



ENEFI Asset Management Plc.

CONSOLIDATED BUSINESS REPORT OF THE BOARD OF DIRECTORS

to the Annual Consolidated Report of the Company of 31
December 2019.

27/04/2020

Objective of the Report:

This report aims to present the property, financial and revenue circumstances, and the course of business of ENEFI Asset Management Plc. (hereinafter: "Company", or "Enterprise", or "ENEFI", or "Issuer") together with the major risks and uncertainties arising in its operations so that it provides a reliable and realistic picture of these, meeting the actual circumstances on the basis of past factual and expected future data.

I.

Information on the Parent Company, ENEFI Asset Management Plc.:

1. Basic Details of the Company, Composition of Subscribed Capital:

Basic Information of the Company

Company name:	ENEFI Asset Management Plc.
The company's name in English:	ENEFI Asset Management Plc.
Registered seat:	1134 Budapest, Klapka utca 11.
Branch office of the company:	8413 Eplény, Veszprémi u. 66. Building A.
Tax number:	13719069-2-41
Country of registered seat:	Hungary
Phone:	06-1- 279-3550
Fax:	06-1- 279-3551
Governing law:	(Hungarian)
Initial Public Offering:	Budapest Stock Exchange Warsaw Stock Exchange
Corporate form:	Public Limited Corporation

Predecessors of the Company and Changes in Corporate Form

The Company was founded as a limited liability company then it was converted into a private limited corporation and subsequently into a public limited corporation as follows:

Regionális Fejlesztési Vállalat Korlátolt Felelősségű Társaság (Regional Development Company Limited Liability Company)

Date of foundation:	17/05/2000
Date of registration:	29/06/2000
Date of termination:	12/06/2006

Regionális Fejlesztési Vállalat zártkörűen működő Részvénytársaság (Regional Development Company Private Limited Corporation)

Date of registration:	12/06/2006
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RFV Regionális Fejlesztési, Beruházó, Termelő és Szolgáltató Nyilvánosan Működő Részvénytársaság (RFV Regional Development, Investment, Production and Service Public Limited Corporation)

Date of change:	12/03/2007
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The Initial Public Offer of the shares took place at the Budapest Stock Exchange on 29 May 2007.

E-STAR Alternative Energy Service Plc.

Date of change: 17/02/2011

Date of registration: 04/03/2011

ENEFI Energy Efficiency Plc.

Date of change: 09/12/2013

Date of registration: 17/12/2013

Term of the Operation of the Company

The Company was founded for an indefinite period of time.

Registered Capital of the Company

2019. 12. 31.

The share capital of the company is HUF 100.000.000,- Ft.

Present day:

The share capital of the company is HUF 166.061.090,- Ft.

Shares of the Company

2019. 12. 31.

The registered capital consists of 10,000,000 pieces of registered, dematerialised ordinary shares, the par value of which is HUF 10, each.

Present day:

The registered capital consists of 11,500,000 pieces of registered, dematerialised ordinary shares, the par value of which is HUF 10, each (Series A) and 5,456,109 pieces of dematerialised dividend-preference convertible shares, the par value of which is HUF 110, each (Series H). Therefore, the total number of shares issued by the Company: 16,606,109 pieces.

Composition of Registered Capital, Major Shareholders on the Balance Day:

Owner	Ownership Ratio (pieces)
Own shares	1 613 000
Affiliated companies	531 041
Soós Csaba	1 747 200 ordinary share 3 349 966 dividend preference share

The rights and liabilities set forth in legal regulations and the Articles of Association of the Company shall be associated to the shares, particularly but not exclusively including the relevant provisions of the Articles of Association:

„1. The responsibility of the shareholders for the Company covers the provision of the issuing value, except for the employee shares, which may be issued free of charge too. The shareholder otherwise shall not be responsible for the liabilities of the Company with the exceptions determined by law. The shareholder shall be entitled to exercise its rights following the registration in the share register.

2. Shareholders have the proprietary rights related to shares, especially the right of dividend, interim dividend and the right of liquidation margin. Employee shareholders also have the preferential right determined in the Civil Code if they have this type of employee shares. The right of ordinary share owners to dividend may be restricted in practice by the potentially issued preferential employer shares and other rights related to dividend shall be interpreted with the consideration of this.

The shareholder shall be entitled to acquire dividend who is registered into the share register on the basis of the owner identification issued by KELER Zrt. on the dividend payment day determined by the decision of the General Meeting deciding on the dividend payment. The dividend payment shall be due after at least 20 days after the decision of the General Meeting on the day determined by the General Meeting.

3. On the basis of the membership rights of shareholders in accordance with the provisions of Section VIII.4. of the general rules, each shareholder has the right to take part at the General Meeting, request information within the legally determined frames, make remarks and proposals and vote in the possession of shares providing voting rights.

4. In addition to the above, shareholders have the legally determined minority rights and the right to transfer the shares but in the case of employer shares the restrictions of transfer set forth in Section 1., Chapter VI. of the Articles of Association shall be observed.

5. Upon the notice of the Board of Directors, the shareholder registered in the share register (custodian, shareholder trustee, and in case of shared property shares the representative) shall declare without delay that as an actual owner what extent of control it has in the Company. In the event that the shareholder fails to meet the notification within the deadline determined, then its right to vote shall be suspended until it fulfils its information liability.

2. Transfer of Issued Shares Constituting Registered Capital:

The rules of the transfer of shares are set forth in the Civil Code, the Capital Market Act and the Articles of Association of the Company. The Articles of Association of the Company do not include any provisions or does not require any restrictions differing from the law.

3. Issued Shares Providing Special Control Rights:

The Company did not issue such shares.

4. Control mechanism set forth by the employee shareholder system, in which control rights are not directly exercised by employees:

The Company does not have such a shareholder system.

5. Restriction of Rights to Vote

Upon the notice of the Board of Directors, the shareholder registered in the share register (custodian, shareholder trustee, and in case of shared property shares the representative) shall

declare without delay that as an actual owner what extent of control it has in the Company. In the event that the shareholder fails to meet the notification within the deadline determined, then its right to vote shall be suspended until it fulfils its information liability.

The Articles of Association and other rules of the Company do not include further provisions differing from the law in terms of the restriction of the rights to vote. The dividend-preference convertible shares shall hold no voting right.

6. Agreement between Owners:

The Company has no information about any agreement between owners, which may result in the restriction of the transfer of the issued shares or the rights to vote.

7. Rules of the assignment and withdrawal of chief executives and modification of the Articles of Association:

The major body of the Company, General Meeting shall make decisions by the simple majority of the votes except if the legal regulation or the Articles of Association on basis of the authorisation thereof, or the rules of the stock exchange compulsorily applicable for the operation of the Company make a higher rate of votes compulsory.

8. Authority of chief executives, especially the rights to issue and repurchase shares:

The Articles of Association of the Company do not include provisions differing from law in terms of the authority of the chief executive apart from the following authorisation based on a legal regulation:

„7. The Board of Directors shall be entitled to make decisions on modifying the name, registered seat (premises, branch offices), activities (except for the main activity) of the Company and to modify the Articles of Association accordingly.“

The general meeting may authorise the Board of Directors to increase the registered capital of the Company and to make the related decisions.

9. Agreement for the case of public purchase offer:

There is no significant agreement concluded with the participation of the Company which shall enter into effect, be modified or terminated following the change in the control of the Company after a public purchase offer.

10. Agreement between the Company and its employee:

There is no agreement concluded between the Company and any chief executive or employee thereof, which sets forth compensation for damages in the event that the chief executive resigns or the employee quits, if the legal relationship of the chief executive or the employee is unlawfully terminated or the legal relationship is terminated due to public purchase offer.

II.

Information on the Companies Involved in the Consolidation:

The following subsidiaries belong to the sphere of consolidation of ENEFI Asset Management Plc now:

	Name of Company	Country	Registered Capital	Direct and indirect business share (%)	Voting Ratio (%)
1	ENEFI Asset Management Plc.	Hungary	HUF 100,000,000	-	-
2	E-STAR Management Zrt.	Hungary	HUF 5,000,000	100%	100%
3	ENEFI Projektársaság Kft.	Hungary	HUF 3,000,000	100%	100%
4	RFV Józsefváros Szolgáltató Kft.	Hungary	HUF 3,000,000	49%	70%
5	Síaréna Korlátolt Felelősségű Társaság	Hungary	HUF 3,000,000	100%	100%
6	Termoenergy SRL	Romania	RON 6,960	99.50%	99.50%
7	E-STAR Centrul de Dezvoltare Regionala SRL	Romania	RON 525,410	100%	100%
8	E-STAR Energy Generation SA	Romania	RON 90,000	99.99%	99.99%
9	E-STAR Alternative Energy SA	Romania	RON 90,000	99.99%	99.99%
10	SC Faapritek SA	Romania	RON 90,000	99.99%	99.99%
11	EETEK Limited	Cyprus	EUR 1,000,000	100%	100%

Group companies in liquidation that have not been included in the consolidation:

	Name of Company	Country	Registered Capital	Direct and indirect business share (%)	Voting Ratio (%)
1	E-Star Mures Energy SA „felszámolás alatt”	Romania	90.000 RON	99,99%	99,99%

Associated enterprises:

	Name of Company	Country	Registered Capital	Direct and indirect business share (%)	Voting Ratio (%)
1	Pannon Fuel Kft.	Hungary	6 169 740 EUR	20,00%	20,00%
2	Random Capital Zrt.	Hungary	271 500 000 HUF	9.9 %	9.9 %

III.

1. Business Environment and Development of Operations and Comprehensive Analysis of the Performance and the Circumstances of the Company; Business Policy of the Company:

Brief Story of the Issuer

The predecessor of the Company named Regionális Fejlesztési Kft. was founded by two private people in 2000. The founders intended to establish an ESCO (Energy Service Co., i.e. dealing with energy saving) type of company. Initially one of the main activities of the Company was cost-effective electrical energy supply which still provides significant revenues today. The Company provided continuous consultancy for its customers to assist them to choose the most favourable tariff package from the regionally competent energy supplier. In the framework of the service, the electrical energy was purchased by the Company and sold to its customers at a more favourable price than earlier. The customer and the Company shared the saved costs on the basis of a long term agreement concluded between them. Since 1 January 2008 however the free energy market was opened, which means that economic organisations may freely choose their energy suppliers and individually determine the conditions of the service. The Company also adapts to the changed circumstances and negotiates with several traders of the energy market, takes steps together with its partners to achieve the best possible conditions. The other main activity of the Company has been luminous flux regulation of street lighting since its foundation. Then in 2004 the Company took heating modernisation and thermal energy supply to its product range. A significant part of the customers of the Company are municipalities and municipal institutions but there are also public institutions, church institutions, condominiums and private enterprises among them. The Company was transformed into a private limited corporation on 12 June 2006, then on 12 March 2007 the Court of Registration registered the change of “private limited corporation” form into “public limited corporation”. The Initial Public Offering of the shares of the Company took place at the Budapest Stock Exchange on 29 May 2007.

After this the Company started international expansion first in Romania and then in Poland. The Initial Public Offering of the shares of the Issuer took place at the Warsaw Stock Exchange on 22/03/2011. The Issuer was brought under bankruptcy proceedings in 2012 which was successfully closed by an agreement with the creditors. The Company was forced to terminate its agreements in Romania before their term due to the breach of agreement by the municipalities. The Company sold its operation in Poland in 2016 and its presence in Romania was restricted to enforcing its claims arising from the terminated agreements. The actual operation of the Company is currently limited to the territory of Hungary and there are legal proceedings in progress concerning its terminated agreements.

The company published its strategic objectives in 2016 in which it focussed on selling the projects in Hungary and Romania, decreasing its operations and acquiring own shares.

In 2017, the Company sold the street lighting projects to EnerIn Kft. previously purchased from them with the originally calculated expected yield. As a result of the successful transaction the street lighting branch of the Company was completely terminated.

As a result of its role in the LNG industry, the company modified its strategy in March 2019.

The Issuer accepted the Strategy currently in force in June 2019 with which it intends to put the Company on the way of growth again according to the contents thereof.

Business Environment of the Company

The Corporate group with its registered seat in Budapest consists of enterprises present in Hungary and Romania, the subsidiaries of which deal with heat production and supply as their main activity.

ENEFI sold its operations in Poland and it is not operating any working project in Romania any more, it is enforcing its claim in front of court. Among the Romanian companies of the group SC E-Star Mures Energy, SA SC E-Star Investment Management SRL and SC E-Star ZA Distriterm SRL are under liquidation.

Introduction of Business Activity by Spheres of Activity

The sales revenue of the Company comes from the following major activities:

- Heat supply service

Heat supply service with heating system modernisation

Municipalities and public institutions often solve the heating of their institutions with obsolete, wasteful heating systems. Moreover the maintenance of the obsolete systems can only be solved with greater difficulties and higher maintenance costs; the potential failure of the equipment may cause significant, unplanned investment. The investment may potentially be only implemented by loan and the further worsening credit rating due to the poor municipality management. Following the individual survey of the buildings of the customers and the preliminary survey of needs, the Company prepares an offer package in this business branch, which includes a proposal for the long term solution of heat supply at higher standards. Following the conclusion of the agreement the Company implements the energetic modernisation prepared during the survey and undertaken in the impact study without involving the resources of the customer, then it provides long term (10-25 years) heat supply service on the modern system, including operating and maintenance tasks. Depending on individual needs, the modernisation may include the replacement of the boiler, the conversion of the heat consumption into a controllable and measurable system (converting the heating systems into multiple circles, installing thermostatic controls, building in heat pump, etc.). The Company acquires the further factors required for providing the heat supply (e.g. leasing boiler-house, electric energy, water, etc.) partly from the customers. The Company purchases the equipment from the Hungarian representatives of worldwide companies (e.g. in case of boilers, these companies are typically Viessmann, Buderus, Hoval, etc.), who usually perform installation too. The Company also concludes long term agreements for the maintenance of the equipment with a local subcontractor. The modernisation results in significant, even 40-50% energy cost saving among the same conditions. In order to ensure heat supply, the Company usually uses gas-fired equipment. Instead of the direct “gas supplier - municipality” relationship, the Company purchases gas and supplies heat to the customers in a “gas supplier (gas trader) - Company” relationship. The customer uses the heat supply at lower costs while the heating system is modernised. The customer periodically (monthly) pays a basic, or service fee and a consumption fee according to a previously determined formula. The Company adjusts the unit price of the heat supply service to the gas price invoiced by the utility gas supplier.

The Company has not entered into any new heat supply contracts in recent years, however, it still has seven contracts in progress, the last of which will expire in 2024. After 2024, the Company does not plan any additional revenue from the heat services business.

Major Markets

Geographical Penetration of ENEFI

- Initially ENEFI Plc. implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector.
- Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed for the regional expansion of the Company becoming stronger and obtaining references in Hungary.

• Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of ENEFI has turned towards the surrounding countries, especially Romania since 2010 and Poland since 2011. The Company sold its operations in Poland in 2016, it is not operating any working project in Romania either, thus the area of operation has been limited to the territory of Hungary. From 01.01.2017 to the Issuer exclusively from Hungary derived income. The heat supply, street lighting and kitchen technology businesses do not currently exist

The most important services (branches) of the entire group are the following

The most important services (branches) of the entire group are the following:

- efficient thermal energy and district heating supply based on sustainable primary energy sources
- modernisation and exploitation of efficiency in energy supply and transformation equipment

Management of the Company, Objectives and Strategy

Among its first tasks the newly elected Board of Directors of the Company have found it important to determine and communicate its short and medium term objectives about the Company to the honourable Shareholders: https://www.bet.hu/newkibdata/120976438/K_zlem_ny_IG_c_lkit_z_sek.pdf Modified strategy: https://www.bet.hu/site/newkib/en/2019.03./ENEFI_Energyefficiency_Plc._-_GM_-_Resolutions_128180468 The Issuer adopted its new unified Strategy in 2019 (https://bet.hu/newkibdata/128254583/ENEFI_Strat_gia.pdf).

Major Resources of the Company

The number of employees in the Company has been reduced to the minimum as a result of the former dramatic downsizing of operations. The head count is sufficient to maintain daily operations. Operations with the significantly downsized corporate centre can be compared with the basic operations of an investment. In case of starting new and large projects more staff may be required. The successful closure of the former bankruptcy proceedings stabilised the market position of the Company in Hungary. The amount of external liabilities in Hungary has practically been reduced to the incoming invoices during the daily operations. The payment discipline of the remaining customers is sufficient. The Company is able to finance the operations from its revenues. In case of starting new projects it acts with due carefulness and consideration of risks. The customers (municipalities and their institutions) involve the risk of not paying. Currently the entire Hungarian operation takes place without using bank financing. In the event that the capital requirement of the newly started projects exceeds the available amount of resources, the Company will need external financing.

Risk factors

The detailed description of the risk factors is included in the previously published Consolidated Report of the Company (pages 22-37), which is available here: http://bet.hu/newkibdata/115693892/T_j_koztat_.pdf

Trading Profit of the Annual Report Period and Prospects

The trading profit of 2019 was negatively influenced by the fact that year 2018 was a record warm year.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

The corporate group level indicators as per 31 December 2018 are presented in the table below.

Name of index	2019. december 31.	2018. december 31.
Rate of fixed assets: (fixed assets/total assets)	80%	68%
Indebtedness rate: (payables/Resources)	12%	21%
Profitability in the ratio of sales revenues (pre-tax profit/net sales revenues)	17%	59%
Profitability in the ratio of own capital (pre-tax profit/own capital)	5%	20%
Liquidity index I.: (current assets/short-term liabilities)	221%	255%
Quick liquidity ratio (cash/short-term liabilities)	86%	79%

Detailed Description of the Consolidated Financial Situation of the Company

The detailed description of the consolidated financial situation of the Company is included in the annual report presented together with the present report, while the annual consolidated report includes it at corporate group level.

The Company hereby calls attention to the fact that as a public stock exchange company it shall publish all significant events related to the Company, which can be found on its website (www.e-star.hu, www.enefi.hu) and on the website of Budapest Stock Exchange Plc. (www.bet.hu) as well as the website operated by MNB (www.kozzetetelek.hu).

Major Economic Events and Assessment of 2019

ENEFI presented its major economic events of 2019 in details in its announcements of the reference year.

The Company hereby calls attention to the fact that as a public stock exchange company it shall publish all significant events related to E-Star in the form of announcements, which can be found on its website (www.e-star.hu , www.enefi.hu) and on the website of Budapest Stock Exchange Plc. (www.bet.hu) as well as the website operated by MNB (www.kozzetetelek.hu).

2. Major Events, Particularly Significant Processes after the Balance Sheet Day

ENEFI presented its major economic events of 2020 in details in its announcements of the reference year.

The Company hereby calls attention to the fact that as a public stock exchange company it shall publish all significant events related to E-Star in the form of announcements, which can be found on its website (www.e-star.hu, www.enefi.hu) and on the website of Budapest Stock Exchange Plc. (www.bet.hu) as well as the website operated by MNB (www.kozzetetelek.hu).

3. Expected Development (Known and Expected Development of the Economic Environment Depending on the Expected Effect of Internal Decisions):

The corporate group shall devote the near future to fulfil the strategic objectives announced earlier.

4. Field of Research and Experimental Development:

The corporate group did not do such activity in 2019 and does not plan to do it in the future.

5. Premises:

The corporate group did not establish any new premises or branch offices in 2019.

6. Employment Policy:

The corporate group has a reduced number of employees according to its current economic situation. According to the employment policy of the corporate group, the headquarters of the corporate group is operated with a “knowledge centred” view, typically employing highly educated professionals. The professionals required for the investments implemented in the operation of the corporate group are employed via contracts of agency.

7. Environment protection:

The corporate group pays particular attention to the protection of the environment in the business and operative activities. The major business of the corporate group is modern energy supply implemented by energy developments, which in addition to constituting the source of incomes of the corporate group, prevents the environment from significant amounts of pollution and use of energy. The corporate group had continuously looked for the possibilities of using and utilising renewable energies in its previous operations too. Energy saving and thus the increased protection of the environment is a fundamental objective and business policy of the corporate group.

8. Utilisation of Financial Instruments:

The Company did not have open positions in its business operations in 2018 and it will not open new ones.

9. Risk Management Policy and Hedging Transactions Policy:

The Company prevents potential risks arising from currency exchange rates by currency market transactions. Such transactions did not take place in the reference year.

10. Price, Credit, Interest, Liquidity and Cash-flow Risks:

The risks affecting the operation of the Company have been presented above with references.

IV.

Report of the Board of Directors for the Consolidated Report of the Company for 2019:

The Board of Directors prepared and accepted the consolidated annual report of ENEFI Asset Management Plc. for year 2019 in accordance with IFRS.

The Company suggests its shareholders knowing the reports of the Board of Directors, the Supervisory Board and the Auditor, to accept its annual consolidated report for year 2017 prepared in accordance with IFRS

the amount of HUF 1 612 059 thousand	total assets for the reference year,
the amount of HUF 29 305 thousand	profit for the reference year.

The Board of Directors hereby calls the attention of its reputable investors to the fact that the consolidated annual report of the Company constitutes an inseparable part of the present report and requests them to make their decision on the acceptance of the report (including the supplementary annex and the related notes as well) carefully getting informed of these.

The Board of Directors of the Company still does not suggest the General Meeting to decide on dividend payment.

The Board of Directors of the Company prepared and accepted its responsible company management report to be submitted to the Budapest Stock Exchange on the basis of a legal regulation, which was presented to the general meeting by the Supervisory Board.

V.

Company Management Declaration:

Apart from the parent company, none of the transferable securities of any companies involved in the consolidation are traded with on any regulated market of the European Economic Area.

The company management declaration of the Company is included in its individual business report.

Declaration of the Issuer

The annual report prepared on the basis of the accounting provisions applied and according to our best knowledge provides a reliable picture of the assets, liabilities, financial situation and profit of ENEFI Asset Management Plc. and its affiliates involved in the consolidation, the situation, development and performance of the companies involved in the consolidation, describing the major risks and uncertain factors.

The Company hereby states that the executive report provides a reliable picture of the circumstances, development and performance of the Issuer, informing about major risks and factors of uncertainty.

Soós Csaba, Bálint László, Petykó András Zoltán, Virág Ferenc
members of the Board of Directors

ENEFI Asset Management Plc.