas	32.	-107	-103
<b>Cost of sales</b>		<b>-61,107</b>	<b>-66,770</b>
<b>Gross profit</b>		<b>37,285</b>	<b>36,781</b>
Own performance capitalised	3.7	4,044	3,534
Wages and similar expenses	34.	-9,039	-9,119
Material costs	33.	-3,087	-2,769
Depreciation and amortisation	6.,7.	-9,678	-9,919
Other operating expenses and income	35.	-6,566	-7,667
<b>Operating profit</b>		<b>12,959</b>	<b>10,841</b>
Interest income		72	126
Other finance income		39	49
Exchange gain, net		5	58
<b>Total finance income</b>		<b>116</b>	<b>233</b>
Interest expenses		-108	-249
Other finance costs		-22	-25
Exchange loss, net		0	0
<b>Total finance costs</b>		<b>-130</b>	<b>-274</b>
<b>Net finance cost</b>		<b>-14</b>	<b>-41</b>
<b>Profit before tax</b>		<b>12,945</b>	<b>10,800</b>
Income tax	12.	-5,881	-4,903
<b>Profit after tax</b>		<b>7,064</b>	<b>5,897</b>
<b>Profit for the year</b>		<b>7,064</b>	<b>5,897</b>
Of which:			
Profit attributable to the owners of the Company		7,094	5,923
Profit attributable to non-controlling interests		-30	-26
<b>Profit for the year</b>		<b>7,064</b>	<b>5,897</b>

The supplementary notes are integral part of the consolidated statement of profit or loss and comprehensive income.

Szeged, 29 April 2016

EDF DÉMÁSZ Zrt.

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**Eric Mansuy**  
Chairman and CEO

**EDF DÉMÁSZ Zrt.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**  
**(All figures are in HUF million)**

	Note	2015	2014
<b>Profit for the year</b>		<b>7,064</b>	<b>5,897</b>
Cash flow hedges	20.	116	339
Employment benefits	20.	24	-84
Income tax on items included in other comprehensive income	12.	-62	-153
<b>Other comprehensive income</b>		<b>78</b>	<b>102</b>
<b>Comprehensive income for the year</b>		<b>7,142</b>	<b>5,999</b>
<u>Total comprehensive income attributable to:</u>			
Owners of the Company		7,172	6,025
Non-controlling interests		-30	-26

The supplementary notes are integral part of the consolidated statement of profit or loss and comprehensive income.

Szeged, 29 April 2016

EDF DÉMÁSZ Zrt.  
P3

  
Eric Mansuy  
Chairman and CEO



**EDF DÉMÁSZ Zrt.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**  
**(All figures are in HUF million)**

	Note	31 Dec. 2015	31 Dec. 2014
<b>Non-current assets</b>		<b>139,928</b>	<b>143,840</b>
Property, plant and equipment	6.	133,050	136,623
Intangible assets	7.	2,816	3,124
Goodwill	8.	8	8
Investments in associates	10.	578	578
Other non-current assets	11.	80	89
Fair value of derivatives	20., 27.	5	0
Deferred tax assets	12.	3,391	3,418
<b>Current assets</b>		<b>22,461</b>	<b>22,706</b>
Inventories	13.	591	539
Trade and other receivables	14.	14,550	14,317
Income tax	12.	255	265
Fair value of derivatives	20., 27.	522	408
Other current assets	15.	6,041	5,800
Available-for-sale financial assets	16.	0	2
Cash and cash equivalents	17.	502	1,375
<b>Non-current assets held for sale</b>	19.	<b>1,005</b>	<b>0</b>
<b>Total assets</b>		<b>163,394</b>	<b>166,546</b>
<b>Equity</b>			
Share capital	20.	37,029	37,029
Capital reserve	20.	543	543
Retained earnings	20.	37,572	33,594
Other comprehensive income	20.	42,883	45,989
Equity attributable to owners of the Company		118,027	117,155
Non-controlling interests		1	31
<b>Non-current liabilities</b>		<b>24,340</b>	<b>25,501</b>
Long-term loans	21.	0	1,228
Deferred income/revenue	22.	7,842	8,251
Provisions	23.	432	709
Other non-current liabilities	24.	1,360	1,274
Deferred tax liabilities	12.	14,706	14,039
Fair value of derivatives	20., 27.	0	0
<b>Current liabilities</b>		<b>19,982</b>	<b>23,859</b>
Short-term portion of long-term loans	25.	0	1,853
Bank overdraft	25.	52	254
Provisions	23.	543	886
Trade and other current liabilities	26.	19,127	20,608
Fair value of derivatives	20., 27.	260	258
Liabilities of subsidiary held for sale		1,044	0
<b>Total equity and liabilities</b>		<b>163,394</b>	<b>166,546</b>

The supplementary notes are integral part of the consolidated statement of financial position.

Szeged, 29 April 2016

EDF DÉMÁSZ Zrt.



Eric Mansuy  
Chairman and CEO

**EDF DÉMÁSZ Zrt.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**  
**(All figures are in HUF million)**

	Equity attributable to owners of the Company							Non-controlling interests	Grand total
	Other comprehensive income						Total		
	Share capital	Capital reserve	Reserve for cash flow hedges / Hedging reserve	Revaluation reserve	Other reserve (Sorte)	Retained earnings			
<b>Balance at 31 December 2013</b>	<b>37,029</b>	<b>543</b>	<b>-103</b>	<b>49,617</b>	<b>-287</b>	<b>37,831</b>	<b>124,630</b>	<b>57</b>	<b>124,687</b>
Profit for the year	0	0	0	0	0	5,923	5,923	-26	5,897
Reclassification from retained earnings	0	0	0	-3,340	0	3,340	0	0	0
Other comprehensive income for the year	0	0	339	0	-84	0	255	0	255
Tax on OCI for the year	0	0	-169	0	16	0	-153	0	-153
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>170</b>	<b>0</b>	<b>-68</b>	<b>0</b>	<b>102</b>	<b>0</b>	<b>102</b>
Dividends paid to owners	0	0	0	0	0	-13,500	-13,500	0	-13,500
<b>Total transactions with owners of the Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13,500</b>	<b>-13,500</b>	<b>0</b>	<b>-13,500</b>
<b>Balance at 31 December 2014</b>	<b>37,029</b>	<b>543</b>	<b>67</b>	<b>46,277</b>	<b>-355</b>	<b>33,594</b>	<b>117,155</b>	<b>31</b>	<b>117,186</b>
Profit for the year	0	0	0	0	0	7,094	7,094	-30	7,064
Reclassification from retained earnings	0	0	0	-3,184	0	3,184	0	0	0
Other comprehensive income for the year	0	0	116	0	24	0	140	0	140
Tax on OCI for the year	0	0	-58	0	-4	0	-62	0	-62
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>78</b>	<b>0</b>	<b>78</b>
Dividends paid to owners	0	0	0	0	0	-6,300	-6,300	0	-6,300
<b>Total transactions with owners of the Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,300</b>	<b>-6,300</b>	<b>0</b>	<b>-6,300</b>
<b>Balance at 31 December 2015</b>	<b>37,029</b>	<b>543</b>	<b>125</b>	<b>43,093</b>	<b>-335</b>	<b>37,572</b>	<b>118,027</b>	<b>1</b>	<b>118,028</b>

The supplementary notes are integral part of the consolidated statement of changes in equity.

Szeged, 29 April 2016

EDF DÉMÁSZ Zrt.  
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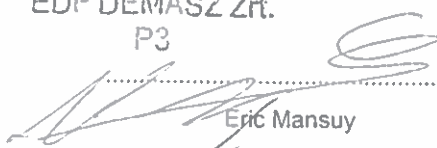
Eric Mansuy  
Chairman and CEO

**EDF DÉMÁSZ Zrt.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**  
**(All figures are in HUF million)**

<u>Cash flows from operating activities</u>	Note	2015	2014
Profit for the year		<b>7,094</b>	<b>5,923</b>
<u>Adjustments for:</u>			
Tax liability accounted for in the income statement	12.	5,881	4,903
Booked amortisation and depreciation		9,678	9,919
Network development contribution recognised as income	22.	-409	-545
Recognition and release of provisions	23.	-620	92
Loss on sale of property, plant and equipment		-3	-7
Impairment on property, plant and equipment	6.	0	51
Property, plant and equipment received free of charge	6.	-62	-64
Intangible assets transmitted free of charge	6.	0	10
Scrapping of property, plant and equipment	6.	213	231
Other changes in property, plant and equipment	6.	10	-6
Other changes in property, plant and equipment of subsidiary held for sale		974	0
Impairment on receivables	14.	6	397
Impact of fair value measurement		-125	-343
Unrealised exchange gain		-5	-58
Hedging transactions		-58	-170
Net interest expense		36	123
<b>Cash flows from ordinary activities before changes in working capital</b>		<b>22,610</b>	<b>20,456</b>
Increase/Decrease in gross receivables		-229	3,827
Changes in inventories	13.	-52	258
Decrease in other current assets	15.	-241	1,033
Changes in assets held for sale	19.	0	21
Changes due to subsidiary held for sale		39	0
Increase in trade and other current liabilities		-1,387	-490
<b>Changes in working capital:</b>		<b>-1,870</b>	<b>4,649</b>
Corporation tax, income tax for energy suppliers paid		-5,092	-4,605
<b>Net cash from ordinary activities</b>		<b>15,648</b>	<b>20,500</b>
<u>Cash flows from investing activities</u>			
Acquisition of non-current assets	6.,7.	-7,489	-6,203
Proceeds from sale of non-current assets		561	41
Interest received		72	126
Impairment on available-for-sale financial assets		2	0
Increase/Decrease in long-term investments		18	4
<b>Net cash used in investing activities</b>		<b>-6,836</b>	<b>-6,032</b>
<u>Cash flows from financing activities</u>			
Interest paid		-108	-249
Repayment of borrowings		-3,080	-1,853
Dividends paid		-6,300	-13,500
<b>Net cash used in financing activities</b>		<b>-9,488</b>	<b>-15,602</b>
Effect of exchange rate fluctuation on cash held		5	58
Decrease in restricted cash		173	0
<b>Net decrease in cash and cash equivalents</b>	18.	<b>-498</b>	<b>-1,076</b>
Cash and cash equivalents at 31 December	18.	450	948
Cash and cash equivalents at 1 January	18.	948	2,024
<b>Net decrease in cash and cash equivalents</b>	18.	<b>-498</b>	<b>-1,076</b>

The supplementary notes are integral part of the consolidated statement of cash flows.

Szeged, 29 April 2016

EDF DÉMÁSZ Zrt.  
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Eric Mansuy  
Chairman and CEO



***EDF DÉMÁSZ Zrt. and subsidiaries  
("EDF DÉMÁSZ Group")***

**Notes to the consolidated financial statements for the  
financial year ended 31 December 2015  
according to International Financial Reporting  
Standards as adopted by the EU**

EDF DÉMÁSZ Zrt.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015  
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY  
THE EU  
(All data are in HUF million unless otherwise indicated)

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## **1. General background**

### **1.1. Legal environment and nature of activity**

EDF DÉMÁSZ Zártkörűen Működő Részvénytársaság (hereinafter referred to as EDF DÉMÁSZ Zrt. or the Company) is registered in Hungary; registered office: 6720 Szeged, Klauzál tér 9. Description of the Group and its activity is included in Notes 9, 10 and 11.

Parent company: EDF International S.A. (Tour EDF, 20. place de la Défense, 92050 Paris, France).

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.

Since 1 January 2007 EDF DÉMÁSZ Hálózati Elosztó Kft. established on 26 July 2006 has been performing the licensed distribution activity based on an operating licence issued by the Hungarian Energy Office in its Resolution 793/2006.

EDF DÉMÁSZ Zrt. performs licensed openmarket natural gas trading activity based on natural gas trading operating licence HEO 50/2011.

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.

Zöldforrás Energia Kft. has a small plant consolidated licence relating to establishment of small power plants and production of electric energy based on Resolution 431/2009 issued by the Hungarian Energy Office on 7 July 2009; it performs its activities based on the above licence and amendment no. 1 thereto.

### **1.2. Basis of preparation**

Group companies prepare their books in accordance with accounting principles generally accepted in Hungary. The accompanying consolidated financial statements contain reclassifications and adjustments which make them comply with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial statements are based mainly on the cost model, except for property, plant and equipment, in the case of which the revaluation model has been applied for network assets (networks and transformers) since 1 January 2010, as well as certain financial instruments for which the fair value model is applied.

The annual financial statements contain valid data and statements and do not omit any facts that are relevant to the assessment of the Group's situation.

The consolidated financial statements of the Group are prepared in HUF million.

These financial statements will be approved by the owner acting on behalf of the general meeting.



## **2. Adoption of new and amended standards**

### **2.1. Standards and interpretations in effect adopted by the Group in 2015**

#### **- IFRIC 21 Levies**

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy other than income taxes imposed by government. It shall be applied to levies whereby the occurrence of the event triggering liability to pay a levy differs from its due date or the date of payment, settlement. The impact of first adoption of the interpretation depends on the levies imposed by government effective as of the date of adoption.

(Effective for reporting periods beginning on or after 17 June 2014. Early application is permitted. The amendments apply retrospectively.)

#### **- IAS 19 (revised 2011) Employee Benefits**

The amendments to the standard are relevant only to benefit plans that involve contributions from employees or third parties. The amendment does not have impact on the consolidated financial statements of the Group, since it does not have any benefit plans that involve contributions from employees or third parties.

(Effective for reporting periods beginning on or after 1 February 2015. Early application is permitted. The amendments apply retrospectively.)

The above amendments of existing standards did not result in changes in the entity's accounting policies and necessary disclosures are included in the financial statements for the reporting period.

### **2.2. New and amended standards and interpretations not yet adopted**

#### **- IAS 19 (revised 2011) Employee Benefits**

In respect of discounting as required by the standard, the currency in which the liability is settled is relevant rather than the yields on high-quality corporate bonds or government bonds of the given country.

(Annual improvements to IFRSs 2012-2014 cycle. Effective for reporting periods beginning on or after 1 January 2016; earlier application is permitted.)

#### **- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The standard differentiates between assets held-for-sale and assets held-for-distributing them to the owner. The amendment clarifies that a reclassification between these two categories is not considered as ceasing of the plan of disposal, but continues the original accounting.

(Annual improvements to IFRSs 2012-2014 cycle. Effective for reporting periods beginning on or after 1 January 2016; earlier application is permitted.)

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- IFRS 7 Financial Instruments: Disclosures

The standard is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety.

The offsetting disclosures of financial assets and financial liabilities in condensed interim financial statements are not specifically required, only if the IAS 34 Interim Financial Reporting standard requires it.

(Annual improvements to IFRSs 2012-2014 cycle. Effective for reporting periods beginning on or after 1 January 2016; earlier application is permitted.)

- IAS 34 Interim Financial Reporting

If an entity discloses an interim financial information on the same term and at the same time with the interim financial report, it is needed to use appropriate cross-references between the interim financial report and the interim financial statements.

(Annual improvements to IFRSs 2012-2014 cycle. Effective for reporting periods beginning on or after 1 January 2016; earlier application is permitted.)

- IFRS 11 Joint Arrangements

If an entity acquires a further interest in a company in which it already holds an interest, the new interest has to be measured using fair value measurement, but the existing interest needs not to be remeasured.

(Effective for reporting periods beginning on or after 1 January 2016 and shall be applied prospectively. Earlier application is permitted.)

- IAS 1 disclosure

Effort shall be made to recognise material information in the financial statements. IFRS requires the application of materiality throughout the financial statements. The standard contained guidance in relation to the order of supplementary notes, including accounting policies; however, the amendment removed the prescribed order from the text of the standard, thus providing flexibility to entities in the disclosure of information.

(Effective for reporting periods beginning on or after 1 January 2016. Earlier application is permitted.)

- IAS 16 Property, Plant and Equipment; IAS 38 Intangible assets

It clarifies appropriate depreciation methodology. The amendment explicitly states that the income approach of depreciation calculation cannot be applied for items of property, plant and equipment. It can be applied for intangible assets if the income closely relates to the use of economic benefits due to the intangible asset, or if the intangible asset is expressed as a measure of the income.

(Effective for reporting periods beginning on or after 1 January 2016 and shall be applied prospectively. Earlier application is permitted.)

Adopting the above new and amended standards did not and would not have significant impact on the financial statements.

### **3. Main accounting policies**

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) based on accounting policies described below. The Group applies standards issued by IASB as adopted by the EU in its consolidated financial statements.

#### **3.1. Basis of consolidation**

The Group's consolidated financial statements include the financial statements of EDF DÉMÁSZ Zrt. and the subsidiaries under its power using the full consolidation method.

Power exists if control exists. The three control criteria are as follows:

- power over the investee,
- exposure or rights to variable returns from the involvement with the investee, and
- ability to use the power to affect the returns due to the investor.

The Company must meet all three criteria to conclude that it has control over the investee.

Upon acquisition the assets and liabilities of the subsidiary are included in the consolidated financial statements at fair value as of the acquisition date. The non-controlling interest's share of the fair value of the assets and liabilities of subsidiaries equals the share due to the non-controlling interest based on its ownership ratio.

Profit or loss of subsidiaries and joint ventures acquired or sold during the year is included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of sale.

Goodwill booked on subsidiaries sold is included in the gain or loss on sale.

If necessary, the financial statements of the subsidiaries have to be adjusted to ensure that their accounting policies are in line with the accounting policies of the Group.

Related party transactions, including unrealised losses and gains, as well as gains realised within the Group are eliminated during consolidation.

Non-controlling interests in net assets of consolidated subsidiaries (except for goodwill) are presented separately within the equity of the Group. Non-controlling interests include the value of these interests as of the date of initial recognition (date of original business combination), as well as the value of subsequent changes in the non-controlling interest.

#### **3.2. Business combinations**

Acquisition of subsidiaries and business operations is accounted for using the acquisition method. The cost of business combination is the aggregate amount of the fair value of assets acquired, liabilities assumed and equity instruments issued that ensure control over the acquiree. Assets, liabilities and contingent liabilities of the acquired subsidiary, which meet the requirements of IFRS 3 Business Combinations, are measured at their market value at the date of acquisition, except for non-current assets, which based on the provisions of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations qualify as available-for-sale non-current assets; these assets are measured at market value less costs to sell.

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Upon first recognition, the interests in the acquiree of non-controlling interests are measured based on the non-controlling interest's proportionate share of the fair value of the net assets, liabilities and contingent liabilities of the subsidiary.

The value of non-controlling interests is adjusted at the end of each reporting period for any changes in the subsidiary's equity attributable to the non-controlling interest.

### **3.3. Goodwill**

Goodwill arises if the aggregate of the assets and liabilities of the acquired subsidiary, joint venture or associate measured at fair value is less than the consideration of the acquired interest. Goodwill is presented separately in the consolidated statement of financial position.

Goodwill can only be accounted for if future economic benefits are expected to flow to the acquirer. If it becomes clear that the goodwill will not be recovered, impairment must be booked.

For impairment testing purposes goodwill is allocated to cash-generating units of the Group that are expected to benefit from the synergies of the combination. Those CGUs to which goodwill is allocated are tested for impairment annually, or more frequently if indication exists that the CGU may be impaired. If the carrying amount is higher than the recoverable amount of the cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the unit. Impairment losses booked cannot be reversed subsequently.

Goodwill booked on subsidiaries sold is included in the gain or loss on sale.

### **3.4. Non-current assets held for sale**

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through sale rather than through continuing use.

Assets may be classified as held-for-sale, if the management of the Group took a decision to sell the asset, has a plan to sell the asset and the sale is expected to be completed within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their previous carrying amount and market value less costs to sell. Non-current assets held for sale are not depreciated and are recognised separately from other items in the statement of financial position as a separate line item, and if such assets result in discontinued operations too, they are also presented separately in the consolidated statement of profit or loss and comprehensive income.

If a subsidiary is classified as held for sale, it remains within the scope of consolidation in line with the accounting policies of the parent company, but its assets and liabilities are recognised in a separate row. Income and expenses of subsidiaries held for sale – if not classified by the Company as significant components – are recognised in the appropriate

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income statement rows; their profit or loss is part of the consolidated profit or loss until the date of sale.

If a joint venture is classified as held for sale, it is removed from the consolidation scope in line with the accounting policies of the parent company, and its profit or loss is part of the consolidated profit or loss only until the date of classification.

### **3.5. Associates**

Associates are those Group companies in which the parent company has significant influence, either directly or indirectly through its subsidiary, over the financial and operating policies.

Profit or loss, assets and liabilities of associates are included in the financial statements using the equity method, except for associates classified as held for sale which are accounted for based on IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The cost of associates is adjusted for the changes in the Company's share of the net assets of the associate, less impairment.

It is assessed based on the provisions of IAS 39 whether impairment needs to be booked on investments in associates. Impairment test relating to the entire interest in an associate is performed in accordance with the provisions of IAS 36. Impairment booked is part of the asset, it may be reversed up to the extent of the interest in the associate.

### **3.6. Revenue recognition**

The value of revenue is the market value of considerations that have been or will be received. Revenue is measured net of estimated returns, trade discounts and other similar rebates.

The Group determines revenue from electricity sales by taking into account in addition to the sales revenue of read and billed energy 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 program calculates data based on periodic consumption. This means that it 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. (See Note 4.2. for more details on use of estimates.)

Interest income is accrued pro rata temporis based on the principal outstanding and the respective interest rate.

Dividends from investments are recognised upon approval.

All other income and expenses are booked in the appropriate period based on the matching principle.

Under IFRIC 18 Transfers of Assets from Customers adopted on 1 January 2010, network development contributions (system access fees) with a primary objective of enabling the Group to create or purchase property, plant and equipment (networks, lines, etc.), as well as



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the value of assets transferred from customers with the same objective are credited to profit as other income when the service is rendered. Related measurement of assets transferred from customers is included in Note 3.15.

### **3.7. Own performance capitalised**

Own performance capitalised mainly includes material costs, services used and staff costs related to own network construction.

### **3.8. FX balances**

Financial receivables and liabilities denominated in foreign currencies are translated to HUF at the exchange rate at the reporting date. Exchange gains and losses are recognised in the statement of comprehensive income.

Separate financial statements of the Group members are prepared in the currency of the primary economic environment, i.e. in the respective functional currency, which is Hungarian forint in all cases.

Items denominated in other than the functional currency (FX items) are measured at the closing exchange rate at the given reporting date for assets and liabilities, while FX income and expenses are measured at the exchange rate at the date of performance of the transaction.

### **3.9. Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset – which needs more time to be ready for putting into operation – shall be capitalised on the asset until it is put into operation.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for intended use or sale. In line with the accounting policies of EDF, the substantial period of time was specified by the Group as a period exceeding 1 year (from the first significant payment until the asset is put into operation).

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

All other borrowing costs shall be accounted for in the statement of comprehensive income for the period in which it arose.

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### **3.10. Government grants**

Government grants may only be recognised if there is reasonable assurance that the Group will comply with the conditions associated with the grant and that the grant will be received.

In line with the accounting policies of the parent company, from the two options provided by IAS 20 the Group chose the grossing-up approach to account for government grants. Under this approach grants received primarily for the purchase or construction of non-current assets are recognised as deferred income in the statement of financial position and are recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

### **3.11. Taxation**

Income tax disclosed by the Group in the financial statements includes corporation tax and income tax for energy suppliers (Robin Hood tax), adjusted for deferred tax. Tax expense is based on tax liability determined for corporation tax on the basis of the Act on Corporation and Dividend Tax, while for Robin Hood tax on the basis of the Act on Promoting Competitiveness of District Heating.

Corporation tax payable does not equal the tax on the net profit included in the statement of comprehensive income, as the Act on Corporation Tax specifies reconciling items; furthermore, tax liabilities and assets from previous years also form part of the tax actually payable. The Group's liability relating to tax payable is assessed using tax rates enacted by the end of the reporting period.

Deferred tax is provided using the balance sheet liability method. Deferred tax is recognised in respect of temporary differences between the carrying amount of an item for financial reporting purposes and the amount used for taxation purposes. Deferred tax assets and liabilities are assessed at tax rates relating to taxable income in the years when temporary differences are expected to reverse. Deferred tax assets and liabilities reflect the tax consequences of assets and liabilities as of the reporting date assessed by the Group based on tax rules in effect on the reporting date.

The Company calculates the amount of deferred tax assets and liabilities for 31 December based on the balance sheet method, in line with both the amendments in the Act on Corporation Tax and the legal provisions of the Robin Hood tax. The two types of deferred tax assets and liabilities cannot be offset.

During the year the Company applies a simplified method under which deferred asset / liability calculation is performed using the balance sheet method only for the major items of the deferred tax portfolio. Such major items include property, plant and equipment, intangible assets, deferred income and levies accounted for under IFRIC 21.

Deferred tax assets can be recognised in the statement of financial position to the extent that it is probable that future taxable profits will be available against which they can be used. The Company recognises the full amount of deferred tax assets calculated in relation with property, plant and equipment in its consolidated financial statements, as it believes that they are likely to be recovered over the useful life of the assets.

Deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

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The consolidated balance of deferred tax assets / liabilities is recognised in the consolidated statement of financial position among non-current receivables / liabilities.

IFRIC 21 determines the obligating event connected to levies other than income taxes imposed by a government, as well as the timing of accounting for the liability. The entity acknowledges the liability only if a certain triggering event specified in the law occurs. It shall be applied to levies whereby the occurrence of the event triggering liability to pay a levy differs from its due date or the date of payment, settlement.

The related liability is booked when the obligating event occurs. In the case of the Group public utility tax and local taxes (vehicle tax, land tax, building tax) fall under the scope of IFRIC 21. It has significant effect when the tax year differs from the reporting period (e.g. interim report).

### 3.12. Intangible assets

The Group recognises among intangible assets those assets that meet the following criteria included in IAS 38 relating to intangible assets:

- identifiability (is capable of being separated or divided from the entity, arises from contractual or other legal rights);
- control (the entity has the power to obtain the future economic benefits flowing from the asset and to restrict the access of others to those benefits);
- future economic benefits;
- it is probable that future economic benefits will flow from the asset (probability criterion);
- cost can be measured reliably (reliability criterion).

Average useful lives of intangible assets:

Asset group	Useful life
Rights and concessions and intellectual property as per IFRS	assessed individually, based on management decision
Of which - significant software	3-5 years



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### **3.13. Property, plant and equipment**

With respect to the measurement of network assets (networks and transformers), as of 1 January 2010 the Group adopted the revaluation model instead of the cost model. Asset valuation is based on replacement cost adjusted for accumulated depreciation. The net effect of the upwards revaluation of the network assets totalled HUF 67,208 million as at 1 January 2010. The revaluation reserve is included in Note 20.4.

The Group specifies the frequency of revaluation in its accounting policies in view of changes in the market environment, but does not carry out necessarily annual revisions. Revaluation is performed either with the involvement of an external expert or based on management's estimates.

The asset value as of 31 December 2015 was assessed using management's estimations. The carrying amount less depreciation accounted for over the period elapsed since the expert's estimation in 2010 was back tested using the discounted cash flow (DCF) method. Based on the DCF method it can be stated that the income-generating capacity of the Group is appropriate, the carrying amount of the assets on the whole equals their market value.

In line with its accounting policies, at the beginning of the next year the Group reclassifies the change in revaluation reserve proportionate to depreciation from other comprehensive income into retained earnings after the profit or loss for the year has been booked as retained earnings.

Other asset groups are measured using the cost model.

Cost of property, plant and equipment includes purchase price, customs charges, non-deductible VAT and all costs incurred directly in the interest of putting the item of property, plant and equipment into operation. Costs incurred after the item of property, plant and equipment was put into operation, such as repair and maintenance costs, inspection costs are charged to the statement of comprehensive income. When through the improvement of the original performance of the item of property, plant and equipment these costs result in an increase in future economic benefits, the costs have to be capitalised as part of the item.

Costs of regular major inspections for faults related to individual assets are a separate component within the carrying amount of the assets, and the related depreciation is accounted for using the straight-line method over the period to the inspection.

Property, plant and equipment with a value below thHUF 100 are expensed when first used, except for assets that are not capable of independent operation, which are recorded as accessories, and network equipment (where retrospective capitalisation takes place). The Group does not apply the lump sum depreciation method for IT equipment with a value below thHUF 100.

Depreciation of property, plant and equipment is accounted for over the expected useful life of the asset using the straight-line method.

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Average useful lives of property, plant and equipment:

Asset group:

Buildings	2-80 years
Street lighting equipment	2 years - 16 years 8 months
Street lighting networks	16 years 8 months
Electricity networks	40-45 years
Machinery and equipment, vehicles	2-25 years
Transformer stations	30-45 years
Other	3-15 years

The gain or loss arising from the sale of an item of property, plant and equipment, which is determined taking into account the carrying amount of the item and the sales price, is recognised among other operating expense and income as part of operating profit or loss.

### **3.14. Impairment (except for goodwill)**

At each reporting year, the Group reviews the carrying amount of property, plant and equipment and intangible assets to determine whether based on external and internal information there is any indication of impairment. If any such indication exists, the expected recoverable amount of the asset shall be estimated to provide for the necessary impairment. If the expected recoverable amount of the asset is lower than its carrying amount, the carrying amount shall be reduced to the expected recoverable amount.

Impairment loss is accounted for if the value of the assets drops permanently, the asset becomes superfluous in part or in full, becomes damaged or is destroyed, or if its value is not recovered in future cash flow or sale. Impairment loss is recognised among other operating expense and income.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) has to be increased to the estimated recoverable amount, but only to the extent that this higher carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised in previous years. Reversed impairment is accounted for immediately in the statement of comprehensive income, unless the given asset is carried at a revalued amount, in which case the reversed impairment is considered revaluation surplus.

### 3.15. Impairment test

The Group performed an impairment test as of the reporting date. The calculation is based on the Group's medium-term plan for 2016-2019, after that it calculates with an increase in line with inflation.

The medium-term plan contains tariff regulation effects currently known as well as strategic objectives relating to developments in sale and costs. After the plan period the investment level necessary and sustainable in the long term will be maintained, which is EUR 25 million based on current calculations. The review uses an economic growth rate of 2.7%, which is below inflation, and 6.4% WACC. The WACC applied is based on a capital market price model accepted and applied internationally; it was only adjusted for information publicly available in Hungary in respect of risk-free (long-term government bond) yields and market risk premium. The Company does not reckon on tax changes neither in the medium-term plan, nor for the subsequent period.

The Company chose the perpetual annuity method to perform the impairment test, because it assumes continuous operation with the planned level of investment. The majority of assets comprises network property, plant and equipment which very probably will be necessary for the supply of energy to consumers in the distant future as well in spite of rapid technical development. Accordingly, renovation, replacement and expansion of network assets is continuous, thus it is not a project-like operation.

Calculating with the above assumptions based on the guidance included in IAS 36 the Company's cash-generating capacity is appropriate, there is no reason for recognising an impairment loss. Present value of future cash flows exceeds by HUF 37.5 billion the 2015 closing IFRS carrying amount (HUF 129.4 billion).

#### **The following sensitivity analyses were performed for the impairment test:**

1. 1% lower economic growth than assumed (i.e. growth of 1.7%) would reduce the Company's cash-generating capacity by HUF 30.9 billion, however, there still would not be reason for recognising an impairment loss.
2. A further 0.5% increase in WACC would reduce the cash-generating capacity by HUF 19.6 billion.
3. Assuming an investment level as in 2019 (HUF 9.64 billion, which exceeds the investment level of the medium-term plan by HUF 1.86 billion) after the period covered by the medium-term plan, the cash-generating capacity of the Company would be reduced by HUF 21.6 billion.

### 3.16. Treatment of funds transferred from customers and network assets received free of charge

As from 1 January 2010, without retrospective application, amounts paid by customers as network development contribution, as well as the value of network assets transferred free of charge are credited to profit or loss as the service is delivered. At the same time, due to the special tariff regulation – whereby when establishing distribution fees, for eligible cost calculation purposes the regulator disregards depreciation of assets implemented from system access fees, network development contribution or funds received free of charge,

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furthermore, in the calculation of cost of capital, it disregards the net value of these assets – the Group recognises an impairment loss against profit on investments implemented from such contributions and on such assets received free of charge.

Until 30 December 2009 these funds received and network assets received free of charge were deferred against profit or loss and the deferral was released in proportion to the useful life of the asset.

### **3.17. Leases**

Finance leases are leases whereby all the risks and rewards of ownership are transferred to the lessee. Ownership right may or may not be transferred at the end of the lease.

After reviewing its lease contracts, the Group classified them as operating leases. Assets acquired under operating leases are not recognised in the Group's accounting records. Leasing fees paid regularly are charged to the statement of comprehensive income.

### **3.18. Inventories**

Inventories comprising mainly spare parts as well as network construction and maintenance materials are recorded at the lower of cost and net realisable value. Purchased inventories are measured at weighted average price, while self-manufactured inventories are measured at direct production cost. Superfluous, outdated and slow-moving inventories are written down to net realisable value. The average turnover period of spare parts is one year, so the Group does not reclassify them into property, plant and equipment.

### **3.19. Financial assets and liabilities**

When financial assets are purchased or sold the date of initial recognition and derecognition is determined based on the trade date.

Financial assets are classified into different categories upon initial recognition based on the nature and purpose of the financial assets.

#### **Financial assets**

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets;
- Loans and receivables.

Financial assets and liabilities are initially recognised at fair value. Except for interest-free employee loans, the carrying amounts of all financial assets and liabilities equal their fair values due to their short-term nature and market interest level. Interest-free employee loans are recognised at amortised cost.

Income from debt instruments is accounted for based on effective interest.

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Dividend on available-for-sale equity instruments is to be recognised in the statement of comprehensive income, if the Group has an established right to receive dividend.

Financial assets other than those recorded at fair value and measured at fair value through profit or loss are tested for impairment at each reporting date. Impairment of financial assets recorded at amortised cost is assessed at the difference between the carrying amount of the asset and the present value of expected future cash flows discounted at the original effective interest rate.

### Financial liabilities

Financial liabilities may be classified into the following categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

### Derivative financial instruments

Derivatives are measured initially at market value when the contract containing the derivative enters into force; subsequent to initial recognition, derivatives are revalued to fair value at each reporting date. Resulting gains or losses are recognised immediately in the statement of comprehensive income, unless the derivative relates to an effective hedge, when the timing of recognition in the statement of comprehensive income depends on the nature of the hedging relationship.

Derivative instruments embedded into other financial assets or host contracts shall be treated as separate derivatives to the extent that their risks and characteristics are not closely related to those of the host contract and the host contracts are not measured at fair value with changes in fair value recognised in the statement of comprehensive income.

The Group may have purchase contracts whose planned retail sale will probably not take place based on expected volumes. In such cases electricity purchased for retail purposes can only be sold in the wholesale market. As purchases of electricity for retail purposes are part of the normal business activity, sale to the wholesale partner is based on risk management rather than speculative considerations, therefore basically such transactions can also be considered part of the normal course of business. Accordingly, these transactions normally are not deemed by the Company to fall within the scope of IAS 39. The Group specifies a ratio and contracts above this threshold fall within the scope of IAS 39, while those below this threshold remain "own use" transactions. The Company reviews its annual purchase and sale portfolios to determine whether the quotient of purchases and sales to wholesale partners for the contracts is above the 15% threshold.

The following contracts are taken into account in the calculation:

- electric energy purchased under long-term contracts concluded for delivery period following the reporting date, without purchase of green energy, per financial year (numerator)
- electric energy in MWh sold to a wholesale partner for delivery period following the reporting date per financial year (denominator).



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The review does not cover electric energy purchased for daily transactions.

If for a financial year the quotient exceeds 15%, the Company has to measure all such contracts for that year at fair value and must charge (credit) them to profit or loss. If the quotient remains below the threshold, no measurement or booking is performed.

In each year the Group performs a comprehensive review of the contracts to assess whether they contain elements which necessitate fair value measurement. Derivatives and hidden derivatives are detected. If the embedded derivative (hidden derivative) is separated from the host contract, the host contract is recognised in accordance with IAS 39 if it is a financial instrument itself, or under another appropriate standard if it is not a financial instrument.

The Group has hedges. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be effective;
- the effectiveness of the hedge can be reliably measured.

When testing hedge effectiveness, the amount of open transactions is compared to the amount of FX expenses planned for the maturity dates. Effectiveness can be determined as a result of the comparison.

The Group enters into hedges for electricity purchase and sale contracts, for foreign currency risk of electricity expenses and income. These transactions are treated as cash flow hedges, the time value is not separated. Non-realised gain or loss of the hedge is recorded in other comprehensive income based on IAS 39 until the hedged host contract has an impact on profit or loss, then it is transferred to the statement of comprehensive income. In the financial statements unrealised gain or loss of open hedges is recognised as part of other comprehensive income.

### **3.20. Levels of fair value hierarchy**

In context of fair value measurement the Group differentiates between observable inputs deriving from sources independent from the Group and unobservable inputs which reflect the Groups's own assumptions relating to the assumptions of market participants.

During fair value measurement the Group applies the following levels of hierarchy:

- Level 1: quoted prices in active markets for given assets and liabilities
- Level 2: inputs other than those included within Level 1 that are observable for the assets or liabilities either directly or indirectly, but relate only indirectly to the market valuation of the given asset or liability
- Level 3: unobservable inputs

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Market values as of 31 December 2015 of assets and liabilities included in the balance sheet as well as the fair value levels of their fair value measurement are included in the table below:

	Carrying amount	Market value	Explanation	Level 1	Level 2	Level 3
Property, plant and equipment	133,050	133,050	measured at fair value in the balance sheet			x
Derivative transactions	527	527	measured at fair value in the balance sheet		x	
Deferred tax assets	3,391	3,391				x
Other non-current assets	3,482	3,482				x
Inventories	591	591	is carried in the balance sheet at the lower of carrying amount and net realisable value			x
Trade and other receivables	14,805	14,805	carrying amount equals the market value due to the short-term nature			x
Cash and cash equivalents	502	502	carrying amount equals the market value			x
Other current assets	6,041	6,041	carrying amount equals the market value due to the short-term nature			x
Assets of subsidiaries held for sale	1,005	1,005	property, plant and equipment at market value; carrying amount of receivables equals the market value due to their short-term nature			x
Provisions	-975	-975	it is not discounted due to maturity less or slightly exceeding 1 year			x
Derivative transactions	-260	-260	measured at fair value in the balance sheet		x	
Deferred tax liabilities	-14,706	-14,706				x
Other non-current liabilities	-9,202	-9,202				x
Short-term loans and borrowings	-52	-52	bear market interest		x	
Trade and other current liabilities	-19,127	-19,127	carrying amount equals the market value due to the short-term nature			x
Liabilities of subsidiaries held for sale	-1,044	-1,044	loans bear market interest, for other liabilities carrying amount equals the market value due to the short-term nature		x	x

### **3.21. Receivables**

Receivables are recognised in the financial statements at carrying amount less estimated losses.

Receivables classified as bad debts are written off as credit loss, while impairment is booked on doubtful debts.

The Group classifies receivables based on maturity, as well as willingness and ability to pay.

Receivables may be:

- receivables not yet due
  - full value receivables
  - doubtful receivables
- overdue receivables
  - doubtful receivables
  - litigated receivables
  - bad debts.

### **3.22. Investments**

Long-term investments include interests in companies where the parent company has no controlling interest or significant influence and original cost is recorded at an amount reduced by impairment.

Gain or loss upon the sale of equity investments is determined based on the individual carrying amount of the equity investment.

### **3.23. Cash flow statement**

For the purposes of cash flow statement, cash and cash equivalents include the following elements: cash and bank deposits, other short-term (with a term of 3 months or less upon purchase) liquid investments that are readily convertible into the cash amount indicated on them and such conversion does not involve the risk of a change in their value, as well as bank overdrafts.

### **3.24. Liabilities**

#### **Bank loans**

Interest-bearing bank loans and bank overdrafts are presented at net value without borrowing costs. Bank overdrafts are part of day-to-day liquidity management.

#### **Trade liabilities**

Trade liabilities are presented at carrying amount.



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### Employment benefits

Long-term employment benefits, i.e. future expected estimated liabilities deriving from the payment of pre-retirement and long-service bonuses are presented among liabilities.

As of the end of each year the Group estimates the value of liabilities expected in the long term due to anniversary bonuses and long-service bonuses based on a probability statistical model using the "SoRIE" (Statement of Recognized Income and Expense) method. The present value of these estimated cash flows calculated by an actuary using the official inflation rate and the risk-free interest rate is recognised as expected payment liabilities. Actuarial gains and losses are recognised immediately in the statement of comprehensive income, while expected recovery of assets are recognised in the income statement.

Actuarial gains/losses are accounted for in other comprehensive income.

### **3.25. Provisions**

A provision may be recognised if, as a result of a past event, the Group has a present legal or constructive obligation, and it is probable that an outflow of resources embodying economic benefits will be required to fulfil the obligation, furthermore, the amount of the obligation can be estimated reliably.

The amount set as provision is the best estimate of the amounts required to fulfil the existing obligations at the reporting date, taking related risks and uncertainties into account. If the amount of the provision is determined based on cash flows required to fulfil the obligations, its carrying amount is the present value of those cash flows.

A restructuring provision is recognised, when the Group has a detailed formal plan for the restructuring and there is a valid chance that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. A restructuring provision includes only the direct expenditures arising from the restructuring, which are necessarily entailed by the restructuring and are not associated with the normal business activities of the Group.

## **4. Significant accounting judgements and main estimation uncertainties**

### **4.1. Significant judgements applied in accounting policies**

Below are described the most important judgements made by management during the application of the accounting policies and not related to estimates, which have the most significant impact on the financial statements.

Each year the Group estimates the value of liabilities expected in the long term due to anniversary bonuses and long-service bonuses based on a probability statistical model and the number of employees at the end of the year adjusted for mortality rate and rate of leaving. The present value of these estimated cash flows calculated by an actuary using the

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official inflation rate and the risk-free interest rate is recognised as expected payment liabilities.

The Group enters into hedges for electricity purchase and sale contracts, for foreign currency risk of electricity expenses and income. These transactions are treated as cash flow hedges, the time value is not separated.

The Group may have purchase contracts whose planned retail sale will probably not take place based on expected volumes. The Group specifies a ratio and contracts above this threshold fall within the scope of IAS 39, while those below this threshold remain "own use" transactions. The Company reviews its purchase and sale portfolios to determine whether the 15% threshold is exceeded for the given contracts.

#### **4.2. Main estimation uncertainties**

To establish whether the value of goodwill has reduced it is necessary to estimate the value in use of cash-generating units to which goodwill was allocated. An estimation of future expected cash flows of the cash-generating units as well as an appropriate discount rate for the calculation of present values are necessary to assess this value.

Depreciation of property, plant and equipment is accounted for using the straight-line method over the expected useful lives of the assets. At the end of each annual reporting period the Group reviews the useful lives of items of property, plant and equipment. Since 1 January 2010 a longer useful life has been assessed for network assets.

With respect to the measurement of network assets (networks and transformers), as of 1 January 2010 the Group adopted the revaluation model instead of the cost model. Asset valuation is based on replacement cost adjusted for accumulated depreciation. The effect of upwards revaluation of network assets totalled HUF 67,208 million recognised in other comprehensive income within equity.

During fair value measurement the Group applies the following levels of hierarchy:

- Level 1: quoted prices in active markets for given assets and liabilities
- Level 2: inputs other than those included within Level 1 that are observable for the assets or liabilities either directly or indirectly, but relate only indirectly to the market valuation of the given asset or liability
- Level 3: unobservable inputs.

Changes in fair value of electricity contracts within the scope of IAS 39 are calculated based on forward prices at the power exchange, while changes in fair value of hedges are based on market forward prices.

Electricity used before the end of the reporting period but not yet invoiced is assessed based on forecasts. The consumption is assessed using a method defined for the calculation of "unbilled" energy. The program calculates data based on periodic consumption. This means that it produces an estimate for the volume of unbilled energy based on consumption (kWh)

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corresponding to the same period in the previous year, thus it also takes seasonality into account.

Deferrals and accruals related to sale and purchase of electricity represent a significant item within accruals and deferrals. 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.

A provision is recognised if, as a result of a past event, the Group has a present obligation, and it is probable that it is required to fulfil the obligation, furthermore, the amount of the obligation can be estimated reliably.

The amount set as provision is the best estimate of the amounts required to fulfil the existing obligations at the reporting date, taking related risks and uncertainties into account. If the amount of the provision is determined based on cash flows required to fulfil the obligations, its carrying amount is the present value of those cash flows.

The Group recognises network losses and balancing energy among material costs.

#### **4.3. Changes in accounting policies**

In 2014 and in 2015 the accounting policies of the Group did not change.

### **5. Risk factors of financial instruments**

In the context of financial instruments the Group must take into account the uncertainty level of inflowing or outflowing future economic benefits related to the individual items, that is, it has to consider the uncertainties of the economic environment. These uncertainties are always estimated based on circumstances at the reporting date.

Various types of risk may arise in the economic environment of the Group:

- Liquidity risk
- Credit risk
- Market risk

#### Liquidity and credit risk

From a financial point of view, EDF DÉMÁSZ Group strives to maintain safe and healthy financing conditions. To ensure safer financing background, in January 2011 the EDF DÉMÁSZ Group joined the cash pool system operated by the parent company. Through the cash pool system the parent company provides HUF and EUR funding to the Group in the form of bank overdraft.

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In addition to this, for its bank relations the Group uses its own counterparty risk rating based on indicators of international rating agencies (Moody's, Standard and Poor's). This rating method determines the intensity of the bank relationship that can be established with the given institution (financing ratio). The aim of the rating is in line with the Group's intent to establish a stable financing background in terms of bank relationships for both medium and long term.

Management of interest rate risk

Member firms of the Group draw loans in floating rate arrangements. Loans of the Group bear market interest; taking the movement of interest level typical of 2015 into account, the Group did not consider the resulting interest rate risk significant, therefore it did not enter into interest rate swap or other hedges to mitigate such risk.

Market risks

Currency market risks

The EDF DÉMÁSZ Group faces risks arising from the volatility of the currency markets due to its electricity and gas trading activities on the open market. To manage currency market risks, a Group-level policy was developed (FX Risk Management Policy), which clearly regulates and limits the extent of risk assumption whilst linking it with responsibilities.

Energy market risks

Because of its core business activity, the EDF DÉMÁSZ Group is exposed to changes in energy market prices and the risk due to this exposure can impact significantly on the Group's financial performance. To manage these risks, the EDF DÉMÁSZ Group uses a sophisticated energy market risk management policy, which clearly regulates and limits the extent of risk assumption whilst linking it with responsibilities.

Considerable risks from the volatility of the energy and currency market can be avoided, along with related material losses, thanks to the risk management processes in place.

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## 6. Property, plant and equipment

The table below presents changes in the gross value of property, plant and equipment for the years ended 31 December 2015 and 2014 (the table does not include changes in assets received and accounted for as deferred income presented in Note 22):

<b>GROSS VALUE</b>	<b>Land and buildings</b>	<b>Plant, equipment, machinery, vehicles</b>	<b>Other equipment, fittings, vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Opening balance</b>					
<b>1 January 2014</b>	<b>139,407</b>	<b>45,845</b>	<b>4,819</b>	<b>1,249</b>	<b>191,320</b>
Capitalisation	3,316	1,019	581	-4,916	0
Additions to assets under construction	0	0	3	6,200	6,203
Free receipts	57	7	0	0	64
Reclassification	-6	2	-45	-1	-50
Classification into held for sale	0	-1	0	0	-1
Scrapped items	-158	-199	-111	-81	-549
Sale	-106	-8	-3	0	-117
Free transfers	-61	0	0	0	-61
<b>Closing balance</b>					
<b>31 December 2014</b>	<b>142,449</b>	<b>46,665</b>	<b>5,244</b>	<b>2,451</b>	<b>196,809</b>
Capitalisation	4,912	2,019	115	-7,046	0
Additions to assets under construction	0	0	0	7,141	7,141
Free receipts	55	7	0	0	62
Reclassification	14	-92	-271	0	-349
Classification into held for sale	-647	-660	0	-1	-1,308
Scrapped items	-424	-381	-941	-76	-1,822
Sale	-777	-18	-8	0	-803
<b>Closing balance</b>					
<b>31 December 2015</b>	<b>145,582</b>	<b>47,540</b>	<b>4,139</b>	<b>2,469</b>	<b>199,730</b>

Land and buildings also include the value of network assets. Transformers are included in plant, equipment, machinery, vehicles.

Capitalisations in the reporting period mainly comprise electricity distribution networks, high voltage/medium voltage electrical equipment, transformers, medium voltage/low voltage transformer stations and street lighting networks.

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Changes in depreciation and net value of the Group's property, plant and equipment in 2015 and 2014 are presented in the following table:

<b>ACCUMULATED DEPRECIATION</b>	<b>Land and buildings</b>	<b>Plant, equipment, machinery, vehicles</b>	<b>Other equipment, fittings, vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Opening balance</b>					
<b>1 January 2014</b>	<b>34,673</b>	<b>12,043</b>	<b>4,292</b>	<b>0</b>	<b>51,008</b>
Straight-line depreciation	6,812	2,219	887	0	9,918
Extraordinary depreciation	0	51	0	0	51
Sale	-77	-6	-2	0	-85
Scrapped items	-139	-78	-101	0	-318
Reclassification	0	0	-336	0	-336
Classification into held for sale	0	-1	0	0	-1
Free transfers	-51	0	0	0	-51
<b>Closing balance</b>					
<b>31 December 2014</b>	<b>41,218</b>	<b>14,228</b>	<b>4,740</b>	<b>0</b>	<b>60,186</b>
Straight-line depreciation	6,755	2,080	231	0	9,066
Reclassification	0	-80	-260	0	-340
Classification into held for sale	-114	-248	0	0	-362
Sale	-233	-3	-7	0	-243
Scrapped items	-367	-321	-939	0	-1,627
<b>Closing balance</b>					
<b>31 December 2015</b>	<b>47,259</b>	<b>15,656</b>	<b>3,765</b>	<b>0</b>	<b>66,680</b>
<b>Net value</b>					
<b>31 December 2014</b>	<b>101,231</b>	<b>32,437</b>	<b>504</b>	<b>2,451</b>	<b>136,623</b>
<b>Net value</b>					
<b>31 December 2015</b>	<b>98,323</b>	<b>31,884</b>	<b>374</b>	<b>2,469</b>	<b>133,050</b>

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## 7. Intangible assets

The following tables present changes in gross values and amortisation of intangible assets in 2015 and 2014:

### GROSS VALUE

	Rights and concessions	Intellectual property	Total
<b>Opening balance</b>			
<b>1 January 2014</b>	<b>10,128</b>	<b>638</b>	<b>10,766</b>
Capitalisation	3	0	3
Additions to assets under construction	308	1	309
Reclassification	-1	37	36
Scrapped items	-36	0	-36
<b>Closing balance</b>			
<b>31 December 2014</b>	<b>10,402</b>	<b>676</b>	<b>11,078</b>
Additions to assets under construction	340	8	348
Reclassification	1	0	1
Scrapped items	-17	0	-17
Classification into held for sale	-14	-30	-44
<b>Closing balance</b>			
<b>31 December 2015</b>	<b>10,712</b>	<b>654</b>	<b>11,366</b>

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<b>ACCUMULATED AMORTISATION</b>	<b>Rights and concessions</b>	<b>Intellectual property</b>	<b>Total</b>
<b>Opening balance</b>			
<b>1 January 2014</b>	<b>6,757</b>	<b>604</b>	<b>7,361</b>
Straight-line amortisation	614	5	619
Scrapped items	-26	0	-26
Reclassification	-38	38	0
<b>Closing balance</b>			
<b>31 December 2014</b>	<b>7,307</b>	<b>647</b>	<b>7,954</b>
Straight-line amortisation	607	6	613
Reclassification	-1	0	-1
Classification into held for sale	-7	-9	-16
<b>Closing balance</b>			
<b>31 December 2015</b>	<b>7,906</b>	<b>644</b>	<b>8,550</b>
<b>Net value</b>			
<b>31 December 2014</b>	<b>3,095</b>	<b>29</b>	<b>3,124</b>
<b>Net value</b>			
<b>31 December 2015</b>	<b>2,806</b>	<b>10</b>	<b>2,816</b>



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## **8. Goodwill**

2015 and 2014 changes in goodwill booked in relation with Group subsidiaries:

	<u>2015</u>	<u>2014</u>
<b>GROSS VALUE</b>		
Opening balance	<u>11</u>	<u>11</u>
Closing balance	<u>11</u>	<u>11</u>
<b>IMPAIRMENT</b>		
Opening balance	<u>3</u>	<u>3</u>
Closing balance	<u>3</u>	<u>3</u>
<b>NET VALUE</b>	<u><u>8</u></u>	<u><u>8</u></u>

The HUF 8 million goodwill arose in 2005 upon the acquisition of the Group's cash-generating unit holding an open market licence.

In 2010 a further HUF 3 million goodwill arose as a result of the acquisition of Zöldforrás Energia Kft., on which impairment was booked in 2013.

There is no reason for booking impairment on recorded goodwill in 2015.

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## 9. Subsidiaries

The Company's investments in subsidiaries as of 31 December 2015:

<i><b>Subsidiaries</b></i>	<i><b>Equity</b></i>	<i><b>Registered capital</b></i>	<i><b>Level of interest (%)</b></i>	<i><b>Method of consolidation</b></i>	<i><b>Date of acquisition</b></i>	<i><b>Core activity</b></i>
<b>EDF DÉMÁSZ Hálózati Elosztó Kft.</b> 6720 Szeged, Kossuth L. sgt. 64-66.	125,850	104,266	100	Full	2006	Distribution of electric energy, design and implementation of electricity networks, network operation and maintenance
<b>Zöldforrás Energia Kft.</b> 6720 Szeged, Klauzál tér 9.	1	61	50.29	Full	2010	Production of electricity and gas

The Company's investments in subsidiaries as of 31 December 2014:

<i><b>Subsidiaries</b></i>	<i><b>Equity</b></i>	<i><b>Registered capital</b></i>	<i><b>Level of interest (%)</b></i>	<i><b>Method of consolidation</b></i>	<i><b>Date of acquisition</b></i>	<i><b>Core activity</b></i>
<b>EDF DÉMÁSZ Hálózati Elosztó Kft.</b> 6720 Szeged, Kossuth L. sgt. 64-66.	120,737	104,266	100	Full	2006	Distribution of electric energy, design and implementation of electricity networks, network operation and maintenance
<b>Zöldforrás Energia Kft.</b> 6720 Szeged, Klauzál tér 9.	62	175	50.29	Full	2010	Production of electricity and gas

The ownership interest in each case tallies with voting rights and the level of control.

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The table below includes 2015 and 2014 data of the subsidiaries:

	EDF DÉMÁSZ Hálózati Elosztó Kft.		Zöldforrás Energia Kft.	
	2015	2014	2015	2014
<b>Balance sheet data</b>				
Current assets	2,488	2,340	5	2
Investments	147,109	148,356	1,069	1,146
Current liabilities	7,162	9,519	226	209
Non-current liabilities	800	3,500	276	328
<b>Data related to profit or loss</b>				
Sales revenue	48,534	48,161	147	146
Profit/Loss from continuing operations	8,540	5,597	-61	-53
Reporting year profit/loss after tax	5,113	3,299	-61	-53

Since the members of the Group publish their separate financial statements only according to accounting principles generally accepted in Hungary, the above information is presented in accordance with those principles.

## 10. Investments in associates

The Company's investments in associates as of 31 December 2015 and 2014:

	2015	2014
Business share in KECSKEMÉTI TERMOSTAR Kft.	578	578
<b>Total</b>	<b>578</b>	<b>578</b>

The level of investment in KECSKEMÉTI TERMOSTAR Kft. is 30.49%.

Associates are consolidated using the equity method. The ownership interest tallies with voting rights and the level of control. The value of the business share was calculated based on preliminary data. Expected figures as of 31 December 2015: equity HUF 1,894 million; retained profit or loss for the year HUF 0. Subsequent to initial recognition the value of the business share is adjusted for changes in the associate's equity attributable to the Company, which did not change between 2014 and 2015.

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## 11. Other investments

Other investments of the Group as of 31 December 2015 and 2014:

	2015	2014
Business share in the Zánkai Üdülő Egyesület	5	5
Housing loans to employees	75	84
<b>Total</b>	<b>80</b>	<b>89</b>

## 12. Income taxes

### 12.1. Deferred tax assets and liabilities

The Company calculates the amount of deferred tax assets and liabilities based on tax laws in effect on 31 December 2015. Corporation tax is assessed at 10% up to HUF 500 million positive tax base and at 19% above. Income tax for energy suppliers (so called Robin Hood tax) is assessed at 31% of the tax base.

The Company calculates the amount of deferred tax assets and liabilities based on the balance sheet method, in line with both the amendments in the Act on Corporation Tax and the legal provisions of the Robin Hood tax. The two types of deferred tax assets and liabilities cannot be offset. In the balance sheet a deferred tax asset calculated due to the Robin Hood tax and a deferred tax liability calculated for differences due to the corporation tax were recognised.

The consolidated balance of deferred tax assets / liabilities is recognised in the consolidated statement of financial position among non-current receivables / liabilities.

### 12.2. Taxes payable

In the statement of comprehensive income the figures presented as tax liability in 2015 and 2014 can be broken down as follows:

	2015	2014
Tax payable	5,251	4,370
Deferred tax	630	533
<b>Total tax expense</b>	<b>5,881</b>	<b>4,903</b>

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Reconciliation of the difference between changes in deferred tax and tax liability included in the statement of comprehensive income:

	<u>2015</u>	<u>2014</u>
<b>Profit before tax</b>	<b>12,945</b>	<b>10,800</b>
Tax liability based on the (10%) effective tax rate	100	100
Tax liability based on the (19%) effective tax rate	2,270	1,862
Income tax for energy suppliers (Robin Hood tax)	4,013	3,348
Non-taxable income	-35	-97
Tax allowance	-803	-434
Tax effect of permanent differences taken into account when determining tax base	<u>336</u>	<u>124</u>
<b><u>Total tax expense</u></b>	<b><u>5,881</u></b>	<b><u>4,903</u></b>

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### 12.3. Balance of deferred taxes

In 2015 deferred tax assets and liabilities derive from the following items:

2015	Opening balance	Charge to reporting- year profit	Charge to other comprehensive income	Closing balance
Deferred tax assets deriving from interim results of property plant and equipment	5,513	196	0	5,709
Deferred tax from the adoption of IFRIC 18	-2,042	-284	0	-2,326
Deferred tax from other balance sheet item difference	-7	98	0	91
Cash flow hedges	-46	0	-37	-83
<b>Total deferred tax assets:</b>	<b>3,418</b>	<b>10</b>	<b>-37</b>	<b>3,391</b>
Deferred tax liabilities from the effect of upwards revaluation of assets	-13,964	-135	0	-14,099
Deferred tax liabilities from the adoption of IFRIC 18	-1,252	-174	0	-1,426
Deferred tax from other balance sheet item difference	1,123	-333	0	790
Cash flow hedges	-29	0	-21	-50
Employee benefits	83	0	-4	79
<b>Total deferred tax liabilities:</b>	<b>-14,039</b>	<b>-642</b>	<b>-25</b>	<b>-14,706</b>

The Company recognises the full amount of deferred tax assets calculated in relation with property, plant and equipment in its consolidated financial statements, as it believes that they are likely to be recovered over the useful life of the assets.

The Company assumes continuous profitable operation, since the assets will very probably be necessary for the supply of energy to consumers in the distant future as well in spite of rapid technical development.

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In 2014 deferred tax assets and liabilities derive from the following items:

2014	Opening balance	Charge to reporting-year profit	Charge to other comprehensive income	Closing balance
Deferred tax assets deriving from interim results of property, plant and equipment	5,206	307	0	5,513
Deferred tax assets from the adoption of IFRIC 18	-1,772	-270	0	-2,042
Deferred tax from other balance sheet item difference	100	-107	0	-7
Cash flow hedges	58	0	-104	-46
<b>Total deferred tax assets:</b>	<b>3,592</b>	<b>-70</b>	<b>-104</b>	<b>3,418</b>
Deferred tax liabilities from the effect of upwards revaluation of assets	-13,748	-216	0	-13,964
Deferred tax liabilities from the adoption of IFRIC 18	-1,086	-166	0	-1,252
Deferred tax from other balance sheet item difference	1,202	-79	0	1,123
Cash flow hedges	36	0	-65	-29
Employee benefits	67	0	16	83
<b>Total deferred tax liabilities:</b>	<b>-13,529</b>	<b>-461</b>	<b>-49</b>	<b>-14,039</b>

### 13. Inventories

Inventories of the Group as of 31 December 2015 and 2014:

	2015	2014
Raw materials and consumable goods	500	458
Goods	12	12
Work in progress	79	69
<b>Total</b>	<b>591</b>	<b>539</b>



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## **14. Trade and other receivables**

Receivables and loans originated by the Group as of 31 December 2015 and 2014:

	2015	2014
Electricity trade debtors	10,635	11,049
Cash pool receivables from the parent company	5,305	4,085
Cash pool receivables from related companies	0	1,048
Trade receivables from related companies	0	3
Other trade debtors	695	554
Foreign trade debtors	115	7
Other receivables	311	338
<b><u>Gross amount of receivables</u></b>	<b><u>17,061</u></b>	<b><u>17,084</u></b>
Impairment	-2,511	-2,767
<b><u>Total</u></b>	<b><u>14,550</u></b>	<b><u>14,317</u></b>

In 2011 the Group joined the cash pool system operated by EDF S.A. As a feature of the system, positive balance appears as receivables from the parent company and negative balance appears as liabilities to the parent company. EDF HUNGÁRIA Kft. is involved in the cash pool system through the Group; positive balance in relation to it appears as receivables from related companies and negative balance appears as liabilities to related companies. In December 2015 Budapesti Erőmű Zrt. (hereinafter referred to as BE Zrt.) exited the cash pool system operated by the Group. As of 31 December 2015 the Group's cash pool receivables from EDF S.A. amounted to HUF 5,305 million. As of 31 December 2014 the Group's cash pool receivables from EDF S.A. totalled HUF 4,085 million, while from BE Zrt. HUF 1,048 million.

Average trade debtor turnover of the Group is 38.65 days (in 2014 it was 37.09 days). 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 181 days, while 100% impairment is booked on debts overdue by more than one year.

Based on analysis of historical outstanding debt data, the above levels of impairment are appropriate for outstanding debt purposes.

This rule does not apply to doubtful debts. Receivables reported to and confirmed by the liquidator in the case of debtors under liquidation, litigated receivables, non-litigated receivables overdue by more than one year, uncollected receivables received back from debt collection companies and transferred to legal proceedings qualify as doubtful debts. For such receivables 100% impairment is booked after 30 days.

For selected electricity customers with major outstanding debts impairment is determined based on individual assessment.

Receivables considered bad debts are written off as credit loss.

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If reasons giving rise to impairment cease to exist, the booked impairment shall be reversed. Receivables considered bad debts but then received are recognised among other operating expenses and income.

Changes to impairment booked on the Group's receivables in 2015 and 2014:

	2015	2014
Opening balance at the beginning of the year	2,767	2,816
Impairment booked in the reporting year	903	1,423
Reversed impairment	-897	-1,026
Derecognition of impairment on receivables written off	-262	-446
<b>Closing balance at the end of the year</b>	<b>2,511</b>	<b>2,767</b>

## 15. Other current assets

Other current assets of the Group that relate to deferred expenses and accrued income, as of 31 December 2015 and 2014:

	2015	2014
Revenue from the sale of electricity (unbilled)	3,075	3,359
Revenue from transmission system operation fees (unbilled)	2,647	2,132
Accrued interest income	5	7
Revenue from the sale of natural gas	16	12
Other	298	290
<b>Total</b>	<b>6,041</b>	<b>5,800</b>

The reason behind the decrease in accrued revenue from electricity sales is that in the reporting year the majority of sales was invoiced to wholesale partners, while in the previous year it was accounted for as accrued income. Furthermore, the sales portfolio and also sales prices decreased slightly. Accrued transmission system operation fees increased because the ratio of customers who pay transmission system operation fee to network distributors through the Company increased within the portfolio.

## 16. Available-for-sale financial assets

As of 31 December 2015 and 2014 the Group had no significant available-for-sale financial assets. The Group has HUF 2 million interest in Normon-Tool Kft., which represents 1.1% ownership share.

The Group booked HUF 2 million impairment on its available-for-sale financial assets in 2015.

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## 17. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2015 and 2014:

	2015	2014
Current accounts	399	544
Restricted deposit accounts	103	831
<b>Total</b>	<b>502</b>	<b>1,375</b>

## 18. Analysis of cash and cash equivalents

Composition of cash and cash equivalents including bank overdrafts for the years ended 31 December 2015 and 2014:

	2015	2014
Current accounts	399	544
Restricted deposit accounts	103	658*
<b>Total cash</b>	<b>502</b>	<b>1,202</b>
Bank overdrafts	-52	-254
<b>Total cash and cash equivalents</b>	<b>450</b>	<b>948</b>

\* In 2014 without the amount restricted due to the acquisition of EDF DÉMÁSZ ordinary shares by the parent company; this amount was repaid to the parent company in 2015.

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## **19. Assets and liabilities of subsidiaries held for sale**

EDF DÉMÁSZ Zrt. decided to sell its business share (majority holding) in Zöldforrás Kft. Management of parent company liabilities arising from the loan agreements of Zöldforrás Kft. as well as the details of the agreement to be concluded with the financing credit institution are important elements of the implementation of the potential transaction.

Core activity of Zöldforrás Energia Kft. is production of biogas using liquid dung and corn silage in a biogas power plant established using the company's own funds and funds received from the European Union. Due to the nature of its activity, the company is exposed to agricultural risks. There were several issues during the operation of the biogas plant that had a negative impact on profitability and the company's liquidity position.

The company was reclassified into a subsidiary held for sale as of 31 December 2015. Assets and liabilities as of 31 December 2015 of the subsidiary held for sale are presented in the table below:

<b>Non-current assets</b>	<b>975</b>	<b>Non-current liabilities</b>	<b>276</b>
Property, plant and equipment	946	Long-term loans	276
Intangible assets	29		
		<b>Current liabilities</b>	<b>768</b>
<b>Current assets</b>	<b>30</b>	Short-term portion of long-term loans	53
Inventories	1	Bank overdrafts	71
Trade and other receivables	15	Trade and other current liabilities	644
Other current assets	11		
Cash and cash equivalents	3	<b>Liabilities of subsidiaries held for sale</b>	<b>1,044</b>
<b>Assets of subsidiaries held for sale</b>	<b>1,005</b>		

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2015 changes to property, plant and equipment of Zöldforrás Energia Kft. and their depreciation as well as net value as of 31 December 2015 are presented in the tables below:

<b>GROSS VALUE</b>	<b>Land and buildings</b>	<b>Plant, equipment, machinery, vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Opening balance</b>				
<b>1 January 2015</b>	<b>645</b>	<b>651</b>	<b>0</b>	<b>1,296</b>
Capitalisation	2	10	-12	0
Additions to assets under construction	0	0	13	13
Scrapped items	0	-1	0	-1
<b>Closing balance</b>				
<b>31 December 2015</b>	<b>647</b>	<b>660</b>	<b>1</b>	<b>1,308</b>

<b>ACCUMULATED AMORTISATION</b>	<b>Land and buildings</b>	<b>Plant, equipment, machinery, vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Opening balance</b>				
<b>1 January 2015</b>	<b>82</b>	<b>197</b>	<b>0</b>	<b>279</b>
Straight-line amortisation	32	52	0	84
Scrapped items	0	-1	0	-1
<b>Closing balance</b>				
<b>31 December 2015</b>	<b>114</b>	<b>248</b>	<b>0</b>	<b>362</b>

As of 31 December 2015, mortgage is registered on the Company's property, plant and equipment of a gross value of HUF 1,277 million as collateral for bank loan agreements (as of 31 December 2014: HUF 1,268 million).

Long-term investment loans connected to the establishment of the biogas plant as at the end of 2015 totalled HUF 329 million comprising HUF 276 million long-term portion and HUF 53 million short-term portion. In addition, the company had HUF 71 million overdraft as at the end of the reporting year.

Zöldforrás Energia Kft. received in total HUF 615 million grant in the framework of the Environment and Energy Operational Programme to implement the biogas plant. The grant covered about half of total CAPEX. The deferred amount of the grant is reversed in proportion to booked depreciation.

The Company recognised provisions for the risks related to the subsidiary (see Note 23).

In line with its accounting policies, the Company does not present separately the profit or loss of its subsidiary held for sale in the consolidated statement of profit or loss and comprehensive income. Income and expenses of the subsidiary are included in Note 29 (small plant consolidated licensed activity).

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After the reporting date the members' meeting of Zöldforrás Energia Kft. decided to eliminate the technical problem hindering the operation (machine failure) and to provide HUF 40 million ad hoc member loan to cover the repair.

## 20. Equity

### 20.1. Share capital

EDF DÉMÁSZ Zrt. is fully owned by EDF International S.A. The number of shares issued and paid up totals 3,702,911 with a nominal value of HUF 10,000 each.

### 20.2. Capital reserve

The balance of capital reserve as of 31 December 2015 and 2014 contains assets over and above the share capital transferred by owners upon establishment (on 31 December 1991).

### 20.3. Retained earnings

Retained earnings comprise accumulated profit from previous years and the reporting year less dividends paid to the owner.

### 20.4. Other comprehensive income (OCI)

#### Cash flow hedges

Amounts of cash flow hedges recognised in equity or in the statement of profit or loss and comprehensive income:

	Current		Non-current	
	2015	2014	2015	2014
Hedges recognised in equity (liability)	260	258	0	0
Hedges recognised in equity (receivable)	522	408	5	0
Hedges recognised in profit or loss	-133	124	0	0
Hedges recognised in the statement of comprehensive income	58	170	0	0

The characteristics of the hedging instrument are the same as the future characteristics of the hedged item, therefore the Company considers these transactions effective.

Due to the practice followed 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

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year. The Group entered into the above hedges to cover these positions. For more details on currency market risks see Note 28.1.2.

Natural 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.

### **Revaluation reserve**

The Group involved an appropriately experienced external expert into the revaluation of network assets (transformers and networks) owned by EDF DÉMÁSZ Hálózati Elosztó Kft. The expert used the following assumptions for the revaluation:

- The assets subject to the present valuation were revalued in 2006 in the separate books of the Group; in some respects the valuation carried out in 2010 relied on that valuation.
- No comprehensive, item-by-item on-site review was performed, as the information received from the Company relating to the technical condition of assets was accepted; according to this information, the technical condition of the assets subject to valuation has not changed significantly since the last valuation other than due to normal physical obsolescence.
- No asset count was performed during the valuation, the assets included in the asset sub-ledger provided by the Company were subject to the valuation.
- During the appraisal the external expert assumed economic recession of 2-3 years then a slow recovery of the economy.

The revaluation was performed as at 1 January 2010. When determining the asset value, basically the "fair market value of assets in continuous use" applicable for the valuation of installed technology assets was established.

The following asset groups are subject to the revaluation:

- Cable networks operating at difference voltage levels;
- High voltage / medium voltage and medium voltage / medium voltage substations;
- Medium voltage / low voltage transformer stations;
- Meters and connection equipment.

The valuation methodology is based on the determination of the replacement cost of the assets, taking into account physical and market obsolescence of the individual asset types. When applying this method, data of similar sales and purchases, as well as income and expense data related to the assets are collected and analysed.



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Technical information was also used for the valuation:

- Length of cables;
- Dates of actual implementations;
- Features of transformers and electrical equipment operating at the individual substations;
- Data relating to physical and market obsolescence.

Street lighting assets were not revalued during the project.

The net effect of the upwards revaluation of the above network assets as of 1 January 2010 totalled HUF 67,208 million.

Changes in the revaluation reserve in 2015 and 2014:

	31.12.2015	31.12.2014
<b>Opening balance</b>	<b>46,277</b>	<b>49,617</b>
Reclassifications from retained earnings	-3,184	-3,340
<b>Closing balance</b>	<b>43,093</b>	<b>46,277</b>

In line with the Group's accounting policies, changes in the revaluation reserve in proportion to depreciation are reclassified from other comprehensive income into retained earnings in the given period.

**Other reserve**

Actuarial gains/losses booked during the determination using the SoRIE method of the value of expected liabilities for employment benefits form part of other comprehensive income. Changes in the other reserve in 2015 and 2014:

<b>Other reserve (Sorie)</b>	31.12.2015	31.12.2014
<b>Opening balance</b>	<b>-355</b>	<b>-287</b>
Change in the reporting year	20	-68
<b>Closing balance</b>	<b>-335</b>	<b>-355</b>

Equity elements include reserves which are treated differently in the separate books and in the consolidated financial statements, therefore they do not form part of the assets distributable to owners.

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## 21. Long-term loans

Long-term loans of the Group as of 31 December 2015 and 2014:

	31.12.2015	31.12.2014
Bank loans	0	381
Long-term borrowings	0	2,700
	<u>0</u>	<u>3,081</u>
By due date for repayment		
Within one year	0	1,853
Between 1 and 2 years	0	953
Between 2 and 5 years	0	158
Over 5 years	0	117
	<u>0</u>	<u>3,081</u>
Due within 12 months (presented among current liabilities)	0	-1,853
Long-term loans repayable over one year	<u>0</u>	<u>1,228</u>

In 2015 the Group repaid its long-term loans except for the long-term loan of the subsidiary held for sale presented in Note 19.

### Further conditions of bank loans:

	31.12.2015	31.12.2014	Maturity
Loan related to network development			
- Investment and development loan	0	2,700	30.06.2016
- Project loan	0	381	31.03.2022
<b>Total</b>	<u>0</u>	<u>3,081</u>	

In 2015 the Group did not draw investment loans from external partners. In 2011 the Group received a HUF 9,000 million investment loan from EDF Investissements Groupe SA, of which the HUF 2,700 million debt outstanding as of 31 December 2014 was repaid in one amount on 30 June 2015.

The investment and development loans bear floating interest linked to BUBOR.

## 22. Deferred income

The portion attributable to depreciation in the given year of network assets implemented from deferred income from network development contribution and funds from customers received until 31 December 2009 is recognised as income. Since 1 January 2010 assets or funds received under this title have not been deferred.

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As of 31 December 2015 and 2014 the Group had the following deferred income from network development contributions and free asset receipts received until 31 December 2009:

	2015	2014
Network development contribution (i)	6,359	6,638
Assets received free of charge (ii)	1,483	1,613
<b>Total</b>	<b>7,842</b>	<b>8,251</b>

- (i) From deferred income from network development contribution received until 31 December 2009 the portion attributable to depreciation in the given year of network assets implemented from funds received from customers is recognised as income in each year.

The table below presents the 2015 and 2014 changes in funds received and income recognised:

Balance of contributions received as of 31 December 2014	18,281
Contributions received in 2015	0
Contributions received as of 31 December 2015	18,281
Accumulated income as of 31 December 2014	-11,643
Income recognised in 2015	-279
Accumulated income as of 31 December 2015	-11,922
Net deferred income as of 31 December 2014	6,638
Net deferred income as of 31 December 2015	6,359
Network development contribution recognised as income in 2015	-279
Free receipts recognised as income in 2015	-130
Total income recognised in 2015	-409

- (ii) Assets received free of charge are transformers or network parts constructed by consumers who then transferred them free of charge to the Company. Assets received this way until 31 December 2009 were recorded by the Company at their market value in its books and are recognised as income in proportion to their depreciation.

Recognition of funds received from customers and network assets received free of charge after 1 January 2010:

	2015	2014	Booked in the reporting year
Network development contribution received	7,034	5,970	1,064
Assets received free of charge	499	459	40
Impairment on networks	-6,015	-5,094	-921
Impairment on transformers	-1,518	-1,335	-183
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

Impairment is booked in profit or loss on investments implemented from contributions and on these assets received free of charge (see Note 3. Main accounting policies).

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## 23. Provisions

As of 31 December 2015 and 2014 the following provisions were recognised in the statement of financial position:

	Closing balance 31 December 2014	Increase	Decrease	Closing balance 31 December 2015	Long- term portion	Short- term portion
Environmental protection obligations	22	0	22	0	0	0
Liabilities related to termination of employment	803	36	392	447	432	15
Other expected liabilities	770	45	287	528	0	528
<b>Total</b>	<b>1,595</b>	<b>81</b>	<b>701</b>	<b>975</b>	<b>432</b>	<b>543</b>

The provision recognised in relation with termination of employment includes costs that are expected to arise due to termination of employment and retirements for the years 2016-2019, which costs arise exclusively in connection with the restructuring and are not costs necessary for normal operation. The Group has a detailed plan for the restructuring that includes the affected workplaces, functions as well as the estimated number of employees affected who will receive severance pay, early retirement or other benefits upon the termination of employment. Such provision was released based on early retirement and other payments.

A significant part of provisions for other expected liabilities comprises provisions for risks related to a Group subsidiary amounting to HUF 308 million.

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## 24. Other non-current liabilities

Other non-current liabilities as of 31 December 2015 and 2014:

	Non-current		Current	
	2015	2014	2015	2014
Anniversary and long-service bonuses	1,360	1,274	58	13
<b>Total</b>	<b>1,360</b>	<b>1,274</b>	<b>58</b>	<b>13</b>

Employees with 10-year continuous employment at the Group (or at its legal predecessor) become member of long-service staff and later – after a predetermined period of service – receive cash bonus.

Employees who retire from the Group by mutual agreement in the framework of normal, early or disability retirement are entitled to a predetermined level of pre-retirement bonus.

When calculating the present value of liabilities arising due to long-service and pre-retirement bonuses payable in the future, the actuary used the yield of Hungarian state bonds and euro bonds as a discount rate.

## 25. Short-term portion of long-term loans and bank overdrafts

Short-term loans of the Group as of 31 December 2015 and 2014:

	2015	2014
Bank overdrafts	52	254
- <i>HUF-based bank overdrafts</i>	52	254
Short-term portion of long-term loans	0	1,853
- <i>Investment and development loans</i>	0	1,853
<b>Total</b>	<b>52</b>	<b>2,107</b>

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## 26. Trade and other current liabilities

Trade liabilities of the Group as of 31 December 2015 and 2014:

	2015	2014
Trade liabilities	5,375	4,415
Other accrued expenses	5,948	6,622
VAT	2,164	2,349
Cash pool liabilities to the parent company	2,449	2,660
Trade liabilities to the parent company	77	94
Advance payments from consumers	1,524	1,480
Deferral of grant received	0	514
Liabilities to employees	257	263
Social security contribution	177	208
Liabilities to the state budget and local tax liabilities	90	153
Short-term portion of pre-retirement and long-service bonuses	58	13
Advances received from customers	180	282
Personal income tax liability	69	92
Cash pool liabilities to related companies	18	16
Liabilities to transmission system operation	46	71
Other	695	1,376
<b>Total</b>	<b>19,127</b>	<b>20,608</b>

In 2011 the Group joined the cash pool system operated by EDF S.A. As a feature of the system, positive balance appears as receivables from the parent company and negative balance appears as liabilities to the parent company. EDF HUNGÁRIA Kft. is involved in the cash pool system through the Group; positive balance in relation to it appears as receivables from related companies and negative balance appears as liabilities to related companies. In December 2015 Budapesti Erőmű Zrt. exited the cash pool system operated by the Group.

As of 31 December 2015 cash pool liability of the Group to EDF S.A. amounted to HUF 2,449 million, while liability to EDF HUNGÁRIA Kft. totalled HUF 18 million. As of 31 December 2014 the Group had cash pool liabilities to EDF S.A. amounting to HUF 2,660 million and cash pool liabilities to EDF HUNGÁRIA Kft. totalling HUF 16 million.

Accrued expenses and deferred income include accrued expenses comprising mainly expenses from transportation of electricity and transmission system operation fees as well as expenses related to staff costs.

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## 27. Financial instruments

Financial instruments as of 31 December 2015 and 2014:

	2015	2014
Loans and receivables	14,314	14,064
Derivative transactions	527	408
Cash and cash equivalents	502	1,375
Available-for-sale and other financial assets	5	7
<b>Total financial assets</b>	<b>15,348</b>	<b>15,854</b>
	2015	2014
Other financial liabilities	9,337	11,500
Derivative transactions	260	258
<b>Total financial liabilities</b>	<b>9,597</b>	<b>11,758</b>

Available-for-sale financial assets include the 16.66% interest (HUF 5 million) in Zánkai Üdülő Egyesület.

Other financial liabilities include other non-current liabilities, long-term loans, the short-term portion of long-term loans as well as trade and cash pool liabilities.

Except for interest-free employee loans, the carrying amounts of all financial assets and liabilities equal their fair values due to their short-term nature and market interest level. Interest-free employment loans are recorded at amortised cost that is determined based on expected yields of risk-free government bonds with similar maturity on a contract-by-contract basis. Income from debt instruments is accounted for based on effective interest. The investment and development loans bear floating interest linked to BUBOR.

The Group enters into hedges for electricity and natural gas purchase and sale contracts, for foreign currency risk of electricity and natural gas expenses and income. These transactions are treated as cash flow hedges, the time value is not separated. Non-realised gain or loss of the hedge is recorded in other comprehensive income based on IAS 39 until the hedged host contract has an impact on profit or loss, then it is transferred to the statement of comprehensive income. In the financial statements unrealised gain or loss of open hedges is recognised as part of other comprehensive income.



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The tables below present expected maturity of major financial assets and liabilities of the Group. The data included in the tables are based on undiscounted contractual maturity of financial assets and liabilities:

2015	Overdue	Not due					Total
		Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	
<b>Trade receivables</b>	<b>2,075</b>	<b>6,859</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,934</b>
Trade receivables, gross	4,586	6,859	0	0	0	0	11,445
Impairment	-2,511	0	0	0	0	0	-2,511
<b>Loans granted (cash pool)</b>	<b>0</b>	<b>5,305</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,305</b>
<b>Trade liabilities</b>	<b>0</b>	<b>5,452</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,452</b>
<b>Loans*</b>	<b>0</b>	<b>2,467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,467</b>

2014	Overdue	Not due					Total
		Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	
<b>Trade receivables</b>	<b>2,320</b>	<b>6,526</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,846</b>
Trade receivables, gross	5,087	6,526	0	0	0	0	11,613
Impairment	-2,767	0	0	0	0	0	-2,767
<b>Loans granted (cash pool)</b>	<b>0</b>	<b>5,133</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,133</b>
<b>Trade liabilities</b>	<b>0</b>	<b>4,509</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,509</b>
<b>Loans*</b>	<b>0</b>	<b>2,676</b>	<b>0</b>	<b>1,853</b>	<b>1,110</b>	<b>118</b>	<b>5,757</b>

\*Long-term loans and cash pool liabilities (without bank overdrafts)

## **28. Risk management**

### **28.1. Market risks**

#### **28.1.1. Energy market risks**

Because of its core business activity, the EDF DÉMÁSZ Group is exposed to changes in energy market and regulatory prices and the risk due to this exposure can impact significantly on the Group's financial performance. Parallel to this, the EDF DÉMÁSZ Group also faces risks arising from the volatility of the currency markets due to its electricity and gas trading activities on the open market. To manage these risks, the EDF DÉMÁSZ Group uses a sophisticated energy market risk management policy, which clearly regulates and limits the extent of risk assumption whilst linking it with responsibilities.

Considerable risks from the volatility of the energy and currency market can be avoided, along with losses, thanks to the risk management processes in place.

If the volume sold on the open market had been higher/lower by 1%, assuming that all other variants remain constant, the 2015 profit and equity of the Group would have been higher/lower by HUF 72 million, while the 2014 profit and equity of the Group would have been higher/lower by HUF 116 million.

If the price of electricity subject to the mandatory off-take system (with regulated price) had been higher/lower by HUF 1, assuming that all other variants remain constant, the 2015 profit and equity of the Group would be lower/higher by HUF 24 million, while the 2014 profit and equity of the Group would be lower/higher by HUF 33 million.

#### **28.1.2. Currency market risks**

The EDF DÉMÁSZ Group faces risks arising from the volatility of the currency markets due to its electricity and gas trading activities on the open market. The majority of electricity purchases is in EUR and the majority of natural gas purchases is in USD, 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 and USD short position throughout the year. To manage currency market risks, a Group-level policy was developed (FX Policy), which clearly regulates and limits the extent of risk assumption whilst linking it with responsibilities.

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The following table presents the Group's foreign currency balance sheet as of 31 December 2015 and 2014, translated into HUF million:

	Assets		Equity and liabilities	
Currency	31 December 2015	31 December 2014	31 December 2015	31 December 2014
EUR	2,636	3,079	3,012	3,658
USD	0	0	41	39
<b>Total</b>	<b>2,636</b>	<b>3,079</b>	<b>3,053</b>	<b>3,697</b>

The following table presents the Group's total currency exposure as of 31 December 2015 and 2014, translated into HUF million:

31.12.2015					
	Statement of financial position		Off-balance sheet items		
Currency	Assets	Equity and liabilities	Receivable	Liability	Net position
EUR	2,636	3,012	18,254	18,127	-249
USD	0	41	0	0	-41
<b>Total</b>	<b>2,636</b>	<b>3,053</b>	<b>18,254</b>	<b>18,127</b>	<b>-290</b>

31.12.2014					
	Statement of financial position		Off-balance sheet items		
Currency	Assets	Equity and liabilities	Receivable	Liability	Net position
EUR	3,079	3,658	13,185	12,882	-276
USD	0	39	5	6	-40
<b>Total</b>	<b>3,079</b>	<b>3,697</b>	<b>13,190</b>	<b>12,888</b>	<b>-316</b>

## 28.2. Management of interest rate risk

The following sensitivity analysis was performed based on interest rate risks of the Group loans as at the reporting date. For floating-rate liabilities the Group assumed in the analysis that loans of the Group changed evenly during the year (the calculation is based on an average portfolio), and it analysed what change in the interest payment liability of the Group would have been resulted from a change of 50 basis points in interest rates during the year.

If interest rates had been 50 basis points higher/lower, assuming that all other variants remain constant, the profit and equity of the Group for the year ended 31 December 2015 would decrease/increase by HUF 44.7 million (in 2014 would have decreased/increased by HUF 44.2 million). This is due to the interest rate risk affecting the loans of the Group that bear floating interest.

### **28.3. Capital management**

The capital management of the Group is aimed at ensuring the operation of the Group entities, while maximising stakeholders' yields through achieving an optimal balance between loans and equity.

Capital structure of the Group includes net debts (short-term and long-term loans less cash and cash equivalents) and the Group's equity.

For the Group there is no minimum equity requirement; the level of equity of the individual companies meets the requirements prescribed by law, except for Zöldforrás Kft. The owners of Zöldforrás Kft. will take measures to resolve the equity.

The management of the Group regularly reviews the capital structure.

### **29. Activity report**

As of 31 December 2015 the EDF DÉMÁSZ Group holds the following HEPURA licences:

- Electricity universal service provider licence;
- Electricity trading licence;
- Natural gas trading licence;
- Street lighting operation licence;
- Network distributor licence;
- Small plant consolidated licence.

In the consolidated financial statements the balance sheets and income statements by licensed activity included in the financial statements of the companies are presented in an IFRS structure, thus ensuring compliance with the provisions of the Act on Electric Energy relating to accounting unbundling.

The tables below present the Group's 2015 and 2014 activity by licensed activity:

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	Licensed electricity trading		Licensed universal service provider		Licensed natural gas trading		Licensed street lighting operation		Licensed distributor		Licensed small plant	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015*	2014
<b>Non-current assets</b>												
Property, plant and equipment	0	0	0	0	0	2	0	0	147,105	148,353	1,055	1,128
Intangible assets	0	0	0	0	0	0	0	0	145,430	146,602	1,026	1,097
Goodwill	0	0	0	0	0	2	0	0	1,623	1,689	29	31
Investments in associates	0	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	52	62	0	0
Fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0	0	0	0	0
<b>Current assets</b>	<b>14,609</b>	<b>14,216</b>	<b>25,932</b>	<b>18,649</b>	<b>47</b>	<b>25</b>	<b>79</b>	<b>205</b>	<b>5,595</b>	<b>5,462</b>	<b>30</b>	<b>33</b>
Inventories	0	0	0	0	0	0	0	0	206	227	1	0
Trade and other receivables	11,557	10,446	23,452	16,246	29	11	41	152	2,039	2,031	15	18
Fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other current assets	2,982	3,120	2,480	2,403	18	14	38	53	3,348	3,204	11	14
Available-for-sale financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	70	650	0	0	0	0	0	0	2	0	3	1
<b>Non-current assets held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>14,609</b>	<b>14,216</b>	<b>25,932</b>	<b>18,649</b>	<b>47</b>	<b>27</b>	<b>79</b>	<b>205</b>	<b>152,700</b>	<b>153,815</b>	<b>1,085</b>	<b>1,161</b>

\*Presented among the assets of the subsidiary held for sale

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	Licensed electricity trading		Licensed universal service provider		Licensed natural gas trading		Licensed street lighting operation		Licensed distributor		Licensed small plant	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015*	2014
<b>Equity</b>	<b>4,918</b>	<b>3,009</b>	<b>-3,686</b>	<b>-1,617</b>	<b>-218</b>	<b>-178</b>	<b>189</b>	<b>-8</b>	<b>124,493</b>	<b>119,831</b>	<b>1</b>	<b>62</b>
Share capital	0	0	0	0	0	1	0	0	104,266	104,266	61	175
Capital reserve	0	0	0	0	0	0	0	0	3,492	3,492	0	0
Retained earnings	4,918	3,009	-3,686	-1,617	-218	-179	189	-8	16,735	12,073	-60	-113
<b>Non-current liabilities</b>	<b>249</b>	<b>247</b>	<b>5</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,191</b>	<b>20,464</b>	<b>298</b>	<b>352</b>
Long-term loans	0	0	0	0	0	0	0	0	800	3,500	276	328
Deferred income	0	0	0	0	0	0	0	0	15,037	14,361	22	24
Provisions	249	247	5	10	0	0	0	0	1,354	2,603	0	0
Other non-current liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0	0	0	0	0
Fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
<b>Current liabilities</b>	<b>15,763</b>	<b>15,686</b>	<b>27,505</b>	<b>19,338</b>	<b>99</b>	<b>43</b>	<b>48</b>	<b>129</b>	<b>9,624</b>	<b>12,753</b>	<b>786</b>	<b>747</b>
Short-term loans	14	322	292	542	13	13	-28	17	0	1,800	124	113
Provisions	0	0	0	0	0	0	0	0	0	0	0	0
Trade and other current liabilities	15,749	15,364	27,213	18,796	86	30	76	112	9,624	10,953	662	634
Fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Unbundling difference	-6,321	-4,726	2,108	918	166	162	-158	84	1,392	767	0	0
<b>Total equity and liabilities</b>	<b>14,609</b>	<b>14,216</b>	<b>25,932</b>	<b>18,649</b>	<b>47</b>	<b>27</b>	<b>79</b>	<b>205</b>	<b>152,700</b>	<b>153,815</b>	<b>1,085</b>	<b>1,161</b>

\*Presented among the liabilities of the subsidiary held for sale

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	Licensed electricity trading		Licensed universal service provider		Licensed natural gas trading		Licensed street lighting operation		Licensed distributor		Licensed small plant	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from the sale of electricity	47,619	51,193	46,106	47,270	33	0	0	0	45,963	45,827	142	141
Revenue from the sale of heat	0	0	0	0	0	0	0	0	0	0	5	5
Revenue from the sale of gas	0	0	0	0	123	115	0	0	0	0	0	0
<b>Total sales revenue</b>	<b>47,619</b>	<b>51,193</b>	<b>46,106</b>	<b>47,270</b>	<b>156</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>45,963</b>	<b>45,827</b>	<b>147</b>	<b>146</b>
Cost of purchased electric energy	-41,674	-45,905	-46,026	-46,376	0	0	0	0	-15,542	-15,690	0	0
Cost of purchased fuel	0	0	0	0	0	0	0	0	0	0	-78	-70
Cost of purchased gas	0	0	0	0	-140	-103	0	0	0	0	0	0
<b>Cost of sales</b>	<b>-41,674</b>	<b>-45,905</b>	<b>-46,026</b>	<b>-46,376</b>	<b>-140</b>	<b>-103</b>	<b>0</b>	<b>0</b>	<b>-15,542</b>	<b>-15,690</b>	<b>-78</b>	<b>-70</b>
<b>Gross profit/loss</b>	<b>5,945</b>	<b>5,288</b>	<b>80</b>	<b>894</b>	<b>16</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>30,421</b>	<b>30,137</b>	<b>69</b>	<b>76</b>
Own performance capitalised	0	0	0	0	0	0	0	0	3,975	3,469	0	0
Wages and similar expenses	-26	-12	-6	-2	0	0	0	0	-4,716	-4,417	-7	-7
Material costs	0	0	0	0	0	-1	0	0	-2,422	-2,325	-7	-12
Depreciation and amortisation	0	0	0	0	-1	-1	0	0	-7,767	-7,926	-87	-86
Other operating expenses and income	-1,235	-918	-2,105	-2,078	-50	-43	215	24	-11,207	-13,131	-4	8
<b>Operating profit/loss</b>	<b>4,684</b>	<b>4,358</b>	<b>-2,031</b>	<b>-1,186</b>	<b>-35</b>	<b>-33</b>	<b>215</b>	<b>24</b>	<b>8,284</b>	<b>5,807</b>	<b>-36</b>	<b>-21</b>
Interest income	0	0	0	0	0	0	0	0	2	2	0	0
<i>Income from financial transactions</i>	0	0	0	0	0	0	0	0	2	2	0	0
Interest expenses	-25	-39	-38	-57	-1	0	-1	-2	-240	-562	-25	-32
<i>Expenses on financial transactions</i>	-25	-39	-38	-57	-1	0	-1	-2	-240	-562	-25	-32
<b>Net finance cost</b>	<b>-25</b>	<b>-39</b>	<b>-38</b>	<b>-57</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>-2</b>	<b>-238</b>	<b>-560</b>	<b>-25</b>	<b>-32</b>
<b>Profit or loss before tax</b>	<b>4,659</b>	<b>4,319</b>	<b>-2,069</b>	<b>-1,243</b>	<b>-36</b>	<b>-33</b>	<b>214</b>	<b>22</b>	<b>8,046</b>	<b>5,247</b>	<b>-61</b>	<b>-53</b>
Income tax	-1,687	-1,879	0	0	0	0	-17	-2	-3,384	-2,259	0	0
<b>Profit or loss after tax</b>	<b>2,972</b>	<b>2,440</b>	<b>-2,069</b>	<b>-1,243</b>	<b>-36</b>	<b>-33</b>	<b>197</b>	<b>20</b>	<b>4,662</b>	<b>2,988</b>	<b>-61</b>	<b>-53</b>
Dividends approved	-1,064	-1,183	0	0	0	0	0	0	0	0	0	0
<b>Profit or loss for the year</b>	<b>1,908</b>	<b>1,257</b>	<b>-2,069</b>	<b>-1,243</b>	<b>-36</b>	<b>-33</b>	<b>197</b>	<b>20</b>	<b>4,662</b>	<b>2,988</b>	<b>-61</b>	<b>-53</b>



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### 30. Dividends and earnings per share

Based on the Hungarian non-consolidated report, total profit after tax of EDF DÉMÁSZ Zrt. distributable as dividend amounted to HUF 2,460 million as of 31 December 2015 and HUF 2,813 million as of 31 December 2014.

The 2015 consolidated net profit of the EDM DÉMÁSZ Group totals HUF 7,064 million and its comprehensive income totals HUF 7,142 million. The number of shares issued is 3,702,911.

The amount of dividend payable is determined by taking into account the dividend payment limit of the Company under the Hungarian accounting rules and is approved by the Owner. The dividend paid actually in 2015 for the previous year totals HUF 6,300 million. In 2015 the Board of Directors of EDF DÉMÁSZ Zrt. proposes to approve a dividend of HUF 3,000 million.

### 31. Sales revenue

2015 and 2014 sales revenue of the Group:

	2015	Share (%)	2014	Share (%)
Electricity sales revenue	98,265	99.9	103,430	99.9
Natural gas sales revenue	123	0.1	116	0.1
Heat energy sales revenue	4	0.0	5	0.0
<b>Total sales revenue</b>	<b>98,392</b>	<b>100.0</b>	<b>103,551</b>	<b>100.0</b>

The reason for the decrease is that in 2015 the Group's open market customer portfolio became smaller as compared with the previous year; on the other hand, the volume of sales to commercial partners also fell and end user prices for households decreased as well.

### 32. Cost of sales

Cost of sales in 2015 and 2014:

	2015	2014
Cost of purchased electric energy (i)	60,923	66,597
Cost of purchased natural gas	107	103
Cost of purchased fuel	77	70
<b>Cost of sales</b>	<b>61,107</b>	<b>66,770</b>

(i) It also includes the gain or loss on cash flow hedges realised in the reporting year.

The main reason behind the decrease in the purchase cost of electricity is the fall in the volume and price of electricity purchased for consumers.

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### 33. Material costs

Material costs in 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Mediated services	21	26
Use of electricity	124	124
Material costs	<u>2,942</u>	<u>2,619</u>
<b><u>Material costs</u></b>	<b><u>3,087</u></b>	<b><u>2,769</u></b>

### 34. Wages and similar expenses

Wages and similar expenses in the years ended 31 December 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Wages	5,796	5,427
Wage contributions	1,912	1,888
Other staff benefits	346	622
Payments to pension funds	510	517
Meal contributions	55	87
Health care contribution	63	59
Personal income tax	151	205
Refund of commuting and car costs	38	39
Other staff-related payments	109	135
Costs related to termination of employment	59	140
<b><u>Total</u></b>	<b><u>9,039</u></b>	<b><u>9,119</u></b>

In 2015 the Group's average headcount dropped to 1,109 from 1,163 in the previous year.

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### 35. Other operating expenses and income

Net value of other operating expenses and income in 2015 and 2014:

	2015	2014
<b><i>Impairment, provisions</i></b>	<b>-480</b>	<b>617</b>
Impairment on receivables	6	397
Reverse of receivable write-offs	-1	0
Impairment on property, plant and equipment	0	36
Changes in provisions for liabilities	-620	92
Changes in liabilities booked on long-service and pre-retirement bonuses	135	92
<b><i>Material-type services and other services used</i></b>	<b>10,126</b>	<b>10,639</b>
Payments to the state budget and local taxes	5,748	5,805
<i>Of which tax on public utility lines</i>	3,842	3,839
<i>Of which local business tax</i>	1,014	1,040
<i>Of which other</i>	892	926
Pruning, line clearance	316	440
Repair, maintenance	883	950
Bank charges	677	784
Telephone, postal costs	555	603
Expert fees	438	497
Rentals	325	350
Market research, marketing	121	76
Other technical and economic services	126	113
Transportation, loading	64	61
Printing services, newspapers, periodicals	87	93
Training costs	114	63
Authorisation fees	88	101
Travel and accommodation costs	30	35
Insurance	46	62
Other services used	508	606
<b><i>Results from sale of materials</i></b>	<b>-579</b>	<b>-522</b>
Revenue from sale of materials	-1,413	-1,239
Cost of goods sold	834	717
<b><i>Income from other activities</i></b>	<b>-3,110</b>	<b>-3,163</b>
Sales revenue from business activities	-806	-657
Sales revenue from consumer access	-451	-261
Revenue from prior-year sales	-6	-12
Other income	-1,847	-2,233
<b><i>Other</i></b>	<b>609</b>	<b>96</b>
Balance of default interest income and expenses	2	40
Cash and cash equivalents transferred free of charge	751	348
Balance of income and expenses related to damage	-511	-396
Other	367	104
<b>Total</b>	<b>6,566</b>	<b>7,667</b>

Main items within other operating expenses include expenses due to tax on public utility lines and local business tax. The actions aimed at cutting operating costs further reduced the balance of other operating costs and income in 2015. Furthermore, a significant amount of provisions was released in the reporting year.

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Rentals include operating lease costs of the Group amounting to HUF 266 million in 2015 and HUF 282 million in 2014.

Future minimum lease payments of operating leases of the Group by maturity for 2015 and 2014 are presented in the following table:

<b>2015</b>	<u>Within one year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease of printer	5	2	0
Lease of vehicle (i)	233	932	0
<b>Total</b>	<b>238</b>	<b>934</b>	<b>0</b>

<b>2014</b>	<u>Within one year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease of printer	4	0	0
Lease of vehicle (i)	247	987	0
<b>Total</b>	<b>251</b>	<b>987</b>	<b>0</b>

(i) Lease payments over 5 years for vehicles cannot be estimated accurately, since contracts are renewed regularly.

### 36. Transactions with related parties

2015 and 2014 benefits of Supervisory Board members who receive remuneration are summarised below:

	<u>2015</u>	<u>2014</u>
EDF DÉMÁSZ Zrt.	4	4
<b>Total</b>	<b>4</b>	<b>4</b>

The members of the Board of Directors of the Group receive no remuneration. No loans were disbursed to the members of the Board of Directors and the Supervisory Board (key management) and no guarantees were undertaken on their behalf. There is no pension payment liability to former members either. Liabilities arising in relation with employees seconded by the parent company as well as brand use and management-related services provided by the parent company amounted to HUF 862 million in 2015 and HUF 874 million in 2014.

On 10 December 2015 BE Zrt., another subsidiary of EDFI S.A., the parent company, was removed from the scope of related companies as the parent company sold its interest. Up to that date BE Zrt. sold electricity to the EDF DÉMÁSZ Group in a value of HUF 1,909 million, while in 2014 in a value of HUF 1,432 million. The Group sold electricity to BE Zrt. in a value of HUF 498 million in 2015 and in a value of HUF 1,174 million in 2014. EDF DÉMÁSZ Hálózati Elosztó Kft. performed maintenance work for BE Zrt. in 2015 as well resulting in HUF 28 million other operating income for the company. This figure was HUF 32 million in 2014.

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The Group enters into market-based electric energy sale and purchase transactions with EDF Trading Ltd, which in 2015 resulted in HUF 16,785 million electricity cost and HUF 673 million revenue from sale of electricity for the Group. In 2014 the related electricity cost amounted to HUF 20,542 million and related revenue from sale of electricity totalled HUF 614 million.

Hedging transactions of the Group are carried out through the parent company, EDFI S.A.; details are presented in the table below.

<b>Hedging transactions within the Group</b>	<u>2015</u>	<u>2014</u>
Fair value measurement of derivative transactions (liabilities)	260	258
Fair value measurement of derivative transactions (receivables)	527	408
<b>Hedging transactions recognised in comprehensive income</b>	<b>-267</b>	<b>-150</b>
Hedges recognised in profit or loss	-133	124
<b>Total cash flow hedges</b>	<b>-400</b>	<b>-26</b>

As of 31 December 2015 the Group has the following hedges:

	<b>EUR hedge (i)</b>		<b>USD hedge (ii)</b>	
	<u>to be closed within one year</u>	<u>to be closed over one year</u>	<u>to be closed within one year</u>	<u>to be closed over one year</u>
Purchase transaction	48,107	2,065	0	0
Sale transaction	-533	-195	0	0
<b>Total</b>	<b>47,574</b>	<b>1,870</b>	<b>0</b>	<b>0</b>

(i) data in thousand EUR

(ii) data in thousand USD

In 2011 the Group received a HUF 9,000 million investment loan from EDF Investissements Groupe SA, of which the HUF 2,700 million debt outstanding as of 31 December 2014 was repaid in one amount on 30 June 2015. Interest expenses related to the loan totalled HUF 51 million in 2015 and HUF 177 million in 2014.

In January 2011 the EDF DÉMÁSZ Group and through the Group BE Zrt. and EDF HUNGÁRIA Kft. joined the cash pool system operated by the parent company. In December 2015 BE Zrt. ceased to be a member of the cash pool system. In connection with this, the EDF DÉMÁSZ Group had HUF 6 million interest income and HUF 15 million interest expense in 2015, and HUF 15 million interest income and HUF 13 million interest expense in 2014 vis-à-vis BE Zrt. Interest income and expense vis-à-vis the parent company amounted

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to HUF 59 million and HUF 5 million in 2015, respectively, and HUF 102 million and HUF 13 million in 2014, respectively.

### **37. Expected liabilities related to employment**

See Notes 23 and 24 for details on expected liabilities of the Group related to employment.

### **38. Off-balance sheet items**

Off-balance sheet items of the Group mainly comprise bank guarantees issued related to electricity purchases in 2015 and guarantees received related to sale of electricity.

#### **38.1 Contingent liabilities**

Payment guarantees not recorded in the Group's books are as follows as of 31 December 2015:

<b>Date of commitment</b>	<b>Provided commitment</b>	<b>Amount of commitment</b>	<b>Maturity</b>
26.06.2014	Payment guarantee	HUF 2 million	30.11.2016
13.07.2015	Payment guarantee	HUF 0.25 million	30.11.2016
09.12.2014	Payment guarantee	HUF 496 million	31.12.2015
01.01.2015	Payment guarantee	HUF 300 million	31.12.2015
25.11.2015	Payment guarantee	EUR 472,000	30.04.2016
23.11.2015	Payment guarantee	HUF 99 million	31.03.2016
23.11.2015	Payment guarantee	HUF 83 million	30.04.2016
15.12.2015	Payment guarantee	HUF 370 million	31.12.2016
15.12.2015	Payment guarantee	HUF 230 million	31.12.2016
08.12.2015	Performance guarantee	HUF 20 million	31.12.2016

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Payment guarantees existing on 31 December 2014:

Date of commitment	Provided commitment	Amount of commitment	Maturity
26.06.2014	Payment guarantee	HUF 2 million	31.08.2015
19.06.2014	Payment guarantee	HUF 0.11 million	01.07.2015
01.12.2013	Payment guarantee	HUF 71 million	31.01.2015
01.12.2013	Payment guarantee	EUR 237,000	31.01.2015
09.12.2014	Payment guarantee	HUF 485 million	31.12.2015
01.01.2014	Payment guarantee	HUF 350 million	31.12.2014
26.11.2013	Payment guarantee	HUF 20 million	29.11.2015
01.01.2014	Payment guarantee	HUF 84 million	31.01.2015
21.11.2014	Payment guarantee	HUF 377 million	30.04.2015
21.11.2014	Payment guarantee	HUF 51 million	31.03.2015
21.11.2014	Payment guarantee	HUF 119 million	31.03.2015
16.09.2014	Payment guarantee	HUF 67 million	31.12.2014
16.09.2014	Payment guarantee	HUF 93 million	31.01.2015
23.04.2012	Performance guarantee	HUF 9 million	23.04.2015

Other contingent liabilities of the Group:

At the end of 2015 contingent liabilities of the Group included sale contract for 65,880 MWh energy in a value of EUR 2 million, while at the end of 2014 a sale contract for 114,326 MWh energy in a value of HUF 1,635 million as well as for 50,520 MWh in a value of EUR 2 million.

At the end of 2015 contingent liabilities of the Group included purchase contract for 16,483 MWh energy in a value of HUF 220 million as well as for 2,057,805 MWh in a value of EUR 85 million. At the end of 2014 contingent liabilities of the Group included purchase contract for 56,207 MWh energy in a value of HUF 757 million as well as for 1,619,586 MWh in a value of EUR 73 million.

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 Group.

### 38.2 Contingent receivables (guarantees received)

Contingent receivables as of 31 December 2015 not recorded in the Group's books include payment guarantees received in connection with network connection work:

Date	Contingent receivable	Amount of receivable	Maturity
14.01.2011	Payment guarantee	EUR 1 million	31.10.2016
05.04.2011	Payment guarantee	HUF 9 million	11.01.2021
30.04.2014	Payment guarantee	HUF 25 million	30.04.2019
04.02.2014	Payment guarantee	HUF 65 million	12.02.2019
13.02.2011	Payment guarantee	HUF 10 million	18.02.2016



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Contingent receivables as of 31 December 2014:

Date	Contingent receivable	Amount of receivable	Maturity
14.01.2011	Payment guarantee	EUR 1 million	31.10.2015
29.03.2011	Payment guarantee	HUF 7 million	20.09.2015
05.04.2014	Payment guarantee	HUF 9 million	16.01.2016
30.04.2014	Payment guarantee	HUF 25 million	30.04.2019
04.02.2014	Payment guarantee	HUF 65 million	12.02.2019
13.02.2011	Payment guarantee	HUF 10 million	18.02.2016

### 39. Subsequent events

EDF DEMASZ Zrt. signed a non binding memorandum of understanding on 15 February 2016 with Karotin Kft., Agropanta Kft. and Pigmark Kft. concerning its interest in Zoldforras Kft. The provision accounted in the books of the company covers the losses of the resulting transaction.

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

### 40. Approval of financial statements

The financial statements were approved by the Board of Directors and the owner of the Group.

Szeged, 29 April 2016

EDF DÉMÁSZ Zrt.  
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Eric MANSUY  
Chairman-CEO