



Quarterly Report

of

ENEFI Energy Efficiency Plc

for H1 2019

H1

30/06/2019

Published: 30/09/2019

ENEFI Energy Efficiency Plc hereby presents its financial results of the reference period.

The report presents the operations in the reference period on the basis of the financial figures of the Company and the companies consolidated by the Company *not audited* by an auditor.

ENEFI Energy Efficiency Plc is a corporate group consisting of companies with its registered seat in Budapest present in Hungary and Romania, the subsidiaries of which deal with heat production and supply as their main activity well-established areas of the two countries mentioned above. Additionally certain companies of the Group deal with the operation of street lighting systems in Hungarian projects.

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).

1. Balance sheet (data in HUF thousands)

Consolidated statement of financial position – Assets	6.30.2018	12.31.2018	6.30.2019
Property, plant and equipment	107 528	100 276	89 034
Intangible assets	5 846	5 846	17 591
Investments in affiliated companies	0	23 174	11 100
Financial Asset	516 996	726 860	669 772
Finance lease receivables	296 457	0	0
Other long-term receivables	0	343 311	442 773
Deferred tax assets	303 000	0	0
Total non-current assets	1 229 827	1 199 467	1 230 270
Assets held for sale	0	0	0
Total assets held for sale	0	0	0
Inventories	144	10	0
Trade receivables	145 222	199 593	179 720
Other receivables due within a year	24 409	96 282	16 904
Accruals and prepaid expenses	67 120	91 217	49 237
Securities	0	0	100 882
Cash and cash equivalents	435 914	172 748	46 472
Total current assets	672 809	559 850	393 215
Total assets	1 902 636	1 759 317	1 623 485
Consolidated statement of financial position – Equity and liabilities	6.30.2018	12.31.2018	6.30.2019
Share capital	100 000	100 000	100 000
Reserves	21 423 391	21 423 391	21 423 391
Valuation reserve	-18 439	44 413	41 832
IFRS2 reserve	65 520	65 520	65 520
Treasury shares	-470 497	-474 237	-474 225
Retained earnings	-19 644 943	-19 796 876	-19 809 563
Equity attributable to owners of the Company	1 455 032	1 362 211	1 346 955
Non-controlling interests	28 777	29 697	33 630
Total equity	1 483 809	1 391 908	1 380 585
Provisions	97 564	144 868	145 152
Deferred income	0	0	0
Other long-term liabilities	0	3 135	16 582
Total non-current liabilities	97 564	148 003	161 734
Liabilities held for sale	0	0	0
Total liabilities held for sale	0	0	0
Trade payables	54 260	46 423	55 050
Accruals and deferred income	7 434	50 194	10 297
Other liabilities	259 569	122 789	15 819
Total current liabilities	321 263	219 406	81 166
Total liabilities	418 827	367 409	242 900
Total equity and liabilities	1 902 636	1 759 317	1 623 485

2. Profit and Loss Account (Figures in HUF thousands)

Konszolidált eredménykimutatás	2018 H1	2019H1
Revenue	291 002	197 380
Cost of sales	-107 911	-77 447
Gross Profit	183 091	119 933
Material type expenditures	-2 616	-2 346
Personnel cost	-56 012	-57 159
Share based payment cost	0	0
Service used	-103 894	-81 191
Other revenue and expenditures, net	3 233	4 995
Depreciation	-6 826	-9 386
Net profit/loss from financial activities	80 835	36 542
Result of associated company granted for the group	0	-17 121
Profit before tax	97 811	-5 733
Income tax expense	-4 872	-5 854
Profit for the year	92 939	-11 587
Discontinued operations		
Result on the sold entities	0	0
Current year profit/loss of sold entities	0	0
Profit/loss on entities sold	0	0
Profit for the year	92 939	-11 587
Attributable to:		
Owners of the Company	92 284	-15 517
Non-controlling interests	655	3 931
Foreign currency translation differences	-62 887	-2 683
Total other comprehensive income	-62 887	-2 683
Total comprehensive income	30 052	-14 270
Attributable to:		
Owners of the Company	29 397	-18 200
Non-controlling interests	655	3 930

3. Equity of the Owners of the Company (Figures in HUF thousands)

	Share capital	Share premium	Accumulated revaluation reserve	Share-based benefit reserve	Treasury shares	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at December 31, 2017	100 000	21 423 391	44 448	65 520	-425 877	-19 738 766	1 468 716	29 590	1 498 306
Purchase of treasury shares	0	0	0	0	-44 620	0	-44 620	0	-44 620
Profit of the period	0	0	0	0	0	92 287	92 287	-655	91 632
Other comprehensive income	0	0	-62 887	0	0	0	-62 887	0	-62 887
Other movements	0	0	0	0	0	1 536	1 536	-158	1 378
Balance at June 30, 2018	100 000	21 423 391	-18 439	65 520	-470 497	-19 644 943	1 455 032	28 777	1 483 809
Balance at December 31, 2018	100 000	21 423 391	44 515	65 520	-474 237	-19 796 977	1 362 212	29 699	1 391 911
Treasury shares movements	0	0	0	0	12	0	12	0	12
Other movements (opening IFRS 16)	0	0	0	0	0	2 931	2 931	0	2 931
Other comprehensive income	0	0	-2 683	0	0	-15 517	-18 200	3 931	-14 269
Balance at June 30, 2019	100 000	21 423 391	41 832	65 520	-474 225	-19 809 563	1 346 955	33 630	1 380 585

4. Cash Flow (data in HUF thousands)

	2018 H1	2019 H1
Cash flow from operations		
Profit /loss for the period from continuing operations	93 013	-11 587
Depreciation and amortization	6 826	9 386
Other non cash items	-62 887	252
Changes of fair value of financial assets	64 186	57 088
Changes of provisions	0	284
Result of affiliated companies	0	12 074
Change in other long term liabilities	0	13 447
Change in deferred tax and liabilities	-16 282	0
Adjusted profit/loss in the year concerned:	84 856	80 944
Change in operating capital		
Changes of receivables and other current assets	93 347	99 251
Changes of accruals	8 711	41 980
Changes of Inventories	-85	10
Changes of Trade payables and other liabilities	-121 840	-138 240
Net cash-flow from operating activity	-19 867	3 001
Cash flows from investing activities		
Payments related to purchasing property, machines and equipment	-1 043	-9 889
Net cash flow from investing activity	-1 043	-9 889
Cash flows from financing activities		
Sale of securities	0	-100 882
Long-term loan to affiliated company	0	-99 462
Sale - purchase of treasury shares	-44 620	12
Net cash flow from financial activities	-44 620	-200 332
Change of Cash and cash equivalents	19 326	-126 276
Cash and cash equivalents at the beginning of the year	416 588	172 748
Cash and cash equivalents at the end of the year	435 914	46 472

5. 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 Energy Efficiency 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 – Virág Ferenc - Bálint László
Members of the Board of Directors
ENEFI Energy Efficiency Plc.



ENEFI Energy Efficiency Plc.

Consolidated

Executive Report

for the H1 2019 report

Objective of the Report:

Assessing the figures of the report, this report aims to present the property, financial and revenue circumstances, and the course of business of ENEFI Energy Efficiency 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 Energy Efficiency Plc.:

Basic Information of the Company

Company name:	ENEFI Energy Efficiency Plc.
The company's name in English:	ENEFI Energy Efficiency Plc.
Registered seat:	1134 Budapest, Klapka utca 11.
Branch office of the company:	8413 Eplény, Veszprémi u. 66. Building A.
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
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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

Registered capital of the public limited company on 30/06/2017. HUF 100,000,000

Shares of the Company

The registered capital consists of 7,500,000 pieces of registered, dematerialised, regulated, publicly offered ordinary shares, the par value of which is HUF 10, each (Series A) and 2,500,000 pieces of dematerialised employee shares, the par value of which is HUF 10, each (Series B). Therefore the total number of shares issued by the Company: 10,000,000 pieces

**Resolution of the General Meeting 11/2019. (22. 03.): The general meeting decides to convert 2,500,000 pieces of HUF 10 par value each, total par value HUF 25,000,000 dematerialised employee shares previously issued by the company into 2,500,000 pieces of HUF 10 par value each, total par value HUF 25,000,000 dematerialised ordinary shares so that the employees shares shall be cancelled and replaced by ordinary shares as a result of the conversion. As a result of the conversion, the registered capital of the company shall not be changed (HUF 100,000,000); the registered capital shall consist of 10,000,000 pieces of registered, dematerialised ordinary shares, HUF 10 par value each.*

II.

Information on the Companies Involved in the Consolidation:

The following subsidiaries belong to the sphere of consolidation of ENEFI Energy Efficiency Plc:

	Name of the Company	Country	Registered Capital	Direct and indirect business share (%)	Voting Ratio (%)
1	ENEFI Energy Efficiency Plc.	Hungary	HUF 100.000.000	-	-
2	E-STAR Management Zrt.	Hungary	HUF 5,000,000	100%	100%
3	RFV Józsefváros Szolgáltató Kft.	Hungary	HUF 3,000,000	49%	70%
4	ENEFI Projekttársaság Kft.	Hungary	HUF 3,000,000	100%	100%
5	Termoenergy SRL	Romania	RON 6,960	99.50%	99.50%
6	E-STAR Centrul de Dezvoltare Regionala SRL	Romania	RON 525,410	100%	100%
7	E-STAR Energy Generation SA	Romania	RON 90,000	99.99%	99.99%
8	E-STAR Alternative Energy SA	Romania	RON 90,000	99.99%	99.99%
9	SC Faapritek SA	Romania	RON 90,000	99.99%	99.99%
10	EETEK Limited	Cyprus	EUR 1,000,000	100%	100%

In the consolidated financial statements the following affiliated company has been involved applying the equity method:

Name	Country	2019	
		Share ownership	Voting power
Pannon Fuel Kft.	Hungary	20,00%	20,00%

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. The Initial Public Offering of the shares of the Company took place at the Warsaw Stock Exchange on 22/03/2011. The Company was brought under bankruptcy proceedings in 2012 which was successfully closed by an agreement with the creditors. 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 General Meeting decides (2019. 08. 08.) to accept the strategy of the Company (Dated: 2019. 06. 27.)

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.

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.

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: <http://www.e-star.hu/docs/k1563559162strategiaen.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

Summary of the Reference Period

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).

The General Meeting decides (2019. 08. 08.) to accept the strategy of the Company (Dated: 2019. 06. 27.)

The General Meeting decides on the registered capital rise of the Company by private offering of new shares. The minimum planned amount of registered capital rise shall be HUF 79,999,660.

In case of successful registered capital rise the registered capital of the Company shall be increased by HUF 79,999,660 from HUF 100,000,000 to HUF 179,999,660

- (i) by the private offering of 2,000,000 pieces of A Series dematerialised ordinary shares of HUF 10 par value and HUF 400 issuing value and
- (ii) 5,999,966 pieces of H Series dematerialised dividend-preference convertible shares of HUF 10 par value and HUF 400 issue value

against non-pecuniary property contributions. (http://www.e-star.hu/docs/k1565282942gmresolutions_0808.pdf)

Trading Profit of the Reference Period and Prospects

The results achieved by the Company confirm previous prospects. No extraordinary event materially affecting the results occurred during the period under review.

The Company's new strategy is expected to prevail. The Company, which has a purely energy portfolio, is transformed into an asset manager with diversified activities.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

Name of index	June 30, 2018	June 30, 2019
Rate of fixed assets (fixed assets/total assets)	64,64%	75,78%
Indebtedness rate (payables/Resources)	22,01%	14,96%
Liquidity index I. (current assets/short-term liabilities)	209,43%	484,46%
Quick liquidity ratio (cash/short-term liabilities)	135,69%	57,26%
Profitability in the ratio of sales revenues (pre-tax profit/net sales revenues)	33,61%	-2,90%
Profitability in the ratio of own capital (pre-tax profit/own capital)	6,59%	-0,42%

IV.

Declaration of the Issuer

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 – Virág Ferenc - Bálint László
Members of the Board of Directors
ENEFI Energy Efficiency Plc.