ENEFI ASSET MANAGEMENT PLC.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2019

Prepared in accordance with International Financial Reporting Standards (IFRS) accepted by the European Union

General information

Members of Board of Directors

Csaba Soós, chairman of Board of Directors from December 30, 2016

László Bálint, member of Board of Directors from December 30, 2016

Ferenc Virág, member of Board of Directors from April 30, 2019

András Zoltán Petykó, member of Board of Directors from November 18, 2019

Members of Audit Committee

Imre Kerekes, chairman of Audit Committee from September 26, 2017

Ferencz Bálint, member of Audit Committee from March 22, 2019

Dr. Gyula Bakacsi, member of Audit Committee from December 30, 2016

Dr. Miklós László Siska, member of Audit Committee from December 30, 2016

Group Contacts

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Auditor

Dr. László Péter Lakatos (Registration number: 007102)

UNIKONTO Számvitelkutatási Kft.

1092 Budapest, Fővám tér 8. 3. em. 317/3.

Company registration number: 001724

Contents

Abbreviations used in the consolidated financial statements:

IAS International Accounting Standards
IFRS International Financial and Reporting Standards
IFRIC/SIC Explanations for IFRS
AFS Assets for sale (financial instruments)
FVTPL Fair value to profit and loss accounts
EPS Earnings per share
CGU Cash generating unit
FB Audit committee
NCI Non-controlling interest

Independent Auditor’s report

Consolidated profit and loss account

All figures are in THUF unless otherwise indicated.

	Note	2019	2018
Revenue	5	374 653	472 169
Cost of sales	6	-140 889	-197 412
Gross Profit		**233 764**	**274 757**
Material cost	6	-4 320	-5 434
Personnel cost	7	-115 430	-114 103
Service used	8	-174 807	-201 744
Other revenue and expenditures, net	9	90 466	313 166
Depreciation	12, 13	-18 594	-12 375
Net profit/loss from financial activities	10	82 822	27 797
Result of associated company granted for the group		-29 132	-2 045
Profit before tax		**64 770**	**280 020**
Income tax expense	11	-35 465	-332 462
Profit for the year		**29 305**	**-52 443**
Profit for the year		**29 305**	**-52 443**
Attributable to:			
Owners of the Company		22 631	-53 582
Non-controlling interests	25	6 674	1 139
Foreign currency translation differences		-928	67
Total other comprehensive income		**-928**	**67**
Total comprehensive income		**28 377**	**-52 376**
Attributable to:			
Owners of the Company		21 703	-53 515
Non-controlling interests		6 674	1 139
Earnings per share (THUF)			
Continued and discontinued operations			
Basic earnings per share	30	2,67	-6,29
Diluted earnings per share	30	2,48	-6,29
Continued operations			
Basic earnings per share	30	2,67	-6,29
Diluted earnings per share	30	2,48	-6,29

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Representative of ENEFI ASSET MANAGEMENT PLC.

April 27, 2020

Consolidated financial position

All figures are in THUF unless otherwise indicated.

Consolidated statement of financial position - Assets	Note	2019	2018
Property, plant and equipment	12	83 476	100 276
Intangible assets	13	14 527	5 846
Investments in affiliated companies	14	0	23 174
Receivables from concession assets	15	608 878	726 860
Other long term receivables	16	487 652	343 311
Securities	17	100 557	0
Deferred tax assets	11	0	0
Total non-current assets		**1 295 090**	**1 199 466**
Inventories		0	11
Trade receivables	18	78 391	199 593
Other receivables due within a year	19	75 309	96 282
Accruals and prepaid expenses	20	40 118	91 217
Cash and cash equivalents	21	123 152	172 748
Total current assets		**316 969**	**559 851**
Total assets		**1 612 059**	**1 759 317**

Consolidated statement of financial position - Equity and liabilities	Note	2019	2018
Share capital	22	100 000	100 000
Capital reserve		21 423 391	21 423 391
Accumulated revaluation reserve		43 587	44 515
Share-based benefit reserve	23	65 520	65 520
Treasury shares	24	-474 237	-474 237
Retained earnings		-19 774 347	-19 796 978
Equity attributable to owners of the parent company		**1 383 914**	**1 362 211**
Non-controlling interests	25	36 371	29 697
Total equity		**1 420 285**	**1 391 908**
Provisions	26	47 600	144 867
Deferred income	11	0	0
Lease liabilities	27	500	0
Other long-term liabilities		0	3 135
Total non-current liabilities		**48 100**	**148 002**
Trade payables	28	79 170	46 423
Accruals and deferred income	29	12 888	50 194
Provisions (current)	26	0	3 472
Lease liabilities	27	8 442	0
Other liabilities	28	43 175	119 317
Total current liabilities		**143 675**	**219 406**
Total liabilities		**191 775**	**367 408**
Total equity and liabilities		**1 612 059**	**1 759 317**

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Representative of ENEFI ASSET MANAGEMENT PLC.
April 27, 2020

Consolidated statement of change in equity

All figures are in THUF unless otherwise indicated.

	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
1 January, 2018	**100 000**	**21 423 391**	**44 448**	**65 520**	**-425 877**	**-19 738 767**	**1 468 715**	**29 588**	**1 498 303**
Impact of transition to IFRS 9*	0	0	0	0	0	-4 684	-4 684	-1 030	-5 714
Sale of treasury shares	0	0	0	0	-48 360	0	-48 360	0	-48 360
Other movement	0	0	0	0	0	55	55	0	55
Total comprehensive income	0	0	67	0	0	-53 582	-53 515	1 139	-52 376
31 December, 2018	**100 000**	**21 423 391**	**44 515**	**65 520**	**-474 237**	**-19 796 978**	**1 362 211**	**29 697**	**1 391 908**
Total comprehensive income	0	0	-928	0	0	22 631	21 703	6 674	28 377
31 December, 2019	**100 000**	**21 423 391**	**43 587**	**65 520**	**-474 237**	**-19 774 347**	**1 383 914**	**36 371**	**1 420 285**

*As of 1 January 2018, the Group applies the IFRS 9 [International Financial Reporting Standards version 9] and the depreciations of expected credit losses calculated on the opening balance of the financial assets are recorded against the accumulated profit reserves.

Cash flow statement

	Note	2019	2018
Cash flow from operations			
Profit /loss for the period from continuing operations		29 305	-52 443
Depreciation and amortization	12, 13	18 594	12 375
Impairment of asset	9	29 327	-69 460
Reverse of impairment	9	-23 503	0
Gain on sale of fixed asset	9	4 978	710
Unrealized foreign exchange gains/losses		-928	122
Change in receivables from concession assets	15	117 982	132 910
Other non-cash items		23 174	2 045
Changes of provisions	26	-97 268	50 775
Income tax expense recognised in profit and loss	11	35 465	332 462
Income tax paid		-111 692	-12 965
Interest income		-863	-2 718
Adjusted profit/loss in the year concerned		**24 581**	**393 813**
Change in operating capital			
Changes of receivables and other current assets	18, 19	136 946	49 407
Changes of accruals	20, 29	51 099	-15 386
Changes of inventories		10	49
Changes of trade payables and other liabilities	28	-11 081	-259 945
Net cash-flow from operating activity		**201 545**	**167 938**
Cash flows from investing activities			
Paid lease fee	13, 27	-8 775	0
Payments related to purchasing property, machines and equipment	12, 13	-3 466	-577
Revenue from the sale of property, machines, equipment and financial instrument	12, 13	5 730	527
Acquire of shares in affiliates companies	14	0	-500
Net cash flow from investing activity		**-6 511**	**-550**
Cash flows from financing activities			
Sale - purchase of treasury shares		0	-48 360
Change in loans (borrow-repayment)		0	3 135
Sale - purchase of securities	17	-100 000	0
Long-term loan to affiliated company	16	-144 630	-366 000
Net cash flow from financial activities		**-244 630**	**-411 225**
Cash and cash equivalents at the beginning of the year	21	172 748	416 588
Cash and cash equivalents at the end of the year	21	123 152	172 748
Change of cash and cash equivalents		**-49 596**	**-243 840**

1. General background

1.1. The basis of preparation of financial statements

Declaration on conformity with the IFRSs
The management declares that the consolidated financial statements were made in conformity with the International Financial Reporting Standards that were adopted by the European Union. The management made this declaration in the knowledge of its liability.

The contents of the financial statements
These financial statements present the assets, the performance and the financial position of ENEFI Asset Management Plc., as parent company and its enterprises involved in the consolidation (together: Group). The Group's financial statements are prepared, approved and announced by the Parent Company's management.

The basis of preparing the financial statements; the applied set of rules and the underlying presumptions, evaluation philosophy.

The financial statements have been completed based on the International Financial Reporting Standards (IFRS) created by the International Accounting Standard Board (IASB). The Group applied the IFRSs in the form as those were adopted by the European Union.

The Parent Company's management established that the going concern principle is fulfilled, i.e. there is no sign implying that the Group will terminate or significantly curtail its operations within the foreseeable future (at least within a year).

The Group generally evaluates its assets at historical cost, except for the situations where the given element must be evaluated at fair value, on the basis of the IFRSs. In the financial statements, the financial instruments serving commercial purposes had to be evaluated at fair value.

1.2. Introduction of the Group

ENEFI Asset Management Plc. (formerly named: E-Star Alternative Plc., RFV Plc., ENEFI Energy Efficiency Plc.) (called „ENEFI" or „Company"), which is the parent company of the group ("Group"), is registered in Hungary. Its registered head office is at 1134 Budapest, Klapka str. 11. The Company's legal predecessor was established on 29 June 2000 with the aim of implementing for its clients – primarily energy-related – investments, the cost of which are recouped from the savings they generate, and by operating these projects in the long term, efficiently supplying energy to its clients. As of the balance sheet date, the Company's owners were as follows:

Owner	**31 December, 2019**	**31 December, 2018**
	Percentage of ownership (%)	
Treasury Shares	16,13	9,41
Shares of the parent company held by subsidiaries	5,31	12,02
Imre Kerekes	5,47	5,47
Csaba Soós	10,97	14,97
Free Float	62,12	58,13
Total	**100%**	**100%**

Initially, the Company implemented heat supply, public lighting and kitchen technology investments in Hungary, mostly in the municipal sphere. Owing to the changing economic and social expectations in our region, the demand for the solutions offered by our Company kept increasing, which permitted the Company, which was gaining strength and acquiring references in Hungary, to expand regionally as well.

At present the Company is an actual stock exchange-listed – in the terms of its original mission – ESCO (an Energy Service Company that implements energy savings) in Hungary. The Company developed individual solutions for each of its projects, independent of any technology or service provider. It implemented projects as a main contractor while securing the appropriate financing.

When preparing projects, ENEFI Asset Management Plc. first examined/examines the possibilities of streamlining its customers' energy consumption points, then realises investments that help achieve considerable savings. An added business value of the projects is that, after the investments are completed, ENEFI Asset Management Plc. provides innovative energy services, as well as operates and maintains the energy systems of its partners over the long run.

The Group's business activities are following a narrowing trend, which is shown by the sale of the former Polish operation and the lower Romanian activities.

The Group's activities are significantly changing from 2020 as several asset elements have been gained through in-kind contributions and they are planned to be used and, parallel with this, the former core business is getting squeezed into the background.

Major economic event and evalutaion of the year 2018

ENEFI presented the main economic events of 2018 in its announcements for the reference year, and these events are also pointed out below:

- The Company Group continued its share repurchase programme – adopted by the shareholders – also in 2018.
- Litigation related to the operation in Romania continues (for more details, see the Additional Notes, Item 35)
- The Group acquired stakes in Pannon Fuel Kft. with the aim to participate in the implementation of 2 EU-supported projects. The Group provides proprietary, professional and financial assistance for the successful completion of projects (for more details, see the Additional Notes, Item 15).

Major economic event and evalutaion of the year 2019

ENEFI presented the main economic events of 2019 in its announcements for the reference year, and these events are also pointed out below:

The Group informed its investors that the Group and Pannon Fuel Kft. (and other sub-contractors) jointly won the open, accelerated public procurement procedure invited by MAHART Magyar Hajózási Zrt. in re: "purchase of Fix LNG – CNG filling stations" (EKR001321472019) at a value of about HUF 1.5 billion.

- In 2019 the Group's board of directors was extended with new members and the Group launched a new Strategy that once again focused on growth.
- Csaba Soós, chairman of the board of directors and one of the main owners of the Group, announced the sale of 400,000 ENEFI shares on 4 July, 2019.
- The general meeting of the Group decided to transform the earlier issued employee shares into ordinary shares.
- The Group's general meeting decided to raise the capital based on the Strategy. Via resolution no. 17/2019. (11.18.) the Issuer's general meeting decided to raise the Issuer's share capital by issuing new shares. The Issuer's share capital was raised by HUF 66,061,090, from 100,000,000 to HUF 166,061,090, whereby 1,150,000 "A" series dematerialized ordinary shares - at a nominal value of HUF 10 per share and at an issue value of HUF 400 - as well as 5,456,109 "H" series, dematerialized, convertible dividend preference shares - at a nominal value of HUF 10 per share and at an issue value of HUF 400 - were issued. The capital increase was registered by the Budapest-Capital Regional Court on 9 January 2020.
- The Group informed its investors that the Group and Pannon Fuel Kft. (and other sub-contractors) jointly won the open, accelerated public procurement procedure invited by MAHART Magyar Hajózási Zrt. in re: "purchase of Fix LNG – CNG filling stations" (EKR001321472019) at a value of about HUF 1.5 billion.
- Litigation related to the operation in Romania continues (for more details, see the Additional Notes, Item 35)

1.3. The Basis for Preparing the Consolidated Financial Statements

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards („IFRS"), also adopted by the EU. The International Financial Reporting Standards („IFRS") contain the standards approved by the Commission of the European Communities and issued by the International Accounting Standards Board („IASB") as well as the International Accounting Standards („IAS") issued by the

International Accounting Standards Committee („IASC"). They include further the interpretations of the International Financial Reporting Standards Interpretation Committee („IFRS IC") and the Standing Interpretations Committee („SIC") approved by the European Commission

The basis of the consolidation

The consolidated financial statements cover the financial statements (assets) of the Group and the entities (Group's subsidiaries) controlled by the Group. From the business year starting on 1 January 2014, the term of control is defined in the IFRS 10 standard. Accordingly, the investor has control over the investee if it is entitled to the changing, positive returns (earnings) produced by the investee and bears the consequences of negative returns and is able to control operations through its decisions (power) and thus to influence these returns. Thus, the management ability and the control derive from rights.

Control can be mainly gained through an ownership share, an agreement with other owners or a special market position (e.g. monopoly). Regarding the enterprises covered by this financial statement, the parent company gained control through ownership share, without any exceptions.

Earlier, control was defined differently in the IFRSs (see former IAS 27). As the audits before the entry into force of the IFRS 10 standard also showed, the management concluded that the regulation did not change regarding the group structure transformation, as the existence of the rights originating control and the majority of the voting rights are concurrent, thus the voting right continues to be the guiding indicator. The revenues and the expenditures of subsidiaries purchased and sold through the year are covered in the comprehensive consolidated P/L account, from the actual date of acquisition until the actual date of sale. The total, comprehensive result of the subsidiaries is due to the owners of the Group and the non-controlling shares. The amount of the comprehensive result must also be assigned to the non-controlling unit if it is negative.

If needed, the subsidiaries' financial statements are modified so that their accounting policies conform with the accounting policies applied by other Group members.

At the date of consolidation, the transactions, balances, revenues and expenditures are fully filtered out even if the produced result appears in form of an asset value.

The revenues and the expenditures of affiliated companies purchased and sold through the year are covered in the comprehensive consolidated P/L account, from the actual date of acquisition until the actual date of sale. The total, comprehensive income of affiliated enterprises is due to the owners of the Company and the non-controlling shares even if in this manner the balance of non-controlling shares will be negative.

The companies pertaining to the Company Group apply a uniform accounting policy.

The transactions, balances, revenues and expenditures within the Group are fully filtered out upon the consolidation.

Companies involved in the consolidation:

ENEFI Asset Management Plc. is the direct parent company, and it prepares the consolidated financial statements under the IFRS. The following Companies are involved in the course of the consolidation:

		2019		2018	
Name	**Country of incorporation**	**Share ownership**	**Voting power**	**Share ownership**	**Voting power**
EETEK Limited	Cyprus	100%	100%	100%	100%
RFV Józsefváros Kft.	Hungary	49%	70%	49%	70%
E-Star Management Zrt. (formerly RFV Management Kft.)	Hungary	100%	100%	100%	100%
ENEFI Projekttársaság Kft.	Hungary	100%	100%	100%	100%
E-Star Centrul de Dezvoltare Regionala SRL	Romania	100%	100%	100%	100%
Termoenergy SRL	Romania	99,5%	99,5%	99,5%	99,5%
SC Faapritek SA	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Alternative Energy SA	Romania	99.99%	99.99%	99.99%	99.99%
E-Star Energy Generation SA	Romania	99.99%	99.99%	99.99%	99.99%

Group companies under liquidation that were not drawn into consolidation because there is no control over them due to the liquidation:

Name	Country of incorporation	2019 Share ownership	2019 Voting power	2018 Share ownership	2018 Voting power
E-STAR ZA Distriterm SRL „felszámolás alatt"	Romania	51%	51%	51%	51%
E-Star Mures Energy SA „felszámolás alatt"	Romania	99.99%	99.99%	99.99%	99.99%
E-STAR Investment Management SRL „felszámolás alatt"	Romania	99,93%	99,93%	99,93%	99,93%

The Group has investment in the following affiliated companies:

Name	Country of incorporation	2019 Share ownership	2019 Voting power	2018 Share ownership	2018 Voting power
Pannon Fuel Kft.	Hungary	20,00%	20,00%	20,00%	20,00%

2. New and modified International Financial Reporting Standards

The Group voluntarily did not change its accounting policies applied in 2018 for 2019. An exception is the application of accounting policies related to the introduction of the new standards and to activities that did not exist earlier.

Below we cover the impact on the Group's financial statements by the changes in the IFRSs and IFRICs entering into effect after the balance sheet date. We do not analyse in details the expected impact of the changes in IFRSs and IFRICs that are in progress and known at the balance sheet date because they do not influence the financial statements significantly, and disregarding them does not affect the decisions of those using the report.

New and modified standards and interpretations entering into force from this reporting period, announced by IASB and adopted by the EU:

IFRS 16 "Leasings" standard – approved by the European Union on 31 October 2017 (entered into force on 1 January 2019 and in the later reporting periods).

Modifications to IFRS 9 "Financial Instruments" standard - Prepayment features with negative compensation - adopted by the EU on 22 March 2018 (entered into force on 1 January 2019 and in the later reporting periods).

IFRIC 23 "Uncertainty over Income Tax Treatments" - approved by the EU on 23 October 2018 (entered into force on 1 January 2019 and in the later reporting periods).

Modifications to certain standards "Extended development of IFRS (in the years 2015-2017)" – As a result of the IFRS Development Project, there were modifications to some standards (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily in order to terminate inconsistencies and to clarify explanations (entered into force on 1 January 2019 and in the later reporting periods).

Modifications to the IAS 19 "Employee benefits" standard – Plan modification, limitation or accounting (entered into force on 1 January 2019 and in the later reporting periods).

Modifications to the IAS 28 "Investments in associates and joint ventures" standard – Long-term interests in associated enterprises (entered into force on 1 January 2019 and in the later reporting periods).

New and amended standards and interpretations issued by the IASB and adopted by the EU, but still not in force

At the time of approval of these financial statements, the following standards, as well as amendments to existing standards and interpretations issued by the IASB and adopted by the EU, were published without entry into force:

Amendments to References to the Conceptual Framework in IFRS (will enter into force on 1 January 2020 and in the later started reporting periods).

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of materiality (will enter into force on 1 January 2020 and in the later started reporting periods).

Modifications to the IFRS 3 "Business Combinations" standard – Definition of business activity (effective for the business combination, where the date of the acquisition is on 1 January 2020 or in the later reporting periods, and for the assets purchased at the beginning of the given period or in the later period).

Modifications to IFRS 9 "Financial Instruments" standard – Hedge Accounting (will enter into force on 1 January 2020 and in the later reporting periods).

Modifications to IFRS 7 "Financial Instruments: Disclosure" standard – Hedge Accounting - Uncertainties of the Interest Rate Benchmark Reform (will enter into force on 1 January 2020 and in the later reporting periods).

Modifications to IAS 39 "Financial Instruments: Recognition and Measurement" standard – Hedge Accounting (will enter into force on 1 January 2020 and in the later reporting periods).

The Group does not apply these new standards and amendments to existing standards before their effective dates. The Group believes that the approve of these standards and the amendment of existing standards will not have a significant impact on the Group's financial statements in the period of initial application.

Standards and interpretations issued by the IASB and not approved by the European Union

IFRSs adopted by the EU currently do not significantly differ from those approved by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to existing standards and new interpretations that have not yet been approved in the EU until the publication date of our financial statements:

IFRS 14 "Regulatory Deferral Accounts" standard (shall apply from 1 January 2016 and in the later reporting periods) - the European Commission decided not to apply the approval process for the current interim standard but to wait for the final standard.

IFRS 17 "Insurance contracts" standard (will enter into force on 1 January 2021 and in the later reporting periods).

Modifications to the IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" standards – Selling or transferring assets between the investor and its associate or joint venture (the date of entry into force has been postponed for an uncertain period of time, until the research project arrives at a conclusion with regard to the capital method).

Modifications to the IAS 1 "Presentation of financial statements" standard - Classification of Liabilities as Current or Non-Current (will enter into force on 1 January 2022 and in the later reporting periods).

The implementation of these modifications, new standards and interpretations would not influence significantly the Group's financial statements.

3. Significant accounting policies

a. The basic principles of making statements

The consolidated financial statements were made based on the cost value principle, except for financial instruments that were evaluated in a revaluated amount or at fair value, just as explained in the below accounting policies. The cost value is usually based on the fair value of the consideration (counter-value) delivered in exchange for the assets.

b. Changes in the owner interests in the Group's current affiliated enterprises

Changes in the shares held by the Group in affiliated enterprises that do not result in the termination of control are accounted as capital transaction. The Group corrects the registration value of its own shares and non-controlling shares in a manner that the values should reflect the distribution of the relative shares in the individual affiliated enterprises, with the proviso that certain priority shares may lead to deviations in the NCI value. The deviations between the amount of correction affecting non-controlling shares and the fair value of paid or received consideration (counter-value) are accounted directly in the equity capital and are assigned to the Group's owners.

If the Group's controlling right over an affiliated enterprise ceases to exist, the result of sale (i) is the amount of the fair value of the received consideration (counter-value) and the fair value of the kept share, as well as (ii) the difference between the fair value of the affiliated enterprise's assets (including goodwill) and liabilities and between the amount of non-controlling shares, with the proviso that evidently correction is needed with the formerly filtered out balances. If the assets of affiliated enterprises are registered at a revaluated value or fair value and the amount of the connected accumulated profit or loss was accounted in the other overall result and accumulated in the equity capital, accounting is made as if the Group had sold directly the relevant assets (i.e. they are reclassified into the result or directly into the accumulated result according to the relevant IFRSs). The fair value of the share maintained in the earlier affiliated enterprise and prevailing on the day of termination of control is the fair value of initial presentation stated in the course of the later evaluation under the IFRS 9 Financial instruments standard, or, if applicable, the cost value of investments in affiliated enterprises or common organizations incurring at the initial presentation.

c. Business combinations

Business combination is the situation where the Group gains control over a new company, and the purpose of the acquisition was to acquire the business activity of the purchased entity and not only to acquire the assets of the purchased business entity. The control shall be regarded as acquired from the day when any situation required for qualification as a subsidiary was fulfilled (e.g.: when the Group's Parent Company can exercise control over the assets owned by the subsidiary, the Group becomes entitled to receive the related revenues etc.).

The purchaser is the entity that gains control over the purchased entity. If it is not clear which party is the purchased entity, it must be determined on the basis of the following features:

- In the course of a business combination that is primarily established by delivering cash instruments or other assets or by assuming liabilities, the purchaser is usually the entity that delivers the cash instruments or other assets or assumes the liabilities.
- In the course of a business combination that is primarily implemented through the exchange of capital shares, the purchaser is generally the entity issuing the capital shares. In the course of business combinations called reverse acquisition, the purchased entity is the issuing entity. Some other relevant facts and circumstances must also be considered for identifying the purchaser, like relative voting rights, existing minority share, composition of the controlling body, composition of the top management and the conditions on capital share exchange.
- The purchaser is usually the merging entity whose relative size (e.g. measured in assets, revenues or result) is much higher than that of the other merging entity or entities.
- In the course of a business combination affecting more than two entities, the definition of the purchaser must also consider, among other things, which of the merging entities initiated the combination, and what is the relative size of the merging entities.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

If the first accounting of a business combination was not closed at the end of the reporting period when the business combination took place, the Group will account transitional estimated amounts for the items that were not accounted yet. The Group corrects these estimated amounts through the accounting period (see above), or accounts for further assets or liabilities so that the amounts also reflect the new information obtained about the facts and circumstances prevailing on the day of acquisition, which – if they had been known - would have influenced the amounts accounted on the day of acquisition. Such modifications do not qualify as an error.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. In this case the calculation need to be done twice).

The non-controlling interest, which represent a share of ownership, and its owner shall grant the right of the net assets of the economic entity in proportion to the event of the liquidation, proportional part of either fair value or the acquiree's identifiable net assets recognized in the amount of is repeating non-controlling interests can be assessed. The Group doesn't apply the recognition of NCI at fair value.

If the initial accounting of a business combination is not full at the end of the reporting period when the combination took place, the purchaser must indicate temporary amounts in its own financial statements for the items where the accounting is not full. Through the evaluation period the purchaser must retroactively modify – with regard to the date of acquisition – the indicated temporary amounts in order to reflect new information on facts and circumstances prevailing at the date of acquisition which – if they had been known - would have influenced the evaluation of the amounts presented at that date. Through the evaluation period the purchaser must also indicate further assets or liabilities if it obtained new information on facts and circumstances prevailing at the date of acquisition which – if they had been known - would have resulted the presentation of assets and liabilities at that date.

The evaluation period is over when the purchaser receives the information that it searched about the facts and circumstances prevailing at the date of acquisition, or it learns that no further information can be obtained. At the same time, the evaluation period may not exceed one year calculated from the date of acquisition.

The evaluation period is the period after the date of acquisition when the purchaser can modify the temporary amounts presented with regard to the business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

d. Goodwill

The difference of the consideration (counter-value) given for the acquired subsidiary (cost of control) and the acquired net assets is presented as goodwill, which is an immaterial asset that cannot be depreciated. The Group assigns this goodwill to a cash generator unit (CGU) and tests it every year to determine whether the goodwill is impaired. When testing the goodwill impairment, the CGU's returns value (recoverable amount) must be compared to the CGU's book value. If the returns value is lower than the CGU's book value, the goodwill must be written off first, unless there is a clearly damaged asset. The goodwill must not be reversed / written back later. The CGU returns value is the higher of its usage value and the fair value reduced with the sales costs.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the Group accounting policy regarding the goodwill on aquisition of investment in affiliate see notes 3.6 below.

e. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Authoritative/standard control is if the vote for decisions regarding the investee's financial and operating policy directly or indirectly exceeds 20%.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Changes in fair value are made by the management within 12 months from the date of recognition. The spill-over effect of changes in fair value shall be included in the consolidated financial statements through appropriate amendments.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount, but the goodwill can't be reversed.

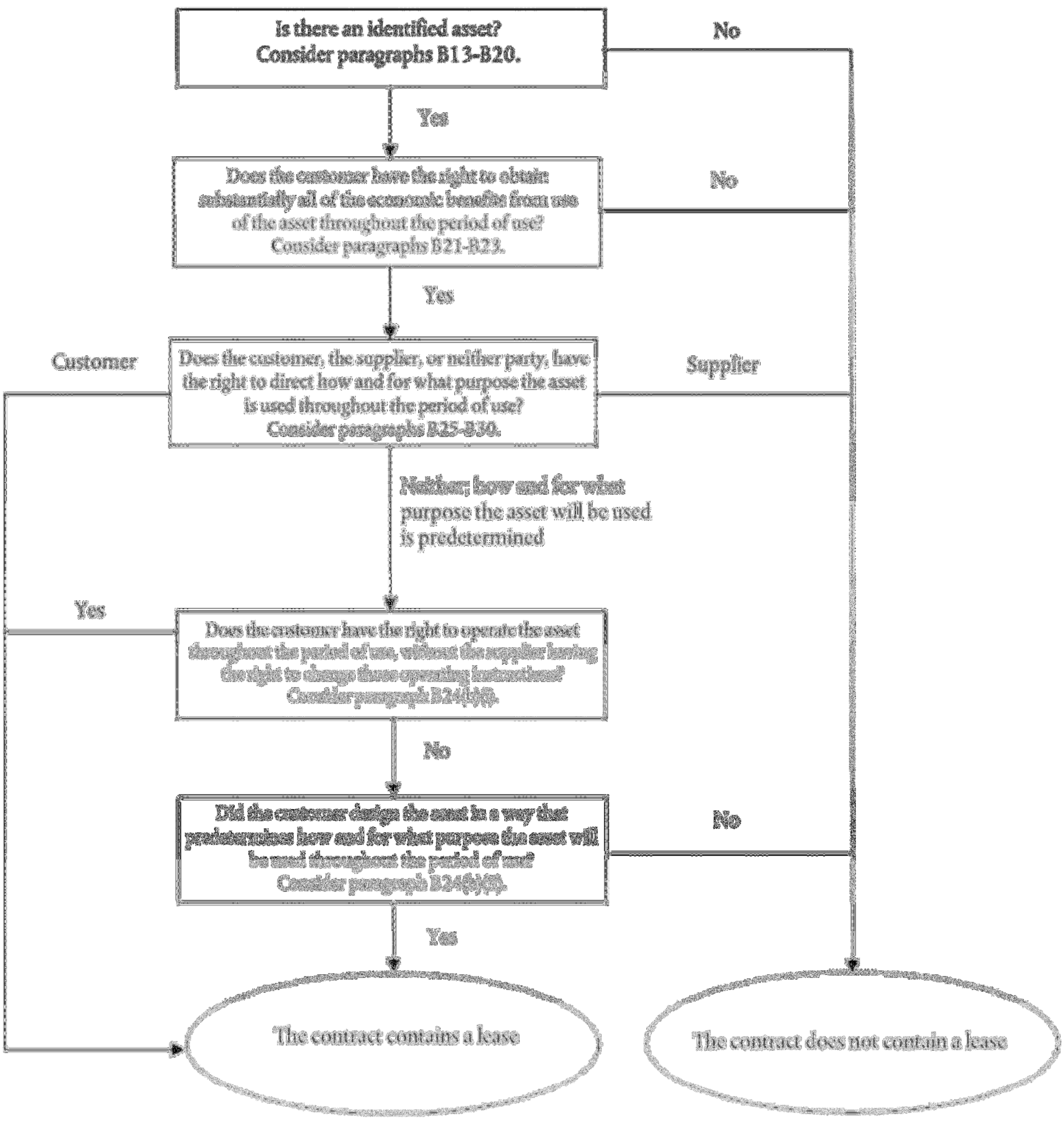
Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group. Claims and liabilities are not filtered out. If the investor grants a credit to the affiliated enterprise that is to be repaid only in a specific situation (in the far future), it is presented together with the value of investments, and the difference is recorded in the other comprehensive result in the course of the revaluation.

f. Leases

A contract qualifies as a leasing contract or contains leasing if this contract transfers the right to use the underlying asset - for a specific period - against fee payment. Then the lessee may collect the profit arising from the asset usage and may make decisions on the usage. Upon the transition to leasing, it did not have to be checked if the contract effective before 1 January 2019 fulfills the term of leasing. If a contract was an (operative or financial) leasing contract earlier, the rules of IFRS 16 must be applied for such leasing schemes, if a contract was not a leasing contract earlier, it will not be one after the entry into force of the IFRS 16, either.

To identify the leasing, the Group applies the process chart under paragraph B31 of annex B of the IFRS 16 Standard:



Upon the transition, the Group recognized a car and a boiler as new leasing.

Recognition at the lessee

On the commencement day the lessee must recognize a right-of-use asset and a leasing obligation.

Recognition exceptions

If the Group qualifies as a lessee under IFRS 16 with regard to a contract, the general rules of the Standard will not be applied for leasing related to short-term assets (less than 12 months) and to low-value underlying assets, but the lease payments are accounted to the debit of the profit, in a divided manner.

Valuation of the right-of-use asset

The Group recognizes its assets used under leasing as right-of-use assets in the balance sheet. The right-of-use assets are valuated under the cost model, primarily starting out from the contractual term upon accounting for depreciation. The Group tests the right-of-use assets for impairment under the IAS 36 rules. The business organization recognizes the right-of-use assets together with the asset group where the underlying asset belongs. The right-of-use assets are separated in the supplementary notes.

The lessor must qualify the leasings either as operative leasing or financial leasing.

The Company specifies the leasing term as a leasing period that cannot be terminated, together with the following periods:

- periods covered by the leasing extension option if the lessee is reasonably certain that it will call the option; and
- periods covered by the leasing termination option if the lessee is reasonably certain that it will not call the option.

The Group - as lessee - must revaluate whether it is reasonably certain to call the extension option or not to call the termination option when there is a major event or an important change in the circumstances that:

- is controlled by the lessee; and
- influences whether the lessee is reasonably certain whether to call the option not considered previously when specifying the leasing term or not to call the option previously included in specifying the leasing term.

The Group, as lessee, must review the leasing term if there is a change in the term of lease that cannot be terminated. The term of lease that cannot be terminated is changed if, for example:

- the lessee calls an option not considered previously when the leasing term was specified by it according to the business organization;
- the lessee does not call the option previously included in the specification of the leasing term according to the business organization;
- as a result of an event, the lessee is obliged by a contract to call the option that was not previously considered when the leasing term was specified by the business organization;
- as a result of an event, a contract prohibits the lessee from calling the option previously included in the specification of the leasing term according to the business organization.

When accounting the depreciation of the right-of-use asset, the lessee must apply the depreciation-related requirements of the IAS 16 Property, plant and equipment standard if the underlying asset is otherwise a tangible asset.

If, within the framework of leasing, the ownership of the underlying asset goes over to the lessee at the end of the leasing term or if the cost of the right-of-use asset reflects that the lessee will call the purchase option, the lessee has to account the depreciation of the right-of-use asset from the commencement date until the end of the useful life of the underlying asset. Otherwise the lessee has to account the depreciation of the right-of-use asset from the commencement date until the earlier of the end of the useful life of the right-of-use asset and the end of the leasing term.

Valuation of leasing debts

At the commencement date the lessee must valuate the leasing obligation as the present value of the lease payments unpaid until that date. The lease payments must be discounted with the implicit leasing interest rate if it can be easily defined. If this interest rate is difficult to define, the lessee must use the incremental interest rate.

Recognition at the lessor

At the commencement date the lessor must derecognize in the balance sheet the assets held within the framework of financing leasing and must present the claims for leasing payment at the present value of the cash flows from leasing (net investment in leasing).

The Group recognizes the present value of cash flows from financial leasing as a leasing investment. Upon the present value calculation, the Group uses the incremental interest rate related to leasing. The Group determines the ECL for the leasing claim based on the simplified method.

The lessor must recognize in the P/L account the lease payments from operative leasing either through the straight-line method or through another systematic method in a manner that the leased asset is further on recognized and depreciated in the balance sheet.

The Group regards any scheme as financial leasing (as a lessor) if

- the underlying asset is transferred to the lessee at the end of the leasing term;
- the lessee has the right to acquire the ownership of the underlying asset at the end of the term and calling this right can be expected;
- the leasing term (together with the evidenced extension periods) exceeds three-fourths of the residual economic life of the underlying asset;
- the overall present value of the lease payments reaches 90% of the real value of the underlying asset;
- the underlying asset pertaining to the leasing is special.

If the leasing term is indefinite, the term must be defined based on the estimated enforceable period.

g. Revenue recognition

IFRS 15, Revenue from Contracts with Customers - (issued in May 2014; approved by the IASB and entered into force on 1 January, 2018 or in the later reporting periods . The EU has adopted this standard). The new standard introduced the basic directive that any revenue shall be recorded in the books when the goods or services in question are delivered to the buyer at the agreed price. All itemisable tying products or services shall be separately accounted and all discounts shall be allocated to the corresponding elements of the contract. After the counter value has changed, the minimum value can be recorded when the probability of reimbursement does not involve significant risks. Costs incurred with acquiring customer contracts shall be capitalized and amortised over the term of the contract as the related benefits are acquired by the Group.

As of 1 January 2018, the Group applies IFRS 15 in its financial statements. The introduction of the new standard has no impact on the accounting of the Group's sales revenue, since contract elements can be clearly distinguished and individually identified at the time of contract signing. Consequently, the numerical data are the same.

The Group's revenues are recorded after the deliveries have been performed in accordance with the contracts and the financial settlement of receivables (when recording the revenue) is probable.

In the sales revenue, the Group only includes direct returns from its main activity. The Group records the counter value of ad hoc activities among Other items.

The Group’s core business is heat energy production and sale. The items related to sales revenues are invoiced and accounted on a monthly basis. Apart from heat energy, the Group has significant revenues from service fees related to individual contracts, accounted on the basis of IFRIC 12. In addition, the sales revenues also cover other rental fees and engineering services.

From 2018 onwards, dividends and interest income are recorded by the Group in accordance with the general rules of IFRS 9.

h. Foreign currencies

Presentation currency:

The financial statement was made in "Forint".

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- an exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Functional currency:

The functional currency of the subsidiaries is identical with the currency of the relevant countries because most of the sales revenues of the subsidiaries are invoiced in the currency of their own country.

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

j. Share-based payments

Should the Company provide its employees or elected officials with shares or benefits related to their price with regard to their activities, it shall be accounted as a share-based benefit,

Currently the Company only has share-based benefit made in equity instrument. The real value of the benefits must be determined and if a vesting condition is attached to it, it must be accounted against the profit in proportion with the fulfilment of the vesting condition, by simultaneously indicating a separated reserve among the equity capital elements (IFRS 2 reserve).

If no condition is attached to the benefit (e.g. further period to be spent at work, profit target), it must be presented as a prompt expenditure, without division between the periods.

The separately indicated reserve (IFRS 2 reserve) must be terminated when the shares were issued or - if the benefit covered an option – it expired, ran out.

The Company works out no accounting policy for other share-based benefit programmes to be settled in cash, as it does not have any.

k. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

l. Retirement benefit costs

Defined contribution plan

One subsidiary of the Company operates a defined contribution pension plan for employees. Pension costs are charged against profit or loss as the related service is provided.

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period. The Group apply 9% income tax for the Hungarian entities and 16% for Romanian entities.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

n. <u>Property, plant and equipment</u>

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their carrying amounts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Structures	10 years
Plant and equipment	3-5 years
Vehicles	5 years

o. <u>Intangible assets</u>

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

p. <u>Impairment of tangible and intangible assets other than goodwill</u>

The Group tests its assets from the viewpoint of impairment every year. The test has two steps. First, it is checked whether there are any signs suggesting that the given assets are impaired. The following signs can indicate impaired assets:

- damage;
- falling revenues;
- unfavourable change in market relations, decline of demand;
- rising market interest rates

If there is a sign of impaired assets, a calculation must be made to establish the returns value (recoverable amount) of the asset (second step). The returns value is the higher of the fair value of the asset reduced with the sales costs and the present value of cash flow deriving from regular use. In lack of more accurate estimates, the sales costs must be established at 10%. If the usage value of an asset group cannot be established because it does not produce cash flow on its own (cannot be utilized), the test must be accounted for a CGU, If the usage value could only be established for a CGU and impairment had to be accounted, the impairment has to be divided as follows:

- first the damaged assets must be reduced;

- then the goodwill must be reduced;
- in the third step the remaining impairment must be divided for the tangible assets (PPE) and the immaterial assets, in proportion to their book value prior to the impairment.

No asset value can be reduced below the fair value reduced with the individual sales costs. The immaterial goods that have no defined useful lifecycle and cannot be used yet are reviewed at least every year in the case of signs of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out ("FIFO") basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

r. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision is expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

s. Financial instruments

IFRS 9 "Financial Instruments" (issued in July 2014; enterd into force on 1 January 2018 and in the later reporting periods).

The main features of the new accounting standard are the following:

- Financial assets are classified into three evaluation categories immediately after initial recognition: measured at amortised cost, measured at fair value through other comprehensive income (FVOCI) and/or measured at fair value through profit or loss (FVPL).
- IFRS 9 introduces a new model for amortisation, i.e. the expected credit loss (ECL) model. It uses a three-stages approach, based on changes in the credit quality of financial instruments after their first recognition. In practice, the new rules mean that immediately after the first recognition of a financial instrument not affected by any other amortisation the economic entity shall record a loss equivalent to a 12-months' expected credit loss. (in the case of trade receivables, the entire expected credit loss shall be recorded). If the credit risk has significantly increased, the impairment is determined using the full lifetime expected credit loss rather than the

12-months expected credit loss. The model also includes some operational simplifications for leases and receivables.

- Hedge accounting requirements have been amended to make accounting more consistent with companies' risk management. The Group does not apply hedge accounting rules.

As of 1 January 2018, the Group applies IFRS 9 in its financial statements. As a result of the introduction of the new standard, only the impairment loss recognized for trade receivables changed, but this had no significant impact on the financial statements.

Financial assets

Classification

The Group classifies its financial assets in the following categories in accordance with the related changes effective as of 1 January 2018:

- recorded at fair value (incl. other consolidated income [OCI] or through profit or loss), and
- assets measured at amortised value of recognition (amortised cost).

The acquired capital instruments, if they are not for trading, are included by the Group in the category of other assets measured at fair value through profit or loss (FVPL). As for financial liabilities, the valuation method chosen is determined by the business model of the specific company and shall be based on the management of financial assets and related cash flows.

The only financial instruments of the Group are monetary assets, receivables and loans. All financial assets are measured at amortised cost, there are no financial instruments measured at fair value.

Recognition and measurement

The purchase or sale of a financial asset is recorded on the date of completion of the transaction, i.e. on the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets that are not recorded at fair value through profit or loss. Financial assets are derecognized when the Group's rights to the cash flows related to that item have expired or are transferred and the Group has transferred the significant risks and rewards of ownership as well.

Netting of financial instruments

Financial assets and liabilities are netted and recognized in the balance sheet as net amounts if the net settlement of the amounts recognized is legally permitted and the Group intends to settle the amounts on a net basis or intends to simultaneously recognize the asset and settle the liability.

Impairment of financial assets

Assets measured and recorded at amortised cost

IFRS 9 introduces a three-stage impairment model that binds impairment to changes in the quality of a receivable:

- 12-months expected credit loss: Normal performance (initial recognition)
- Lifetime expected credit loss: Low performance (Significant deterioration in credit quality since initial recognition)
- Lifetime expected credit loss: Non-performance (actual loss of credit occurred)

Based on the Standard, the “credit loss” is the difference between the present value of contractual cash flows and expected cash flows. (discounted by the original effective interest rate). The “expected credit loss” is the weighted average of expected losses. When estimating the expected loss, the Group considers all available information, whether it is within the Group, or external or past experience or a forward-looking statement.

In estimating the credit risk, the Group applies in its internal risk analysis policy the definition of default event and determines the probability of payment and non-payment as well as the expected timing of cash flows.

The Group benefits from the practical benefits of IFRS 9. These are the following:

- Instead of a 12-month expected credit loss on customer receivables and contractual assets that do not have a significant financing component, the Group recognizes the lifetime expected credit loss.

- In the case of trade receivables, contractual assets and leasing receivables that include a significant funding component, the Group will also recognize the lifetime expected credit loss.

In case of receivables with the same risk, the above estimate is made by the Group for entire groups of receivables.

The expected credit losses and thus the accumulated impairment losses are not significant for the Group. The reason for this is that retail or online customers can make immediate payment or prepayment, and after-sale claims will only appear with wholesale partners.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

t. Earnings per share (EPS)

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

u. Service Concession Agreements (IFRIC 12)

In accounting for public-to-private service concession agreements, the Group applies the following principles.

The provisions in interpretation 12 of the IFRIC are applied if the following conditions are met in case of a public-to-private service concession agreement: (a) the concession grantor has control over or can regulate what services, to whom and at what price are to be provided by the operator using the infrastructure; and (b) at the end of the agreement, the concession grantor will control, through ownership, beneficiary rights or otherwise, all the major residual assets relating to the infrastructure.

According to the terms of such agreements, the operator works as a service provider. The operator builds or develops the infrastructure used for providing public services (construction or development services), and operates and maintains the infrastructure for a definite period of time (operating services).

If certain contracts made with public authorities meet the above conditions then the infrastructure covered by such a contract will not be recognized in the Group's accounts as real estate property, machinery or equipment.

In the case of such contracts, the construction or development services provided by the Group will be presented at the actual value set out in the contract, whether received or receivable. The consideration set out in the contract will be accounted for as a financial asset or intangible asset.

Construction or development services provided by the Group will be presented as financial assets if, on the basis of the contract, the Group has an unconditional contractual right to receive funds from the concession grantor (local municipality) or at the latter's instruction in return for the construction or development services; and the concession grantor has no or hardly any chance for avoiding payment because the contract is lawfully enforceable. The Group is entitled to receive funds if the concession grantor provides a contractual guarantee that it will pay a fixed or calculable amount to the Group or pay the difference between the amounts received from the users of the public service and the fixed or calculable amount set out in the contract.

Construction or development services provided by the Group will be presented as intangible assets if, on the basis of the contract, the Group acquires the right (licence) to charge a fee on the users of the public service. In this case the costs of raising loans for the agreement will be capitalized during the construction or implementation phase of the agreement. If the construction or development services provided by the Group are paid partly in cash and partly by intangible assets then the respective parts of the consideration so received will be accounted for separately.

The Group has such concession rights that are defined as financial assets.

If the Group has any liabilities arise from the contract regarding maintenance or restoration of built or received infrastructure, than these liabilities get presented in the financial statements based on the estimated value at balance sheet date as mentioned in IAS 37.

The capacity increase recognised based on IFRS 15 standard rules.

The IFRS 16 rules cannot be applied for situations where IFRIC 12 applies.

v. Operating segments

An operating segment is a component of the business entity:

(a) which conducts business activities involving revenues and expenditures (including revenues and expenditures related to transactions that are conducted with other components of the same business entity)
(b) the operating results of which are regularly reviewed by the key operating decision maker of the business entity to be able to make a decision regarding the funds to be allocated to the segment and to evaluate its performance, and
(c) in respect of which separate financial information is available.

Based on the foregoing, the Group defined and presents its operational segments. The management concluded that the Group's operational segments can be defined on a geographical basis, and activity-based segmentation cannot be carried out sensibly.

w. Own share transactions

The Group made several own share transactions, repurchases. These items are shown in the consolidated financial statements as equity capital reducing elements. The Group indicates this as an equity capital component and reduces the capital at cost.

4. Critical accounting judgements and key sources of estimation uncertainty

With respect to the application of the Group's accounting policies, the management has to make decision, estimates and assumption as to the registration value of the assets and liabilities that cannot be clearly determined from other sources. The estimates and related assumptions are based on past experience and other factors that are considered relevant. The actual results may be different than these estimates.

The estimates and the assumptions on which they are based must be reviewed continuously. The modifications of accounting estimates must be recognised in the period when the modification was made if the modification only affects this period, or in the period when the modification was made and the periods after that if the modification affects the period under review as well as the future.

The following describes the critical decisions - with the exception of those that contain estimates - that the Group made in the context of the application of its accounting policies and which made the biggest impact on the amounts presented in the financial statements.

4.1. Provisions

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The entities of the Group are involved in several ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.2. Pending claims

The Group is a party to numerous lawsuits as a plaintiff. Non-final decisions have already been made in some of these lawsuits. The IAS 37 requires that the Group should highlight such type of claims in its reports and should also attempt to provide figures. Many times, providing figures requires estimates, which means uncertainty that can be seen at the level of reports but not at the level of the recognized asset elements.

4.3. Concession rights valuation

The Group is recognized the value of the project at Gyergyószentmiklós according to the standard of IFRIC 12 Service Concession Agreements. During the calculation the Company estimated the future net income of the project and determined the realisable value less cost to sell. During the determination of the fair value the Company calculated with discounted future cash flows. These future cash flows represent the management's best estimation. The details of the concession contract are disclosed in the Note 15.

Further uncertainty was caused about the evaluation of the above project due to the fact that the Group is in dispute in connection with the project, and they had to make assumptions about the evaluation.

The company measured all components of the Hungarian portfolio both in terms of assets and contracts, that is, on the basis of the net present value calculations. These assets are presented between financial assets in the statement of financial position.

4.4. Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the management determined that the useful lives of the properties, plants and equipments remained as in the previous years.

4.5. Impairment of property, plant and equipment and intangible assets

Impairment on property, plant and equipment or on intangible assets is determined based on estimations concerning the recoverable amount of those assets. Changes in accounting estimates relating to asset impairment (estimates of the asset's fair value less cost to sell and value in use, the free cash flow estimate, considerations regarding the discount rate, etc.) could have a material impact on the results of the Group.

In respect of tangible and intangible assets, the recovery on the business entity's assets is tested in the context of an impairment test. The corrections that appear necessary on the basis of the impairment test are presented by the Group in these consolidated financial statements.

4.6. Generating profit to create enough tax base to apply the deferred tax method

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Group currently does not display deferred tax assets and any such existing amounts have been written down. If such items are recorded later, the return will affect the operating profit of that time.

4.7. Uncertainty due to assets under the effect of IFRIC 12

The valuation of assets under IFRIC 12 depends on whether the contracting party initiates amendment to the agreement, and how solvent it is. The recoverable value of the asset is influenced by these factors that are partly independent from the enterprise.

5. Revenue

The revenue per activities are the following:

	2019	2018
Heat sales	280 632	331 483
Other revenue	94 021	128 852
Lease interest income	0	11 834
Total	**374 653**	**472 169**

The sales revenues exclusively cover the returns that can be connected to the Company's core business.

The Group's primary revenues come from heat sales and returns from assets operated for other entities. The Group produces heat for sale on its own.

Invoicing could be followed upon sales revenue accounting – except accounting for accruals – as the type of services does not require further correction between periods. As for assets operated for other entities, the Group determined the revenues with the implicit interest rate method, by starting out from future cash flows. These assets are within the scope of IFRIC 12.

At the beginning of 2018, contracts classified as leases in previous years have been amended, and consequently these transactions have been reclassified and are being recorded in accordance with IFRIC 12.

6. Cost of sales

Direct expenditures	**2019**	**2018**
Cost of mediated services	140 889	197 412
Total	**140 889**	**197 412**

Material costs	**2019**	**2018**
Material costs	4 320	5 434
Total	**4 320**	**5 434**

The direct costs cover those costs that can be directly related to the sales revenues. The Group registers the passed-on public utility fees among the direct costs.

The material costs cover expenditures deriving from heating materials.

The rate of direct costs decreased by 28% compared to the previous year, the decrease is in accordance with the decrease of the income.

7. Personal costs

	2019	2018
Wages and salaries	99 608	98 732
Social security contributions	14 335	13 589
Other employee benefits	1 487	1 781
Total	**115 430**	**114 103**

The above table shows the trend in personal expenditures. The table goes to show that the rate of personal expenditures was similar to the previous year.

The Group's average staff number was 16 employees in 2018 and 18 employees in 2019 (employed 5 persons in the Romanian operation). These numbers also include the executive officers.

8. Service used

	2019	2018
Legal fees	33 639	27 480
Operation costs	26 330	28 105
Rental fees	30 295	38 778
Advisory fees	32 297	40 967
Bank charges	3 192	3 559
Insurance fees	2 134	1 060
Office, communication	2 162	3 133
Maintenance costs	26 167	27 022
Other costs	18 592	31 639
Total services	**174 807**	**201 744**

The above table shows the value of the Group's services used, which has been decreased compared to the previous year. The decrease was caused by the decrease of rental fees, operation costs, advisory fees and other costs.

9. Other revenue and expenditure

	2019	2018
Other revenue		
Reversal of provisions	97 805	0
Reversal of impairment of assets	23 503	201 461
Derecognition of lapsed liabilities	0	200 301
Net profit on sale of plant, property and equipment	4 978	0
Other revenues	5 943	7 286
Received penalty, income	3 315	57 832
Redemption fee	50	7 154
Total other revenue	**135 595**	**474 034**
Other expenditure		
Impairment of assets	-28 959	-13 434
Provision made during the year	0	-46 935

The notes set out are an inseparable part of these consolidated financial statements.

Fines	-1 006	-3 228
Other taxes	-5 304	-5 195
Other expenditures	-3 658	-91 366
Doubtful claims	-2 191	0
Net loss on sale of plant, property and equipment	-4 010	-710
Total other expenditure	**-45 129**	**-160 868**
Other income and expenses (net)	**90 466**	**313 166**

The total lapsed liabilities accounted in 2018 can be attached to Enefi Projekttársaság Kft., it contained the derecognition of the liability related to the E-Star shares connected to the agreement on bankruptcy arrangement.

The reversal of provision in 2019 can be connected to two companies: THUF 45,533 is the reversal of the penalty imposed by the National Bank of Hungary (MNB) on EETEK Ltd., the related appeal was accepted by MNB and the earlier paid penalty was transferred back, so the provision was also reversed. The other part of reversing the provision refers to Enefi's tax-related obligations, which were reversed in 2019 due to expiry.

The impairment of assets contains, on the one hand, impairment accounted for loans given to companies not drawn into consolidation, and on the other hand, the impairment made for accounts receivable with small value and beyond one year.

10. Net profit/loss from financial activities

	2019	**2018**
Interest income	22 385	9 227
Interest income from concession assets	63 811	32 672
Other finance income	8 208	0
Net foreign currency gain / loss	-2 606	-5 751
Realized net foreign currency gain / loss	-3 211	232
Interest expense	-2 909	23
Expected credit loss	-368	-5 738
Stock exchange fee	-2 488	0
Other finance cost	0	-2 867
Net profit/loss from financial activities	**82 822**	**27 797**

11. Income tax

	2019	**2018**
Corporate income tax	-28 149	-45 121
Local business tax	-7 316	-8 763
Deferred tax loss (-) / gain	0	-278 578
Total income tax	**2019**	**2018**

Applicable to profits of the consolidated entities as follows:

	2019	2018
Hungary- income tax	9%	9%
Hungary - Local business Tax	2%	2%
Romania - Income tax	16%	16%
Cyprus - Income tax	12.5%	12.5%

The Group did not recognize deferred tax assets and liabilities for the reasons detailed below.

When calculating deferred taxes, the Group compares with the book value the value that can be considered for taxation as asset and liability. If the difference is reversing (i.e. the difference is balanced off within a foreseeable time), it takes deferred tax liability or asset according to its sign. The Group separately checked the returns when adopting the asset.

In both years, the Group's Hungarian companies calculated with 9%, the Romanian enterprises with 16% and the Cyprian companies with a 12.5% tax rate as the given assets and liabilities become actual taxes in periods when the tax rate is specified in the given percentage in the effective legal regulations.

The Group decided not to enter the deferred tax assets into the books for Hungarian companies because they are not likely to produce returns. The amount of taxable differences - thus also the value of non-stated deferred tax asset - is shown in the following table:

	Accounting value	Tax value	Difference
Fixed assets	83 490	343 393	-259 903
Intangible assets	14 513	0	14 513
Investments in affiliated companies	14 475 998	14 475 998	0
Investments in associated companies	31 177	31 177	0
Other long-term receivables	487 652	515 135	-27 483
Financial assets (IFRC 12)	550 255	0	550 255
Securities	100 557	100 863	-306
Leases	0	0	0
Trade receivables	78 391	383 480	-305 089
Other receivables	75 369	9 235 393	-9 160 024
Accruals and prepaid expenses	40 118	40 118	0
Cash and cash equivalents	123 152	123 152	0
Provisions	47 600	0	47 600
Long term loans	0	0	0
IFRS 16 lease liabilities	8 942	8 942	8 942
Short term loans	3 135	3 135	3 135
Trade payables	78 944	78 944	78 944
Accruals and deferred income	12 888	12 888	12 888
Other long-term liabilities	39 847	39 847	0
Effect of interest rates and FX	0	0	0
Tax loss carry forward	0	10 117 030	-10 117 030
Total	**16 252 028**	**35 509 495**	**-19 257 467**
		Total difference	**-19 257 467**

Companies in Hungary	
Difference	-19 257 467
Tax rate	9%

Calculated deferred tax	-1 733 172
Deferred tax asset	0
Deferred tax liability	0

As the return is unlikely, the Group has not included deferred tax assets in its books.

In the previous year the Group derecognized the deferred tax asset recognized earlier from the Romania operation (as against the profit) because this can no longer be used after the termination of the concession contracts.

The table below shows the revenue tax figures broken down by countries:

	Hungary	**Romania**	**Cyprus**	**Total**
Profit before tax	38 897	-30 530	246 485	0
Current year tax (income, local business)	22 210	144	13 111	22 184
Deferred tax (temporary differences)	0	0	0	0
Income tax value	**22 210**	**144**	**13 111**	**35 465**

12. Tangible assets

	Land and buildings	Plant and equipment	Other equipment	Asset under construction	Total
Costs or deemed costs					
31 December 2017	**220 462**	**322 133**	**33 384**	**41 081**	**617 061**
Additions	0	513	64	0	**577**
Disposals	0	-2 272	-1 269	-38 467	**-42 008**
31 December 2018	**220 462**	**320 374**	**32 179**	**2 614**	**575 630**
Additions	0	0	3 450	0	**3 450**
Disposals	-10 516	-11 621	-8 539	0	**-30 675**
31 December 2019	**209 946**	**308 754**	**27 090**	**2 614**	**548 404**
Depreciation and impairment					
31 December 2017	**156 405**	**281 723**	**26 459**	**39 162**	**503 750**
Depreciation for the year	1 368	9 930	1 077	0	**12 375**
Disposals	0	-590	-1 715	-38 467	**-40 772**
31 December 2018	**157 774**	**291 063**	**25 821**	**695**	**475 353**
Depreciation for the year	1 370	7 570	602	0	**9 542**
Disposals	-9 026	-5 967	-4 975	0	**-19 967**
31 December 2019	**150 118**	**292 667**	**21 449**	**695**	**464 928**
Carrying amounts					
At December 31, 2017	64 057	40 410	6 925	1 919	**113 311**
At December 31, 2018	62 688	29 311	6 358	1 919	**100 276**
At December 31, 2019	59 828	16 087	5 642	1 919	**83 476**

Tangible assets include a Romanian land with 0 value for which the Group had to account 100% impairment as it was seized by Romanian authorities. With regards to the seizure, a lawsuit is in progress. The land area is 29,504 m2 (in Zalau). A part of the land has been expropriated (625 m2) by Romanian authorities, the expropriation entails monetary redemption. The claim isn't included in the financial statements.

13. Intangible assets

	Concession rights	Software and other	Right-of-use assets	Total
Costs or deemed costs				
31 December 2017	**0**	**46 460**	**0**	**46 460**
Additions	0	0	0	0
Disposals	0	0	0	0
31 December 2018	**0**	**46 460**	**0**	**46 460**
Additions	0	15	17 717	17 732
Disposals	0	0	0	0
31 December 2019	**0**	**46 475**	**17 717**	**64 193**
Depreciation and impairment				
31 December 2017	**0**	**40 614**	**0**	**40 614**
Depreciation for the year	0	0	0	0
Disposals	0	0	0	0

31 December 2018	**0**	**40 614**	**0**	**40 614**
Depreciation for the year	0	1	9 051	9 052
Disposals	0	0	0	0
31 December 2019	**0**	**40 616**	**9 051**	**49 666**
Carrying amounts				
At December 31, 2017	0	5 846	0	5 846
At December 31, 2018	0	5 846	0	5 846
At December 31, 2019	0	5 859	8 667	14 527

No impairment was accounted for software and other immaterial goods.

In the reference year, a passenger car, a usage right related to boiler lease and the related depreciation were entered into the intangible assets according to IFRS 16.

E-STAR Centrul de Dezvoltare Regionala SRL (hereinafter: CDR) provided district heating service in Gyergyószentmiklós. The concession contract related to this activity was already terminated earlier. On 8 March 2017 the infrastructure constituting the district heating system was delivered to the county-rank town of Gyergyószentmiklós, and from that time on the company has provided no such service. The infrastructure was delivered without remuneration, according to the local legal rules. Parallel with this, the gross value of concession rights stated in the books and the value of depreciation calculated until that time was derecognized in the books during business year 2017.

CDR has several ongoing lawsuits for damages in Romania. Some of them are related to the return of concession rights and to the compensation of damage deriving therefrom, and some others prevail for other reasons (these are explained in details in the chapter of Lawsuits, at the end of the Supplementary annex). A part of the claims that were written off now are expected to be recovered if the ongoing lawsuits are closed down with a positive result.

ENEFI provides continuous information on CDR at www.e-star.hu/www.enefi.hu, www.bet.hu, www.kozzetetelek.hu, detailing the background and the current standing of the legal dispute. The notices of the Group are also available now at the above addresses.

Within the right-of-use assets the Group recognizes the usage right and the depreciation of a passenger car and a boiler lease.

14. Investments in associated companies

In 2018, the Group acquired a 20% share — worth HUF 500,000 — in Pannon Fuel Kft. The financial data of Pannon Fuel Kft., as of the date of shares' acquisition, are shown in the following table. The management of the Group considered that the available balance sheet data of Pannon Fuel Kft. do not reflect the implementation risks of the projects it manages, or due to the existence of certain contingent liabilities the fair value of the net asset had to be adjusted (as required by IFRS 3). The net asset calculation is as follows:

	16 October 2018
Non-current assets	2 923 784
Current assets	6 924 314
Short-term liabilities	-8 190 863
Long-term liabilities	-19 866
Net equity on the date of acquisition	1 637 370
Acquired equity	327 474
Fair value correction	-326 974
Fair value of acquired share	500
Purchase price	500
Calculated goodwill/negative goodwill	0

Presentation of the associated company's periodic result:

	2019	2018
Periodic result of associated company	-155 885	-10 227
Periodic result granted for the group	-31 177	-2 045
Result of the associated company granted for the group	-31 177	-2 045

The value of the investments in associated company consist of the following:

	2019	2018
Opening balance	23 174	0
Purchase price	0	500
Correction of initial cost due to interest free loan	5 959	24 719
Prior year's result	2 044	0
Periodic result granted for the group	-31 177	-2 045
Total	**0**	**23 174**

The Group granted an interest-free loan to Pannon Fuel Kft. (see detailed information in Additional Notes, Item 18), and, at the time of loan granting, the fair value adjustment was recognized as an increase in the cost of the shares in the associated company, since the loan was granted in order to increase the influence in that affiliated undertaking.

15. Receivables from concession assets

Financial assets recognized under IFRIC 12

	2019	2018
Gross value of assets from service concession agreements	610 368	728 577
Expected credit loss	-1 490	-1 717
Net value of assets from service concession agreements	**608 878**	**726 860**

Assumptions used in determining the fair value of the balance sheet date:

In any case, the group at the time of the project, the existing internal discount rate (used in determining the fair value discount rates vary from 6% to 8% range) discounted future cash flows. (The table doesn't include the expected credit loss.)

Partner	Date	Expiration	2019	2018
Project 1	1 August 2007	31 July 2022	397 384	466 261
Project 2	21 June 2005	21 October 2017	0	1 358
Project 3	4 December 2006	4 December 2018	0	929
Project 4	1 January 2007	19 October 2019	0	2 267
Project 5	16 July 2008	31 October 2020	1 833	4 418
Project 6	20 May 2008	2 October 2020	2 437	4 802
Project 7	1 November 2015	31 October 2021	39 330	64 722
Project 8	1 November 2015	30 September 2024	169 384	187 021
Project 9	1 November 2015	6 December 2018	0	-3 201
Total			**610 368**	**728 577**

16. Other long-term receivables

The Group records a loan granted to Pannon Fuel Kft. among Other long-term receivables.

Main parameter of the loan contract:

Credit line amount	500 000
Date of credit line amount provided	2018.07.30
Expiry date	2020.07.31
Interest rate	0%

The loan expires on 31.07.2020, however it was recognized as a long-term claim due to the uncertainty related to the debtor's repayment abilities (the Group identified the uncertainty not with the fact of repayment but in connection with its timing).

The below table contains the changes in Other long-term receivables:

Balance at 31 December, 2018	**343 311**
Granted loan	144 630
Change in Expected credit loss	-289
Balance at 31 December, 2019	**487 652**

The Company accounted THUF 977 expected credit loss for the loan granted to Pannon Fuel Kft. under the IFRS 9 on impairment calculations (of this: THUF 289 was accounted in the reference year).

17. Securities

On May 15, 2019 the Group purchased 100 „Finance" bonds issued by Random Capital Zrt., at a value of HUF 1,000,000 / pc. The bond bears 7%/year interest, and interest is paid quarterly. The effective interest of the bond is practically identical with the nominal interest. No transaction cost was attached to the bond, and the cash flows of the bond are not modified.

	2019	2018
Book value of Finance bond	100 000	0
Prorated interest of Finance bond	863	0
Expected credit loss	-306	0
Book value	**100 557**	**0**

The Group accounted an expected credit loss of THUF 306 for the securities. When calculating the expected loss, the Group specified the rate of loss upon non-performance (LGD) at 45% and the probability of non-performance (PD) at 0.68%.

18. Trade receivables

	2019	2018
Trade receivables	78 391	199 593

	2019	2018
Not past due	56 506	65 057
Past due 0-90 days	21 552	38 825
Past due 91-180 days	15	2 362
Past due 181-360 days	1 093	21 625
More than one year	287 919	354 595
Trade receivables gross total	**367 085**	**482 464**
Impairment	-285 166	-273 823
Expected credit loss	-3 528	-9 047
Trade receivables total	**78 391**	**199 593**

The expected credit loss is recorded in the Profit and Loss Statement among expenditures linked to the financial activity.

In respect of receivables that were overdue on the balance sheet day but in terms of the probability of their influence - in the opinion of the Company’s management - they do not pose a risk (or are covered with other assets or liabilities), the Company did not recognise impairment.

Non-impaired overdue receivables	**2019**	**2018**
Past due 0-90 days	21 552	38 825
Past due 91-180 days	15	2 362
Past due 181-360 days	1 093	21 625
More than one year	2 753	147
Total:	**25 412**	**62 959**

When examining whether a given account receivable can be realised, the Group takes into account the changes, if any, in the quality of the receivable that occurred between the date of the loan provision and the end of the reporting period. The payment deadline of accounts receivable is always 8 days.

The balance sheet value of customers was reduced by the expected credit loss. The Group applied the simplified method for the buyers with regards to the expected credit loss.

19. Other receivables

	2019	2018
Loans given	34 313	45 948
Receivables of assignment	18 830	18 830
Other tax receivables	7 337	5 225
VAT reclaimable	14 307	14 668
Advance payments	889	488
Foreign VAT reclaimable	67 855	67 855
Corporate income tax receivable	1 989	2 623
Other receivables	75 204	86 058
Other receivables due within a year	**220 723**	**241 696**

Impairment	-145 414	-145 414
Total other receivables	**75 309**	**96 282**

Impairment was recognized with regards to the following receivables:

	Gross value	Impairment	Net value
Loans given	34 313	-33 960	353
Receivables of assignment	18 830	-18 830	0
Foreign VAT reclaimable	67 855	-67 855	0
Other receivables	75 204	-24 770	50 434
Total	**196 201**	**-145 414**	**50 787**

Other - not impaired - claims cover the following items:

	2019	2018
Bid security	15 000	0
Security deposits	32 174	2 774
VAT reclaimable	14 307	14 668
Other tax receivables	7 337	5 225
Other receivables	3 260	313
Corporate income tax receivable	1 989	2 623
Advance payments	889	488
Loans given	353	11 988
Court claims	0	44 995
Customer’s default interest	0	13 208
Total	**75 309**	**96 282**

20. Accruals

	2019	2018
Accrued expenses	24	13 638
Rental fee of property, plant and equipment	40 084	55 754
Accrued revenue	10	1 087
Revenue from heat sales	0	20 738
Total	**40 118**	**91 217**

21. Cash and cash equivalents

	2019	2018
Bank balances	121 537	171 225
Call deposits	485	0
Cash on hand	1 130	1 524
Cash and cash equivalents	**123 152**	**172 748**

Cash exclusively covers balances that can be turned into cash and used immediately.

A significant part of the bank accounts balance is given by the balances of accounts held at Equilor Befektetési Zrt. and Raiffeisen Bank, respectively.

22. Subscribed capitals

The subscribed capital contains the face value of issued shares. The current face value is HUF 10/piece. The following table contains share movements in the reference period:

	2019 piece	**2018 piece**
Issued pieces' shares (10HUF par value/ shares)	10 000 000	10 000 000

Registered capital on par value	**2019**	**2018**
Balance at 1 January	100 000	100 000
Par value of the issued shares during the year	0	0
Par value of the cancelled treasury shares during the year	0	0
Balance at 31 December	**100 000**	**100 000**

Movement of issued and fully paid shares	**2019**	**2018**
Balance at 1 January	10 000 000	10 000 000
Number of the issued shares during the year	0	0
Number of the cancelled treasury shares during the year	0	0
Balance at 31 December	**10 000 000**	**10 000 000**

The subscribed capital of the Group hasn't changed since last year.

All the employee shares were transformed into ordinary shares in 2019. The transformation was registered on 11 April 2019.

Composition of the Group's share capital in 2018:

Share series: ISIN: HU0000089198	**Par value (HUF/piece)**	**Issued pieces**	**Total par value (HUF)**
Ordinary share	10	7 500 000	75 000 000
Employee share	10	2 500 000	25 000 000
Share capital size		**10 000 000**	**100 000 000**

Composition of the Group's share capital in 2019:

Share series: ISIN: HU0000089198	**Par value (HUF/piece)**	**Issued pieces**	**Total par value (HUF)**
Ordinary share	10	10 000 000	100 000 000
Share capital size		**10 000 000**	**100 000 000**

Number of voting rights attached to the shares: in 2018:

Share series	Issued pieces	Voting shares	Voting power per shares	Total voting power
Ordinary share	7 500 000	7 500 000	1	7 500 000
Employee share	2 500 000	2 500 000	1	2 500 000
Total	**10 000 000**	**10 000 000**	**1**	**10 000 000**

Number of voting rights attached to the shares: in 2019:

Share series	Issued pieces	Voting shares	Voting power per shares	Total voting power
Ordinary share	10 000 000	10 000 000	1	10 000 000
Total	**10 000 000**	**10 000 000**	**1**	**10 000 000**

The marketability of none of the share types is limited.

The Parent Company's subscribed capital was increased on January 9, 2020 according to the decision on the in-kind contribution on November 29, 2019. As a result, 1,150,000 ordinary shares as well as 5,456,109 convertible dividend preference shares were issued. This latter capital increase cannot be included in this financial statement yet as - in terms of accounting - the subscribed capital was only provided in January 2020.

23. IFRS 2 reserves

The share-based payments reserve includes the fair value of a share option acquired in an earlier period. The share option is for 630,000 shares. The exercising (call-off) period has not expired yet. During this period, as no performance obligation was linked to it, no call-off happened and the reserve value remained unchanged. The reserve could not be revalued to its current market value. The option can be called until 25.09.2020, there is no related condition that needs to be fulfilled.

24. Treasury shares

The following table presents the movements of pieces and book value of treasury shares:

Movements of pieces of treasury shares	2019 piece	2018 piece
Opening balance	2 144 041	1 887 372
Number of treasury share purchase in the period	0	256 669
Closing balance (piece)	**2 144 112**	**2 144 041**
Attributable to subsidiary	531 041	1 202 372
owned by EETEK:	0	370 033
owned by Enefi Projekttársaság	531 041	832 339

Movements of book value of treasury shares	2019	2018
Opening balance	474 237	425 877
Book value of treasury shares purchased	0	48 360
Movements of treasury shares in book value	**474 237**	**474 237**

The stock of treasury shares did not change within the Group, the only change was related to the legal unit where these securities are held within the Group.

25. Non-controlling interest

The Group faced no uncertainty and did not have to decide on any difficult question when considering how to manage its investments. All of its enterprises qualify as subsidiaries and the Group has 100% ownership with the exception of two companies. The Group has less than 100% ownership in RFV Józsefváros Kft. and Thermoenergy srl. It is clear about all subsidiaries (also including those not in 100% ownership) that they are controlled by the parent company as both the control, the daily operative tasks and the conditions on exposure to variable yields are fully and spectacularly fulfilled.

	2019 Józsefváros	**2019 Thermoenergy**
Current assets	120 406	201 051
Non current assets	0	6 784
Liabilities	-52 062	-56 075
Net assets	**68 344**	**151 760**
Non-controlling interests %	**51%**	**1%**
Non-controlling interests	**34 855**	**1 518**

Changes in non-controlling interest in previous and current year:

	2019	**2018**
Balance at beginning of the year	29 697	29 588
Expected credit loss (when transitioning to IFRS 9)	0	-1 030
Share of profit for the year	6 674	1 085
Exchange rate difference	0	54
Balance at end of year	**36 371**	**29 697**

26. Provisions

	Provisions related to supervisory procedures	**Provisions related to administrative procedures**	**Employment related provisions**	**Total**
31 December 2018	**44 995**	**54 944**	**48 400**	**148 339**
Current portion of provisions (-)	0	3 472	0	**3 472**
Non-current portion of provisions	44 995	51 472	48 400	**144 867**
Provisions recognized during the year	0	0	0	**0**
Provisions terminated during the year	0	-54 944	0	**-54 944**
Provisions reversed during the year	-44 995	0	-800	**-45 795**
Correction during the year	0	0	0	**0**
31 December 2019	**0**	**0**	**47 600**	**47 600**
Current portion of provisions (-)	0	0	0	**0**
Non-current portion of provisions	0	0	47 600	**47 600**

The amount of the reversal of provision is THUF 44,995, which is the reversal of the penalty imposed by the National Bank of Hungary (MNB) on EETEK Ltd., the related appeal was accepted by MNB and the earlier paid penalty was transferred back, so the provision was also reversed.

The termination of the provision refers to Enefi's tax-related obligations, which were reversed in 2019 due to expiry.

27. Lease liabilities

In this balance sheet line, the Group recognizes the leasing capital liabilities of the leased assets within the year and beyond the year.

	2019
Lease liabilities (current)	8 442
Lease liabilities (non-current)	500
Total lease liabilities	**8 942**

The Group leases a passenger car and a boiler. The present value of lease payments to be made within the year is recognized at this liability position.

<u>Presentation of the leasing liabilities</u>

The Group presents leasing-related modifying items in the financial statements with a view to the following factors:

- leasing a car,
- leasing a boiler.

The Group made a transition to apply the IFRS 16 with the modified retrospective method in a manner that the value of the right-of-use asset was not specified again but it was specified at the present value of the remaining cash flows. This had the following impact on the balance sheet as of January 1, 2019:

Adjustment on 1 January, 2019	**ROU**	**Lease liabilities**
Value based on IAS 17 standard	0	0
Impact of transition to IFRS 16	17 717	17 717
Value based on IFRS 16 standard	**17 717**	**17 717**

The transition did not affect the opening profit reserve with a view to the selected transition methodology.

The interest rate - which is an incremental interest rate - applied upon the transition to IFRS 16 is 6% p.a.

The following table presents the trend in lease payments:

	Lease fees
Within 1 year	8 700
1-5 years	500
Over 5 years	0
Total lease fee	**9 200**
Unearned interest	-258
Present value of lease fee	**8 942**

The following table presents the trend in lease liabilities:

	31 December, 2019
Opening balance	0
Opening balance due to transition to IFRS 16	17 717
Decrease of lease fee	-8 775
Total	**8 942**

28. Other short-term liabilities

	2019	2018
Trade payables	79 170	46 423

From Trade payables, HUF 35 million at the end of 2019 is default interest invoiced by the municipality to CDR for concession fee (this also existed in 2018), and HUF 26 million covers the liability pending against PPD Hungária Energiakereskedő Kft. The residual amount consists of several minor, individual items.

	2019	2018
Other taxes payable	13 497	112 224
Corporate income tax	15 957	0
Wages and salaries	5 410	4 754
Social security	3 609	1 958
Received loan	3 135	0
Other liabilities	1 567	381
Total	**43 175**	**119 317**

29. Accruals and deferred income

	2019	2018
Deferred revenue	77	860
Revenue from gas sales	0	32 350
Audit fee	4 888	9 750
Accrued expenditures	7 922	7 234
Total	**12 888**	**50 194**

30. Earnings per share

Basic and diluted EPS	2019	2018
Profit for the period attributable to ordinary shareholders from continuing operations	22 631	-53 582
Profit for the period attributable to ordinary shares from discontinuing operations	0	0
Weighted average number of ordinary shares (shares)	8 485 888	8 522 258
Weighted average number of diluted shares (shares)	9 115 888	0
Basic EPS from continuing operations (THUF/piece)	**2,67**	**-6,29**
Total basic EPS	**2,67**	**-6,29**
Diluted EPS from continuing operation (THUF/piece)	**2,48**	**-6,29**
	2,48	**-6,29**
Total	**2,67**	**-6,29**

Weighted average – used upon the calculation - of the earning used for calculating the basic value of the earning per share and the number of primary shares. The Group does not regard the own shares as negotiated, but they are disregarded when calculating the denominator.

31. Expected credit loss

As described in the accounting policy chapter, the Group has applied IFRS 9 from 1 January 2018. The Group has exercised the options provided for in paragraphs 7.2.1 and 7.2.15 of IFRS 9 and the comparative information have not been amended.

The following table presents the value of the expected credit loss:

	31 December, 2019			31 December, 2018		
	Amortization cost	**Expected credit loss**	**Net value**	**Amortization cost**	**Expected credit loss**	**Net value**
Financial assets	610 368	1 490	608 878	728 577	1 717	726 860
Other long term receivables	488 629	977	487 652	343 999	688	343 311
Trade receivables	81 919	3 528	78 391	208 640	9 047	199 593
Other receivables	75 309	0	75 309	96 282	0	96 282
Securities	100 863	306	100 557	0	0	0
Cash and cash equivalents	123 152	0	123 152	172 748	0	172 748
Other long term liabilities	0	0	0	3 135	0	3 135
Lease liabilities	9 200	258	8 942	0	0	0
Trade payables	79 170	0	79 170	46 423	0	46 423
Other short term payables	43 175	0	43 175	119 317	0	119 317

Amortised cost includes impairment previously recognized for receivables.

32. Related party transactions

Affiliated parties outside the consolidation circle and affiliated companies:

Related party	Relationship
Csaba Soós	CEO
László Bálint	Member of Board of directors
András Zoltán Petykó	Member of Board of directors
Ferenc Virág	Member of Board of directors

No transaction was made with the above related parties in 2019 and no balance at the accounting date is recognized in the balance sheet against these related parties either.

The following table presents the remuneration of leading officials:

	2019	2018
Gross honorarium, salary	38 377	13 923
Commission fee	0	6 962
Share-based payments	0	144 400
Total	**38 377**	**165 285**

The Company has conducted the following transactions with associated companies in 2019, and the following outstanding balances characterize the relationship (transactions priced essentially on a market basis):

Pannon Fuel Kft.

Balance Sheet position	2019	2018
Long-term given loan	487 652	343 311
Total	**487 652**	**343 311**

Random Capital Broker Zrt.

Balance Sheet position	2019	2018
Bond	100 000	0
Interest of bond	863	0
Expected credit loss	-306	0
Total	**100 557**	**0**

The following parties also qualify as related parties:

- LNG Tech Kft.

Parties related through executive officers:

- PROFIT-OPTIMA Holding Kft.
- Fenyves Resort Kft.
- CSABA REHAB Kft.
- ARX Egészségügyi Központ Kft.
- Tolnai Resort Kft.
- Alpokalja Haus Kft.
- TENDER INVESTMENT GROUP Pénzügyi Tanácsadó és Szolgáltató Kft.
- Acél Manufaktúra Kft.
- RANDOM CAPITAL BROKER Zrt.
- RND Solutions Zrt.

- LNG-Tech Kft.
- Síaréna Kft.
- Acél Manufaktúra Kft.

33. Segment information

As the Company is at the stock exchange, it is obliged to publish segment information.

The operating segment is an element of the economic unit:

a) that carries out business activities involving revenues and expenditures (also including revenues and expenditures attached to transactions with other components of the same economic unit);

b) whose operating results are regularly revised by the main operating decision-maker of the economic unit in order to decide on the sources to be allocated to the segment and to evaluate its performance; as well as

c) that possesses the relevant financial information.

From the viewpoint of the Group's operations, strategic decisions are made by the members of the board of directors, thus – in order to determine the segments – the management considered the statements made for them as a basis when compiling this financial statement. The members of the board of directors established that the Company's operations are basically focused on one activity: The Company makes – primarily energetics - investments for its customers / future customers that have returns from savings and that provide the customers with energy effectively and with long-term operation. The Group's activities focus on Hungary, Romania and Cypress, thus the operating segments can be broken down according to geographical regions.

In the light of the above, the members of the Group's board of directors established that the Company – being entered to the stock exchange - it is obliged to publish information on its operating segments.

<u>Figures of 2018:</u>

	Hungarian	**Romanian**	**Other**	**Total**
Revenue	466 855	5 314	0	**472 169**
Cost of mediated services	-197 463	51	0	**-197 412**
Gross Profit	**269 392**	**5 365**	**0**	**274 757**
Material cost	-3 629	-1 805	0	**-5 434**
Personnel cost	-74 461	-39 642	0	**-114 103**
Share-based benefits	0	0	0	**0**
Service used	-177 252	-19 498	-4 994	**-201 744**
Other revenue and expenditures, net	282 658	33 716	-3 208	**313 166**
Depreciation	-9 716	-2 659	0	**-12 375**
Net profit/loss from financial activities	-74 095	-1 547	103 541	**27 797**
Result of associated company granted for the group	-2 045	0	0	**-2 045**
Profit before tax	**210 853**	**-26 070**	**95 339**	**280 020**
Income tax expense	-19 492	-296 828	-16 142	**-332 462**
Profit for the year	**191 361**	**-322 898**	**79 197**	**-52 443**

Figures of 2019:

	Hungarian	Romanian	Other	Total
Revenue	367 691	6 962	0	**374 653**
Cost of mediated services	-140 889	0	0	**-140 889**
Gross Profit	**226 803**	**6 962**	**0**	**233 764**
Material cost	-3 375	-945	0	**-4 320**
Personnel cost	-79 081	-36 349	0	**-115 430**
Service used	-156 358	-12 266	-6 183	**-174 807**
Other revenue and expenditures, net	31 699	17 713	45 064	**94 476**
Depreciation	-16 828	-5 776	0	**-22 604**
Net profit/loss from financial activities	84 066	-1 244	0	**82 822**
Result of associated company granted for the group	-29 132	0	0	**-29 132**
Profit before tax	**57 794**	**-31 905**	**38 881**	**64 770**
Income tax expense	-22 210	-144	-13 111	**-35 465**
Profit for the year	**35 584**	**-32 049**	**25 770**	**29 305**

34. Management of financial and market risks

The Group is exposed to risks relating to the changes of market and financial conditions. These changes may have an impact on the profit as well as on the value of the assets and liabilities. The purpose of financial risk management is to continuously diminish risks through operative and financing measures.

The Group is exposed to the following risks:

- Market risk
    - Currency risk
    - Interest risk
- Liquidity risk
- Credit risk

The following table shows the difference between the fair value of financial instruments and book value:

	Book value	Fair value
Long-term receivables	487 652	487 652
Trade receivables	78 391	78 391
Other short-term receivables	75 309	75 309
Cash	123 152	123 152
Lease liabilities	8 942	8 942
Trade payables	79 170	79 170
Other short-term liabilities	43 175	43 175

The Group's calculation of the fair value of financial instruments to an appropriate level triple.

For finance leases and the value of real differences in the values of the difference in the carrying number of assets leased arise.

4.8. Market risk

The Group's operations are primarily exposed to the financial risk relating to the changes of exchange rates and interest rates. The Group does not purchase derivative financial instruments to cover its interest rate and exchange rate risks.

4.9. Currency risk

The Group makes transactions also in foreign currencies therefore it is exposed to exchange rate risk. The Group manages exchange rate risks by means of forward currency transactions in accordance with its relevant regulation.

The Group's selling prices are primarily determined in HUF and RON and payments are also received mostly in these currencies. The Group operates primarily in Hungary and in Romania.

The management periodically reviews contracts made in foreign currencies and considers the opportunity of managing the relevant risk by means of derivative transactions.

The Group's foreign currency denominated assets and liabilities were valued at the end of the reporting period as follows.

31 December 2019	RON	EUR	HUF
Receivables	6 683	243	146 774
Trade payables	-49 039	-9 809	-63 497
Net position	**-42 356**	**-9 566**	**83 276**

4.10. Sensitivity analysis

Transactions are mostly made in RON or HUF, our exposure to exchange rates were evaluated on the basis of the fluctuation of the exchange rates of these three currencies.

The Company's exchange rate sensitivity for the year 31 December, 2019 presented in the table below in case of 2,5% and 10% changes:

Change (%) of FX rate	FX		Effect on profit
	HUF/EUR	HUF/RON	
97,50%	322,2570		
		67,3530	940
		69,0800	-119
		70,8070	-1 178
100,00%	330,5200		
		67,3530	1 059
		69,0800	0
		70,8070	-1 059
102,50%	338,7830		
		67,3530	1 178
		69,0800	119
		70,8070	-940

Change (%) of FX rate	FX HUF/EUR	FX HUF/RON	Effect on profit
90,00%	297,4680		
		62,1720	5 192
		69,0800	957
		75,9880	-3 279
100,00%	330,5200		
		67,3530	1 059
		69,0800	0
		70,8070	-1 059
110,00%	363,5720		
		62,1720	3 279
		69,0800	-957
		75,9880	-5 192

4.11. Risk of changing interest rate

Interest rate risk is the risk that future cash-flows from certain financial assets and liabilities may fluctuate due to the changes in market interest rates.

Since the Group has no significant interest-bearing asset elements, the change in the interest environment does not have any major impact on the Group’s profitability.

4.12. Sensitivity analysis

The change in the interest environment has no impact on the Group’s performance.

4.13. Liquiditiy risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations. Liquidity risk must be managed eventually by the Board of Directors. The Group manages its liquidity risk by keeping a proper level of reserves, bank credit lines, reserve loan raising opportunities; and by continuously monitoring its planned and actual cash-flow data as well as by reconciling the expiry dates of financial assets and liabilities.

4.14. Liquiditiy and interest risk table

2018				
in THUF	Items available/refundable within 1 year	Items available/refundable over 1 year	Items available/refundable in certain situations	**Total**
Intangible and tangible assets	0	106 122	0	**106 122**
Loans given	0	343 311	0	**343 311**
Other long term receivables	0	726 860	23 174	**750 034**
Receivables	387 103	0	0	**387 103**
Cash and cash equivalents	172 748	0	0	**172 748**
Total	**559 851**	**1 176 293**	**23 174**	**1 759 318**

in THUF	Items available/refundable within 1 year	Items available/refundable over 1 year	Items available/refundable in certain situations	Total
Loans and borrowings	0	3 135	0	**3 135**
Provisions	3 472	144 867	0	**148 339**
Trade payables	46 423	0	0	**46 423**
Lease liabilities	0	0	0	**0**
Other liabilities	169 513	0	0	**169 513**
Equity	0	0	1 391 908	**1 391 908**
Total	**219 408**	**148 002**	**1 391 908**	**1 759 318**
Funding surplus/deficit	**340 443**	**1 028 291**		

2019				
in THUF	Items available/refundable within 1 year	Items available/refundable over 1 year	Items available/refundable in certain situations	Total
Intangible and tangible assets	0	98 003	0	**98 003**
Loans given	0	487 652	0	**487 652**
Other long term receivables	0	709 435	0	**709 435**
Receivables	193 818	0	0	**193 818**
Cash and cash equivalents	123 152	0	0	**123 152**
Total	**316 970**	**1 295 090**	**0**	**1 612 060**

in THUF	Items available/refundable within 1 year	Items available/refundable over 1 year	Items available/refundable in certain situations	Total
Loans and borrowings	3 135	0	0	**3 135**
Provisions	0	47 600	0	**47 600**
Trade payables	79 170	0	0	**79 170**
Lease liabilities	8 442	500	0	**8 942**
Other liabilities	52 928	0	0	**52 928**
Equity	0	0	1 420 285	**1 420 285**
Total	**143 675**	**48 100**	**1 420 285**	**1 612 060**
Funding surplus/deficit	**173 295**	**1 246 990**		

4.15. Credit risk

Credit risk is the risk that a debtor defaults on its contractual obligations which may cause a financial loss to the Group.

Most of the Group's customers are large multinational firms, local municipalities, or listed firms or subsidiaries of companies controlled by local municipalities.

Most of the Group's customers have been doing business with the Group for years and credit losses have been very rare. As a result of the current market environment, watching the creditworthiness of partners on a day-to-day basis became one of the most important tasks of the management.

Aged accounts receivable as follows:

	2019	2018
Not past due	56 506	65 057
Past due 0-90 days	21 552	38 825
Past due 91-180 days	15	2 362
Past due 181-360 days	1 093	21 625
More than one year	221 607	354 595
Trade receivables gross total	**300 773**	**482 464**
Impairment	-218 854	-273 823
Expected credit loss	-3 528	-9 047
Trade receivables at the end of the year	**78 391**	**199 593**

35. Lawsuits in progress, pending claims

Hungarian lawsuits in progress when preparing the report:

Claimant	Defendant	Matter in dispute
EETEK LTD	MNB (National Bank of Hungary)	Review of the public administrative resolution

Romanian lawsuits in progress when preparing the report:

No.	Claimant	Defendant	Matter in dispute
1.	E-Star Mures Energy SA	**37** members of owners' association	Enforcement of attachment
2.	E-Star Mures Energy SA		Filing bankruptcy protection request on 08/02/2013
3.	E-Star Mures Energy SA	City of Târgu Mures	C□mpensati□n f□r the breach □f c□ncessi□n agreement, district heating subventi□n claim and payment □f fees acc□rding t□ c□nsumer c□ntract. Am□unt: RON 124,040,531.19
4.	E-Star CDR SRL	**247** residential consumers	Payment of fees according to consumer contract
5.	E-Star CDR SRL	Town of Gheorgheni	The lawsuit - separated from the lawsuit for damages - where the subject matter is the repayment of the concession fee is related to a claim of 3,071,101.56 lei + interest.
6.	E-Star CDR SRL	Town of Gheorgheni	The case is separated from the claim for damages concerning the failure to approve the price district heat price from March 2015 to February 2016, concerns the claim of 447,454.13 lei plus interest on unrealized income from the district heat difference.
7.	E-Star CDR SRL	Town of Gheorgheni	The case is separated from the claim for damages, and its object is compensation for investments: RON 100,707,289 RON + interests thereof + 15% of the annual internal profit rate for the entire contracted period.
8.	E-Star CDR SRL	Town of Gheorgheni	C□ntest □f c□uncil res□luti□n N□: 243/13.12.2016. Suspended

9.	E-Star CDR SRL	Town of Gheorgheni	Objection of council resolution No: 2/2017.01.16 amending council resolution No: 243/13.12.2016.
10.	ENEFI Asset Management Plc.	Mures County Financial Authority	Objection against the refusal of our complaint against the second minutes taken in order to state the condition of tax law insolvency against the tax law premise of our Company by the Financial Authority. Claim of Financial Authority: RON 7,602,324 tax liability.
11.	ENEFI Asset Management Plc.	Brasov Regional Public Funds Directorate	Contest of executory order of bank account seizure regarding 7.602.338 RON - the Company won the lawsuit at first instance.
12.	ENEFI Asset Management Plc.	Zalău Financial Authority	Contest of the second seizure record of land in Zalau.
13.	ENEFI Asset Management Plc.	Mureș Financial Authority	C□ntest □f an□ther bank seizure issued by Finance. (25.761 RON)
14.	ENEFI Asset Management Plc.	Zalău Financial Authority	C□ntest □f an□ther bank seizure issued by Finance. (66.518 RON)
15.	Zalău Financial Auth□rity ENEFI Asset Management Plc.	City of Zalău	Objection of expropriation of 623 m2 of public interest.

Money can be expected from the lawsuits where any legal unit of the Group is in a plaintiff position. These expected incoming amounts qualify as pending claims, except where they are practically sure to come. Pending claims were not allowed to recognize in the balance sheet, so the net assets do not include these figures.

The Group did not identify pending items apart from the above ones.

36. Material events after the Reporting Period

ENEFI Asset Management Plc. presented the main economic events of 2020 in its announcements for the reference year, and these events are also pointed out below:

- In 2019 and 2020 the Group made important steps to enforce its Romanian claims, and it continuously notified the public about this on its information platforms. Accordingly, it was established with regard to the projects both in Marosvásárhely (Tirgu Mures) and Gyergyószentmiklós (Gheorgheni) that the Group earlier terminated its contracts lawfully, thus it is entitled to enforce its contractual claims, and the parties are having a debate and a lawsuit about the amount of claims also currently.
- In 2020 the Group created the shares issued upon the capital increase and their stock exchange introduction is currently in progress.
- The coronavirus pandemic has fundamentally changed the social and economic environment in 2020. The Group's management concluded that the eventual impacts of the pandemic do not qualify as a modifying economic event. The Group continues to examine the impacts of the pandemic. For the time being, no sign implies that the going concern principle would be injured and no circumstance was identified that would materially affect the events that have taken place so far in 2020.
- In 2020, the Group made a major capital increase, as a result, numerous new asset elements are brought to the Group in 2020. Details can be found in paragraph 37.
- The competent authority imposed fine on the Group for the delay of the listing of certain shares on BSE. The fine is approximately THUF 1,000, the Group is working on the listing of the shares.

37. Significant capital increase effective from 2020 (subsequent event)

The Group increased capital against the contributions in kind. The capital increase process started in 2019 but the accounting impact of the event will only come in 2020 as the control over the individual asset elements - or over the legal entity if the subject matter of the contribution in kind is a legal entity - was transferred to the Group only in 2020.

The subject matter of the contributions in kind was always a claim, but this claim always meant the remuneration for transferring the asset element or the legal entity. The transfer became effective upon the actual registration of the capital increase, which was January 13, 2020. The Group could not benefit from the asset elements until the day of transfer, could not make decisions and did not exercise control over the legal entities. As a result, the asset elements mainly exert an actual impact first on the individual and consolidated financial statements for the business year of 2020. The asset elements were acquired against shares, therefore the real value of the share valid on the day when the acquisition became effective must be regarded as the purchase price of the transaction.

Finally, as a result of the in-kind contributions, the following asset elements were transferred to the Group as of January 2020:

Description of asset element	Initial cost
100% business share of Síaréna Kft.	770 650
Loan claim pending against Síaréna Kft.	829 336
Land plot in Balatonfenyves, as a property for investment purposes	278 000
Several business premises / offices and related garages for investment purposes in Budapest	640 000
9.94% business share of Random Capital Zrt.	124 457

Based on the data and information available at the date of the report, the Group's management surveyed what impact the transaction would have had on the Group's 2018 figures if it had been carried out in 2018. The result of the survey is shown in the table below:

Main financial statement data	Audited amount 2018	Pro forma amount 2018	Change
Tangible assets	100 276	1 597 516	1 497 240
Goodwill	0	522 139	522 139
Total assets	1 759 317	5 017 640	3 258 323
Equity attributable to owners of the Company	1 362 211	4 080 205	2 717 944
Revenue	472 169	1 017 564	545 395
Comprehensive income	-53 460	-17 929	35 531

As a result of the transactions, a significant growth can be expected in the Group's balance sheet total in the next year. The main growth indicators are based on the following facts: Síaréna's tangible assets, goodwill related to Síaréna's acquisition, Síaréna's revenues, investment properties and investments in associated enterprises.

No audited financial data are available for 2019 for Síaréna Kft. and Random Capital Zrt. at the date of preparing the consolidated financial statements. As a result, no information is reported.

38. Statements due to interests in other business units

The Group has investments in subsidiaries and associated enterprises.

The Group has to face no restriction with regard to any of its enterprises that would affect access to the net assets, to the result or to the cash flow.

The Group has no consolidated or non-consolidated interests where control cannot be established on the basis of the voting rights or where the voting rights do not serve the management of relevant activities leading to control (structured entities).

When establishing control, the Group faced a complex accounting problem on one occasion. Towards the end of the business year, an in-kind contribution process was started but it led to financial control only in 2020, so the contributed company is not included in the financial statements, it will have to be consolidated from 2020. For more details on the transaction see supplementary note no. 37.

No members of the Group qualify as investment companies, and they have no share in such. All enterprises report their independent financial statements according to their relevant laws.

39. Statements

We caution you that a number of important factors could cause actual results to differ materially from statements for the future.

Statement of responsibility – We declare that the Consolidated Financial Statements which have been prepared in accordance with the applicable accounting standards and the best knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of ENEFI Asset Management Plc. and its undertakings included in the consolidation, development and performance of the Company and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.

The Board of Directors approved the financial statement on April 27, 2020 and recommended it for publication.

40. Approval of financial statements

The Annual General Meeting of ENEFI Asset Management Plc. on April 27, 2020 approved the 2019 consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards (IFRS).

Budapest, April 27, 2020

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Representative of ENEFI Asset Management Plc.