



Quarterly Report

of

ENEFI Energy Efficiency Plc

for H1 2018

H1

30/06/2018

Published: 07/09/2018

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

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

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

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

1. Balance sheet (data in HUF thousands)

Consolidated statement of financial position - Assets	12.31.2016 (modified)	6.30.2017	12.31.2017	6.30.2018
Property, plant and equipment	279 322	418 093	113 311	107 528
Intangible assets	6 218	6 271	5 846	5 846
Investments in affiliated companies	0	0	0	0
Financial Asset	642 290	585 825	581 182	516 996
Finance lease receivables	499 102	474 782	276 871	296 457
Deferred tax assets	69 881	0	286 718	303 000
Total non-current assets	1 496 813	1 484 971	1 263 928	1 229 827
Assets held for sale	0	0	0	0
Total assets held for sale	0	0	0	0
Inventories	10 054	3 061	59	144
Trade receivables	226 530	102 829	135 882	145 222
Other receivables due within a year	445 745	251 385	146 682	24 409
Accruals and prepaid expenses	90 885	107 606	75 831	67 120
Cash and cash equivalents	109 078	87 685	416 588	435 914
Total current assets	882 292	552 565	775 042	672 809
				0
Total assets	2 379 105	2 037 536	2 038 970	1 902 636

Consolidated statement of financial position - Equity and liabilities	12.31.2016	6.30.2017	12.31.2017	6.30.2018
Share capital	296 726	299 594	100 000	100 000
Reserves	21 460 470	12 781 947	21 423 391	21 423 391
Valuation reserve	33 881	0	44 448	-18 439
IFRS2 reserve	0	0	65 520	65 520
Treasury shares	-5 099 748	-5 146 490	-425 877	-470 497
Retained earnings	-15 406 798	-6 587 559	-19 738 767	-19 644 943
Equity attributable to owners of the Company	1 284 531	1 347 492	1 468 715	1 455 032
Non-controlling interests	22 459	13 812	29 588	28 777
Total equity	1 306 990	1 361 303	1 498 303	1 483 809
Provisions	198 631	103 140	97 564	97 564
Deferred income	0	14 692	0	0
Other long-term liabilities	0	1 385	0	0
Total non-current liabilities	198 631	119 217	97 564	97 564
Liabilities held for sale	0	0	0	0
Total liabilities held for sale	0	0	0	0
Trade payables	198 571	46 275	66 453	54 260
Accruals and deferred income	132 676	139 522	11 321	7 434
Other liabilities	542 237	371 218	365 329	259 569
Total current liabilities	873 484	557 015	443 103	321 263
Total liabilities	1 072 115	676 233	540 667	418 827
Total equity and liabilities	2 379 105	2 037 536	2 038 970	1 902 636

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

	12.31.2016 (modified)	6.30.2017	12.31.2017	6.30.2018
Revenue	1 037 280	420 849	671 928	291 002
Cost of sales	-479 959	-227 403	-300 571	-107 911
Gross Profit	557 321	193 446	371 357	183 091
Material type expenditures	-17 861	0	-11 657	-2 616
Personnel cost	-204 253	-87 628	-145 517	-56 012
Shared based payment cost	-230 516	0	-135 720	0
Service used	-356 914	-106 773	-181 462	-103 894
Other revenue and expenditures, net	161 605	8 865	-191 571	3 233
Depreciation	-806 379	50 053	-20 964	-6 826
Net profit/loss from financial activities	5 612	272 485	41 329	80 835
Profit before tax	-891 385	330 448	-274 205	97 811
Income tax expense	11 228	-15	211 138	-4 872
Profit for the year	-880 157	330 433	-63 067	92 939
Discontinued operations				
Result on the sold entities	1 474 029	0	0	0
Current year profit/loss of sold entities	-77 146	0	0	0
Profit/loss on entities sold	25 739	0	206 024	0
Profit for the year	542 465	330 433	142 957	92 939
Attributable to:				
Owners of the Company	548 632	324 871	135 770	92 284
Non-controlling interests	-6 167	5 562	7 187	655
Foreign currency translation differences	164 266	-11 553	10 567	-62 887
Total comprehensive income	164 266	-11 553	10 567	-62 887
Attributable to:				
Owners of the Company	712 898	313 318	146 337	29 397
Non-controlling interests	-6 167	5 562	7 187	655
Earnings per share (HUF)				
Continued and discontinued operations				
Basic earning per share	49,82		15,55	
Diluted earnings per share	129,18		23,59	
Continued operations				
Basic earning per share	49,82		15,55	
Diluted earnings per share	129,18		23,59	

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

	Share capital	Share premium	Accumulated revaluation reserve	Share-based benefit reserve	Treasury shares	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at December 31, 2015 (published)	271 726	12 754 740	-235 075	0	-1 718 289	-7 108 176	3 964 926	645 058	4 609 984
Capital restructuring due to change in presentation currency	0	-1052 443	104 690	0	59 133	888 620	0	0	0
Restructuring due to change in accounting policy (own shares, bond swap presentation)	0	9552 657	0	0	0	-9552 657	0	0	0
Prior year errors	0	0	0	0	0	-183 215	-183 215	0	-183 215
Balance at December 31, 2015 (revised)	271 726	21 254 954	-130 385	0	-1 659 156	-15 955 428	3 781 711	645 058	4 426 769
Sale of treasury shares	0	0	0	0	364 935	0	364 935	0	364 935
Increase in treasury shares	0	0	0	0	-3 830 962	0	-3 830 962	0	-3 830 962
Issue of employee shares	0	0	0	230 516	0	0	230 516	0	230 516
Comprehensive income	0	0	164 266	0	0	548 632	712 898	-6 167	706 731
Elimination after selling entities	0	0	0	0	25 435	0	25 435	-616 432	-590 997
Balance at December 31, 2016	271 726	21 460 470	33 881	0	-5 099 748	-15 406 796	1 284 533	22 459	1 306 992
Issue of employee shares	25 000	205 516	0	-230 516	0	0	0	0	0
Repurchase of employee shares	0	-107 279	0	0	0	107 279	0	0	0
Issue of employee shares	0	0	0	70 200	0	0	70 200	0	70 200
Issue of employee shares	0	70 200	0	-70 200	0	0	0	0	0
Issue of IFRS 2 option	0	0	0	65 520	0	0	65 520	0	65 520
Derecognition of treasury shares	-196 726	0	0	0	4 770 881	-4 575 019	-864	0	-864
Sale of treasury shares	0	0	0	0	-97 010	0	-97 010	0	-97 010
Profit of the period	0	0	0	0	0	135 770	135 770	7 189	142 959
Other movement	0	0	0	0	0	0	0	-58	-58
Other comprehensive income	0	0	10 567	0	0	0	10 567	0	10 567
Balance at December 31, 2017	100 000	21 423 391	44 448	65 520	-425 877	-19 738 766	1 468 716	29 588	1 498 304
Purchase of treasury shares	0	0	0	0	-44 620	0	-44 620	0	-44 620
Profit of the period	0	0	0	0	0	92 287	92 287	-655	91 632
Other comprehensive income	0	0	-62 887	0	0	0	-62 887	0	-62 887
Other movements	0	0	0	0	0	1 536	1 536	-158	1 378
Balance at June 30, 2018	100 000	21 423 391	-18 439	65 520	-470 497	-19 644 943	1 455 032	28 777	1 483 809

4. Cash Flow (data in HUF thousands)

	2017 H1	2018 H1
Cash flow from operations		
Profit /loss for the period from continuing operations	307 923	93 013
Depreciation and amortization	50 053	6 826
Other non cash items	-417 818	-62 887
Changes of fair value of financial assets	91 907	64 186
Changes of provisions	-94 116	0
Change in other long term liabilities	1 385	0
Change in deferred tax and liabilities	8 307	-16 282
Adjusted profit/loss in the year concerned:	-52 358	84 856
Change in operating capital		
Changes of receivables and other current assets	364 292	93 347
Changes of accruals	-9 585	8 711
Changes of Inventories	6 924	-85
Changes of Trade payables and other liabilities	-312 569	-121 840
Net cash-flow from operating activity	49 062	-19 867
Cash flows from investing activities	0	0
Payments related to purchasing property, machines and equipment	0	-1 043
Net cash flow from investing activity	0	-1 043
Cash flows from financing activities		
Részvénykibocsátás bevétele	-17 342	0
Sale - purchase of treasury shares	0	-44 620
Net cash flow from financial activities	-17 342	-44 620
Change of Cash and cash equivalents	-20 639	19 326
Cash and cash equivalents at the beginning of the year	108 324	416 588
Cash and cash equivalents at the end of the year	87 685	435 914

5. Declaration of the Issuer

The issuer hereby declares that the consolidated report of the first half year of 2018 prepared on the basis of the provisions of the IFRS in accordance with its best knowledge, presents a realistic and reliable picture of the assets, debts, financial situation and the profit and loss statement of the issuer and the companies involved in the consolidation.

ENEFI Energy Efficiency Plc.



ENEFI Energy Efficiency Plc.

Consolidated

Executive Report

for the H1 2018 report

Objective of the Report:

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

I.

Information on the Parent Company, ENEFI Energy Efficiency Plc.:

Basic Information of the Company

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

Predecessors of the Company and Changes in Corporate Form

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

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

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

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

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

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

E-STAR Alternative Energy Service Plc.

Date of change:	17/02/2011
Date of registration:	04/03/2011

ENEFI Energy Efficiency Plc.

Date of change:	09/12/2013
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Date of registration: 17/12/2013

Term of the Operation of the Company

The Company was founded for an indefinite period of time.

Registered Capital of the Company

Registered capital of the public limited company on 31/12/2017. HUF 100,000,000

Shares of the Company

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

II.

Information on the Companies Involved in the Consolidation:

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

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

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

Brief Story of the Issuer

The predecessor of the Company named Regionális Fejlesztési Kft. was founded by two private people in 2000. The founders intended to establish an ESCO (Energy Service Co., i.e. dealing with energy saving) type of company. Initially one of the main activities of the Company was cost-effective electrical energy supply which still provides significant revenues today. The Company provided continuous consultancy for its customers to assist them to choose the most favourable tariff package from the regionally competent energy supplier. In the framework of the service, the electrical energy was purchased by the Company and sold to its customers at a more favourable price than earlier. The customer and the Company shared the saved costs on the basis of a long term agreement concluded between them. Since 1 January 2008 however the free energy market was opened, which means that economic organisations may freely choose their energy suppliers and individually determine the conditions of the service. The Company also adapts to the changed circumstances and negotiates with several traders of the energy market, takes steps together with its partners to achieve the best possible conditions. The other main activity of the Company has been luminous flux regulation of street lighting since its foundation. Then in 2004 the Company took heating modernisation and thermal energy supply to its product range. A significant part of the customers of the Company are municipalities and municipal institutions but there are also public institutions, church institutions, condominiums and private enterprises among them. The Company was transformed into a private limited corporation on 12 June 2006, then on 12 March 2007 the Court of Registration registered the change of “private limited corporation” form into “public limited corporation”. The Initial Public Offering of the shares of the Company took place at the Budapest Stock Exchange on 29 May 2007. The Initial Public Offering of the shares of the Company took place at the Warsaw Stock Exchange on 22/03/2011. The Company was brought under bankruptcy proceedings in 2012 which was successfully closed by an agreement with the creditors. The actual operation of the Company is currently limited to the territory of Hungary and there are legal proceedings in progress concerning its terminated agreements.

Business Environment of the Company

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

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

Introduction of Business Activity by Spheres of Activity

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

- Heat supply service

Heat supply service with heating system modernisation

Municipalities and public institutions often solve the heating of their institutions with obsolete, wasteful heating systems. Moreover the maintenance of the obsolete systems can only be solved with greater difficulties and higher maintenance costs; the potential failure of the equipment may cause significant, unplanned investment. The investment may potentially be only implemented by loan and the further worsening credit rating due to the poor municipality management. Following the individual survey of the buildings of the customers and the preliminary survey of needs, the

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

Major Markets

Geographical Penetration of ENEFI

- Initially ENEFI Plc. implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector.
- Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed for the regional expansion of the Company becoming stronger and obtaining references in Hungary.
- Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of ENEFI has turned towards the surrounding countries, especially Romania since 2010 and Poland since 2011. The Company sold its operations in Poland in 2016, it is not operating any working project in Romania either, thus the area of operation has been limited to the territory of Hungary.

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

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

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

Management of the Company, Objectives and Strategy

Among its first tasks the newly elected Board of Directors of the Company have found it important to determine and communicate its short and medium term objectives about the Company to the honourable Shareholders: https://www.bet.hu/newkibdata/120976438/K_zlem_ny_IG_c_lkit_z_sek.pdf

Major Resources of the Company

The number of employees in the Company has been reduced to the minimum as a result of the former dramatic downsizing of operations. The head count is sufficient to maintain daily operations. Operations with the significantly downsized corporate centre can be compared with the basic operations of an investment. In case of starting new and large projects more staff may be required. The successful closure of the former bankruptcy proceedings stabilised the market position of the Company in Hungary. The amount

of external liabilities in Hungary has practically been reduced to the incoming invoices during the daily operations. The payment discipline of the remaining customers is sufficient. The Company is able to finance the operations from its revenues. In case of starting new projects it acts with due carefulness and consideration of risks. The customers (municipalities and their institutions) involve the risk of not paying. Currently the entire Hungarian operation takes place without using bank financing. In the event that the capital requirement of the newly started projects exceeds the available amount of resources, the Company will need external financing.

Risk factors

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

Summary of the Reference Period

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

The Company still does not plan to implement new energy projects. The Company focuses in its business on effectively operating its assets, selling those in given circumstances and it is open to close its lawsuits in progress by out of court agreements. The Company intends to continue its previous own share repurchase programme from its free cash.

Trading Profit of the Reference Period and Prospects

The trading profit of 2018H1 was negatively influenced by the fact that heat year 2017-18 was an exceptionally warm year. After the actual closure of the Romanian branch of the Company, the future temperatures will not affect the business of the Company.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

Name of index	June 30, 2018	December 31, 2017
Rate of fixed assets: (fixed assets/total assets)	64,64%	61,99%
Indebtedness rate: (payables/Resources)	22,01%	26,52%
Liquidity index I.: (current assets/short-term liabilities)	2,09%	1,75%
Quick liquidity ratio (cash/short-term liabilities)	1,36%	0,94%
Name of index	June 30, 2018	June 30, 2017
Profitability in the ratio of sales revenues (pre-tax profit/net sales revenues)	33,61%	78,52%
Profitability in the ratio of own capital (pre-tax profit/own capital)	6,59%	24,27%

IV.

Declaration of the Issuer

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

ENEFI Energy Efficiency Plc.