ENEFI ENERGYEFFICIENCY PLC.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

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

General information

Members of Board of Directors

Csaba Soós

Attila Pálffy Gagyi

László Bálint

Member of Audit Committee

Gyula Bakacsi Dr.

Miklós Siska Dr.

Imre Kerekes

Group Contacts

1134 Budapest, Klapka utca 11.

Phone: +36-1-279-3550

Fax: +36-1-279-3551

Web: www.enefi.hu

Auditor

dr. Csaba Adorján (Registration number: 001089)

UNIKONTO Számvitelkutatási Kft.

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

Company registration number: 001724

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY
Consolidated financial statements for the year ended December 31, 2017

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

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY
Consolidated financial statements for the year ended December 31, 2017

Independent Auditor’s report

Consolidated profit and loss account

All figures are in THUF unless otherwise indicated.

	Note	2016 (modified)	2017
Revenue	5	1 037 280	671 928
Cost of sales	6	-479 959	-300 571
Gross Profit			
Material cost	6	-17 861	-11 657
Personnel cost	7	-204 253	-145 517
Expenditures of share-based benefits	23	-230 516	-135 720
Service used	8	-356 914	-181 462
Other revenue and expenditures, net	9	161 605	-191 571
Depreciation	13, 14	-806 379	-20 964
Net profit/loss from financial activities	10	5 612	41 329
Profit before tax		**-891 385**	**-274 205**
Income tax expense	11	11 228	211 138
Profit for the year		**-880 157**	**-63 067**
Discontinued operations			
Profit on entities sold	12	1 474 029	0
Loss of sold entities	12	-77 146	0
Result from discontinued operations	12	25 739	206 024
Profit for the year		**542 465**	**142 957**
Attributable to:			
Owners of the Company	-	548 632	135 770
Non-controlling interests	25	-6 167	7 187
Foreign currency translation differences		164 266	10 567
Total other comprehensive income		**164 266**	**10 567**
Total comprehensive income		**706 731**	**223 724**
Attributable to:			
Owners of the Company		712 898	146 337
Non-controlling interests		-6 167	7 187
Earnings per share (EUR)			
Continued and discontinued operations			
Basic earnings per share	27	0,05	0,02
Diluted earnings per share	27	0,05	0,02
Continued operations			
Basic earnings per share	27	-0,08	-0,01
Diluted earnings per share	27	-0,08	-0,01

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Representative of ENEFI ENERGYEFFICIENCY PLC.

18 April, 2018

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

Consolidated statement of financial position - Assets	Note	2015 (modified)	2016 (modified)	2017
Property, plant and equipment	13	310 416	279 322	113 311
Intangible assets	14	791 281	6 218	5 846
Financial Asset	15	745 418	642 290	581 182
Finance lease receivables	16	542 098	499 102	276 871
Deferred tax assets	11	46 849	69 881	286 718
Total non-current assets		**2 436 062**	**1 496 813**	**1 263 928**
Inventories	17	5 831	10 054	59
Trade receivables	18	264 073	226 530	135 882
Other receivables due within a year	19	141 130	445 745	146 682
Accruals and prepaid expenses	20	118 309	90 885	75 831
Cash and cash equivalents	21	202 108	109 078	416 588
Total current assets		**731 451**	**882 292**	**775 042**
Assets held for sale	12	7 378 592	0	0
Total assets		**10 546 105**	**2 379 105**	**2 038 970**

Consolidated statement of financial position - Equity and liabilities		2015 (modified)	2016 (modified)	2017
Share capital	22	271 726	271 726	100 000
Capital reserve		21 254 954	21 254 954	21 423 391
Accumulated revaluation reserve		-130 385	33.881	44 448
Share-based benefit reserve	23	0	230 516	65 520
Treasury shares	24	-1 659 156	-5 099 748	-425 877
Retained earnings		-15 955 428	--15 406 798	-19 738 767
Equity attributable to owners of the Company		**3 781 711**	**1 284 531**	**1 468 715**
Non-controlling interests	25	645 058	22 459	29 588
Total equity		**4 426 769**	**1 306 990**	**1 498 303**
Provisions	26	268 774	198 631	97 564
Deferred income	11	0	0	0
Other long-term liabilities		2 414	0	0
Total non-current liabilities		**271 188**	**198 631**	**97 564**
Total liabilities held for sale		**4 807 790**	**0**	**0**
Trade payables	28	228 417	198 571	66 453
Accruals and deferred income	29	255 048	132 676	11 321
Other liabilities	28	556 893	542 237	365 329
Total current liabilities		**1 040 358**	**873 484**	**443 103**
Liabilities held for sale	12	4 807 790	0	0
Total liabilities		**6 119 336**	**1 072 115**	**540 667**
Total equity and liabilities		**10 546 105**	**2 379 105**	**2 038 970**

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Representative of ENEFI ENERGYEFFICIENCY PLC.
18 April, 20178

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2017

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
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	-1 052 443	104 690	0	59 133	888 620	0	0	0
Restructuring due to change in accounting policy (own shares, bond swap presentation)	0	9 552 657	0	0	0	-9 552 657	0	0	0
Prior year errors	0	0	0	0	0	-183 215	-183 215	0	-183 215
Balance at December 31, 2015 (re-stated)	**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	0
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
Comprehensive income	0	0	10 567	0	0	135 770	216 537	7 189	223 724
Other movement	0	0	0	0	0	0	0	-58	-58
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**

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

Cash flow statement

	Note	2016 (modified)	2017
Cash flow from operations			
Profit /loss for the period from continuing operations		542 465	142 957
Profit /loss for the period from discontinuing operations	12	-1 422 622	-206 024
Depreciation and amortization	13, 14	806 379	20 964
Impairment of asset	9	127 043	271 123
Share-based benefit recognised in profit and loss	23	230 516	135 720
Gain on sale of fixed asset		5 733	0
Exchange difference		164 266	10 514
Changes of fair value of financial assets	15	103 128	61 108
Changes of provisions	26	-70 143	-101 067
Change in other long-term liabilities		-2 414	0
Income tax expense recognised in profit and loss	11	12 272	11 145
Income tax paid		-11 045	-10 030
Change in deferred tax and liabilities	11	-23 032	-216 837
Adjusted profit/loss in the year concerned		**462 546**	**119 573**
Change in operating capital			
Changes of receivables and other current assets	18.19	-341 882	304 507
Changes of accruals	20, 29	-94 948	15 054
Changes of Inventories	17	-4 223	9 995
Changes of Trade payables and other liabilities	28	-45 731	-273 145
Net cash-flow from operating activity		**-24 238**	**175 984**
Cash flows from investing activities			
Payments related to purchasing property, machines and equipment	13, 14	-15 777	-4 246
Revenue from the sale of property, machines, equipment and financial instrument	14	10 585	3 197
Discontinued operation’s income (lease portfolio)	12	25 739	230 451
Net cash out for sold entities	12	3 351 253	0
Net cash flow from investing activity		**3 371 800**	**229 402**
Cash flows from financing activities			
Sale - purchase of treasury shares	24	-3 440 592	-97 874
Net cash flow from financial activities		**-3 440 592**	**-97 874**
Change of Cash and cash equivalents	21	-93 030	307 510
Cash and cash equivalents at the beginning of the year	21	202 108	109 078
Cash and cash equivalents at the end of the year		**109 078**	**416 588**

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 Energy Efficiency 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 Energy Efficiency Plc. (formerly named: E-Star Alternative Plc., RFV 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	December 31, 2016	December 31, 2017
	Percentage of ownership (%)	
Treasury Shares	72.18	68.63
Imre Kerekes	-	1.84
Csaba Soós	-	5.05
Free Float (owned by subsidiaries)	27.82	24.48
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.

Because municipalities in our region are underfinanced and the heating technology of public institutions is outmoded, significant savings can be realised, and therefore, starting from the 2010 business year, the Company/company group began to focus increasingly on the neighbouring countries, primarily Romania and Poland.

At present the Company is an actual stock exchange-listed 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 Energyefficiency 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 Energyefficiency 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.

Major economic events and evaluation of the year 2016

ENEFI presented the main economic events of 2016 in its announcements for the reference year, and these events are also pointed out below:

1. The most important event of the reference year was that the transaction regarding the sale of ENEFI Polska Spolka Z.o.o. – already reported and made public by ENEFI Energy Efficiency Plc. in the reference period – was closed down.

In the course of the transaction, EETEK Ltd. sold ENEFI Polska Spolka Z.o.o. above the registration value, against PLN 48.51 mn in cash, as well as in return to the value of all claims of ENEFI Polska pending against ENEFI Nyrt. (about PLN 28 million). Within the framework of the scheme, a company was set up with majority control under the name ENEFI Polska Premium Fund Spolka Z.o.o., into which the ownership share held in E-STAR Elektrocieplownia Mielec Spółka z o. o. was transferred.

Upon the sale of ENEFI Polska, the liability of ENEFI Polska towards BZ WBK was also sold, and the buyer agreed to pre-pay it to the Bank, furthermore the surety of ENEFI Energy Efficiency Plc. for the liabilities of ENEFI Polska Sp. z o.o. ceased to exist in the amount of max. PLN 54,000,000 + the penalty is PLN 20,000,000, a fine payable in case of an eventual breach of contract by E-Star Polska Sp. z o.o., the term of the contract is 15 years.

EETEK Ltd. purchased ENEFI shares in return for the incoming purchase price. The company's ownership structure was transformed as a result of the share transactions, and several former major owners decided to sell.

2. In the reference year the Company sold its full ownership share in its affiliated company RFV Slovak s.r.o (head office: Hnústa, Francisciho nám 373., Slovakian Republic, 98101, Corp. reg. no.: 44 016 972) at a symbolic purchase price of 1 euro.

RFV Slovak s.r.o carried out no actual activities for years, it has no assets, however, it maintenance entailed costs, therefore the Company decided to sell it in order to simplify the corporate group and to cut the costs.

3. It was one of the most important tasks of the Company's newly elected Board of Directors to work out and to communicate to the esteemed Shareholders the Company's short and medium term objectives, which is covered in the above part of the report.

4. In the reference year, the Company's Board of Directors decided – based on decision number 34/2016. (05. 06.) of the Company's general meeting adopted on 6.5.2016 - to increase the equity capital in a closed circle, through the free of charge distribution of employee shares with HUF 25,000,000 up to the amount of HUF 296,725,790, by issuing 2,500,000 employee shares at a face value of HUF 10. The Board of Directors also decided on modifying the statutes on the basis of the authorization by the general meeting. The employee shares have not been produced and distributed yet, the Company will notify the esteemed Investors about this in a separate announcement. The employee shares will not be introduced to the stock exchange.

Major economic events and evaluation of the year 2017

ENEFI presented the main economic events of 2017 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 2017.

- In the reference year, the Company issued 2,500,000 employee shares – based on the general meeting's authorization – therefore the Company's equity capital grew by HUF 25,000,000.
- In the reference year the company – authorized by the general meeting - decided to reduce the equity capital to HUF 100.000.000 by withdrawing own equity shares. The capital reduction was entered into the trade registry in the reference year, the shares were deleted in 2018.
- The Company sold to EnerIn Kft. the public lighting projects – purchased from them earlier – with the originally calculated return expectation. As a result of the successful transaction, ENEFI's public lighting business was fully terminated.
- The Company Group continues to actively proceed to enforce its claims in Romania, and regularly informed its investors about these activities in its announcements. The group is planning to enforce its claim at an international court in the future.

Note 33 provides information about the Company Group's lawsuits in progress.

2. 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 Energy Efficiency 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:

Name	Country of incorporation	2016 Share ownership	2016 Voting power	2017 Share ownership	2017 Voting power
EETEK Limited	Cyprus	100%	100%	100%	100%
RFV Józsefváros Kft.	Hungary	49,00%	70,00%	49%	70%
E-Star Management Zrt. (previous RFV Management Kft.)	Hungary	100,00%	100,00%	100%	100%
ENEFI Projekttársaság Kft.	Hungary	100,00%	100,00%	100%	100%
E-Star Centrul de Dezvoltare Regionala SRL	Romania	100,00%	100,00%	100%	100%
Termoenergy SRL	Románia	99,50%	99,50%	99,5%	99,5%
SC Faapritek SA	Románia	99,99%	99,99%	99.99%	99.99%
E-Star Alternative Energy SA	Románia	99,99%	99,99%	99.99%	99.99%
E-Star Energy Generation SA	Románia	99,99%	99,99%	99.99%	99.99%

Group companies under liquidation that were not drawn into consolidation:

Name	Country of incorporation	2016 Share ownership	2016 Voting power	2017 Share ownership	2017 Voting power
E-STAR ZA Distriterm SRL „felszámolás alatt”	Románia	51,00%	51,00%	51%	51%
E-Star Mures Energy SA „felszámolás alatt”	Románia	99,99%	99,99%	99.99%	99.99%
E-STAR Investment Management SRL „felszámolás alatt”	Románia	99,93%	99,93%	99,93%	99,93%

a. New and modified International Financial Reporting Standards

Changes in the accounting policy, expected impact of IFRSs and IFRICs not yet effective on the day of the financial statements, former applications

The Group voluntarily did not change its accounting policies applied in 2016 for 2017, except the currency presentation of the consolidation financial statements.

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.

Impact of the modified rules of the IFRS standards – effective as of 1 January 2017 – and the introduction of new standards on the financial statement. New and modified standards and interpretations entering into force from this reporting period, announced by IASB and adopted by the EU:

IAS 7 "Cash flow statements" standard modifications – Initiative related to the presentation of additional information – adopted by the EU on 6 November 2017 (entered into force on 1 January 2017 and in the later started reporting periods).

IAS 12 "Income taxes" standard modifications – Accounting deferred tax assets relevant to unrealized losses - adopted by the EU on 6 November 2017 - (entered into force on 1 January 2017 and in the later started reporting periods).

Modification to the IFRS 12 "Disclosure of interests in other entities" standard (in the years 2014-2016)" – As a result of the IFRS Development Project, there were modifications to some standards (IFRS 1, IFRS 12 and IAS 28), primarily in order to terminate inconsistencies and to clarify explanations - adopted by the EU on 6 November 2017 (for the IFRS 12 standard the modifications shall apply from 1 January 2017 and in the later reporting periods).

New and modified standards and interpretations issued by the IASB and approved by the European Union that have not entered into force yet.

At the date of approving these financial statements, the following standards and interpretations – issued by the IASB and adopted by the EU – as well as modifications to the standards and interpretations were announced without entering into force:

IFRS 9 "Financial instruments" standard - approved by the European Union on 22 November 2016 (entered into force on 1 January 2018 and in the later reporting periods).

Joint application of the IFRS 9 Financial instruments and IFRS 4 Insurance contracts - approved by the European Union on 31 October 2017 (entered into force on 1 January 2018 and in the later reporting periods or from the date of first applying IFRS 9).

Modifications to the IFRS 15 "Revenue from contracts with customers" standard – Explanations to the IFRS 15 "Revenue from contracts with customers" standard - approved by the European Union on 31 October 2017 (entered into force on 1 January 2018 and in the later reporting periods).

The standard defines conceptual changes about the methodology of accounting for revenues. The standard is obligatory to apply from 1 January 2018.

Some standards and interpretations repeal due to the modification:

- IAS 18 Revenues
- IAS 11 Investment contracts
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC 31 Revenue—Barter Transactions Involving Advertising Services

IFRS 15 set up a unified model for revenues that derive from contracts. The standard specifies with a unified, 5-step model when and in what amount revenues must be presented. This standard defines explicit expectations for the case where several elements are transferred to the buyer simultaneously. IFRS 15 knows two methods for timing revenue accounting: revenue accounted at the given date and during the given period. The IFRS 15 standard also provides principled rules on what should happen to the costs related to acquiring and delivering the contract, which is not stated elsewhere.

The standard will not contain revenue accounting rules for financial instruments and leasing schemes, but those will be settled by IFRS 9 and IFRS 16.

When introducing the IFRS 15, the expert team that assists the transition (Transition Resource Group) defined recommendations along which the IFRS 15 was modified in the following topics:

- They clarified the decision-making points related to the discreteness of the promised performance obligations (PO);
- A modification was made to the principal-agent issue, and certain signs were eliminated;
- Numerous questions were clarified about accounting for revenues from assigning intellectual products, as well as how the revenues must be accounted (at one point, proportionately).

According to the Group's preliminary calculations the modifications of IFRS 15 (also including corrections made during the period) will not influence significantly the Group's financial statements because the accounting of revenues from current products and services have been presented under the principles of the standard also before.

The EU has adopted the standard. The Group is not planning to use the standard before the date of obligatory application, i.e. 1 January 2018. Upon the transition, the Group will probably choose the modified retrospective solution, i.e. the figures of the previous period will not be stated again.

IFRS 16 "Leasings" (entered into force on 1 January 2019 and in the reporting periods starting later)

The Leasing standard radically changes accounting for leasing, as a main rule, each leased element is stated as an asset in the lessee's balance sheet, together with the related leasing fee payment obligation. The operative leasing category practically disappears. The contents of the lessor's accountings do not change but the leasing classification does. Apart from the radical change, the new standard also modifies the evaluation rules, and offers a wider scope for including changing elements in the leasing fees. In addition, the definition of leasing is also changed, and certain capacity employment contracts will not qualify as leasing.

The Group is currently checking what changes the standard may cause in its financial statements but – based on the rules of the standard – one does not have to check on the day of entry into force whether the ongoing contracts qualify as leasing, but they need to be qualified based on the former classification. As a result, no major one-time change can be forecast. The standard (IFRS 16) does not repeal the rules of IFRIC 12, thus the accounting of items stated in this manner will not change. The EU has adopted the standard.

Modification to the IFRS 1 and IAS 28 standards – "Extended IFRS development (in the years 2014-2016)" – As a result of the IFRS Development Project, there were modifications to some standards (IFRS 1, IFRS 12 and IAS 28), primarily in order to terminate inconsistencies and to clarify explanations - adopted by the EU on 7 February 2018 (for the IFRS 1 and IAS 28 standards the modifications shall apply from 1 January 2018 and in the later reporting periods).

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

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

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" (will enter into force on 1 January 2021 and in the later reporting periods).

Modifications to the IFRS 2 "Share-based payments" standard – Classification and evaluation of share-based payments (entered into force on 1 January 2018 and in the later started reporting periods)

Modifications to the IFRS 9 "Financial instruments" standard – Prepayment features with negative compensation (will enter into force on 1 January 2019 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 19 "Employee benefits" standard – Plan modification, limitation or accounting (will enter 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 (will enter into force on 1 January 2019 and in the later reporting periods).

Modifications to the IAS 40 "Investment property" standard – Reclassification of properties for investment purposes (published on 8 December 2016, entered into force on 1 January 2018 and in the later started 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 (entering into force on 1 January 2019 and in the later started reporting periods).

IFRIC 22 interpretation "Foreign currency transactions and advance consideration" (entering into force on 1 January 2018 and in the later started reporting periods).

IFRIC 23 "Uncertainty over Income Tax Treatments" (entering into force on 1 January 2019 and in the later reporting periods), Hedge accounting regarding the portfolio of financial instruments and financial obligations has not been regulated yet, as the EU has not adopted the regulation yet.

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

2. 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 Company'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 IAS 39 Financial instruments: recognition and measurement, 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.

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 IAS 39, 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.

The requirements of IAS 39 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 IAS 39. 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. <u>Leases</u>

Whether a transaction is a leasing transaction or if it contains such component depends on its content at the time of its conclusion. If the performance of the agreement depends on the use of a specific asset or if it assigns the right to use the asset, it must be considered to contain a leasing component and is therefore accounted for accordingly.

Financial leasing in the context of which the majority of the risk and rewards related to the ownership right to the leased asset is transferred to the Company is capitalised at the start of the lease at the fair value of the leased asset or at the present value of the minimum lease payments if it is lower.

A contract is qualified as financial leasing if it fulfils one of the following qualifications:

- specified and fixed term
- each element of ownership goes to the lessee during the term of the contract
- the lessee gets a purchase option right where the trade price is much lower than the market price known when exercising the option
- the term of lease reaches 75% of the asset’s economic obsolescence period (most part of the leasing object’s economical lifecycle)
- the present value of leasing fee payments exceeds 90% of the asset’s purchase value (market value)

The leasing payments are divided between the financial expenditure and the reduction of the prevailing liability in a manner that it results in a permanent interest rate with regard to the existing stock of the liability. The financial expenditures are accounted directly against the result, as leasing fees. The activated leased asset is depreciated during the shorter of the estimated useful lifecycle or the leasing period, except where the lessee acquires ownership of the asset at the end of the leasing. The initial costs incurring when concluding the financial leasing contract increase the cost value of the leased asset, and are considered during the leasing period, similarly to the leasing revenues.

The leasing whereby the lessor keeps most of the risk and profit involved in the ownership of the leased asset (i.e. it cannot qualify as financial leasing) is presented as operative leasing.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Although the concession contracts behave as leasing in many respects, they must be accounted under IFRIC 12.

g. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The revenue from sales transactions is recorded on the date of performance in accordance with the terms and conditions of the relevant supply contracts. The sales revenue does not include value added tax. All income and expense is recognized in accordance with the comparability principle in the appropriate period.

Rendering of services
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.

Dividend and interest income
Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

h. Foreign currencies

Presentation currency:

The financial statement was made in “Forint”. The previous year's reports were made in EUR. At the same time, considering the change in the Group circle (the Polish subsidiaries were sold in 2016) and afterwards most of the Group's assets and liabilities are denominated in forint, the Group decided to change the currency of the report.

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, 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. Property, plant and equipment

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. Intangible assets

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. Impairment of tangible and intangible assets other than goodwill

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

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) investments, available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Except for financial assets accounted at fair value against the result, credit instrument-related revenues are accounted based on the effective interest method, unless the given instrument is classified in the AFS category.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.
- such a classification terminates or significantly reduces an evaluation or accounting inconsistency that would arise otherwise.

Held-to-maturity investments

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses' line item in the consolidated statement of comprehensive income. The Group did not classify any assets into this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available for sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, HTM investments or FVTPL.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined based on market prices or in case of reliable obtainable market prices, valuation mode is applied as alternative method. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured with a valuation model as an alternative approach and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

t. 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 IAS 39 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.

u. 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.

v. 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 IAS 11 rules.

w. 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.

x. 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. 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.

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, their book value is 642,290 THUF as of December 31, 2016 and 581,182 THUF as of December 31, 2017.

4.3. 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.

4.4. 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.

4.5. 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 management needs to make substantial assumptions with respect to the potential deferred tax, as well as about the time and amount of the profit which creates the tax base in view of the tax-planning strategy.

In the current year the Group followed a conservative approach and calculated only with the future cash flows of the currently contracted projects and determined the future utilizable deferred tax asset in that way. This business plan does not consider the utilization of the future free cash generated by the current engagements.

5. Revenue

The revenue per activities are the following:

	2016 (modified)	2017
Heat sales	690 828	416 419
Other revenue	207 187	146 182
Lease interest income	139 265	109 327
Total	**1 037 280**	**671 928**

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.

The Group's sales revenues decreased by 35.22%. The decrease is mainly due to the narrower activities.

6. Cost of sales

	2016 (modified)	2017
Cost of mediated services	479 959	300 571
Material costs	17 861	11 657

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 37.28% compared to the previous year.

7. Personal costs

	2016 (modified)	2017
Wages and salaries	161 986	116 534
Social security contributions	40 124	27 143
Other employee benefits	2 143	1 840
Total	**204 253**	**145 517**

The above table shows the trend in personal expenditures. The table goes to show that the rate of personal expenditures reduced as against the previous year.

The Group's average staff number was 21 employees in 2017 and 33 employees in 2016.

8. Service used

	2016 (modified)	2017
Legal fees	126 547	23 149
Maintenance costs	67 477	29 594
Rental fees	47 035	31 869
Advisory fees	45 628	44 410
Bank charges	32 894	5 916
Other costs	20 348	41 126
Insurance fees	10 265	1 196
Office, communication	5 529	3 416
Property related services	827	571
Car operation costs	364	215
Total services	**356 914**	**181 462**

The above table shows the value of the Group's services used. The table goes to show that the rate of the used services reduced as against the previous year. The Company managed to cut the above costs by decreasing the legal costs, the operating costs and the insurance fees.

9. Other revenue and expenditure

	2016 (modified)	2017
Other revenue		
Reversal of provisions	166 208	6 060
Reversal of impairment of assets	213 906	187 210
Derecognition of lapsed liabilities	44 777	123 594
Net profit on sale of plant, property and equipment	15 295	384
Other revenues	23 624	3 690
Income related to concession right	346 314	38 869
Fines related to grants	105 266	0
Released fine related to concession fees	40 441	0
Total	**955 831**	**359 806**
Other expenditure		
Impairment of assets	-596 397	-455 269
Provision made during the year	-45 575	-483
Fines	-27 324	-8 686
Other taxes	-12 474	-52 409
Other expenditures	-14 790	-34 530
Collection expenditures	-97 666	0
Total	**-794 226**	**542 777**
Other income and expenses (net)	**161 605**	**-191 571**

10.Net profit/loss from financial activities

	2016 (modified)	2017
Interest income	100 431	99 535
Other finance income	48	55
Net foreign currency gain / loss	-74 196	-44 750
Interest expense	-15 714	-9 162
Other finance cost	-4 957	-4 349
Net profit/loss from financial activities	**5 612**	**41 329**

11.Income tax

	2016 (modified)	2017
Corporate income tax	-101	-919
Local business tax	-12 171	-10 226
Deferred tax loss (-) / gain	23 500	222 283
Changes in impairment of deferred tax	0	0
Total income tax	**11 228**	**211 138**

Applicable to profits of the consolidated entities as follows:

	2016	2017
Hungary- income tax (500 tHUF profits under)	10%	9%
Hungary- income tax (500 tHUF profits over)	19%	9%
Hungary - Local business Tax	2%	2%
Romania - income tax	16%	16%
Cyprus - income tax	12.5%	12.5%

Balance of the deferred tax assets and deferred tax liabilities:

	2016 (módosított)	2017
Deferred Tax Assets	69 881	286 718
Deferred Tax Liabilities	0	0
	69 881	**286 718**

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	106 772	347 167	-240 395
Investments in associated companies	11 421 698	11 421 698	0
Other long-term receivables	0	29 916	-29 916
Financial assets (IFRC 12)	581 182	0	581 182
Leases	160 019	0	160 019
Trade receivables	176 525	540 367	-363 842
Other receivables	161 784	9 696 823	-9 535 039
Accruals and prepaid expenses	76 183	76 183	0
Cash and cash equivalents	415 540	415 540	0
Provisions	97 564	0	97 564
Short term loans	3 662 344	3 662 344	0
Trade payables	65 843	65 843	0
Accruals and deferred income	10 227	10 227	0
Other long-term liabilities	379 791	379 791	0
Effect of interest rates and FX	0	1 791 987	-1 791 987
Tax loss carry forward	0	7 285 195	-7 285 195
Total	**17 315 472**	**35 723 081**	**-18 407 609**
		Total difference	**-18 407 609**
Companies in Hungary			
Difference			-16 615 622
Tax rate			9%
Calculated deferred tax			-1 495 406

Deferred tax asset	0
Deferred tax liability	0

Companies in Romania

Difference	-1 791 987
Tax rate	16%
Calculated deferred tax	-286 718
Deferred tax asset	286 718
Deferred tax liability	0

	Hungary	Romania	Cyprus	Total
Profit before tax	-132 158	-227 509	221 183	
Current year tax (income, local business)	-11 114	31	0	-11 083
Deferred tax (temporary differences)	0	222 283	0	222 283
Income tax value:	**-11 114**	**222 252**	0	211 169

12.Discontinued operations

I. Sale of lease claims business

On 30.09.2017, the Company sold the leasing of public lighting lamps. The profit realized on the ceased activity was as follows:

	2016 (modified)	2017
Revenues from lease	25 739	14 814
Sales value of the leasing claims business	0	215 637
Value of leasing claims upon sale	0	-172 863
Derecognition of trade receivables	0	-174 591
Derecognition of default interest on trade receivables	0	158 351
Derecognition of customer impairment	0	164 676
Total	**25 739**	**206 024**

II. Sale of the Polish entity

In the second half of 2015, the Group signed a contract to sell the Polish ENEFI Polska. The sale and purchase took place in February 2016. The debts of ENEFI Polska Sp. Zoo to Zachondi Bank and the remaining price (PLN 48.51 million in total) have been fully paid by the buyer on 26 February 2016.

In 2016 the Company sold its Slovakian subsidiary, the subsidiary carried out no activities on the merits.

The table below shows the result on the sale. The result excludes the 2016 profit/loss of the sold entities:

	Date of sale	Proportion of sale %
ENEFI Polska	2016.02.24	100%

Profit/loss from sale of affiliated companies (+/-)	
Consideration	3 463 169
Net asset on 31 December 2015	2 570 801
Net assets attributed to the group	1 863 156
Foreign curreny loss from previous year	-137 983
Profit/loss on sale	**1 462 031**

	Date of sale	Proportion of sale %
RFV Slovakia sro.	2016.04.19	100%

Profit/loss from sale of affiliated companies (+/-)	
Consideration	0
Net asset on 31 December 2015	11 998
Net assets attributed to the group	11 998
Profit/loss on sale	**11 998**

III. Profit/loss of sold entities in 2016

The following table contains the profit attributable to the group as at 2016.

	2016
Current year profit of Polish entities until date of sale	-77 146
Total	**-77 146**

	Elektrociepłownia Mielec	ENEFI Polska	Total
Revenue	1 435 096	18 682	1 453 778
Cost of sales	-739 576	-380	-739 956
Gross profit	**695 520**	**18 302**	**713 822**
Personal costs	-114 969	-389 909	-504 877
Service used	-161 028	-8 339	-169 367
Other revenue and expenditures, net	49 701	0	49 701
Depreciation	-82 294	0	-82 294
Net profit/loss from financial activities	563	0	563
Profit before tax	**-308 027**	**-398 247**	**-706 274**
Income tax expense	-84 694	0	-84 694
Profit for the year	**302 799**	**-379 945**	**-77 146**

13.Tangible assets

	Land and buildings	Plant and equipment	Other equipment	Asset under construction	Total
Costs or deemed costs					
01 January 2016	**258 909**	**858 918**	**86 134**	**41 081**	**1 245 042**
Additions	1 441	0	4 524	4 246	**10 211**
Capitalizations	0	0	0	-4 246	**-4 246**
Disposals	0	-22 126	-5 381	0	**-27 507**
31 December 2016	**260 350**	**836 792**	**85 277**	**41 081**	**1 223 500**
Additions	0	3 309	0	0	**3 309**
Disposals	-39 888	-517 968	-51 893	0	**-609 749**
31 December 2017	**220 462**	**322 133**	**33 384**	**41 081**	**617 061**
Depreciation and impairment					
01 January 2016	**44 831**	**786 153**	**65 058**	**38 584**	**934 626**
Depreciation for the year	810	15 452	11 236	0	**27 498**
Disposals		-14 624	-4 921	0	**-19 545**
Impairment loss	891	0	1 022	578	**2 490**
Reversal of impairment		-891		0	**-891**
31 December 2016	**46 531**	**786 090**	**72 394**	**39 162**	**944 178**
Depreciation for the year	3 099	12 840	4 658	0	**20 597**
Disposals	-39 888	-517 207	-50 593	0	**-607 688**
Impairment loss	146 663	0	0	0	**146 663**
31 December 2017	**156 405**	**281 723**	**26 459**	**39 162**	**503 750**
Carrying amounts					
At January 1, 2016	214 079	72 764	21 076	2 497	**310 416**
At December 31, 2016	213 819	50 702	12 883	1 919	**279 322**
At December 31, 2017	64 057	40 410	6 925	1 919	**113 311**

14.Intangible assets

	Concession rights	Software and other	Total
Costs or deemed costs			
01 January 2016	**4 881 622**	**72 794**	**4 954 416**
Additions	5 920	0	5 920
31 December 2016	**4 860 356**	**72 794**	**4 933 150**
Disposals	-4 721 398	-26 334	-4 747 732
31 December 2017	**138 958**	**46 460**	**185 418**
Depreciation and impairment			
01 January 2016	**4 098 262**	**64 872**	**4 163 134**
Depreciation for the year	213 297	1 544	214 841
Disposals	0	0	0

Impairment loss	576 746	0	576 746
Effects of movements in exchange rates	0	159	159
31 December 2016	**4 860 356**	**66 576**	**4 926 931**
Additions	0	367	367
Disposals	-4 721 398	-26 328	-4 747 726
31 December 2017	**138 958**	**40 614**	**179 572**
Carrying amounts			
At January 1, 2016 (modified)	783 360	7 922	791 281
At December 31, 2016 (modified)	0	6 218	6 218
At December 31, 2017	0	5 846	5 846

No impairment was accounted for software and other immaterial goods. The Company writes off the concession right in 25 years, and the Group accounts depreciation for other immaterial goods in a linear manner, during 3 years.

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.

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 company are also available now at the above addresses.

15.Financial assets

Financial assets presented based on IFRIC 12

	2016 (modified)	2017
Assets from service concession arrangements	642 290	581 182

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.

Partner	Date	Expiration	2016 (modified)	2017
Project 1	2007.04.24	2022.04.24	541 312	525 511
Project 2	2005.10.06	2017.11.15	6 799	8 189
Project 3	2005.11.24	2017.12.13	15 332	0
Project 4	2005.06.13	2017.06.13	8 622	1 283
Project 5	2005.06.29	2017.09.28	8 712	0
Project 6	2006.11.30	2018.12.21	21 003	9 561
Project 7	2005.06.21	2017.10.21	6 736	7 440
Project 8	2006.01.17	2019.02.06	3 950	4 653
Project 9	2006.03.23	2018.03.23	2 445	1 511
Project 10	2006.12.04	2018.12.04	4 741	2 492

Project 11	2007.01.01	2019.10.19	3 511	3 953
Project 12	2008.07.16	2020.10.31	9 940	6 819
Project 13	2008.05.20	2020.10.02	9 188	6 437
Project 14	2008.05.20	2020.10.02	0	3 333
Total			**642 290**	**581 182**

16.Financial lease receivables

	2016 (modified)	2017
Long-term receivables from the rental fee of assets	448 010	259 386
Receivables from the rental fee of assets	50 092	17 485
Total	**499 102**	**276 871**

The group was given the context of the financial lease assets Enerin Public Lighting Ltd., and E-Star ESCO for. The transfer of assets in January 2014, December 2015 and in October. The lease term varies by device, typically a 4-7 year lease contract with the partners. The equipment for heating, public lighting and related machines and equipment. The lessee of leased equipment can help meet the service specified in the concession contract. The award was assigned to service these devices lessor company. According to the tenant lease agreements found right in favour of the landlord, which includes the right to collect rents and penalty payments to be paid any outstanding future.

Presentation of the lease receivables

In any case, the deal is valid at the time of the project internal discount rate of future discounted cash flows.

	31 December 2016		31 December 2015	
	Minimal lease	Discount value of lease fees	Minimal lease	Discount value of lease fees
Within 1 years	208 000	51 092	144 144	17 485
Between 1 and 5 years	711 984	296 628	470 981	169 123
Over 5 years	209 526	151 382	115 019	90 263
Total minimum lease	**1 129 510**	**499 102**	**730 144**	**276 871**
Financial expenses related lease	-630 408		-453 273	
Lease payments present value	**499 102**	**499 102**	**276 871**	**276 871**

The movement of lease receivables in the reference period are the following:

	2016 (modified)	2017
Opening	542 098	499 102
Instalment of leasing fees (without interest)	-42 996	-49 368
Derecognition due to leasing portfolio sale	0	-172 863
Closing balance	**499 102**	**276 871**

17.Inventories

	2016	2107
Materials	9 337	0
Heating material	717	59
Total inventories (gross)	**10 054**	**59**

18.Trade receivables

	2016	2017
Trade receivables	226 530	135 882

	2016	2017
Not past due	163 734	87 265
Past due 0-90 days	68 469	24 382
Past due 91-180 days	89 140	5 457
Past due 181-360 days	116 419	19 450
More than one year	851 497	344 685
Trade receivables gross total	**1 289 259**	**481 239**
Impairment	-1 062 729	-345 357
Trade receivables total	**226 530**	**135 882**

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	2016	2017
Past due 0-90 days	31 133	29 492
Past due 91-180 days	7 731	5 457
Past due 181-360 days	20 202	18 778
More than one year	3 730	672
Total:	**62 795**	**54 399**

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.

19. Other receivables

	2016 (modified)	2017
Loans given	44 211	44 723
Other tax receivables	19 964	30 630
VAT reclaimable	12 544	63 472
Advance Payments	2 673	1 567
Other receivables	40 160	55 760
Foreign VAT reclaimable	63 198	67 855
Short term part of leases	51 092	0
Receivables of assignment	25 976	25 976
Receivables related to concession rights	1 122 821	0
Overpaid concession fee	182 748	0
Invoiced but not received heat subsidy	99 928	0
Other receivables due within a year	**1 665 315**	**289 983**
Impairment	-1 276 058	-145 645
Total other receivables	**389 257**	**144 338**

	2016	2017.
Corporate income tax receivable	56 488	2 345
Total tax receivable	**56 488**	**2 345**

In the other receivables category, the claims against Energy Generytion SA in the amount of THUF 45,418 were stated, and depreciation was accounted for the full amount of the claims.

Depreciations on other claims were calculated as follows: claims deriving from granted loans (THUF 33,960), foreign VAT claims (THUF 63,472) and on other claims (THUF 48,213).

In 2016, depreciation was calculated for the full amount of claims related to concession rights (THUF 1,122,821). In 2017, the claims related to concession rights and the calculated depreciation were derecognized from the records.

20.Accruals

	2016	2017
Accrued expenses	88 139	72 325
Accrued revenue	2 746	3 506
Összesen	**90 885**	**75 831**

21.Cash and cash equivalents

	2016	2017
Bank balances	98 955	410 153
Call deposits	9 194	4 271
Cash on hand	929	2 164
Cash and cash equivalents	**109 078**	**416 588**

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

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:

	2016 piece	2017 piece
Issued pieces' shares (10 HUF par value/ shares)	0	2 500 000

Registered capital on par value	2016	2017
Balance at 1 January	271 726	271 726
Par value of the issued treasury shares during the year	0	25 000
Par value of the cancelled treasury shares during the year	0	-196 726
Balance at 31 December	**271 726**	**100 000**

Movement of issued and fully paid shares	2016	2017
Balance at 1 January	27 172 579	27 172 579
Number of the issued treasury shares during the year	0	2 500 000
Number of the cancelled treasury shares during the year	0	-19 672 579
Balance at 31 December	**27 172 579**	**10 000 000**

On 7 July 2017 the Group issued 2,500,000 employee shares, therefore the subscribed capital grew by THUF 25,000.

On 26 September 2017 the Group decreased the capital by withdrawing 19,672,579 own shares, therefore the subscribed capital went down by THUF 196,726.

23.IFRS 2 reserves

Programme in the year 2016

In 2016 the Company decided to issue a preferential (free of charge) employee share package. Under the share programme, some employees were given free employee shares, in conformity with the BOD decision. The employee shares have a face value of HUF 10, their transfer is restricted by the deed of foundation and the legal regulations. The employees acquired the shares in the following manner (affiliated parties obliged for announcement):

Name	Allocated number
Csaba Soós	500 000
László Bálint	225 000
Attila Gagyi Pálffy	225 000
Gábor Dácz	90 000
Other employees	1 460 000
Total	2 500 000

The benefit was allocated in shares, there are no cash elements. No vesting condition was attached to the benefit. The real value of the issued shares was determined by the Company by analyzing the possible scenarios, in consideration of the underlying net asset value. It had to be considered upon the evaluation that the employee share can only be held for a specific time and under what conditions it can be converted to ordinary share, which can be held and transferred without limitations (to be regarded as a market condition). The Company carried out the evaluation by the day of the decision.

Number (pc) 2,500,000

Calculated value per share 92

Value of the benefit (THUF) 230,516

As no further conditions were attached to the benefit, in 2016 the Company accounted for the full real value as expenditure against the separated element of the equity capital.

Programme in the year 2017

Since the shares were issued in 2017 to the debit of the option, the share based option reserve formed in 2016 terminated on the day of the benefit and was replaced by employee shares (subscribed capital, capital reserve).

From the shares allocated during the 2017 programme the Company repurchased - in 2017 – 1,305,000 pieces at a HUF 0 rate. The arising difference affected the profit reserve as the agio of the original issue was written back to the profit reserve.

The Company provided a preferential option for 630,000 of the employee shares taken back in 2017, and these options went to Csaba Soós – BOD member – furthermore 675,000 employee shares were distributed, and 570,000 pcs out of this were acquired by Csaba Soós.

The benefit was allocated in shares, there are no cash elements. The day of the benefit was 20 September 2017 (day of the BOD decision). No vesting condition was attached to the benefit. The real value of the issued shares was determined by the Company by analyzing the possible scenarios, in consideration of the underlying net asset value. It had to be considered upon the evaluation that the employee share can only be held for a specific time and under what conditions it can be converted to ordinary share, which can be held and transferred without limitations (to be regarded as a market condition). The Company carried out the evaluation by the day of the benefit.

Number (pc) 1,305,000

Calculated value per share 104

Value of the benefit (THUF) 135,720

As no further conditions were attached to the benefit, in the case of the 630,000 options the full real value had to be accounted as expenditure with the separated element of the equity capital (THUF 65,520), in the case of 675,000 employee shares re-distributed in 2017, against the capital reserve (THUF 70,200).

24.Treasury shares

Movements of pieces of treasury shares	2016 piece	2017 piece
Opening	5 926 357	20 444 723
treasury share decrease due to entity left the group	-224 863	0
Number of treasury share purchase in the period	16 243 229	485 299
Number of the cancelled treasury shares during the year	0	-19 672 579
Number of sold treasury shares during the year	-1 500 000	0
Closing (piece)	**20 444 723**	**1 257 443**
Attributable to subsidiary	2 643 314	1 202 372
owned by EETEK:	1 810 975	370 033
owned by Enefi Projekttársaság	832 339	832 339

Movements of book value of treasury shares	2016	2017.
Opening	1 659 156	5 099 748
Treasury share decrease due to entity left the group	-25 435	0
Book value of treasury shares purchased	3 830 962	97 010
Book value of the cancelled treasury shares during the year	0	-4 770 881
Book value of sold treasury shares during the year	-364 935	0
Movements of treasury shares in book value	**5 099 748**	**425 877**

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.

	2017 Józsefváros	2017 Thermoenergy
Current assets	157 977	194 042
Non-current assets	0	6 537
Liabilities	-102 836	-54 038
Net assets	**55 141**	**146 541**
Non-controlling interest %	**51%**	**1%**
Non-controlling interest	**28 122**	**1 465**

	2017 Józsefváros	2017 Thermoenergy
Revenue	346 808	0
Profit before tax	15 827	11
Profit after tax	14 094	14
Other comprehensive income	0	0

The company has no affiliated enterprise and participates in no joint organizations.

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).

No members of the Group qualify as investment companies and have no share in such.

	2016	2017
Balance at beginning of the year	645 048	22 459
Share of profit for the year	-6 167	7 187
Dividend paid to non-controlling interests	-616 422	0
Disposal of the non-controlling interests related to sold subsidiary	0	-58
Balance at end of year	**22 459**	**29 588**

26.Provisions

	Tax related	Employment	Total
31 December, 2016	**147 231**	**51 400**	**198 631**
Current portion of provisions (-)	0	0	**0**
Non-current portion of provisions	147 231	51 400	**198 631**
Provisions recognized during the year	0	0	**0**
Provisions reversed during the year	-98 067	-3 000	**-101 067**
31 December, 2017	**49 164**	**48 400**	**97 564**
Current portion of provisions (-)	0	0	**0**
Non-current portion of provisions	49 164	48 400	**97 564**

In 2016, special reserve of HUF 45 m was formed for an expected MNB (National Bank of Hungary) penalty, the penalty was paid in 2017 and as a result the special provision was also released.

27.Earnings per share

Basic and diluted EPS	2016	2017
Profit for the period attributable to ordinary shareholders from continuing operations	-873,990	-70,254
Profit for the period attributable to ordinary shares from discontinuing operations	1,422,622	206,024
Weighted average number of ordinary shares (shares)	11,012,956	8,732,633
Basic EPS from continuing operations (THUF/pieces)	**-0,08**	**-0,01**
Basic EPS from discontinuing operations (THUF/pieces)	**0,13**	**0,02**
Total basic EPS	**0,05**	**0,02**
Diluted EPS from continuing operations(THUF/pieces)	**-0,08**	**-0,01**
Diluted EPS from discontinuing operations(THUF/pieces)	**0,13**	**0,02**
Total diluted EPS	**0,05**	**0,02**

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.

28.Other short-term liabilities

	2016 (modified)	2017
Trade payables	198 571	66 453

	2016 (modified)	2017.
Liabilities related to ESTAR share	200 300	200 300
Other taxes payable	76 342	155 043
Wages and salaries	9 483	5 160
Other liabilities	24 654	3 527
Social security	4 583	1 299
Enerin default interest, lump sum costs of collection	158 351	0
Concession fee that are not compensated	68 524	0
Total	**542 237**	**365 329**

29.Accruals and deferred income

	2016.	2017
Deferred revenue	119 121	0
Accrued expenditures	13 555	11 321
Total	**132 676**	**11 321**

30.Related party transactions

Affiliated parties outside the consolidation circle:

Related party	Relationship	Reference
Csaba Soós	CEO	Note 1
Attila Pálffy Gagyi	Member of Board of directors	Note 1
László Bálint	Member of Board of directors	Note 1

Balances from transactions with the above affiliated parties at the balance sheet day:

Item	2016	2017
Transactions in balance sheet accounts		
Loan to related party- Attila Pálffy Gagyi	10 000	10 000
Interest receivables to related party- Attila Pálffy Gagyi	252	763
Total	**10 252**	**10 763**
Transactions in profit and loss accounts		
Interest income from related parties	252	512
Total	**252**	**512**

The following table presents the remuneration of leading officials:

	2016	2017
Gross honorarium	25 775	14 016
Commission fee	7 577	7 008
Total	**33 353**	**21 024**

31.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.

Figures of 2017:

	Hungarian	Romanian	Other	Total
Revenue	477,028	194,900	0	**671,928**
Cost of sales	-187,430	-113,141	0	**-300,571**
Gross Profit	**289,598**	**81,759**	**0**	**371,357**
Material cost	-4,352	-7,305	0	**-11,657**
Personnel cost	-78,023	-67,494	0	**-145,517**
Share-based benefits	-135,720	0	0	**-135,720**
Service used	-134,874	-34,616	-11,972	**-181,462**
Other revenue and expenditures, net	-149,473	-162,772	120,674	**-191,571**
Depreciation	-14,270	-6,694	0	**-20,964**
Net profit/loss from financial activities	-40,765	-30,387	112,481	**41,329**
Profit before tax	**-557,477**	**-309,268**	**221,183**	**-274,205**
Income tax expense	-11,114	222,252	0	**211,138**
Profit for the year from continuing operations	**-568,591**	**-87,016**	**221,183**	**-63,067**

Figures of 2016:

	Hungarian	Romanian	Other	Total
Revenue	526 862	510 418	0	**1 037 280**
Cost of sales	-171 555	-308 404	0	**-479 959**
Gross Profit	**355 307**	**202 014**	**0**	**557 322**
Material cost	-3 245	-14 616	0	**-17 861**
Personnel cost	-79 339	-124 915	0	**-204 253**
Share-based benefits	-230 516	0	0	**-230 516**
Service used	-168 871	-69 101	-118 942	**-356 914**
Other revenue and expenditures, net	-389 017	594 352	-43 730	**161 605**
Depreciation	-19 806	-786 573	0	**-806 379**
Net profit/loss from financial activities	-178 733	-8 693	193 038	**5 612**
Profit before tax	**-714 219**	**-207 531**	**30 366**	**-891385**
Income tax expense	-12 197	23 425	0	**11 228**
Profit for the year from continuing operations	**-726 416**	**-184 106**	**30 366**	**-880 157**

32. 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 lease receivables	276 871	276 871
Trade receivables	135 882	135 882
Other receivables	146 682	146 682
Financial Asset	416 588	416 588
Other long-term liabilities	0	0
Trade payables	66 453	66 453

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.

32.1. 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.

32.2. 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 2017	RON	EUR	HUF
Receivables	6 581	228	275 755
Trade payables	-41 186	-93 445	-297 151
Net position	**-34 605**	**-93 217**	**-21 396**

32.3. 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, 2017 presented in the table below:

Change (%) of FX rate	FX HUF/EUR	HUF/RON	Effect on profit
97,69%	302,9758		
		65,0322	2 891

		66,5700	2 153
		68,1078	1 415
100,00%	310,1400		
		65,0322	738
		66,5700	0
		68,1078	-738
102,31%	317,3042		
		65,0322	-1 415
		66,5700	-2 153
		68,1078	-2 891

32.4. 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.

32.5. Sensitivity analysis

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

32.6. 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.

32.7. Liquiditiy and interest risk table

2017						
In THUF	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Contractual	Carrying
Loans and borrowings	0	0	0	0	0	0
Other long-term liability	0	0	0	0	0	0
Trade and other payables	431 782	0	0	0	431 782	431 782
Total financial liabilities	**431 782**	**0**	**0**	**0**	**431 782**	**431 782**

2016						
In THUF	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Contractual	Carrying
Loans and borrowings	0	0	0	0	0	0
Other long-term liability	0	0	0	0	0	0
Trade and other payables	740 808	0	0	0	740 808	740 808
Total financial liabilities	**740 808**	**0**	**0**	**0**	**740 808**	**740 808**

32.8. 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:

	2016	2017
Not past due	163 913	87 265
Past due 0-90 days	68 275	24 382
Past due 91-180 days	88 888	5 457
Past due 181-360 days	116 090	19 450
More than one year	849 087	344 685
Trade receivable gross total	**1 286 253**	**481 239**
Impairment	-1 059 723	-345 357
Trade receivable at the end of the year	**226 530**	**135 882**

33.Presentation of off-balance sheet items and their impact on financial statements

Hungarian lawsuits in progress when preparing the report:

Plaintiff	Defendant	Subject matter
Natural person bond holder	ENEFI Energy Efficiency Plc.	A private person not registered in the bankruptcy proceedings started a lawsuit against the Company at the Arbitration Court of the Hungarian Chamber of Industry and Commerce due to a bond claim.
dr. Tibor Botos	ENEFI Energy Efficiency Plc.	Contesting corporate resolutions 30.12.2016
ENEFI Energy Efficiency Plc.	Municipality of the village of Nagydobos	Contractual fee and additional amounts
ENEFI Energy Efficiency Plc.	Municipality of the village of Szamosszeg	Contractual fee and additional amounts
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	51 members of owners' association	Enforcement of attachment
2.	E-Star Mures Energy SA		Case number: 168/1371/2013 Filing bankruptcy protection request on 08/02/2013
3.	E-Star Mures Energy SA	City of Târgu Mures	Case number: 3104/102/2013 Compensation for the breach of concession agreement, district heating subvention claim and payment of fees according to consumer contract. Amount: RON 124,040,531.19 The Town demanded within this lawsuit the qualification of the termination of the agreement by a counterclaim.
4.	E-Star CDR SRL	193 residential consumers	payment of fees according to consumer contract
5.	E-Star CDR SRL	Town of Gheorgheni	Case number: 905/96/2016 Establishing the termination of the concession agreement and Compensation for damages due to breach of concession contract. Amount: RON 104,225,844.69 RON + interests thereof + 15% of the annual internal profit rate

			for the entire contracted period.
6.	E-Star CDR SRL	City of Târgu Mures	Case number: 3104/102/2013 Compensation for the breach of concession agreement, district heating subvention claim and payment of fees according to consumer contract. Amount: RON 124,040,531.19 The Town demanded within this lawsuit the qualification of the termination of the agreement by a counterclaim.
7.	E-Star CDR SRL	193 residential consumers	payment of fees according to consumer contract
8.	E-Star CDR SRL	Town of Gheorgheni	Case number: 905/96/2016 Establishing the termination of the concession agreement and Compensation for damages due to breach of concession contract. Amount: RON 104,225,844.69 RON + interests thereof + 15% of the annual internal profit rate for the entire contracted period.
9.	E-Star CDR SRL	Town of Gheorgheni	Case number: 2238/96/2017 The Court in file no. 905/96/2016 ordered the separation of the examination of the termination of the contract from the determination of the amount of compensation, the latter being examined in the new file No 2238/96/2017 to be discussed at the same judge.
10.	E-Star CDR SRL	Town of Gheorgheni	File number: 324/96/2017 Contest of council resolution No: 243/13.12.2016
11.	Fluid Group Hagen SRL	Town of Gheorgheni	File number: 323/96/2017 Default interest claim calculated on the value of the subsidy previously judged by the court - RON 1.3 million.
12.	ENEFI Energy Efficiency Plc.	Town of Gheorgheni	File number: 793/96/2017 Objection of council resolution No: 2/2017.01.16 amending council resolution No: 243/13.12.2016. The court dismissed the action. (first degree)
13.	ENEFI Energy Efficiency Plc.	Brasov Regional Public Funds Directorate	Document number 9836/320/2017 Contest of executory order
14.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Case number: 5461/84/2012 - payment of contractual fees (payment demand). Claim: RON 1,023,813.35
15.	Zalău City with County Authority	-E-Star ZA Distriterm SRL -ENEFI Energy Efficiency Plc. (former E-STAR Alternative Plc.)	Case number: 5209/84/2012 termination of concession agreement, declaration of invalidity of sale and purchase agreement of backbone line.
16.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Case number: 4892/84/2012 -payment of contractual fees (liquidation proceedings). Claim: RON 1,023,813.35
17.	ENEFI Energy Efficiency Plc.	- Zalău Financial Authority - Mures County Financial Authority	Case number: 48/337/2017 - contest of the valuation of land since according to the company it was undervalued nevertheless we were not notified about the valuation in accordance with the provisions of law.
18.	- I&O, liquidator of E-Star ZA Distriterm SRL -ENEFI Energy Efficiency Plc. -E-Star Management Zrt. -E-Star Energy Generation SA	- Zalău Financial Authority	Case number: 1620/84/2015 - the liquidator contested the result of the financial audit, by which the Financial Authority stated that the finally lost claim amounting to RON 932,730 is current and the court decisions declaring the contrary are not effective against the Financial Authority. - the creditors whose interests are injured by the proceedings of the Financial Authority have filed an application for intervention. The court dismissed the action. (first degree)
19.	- ENEFI Energy Efficiency Plc. -E-Star Management Zrt. - E-Star Energy	- I&O, liquidator of E-Star ZA Distriterm SRL	Case number: 4892/84/2012_a25 - Contest of the liquidator's report in which it decided that the BCM project shall be taken out of the assets of the company because it cannot be used any longer and this

	Generation SA		generates RON 679,860 VAT payable back to the government. The court dismissed the action. (first degree)
20.	Zilahi Pénzügy	-ENEFI Energy Efficiency Plc. - Distriterm	Case number: 913/84/2016 - ENEFI and Distriterm were cited for hearings upon the request of the Zalău Financial Authority as parties with civil law liabilities in a criminal law case in which the investigation is conducted against the former management in the case of the VAT of the agreement on the Real Energo project concluded between Distriterm and BCM.
21.	ENEFI Energy Efficiency Plc.	- Salaj Financial Authority	Case number: 4028/337/2017 (objection to land seizure protocol ordered by Zalău Financial Authority against Zalau land – propriety of ENEFI)
22.	ENEFI Energy Efficiency Plc.	Brasov Regional Public Funds Directorate	Case number: 12289/320/2017 Separate action to determine that Finance has fallen out of the right to recover all the sums included in the execution order issued so far, after not signing up for the closed bankruptcy proceedings.
23.	ENEFI Energy Efficiency Plc.	Mures Financial Authority	Case number: 15567/320/2017 objection to bank account seizure ordered by Mures Financial Authority for 7.602.338 RON
24.	ENEFI Energy Efficiency Plc.	Salaj Financial Authority	Case number: 5099/337/2017 -objection to registration of seizure of Zalau land on the land register.

34.Approval of financial statements

The Annual General Meeting of ENEFI Energy Efficiency Plc. on April 18, 2018 approved the 2017 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS).

35.Previous years correction

The earlier published data were also modified in 2017. On the one hand, some accounting policies were corrected and modified and, on the other hand, some balances featured in the financial statement were re-stated due to the corrected calculations of former periods.

In addition, the Group also unified the presentation of certain transactions, as a result certain capital elements needed to be reshuffled (e.g. managing own share purchases and former bond-share swaps).

The Group made corrections through re-statement, thus the earlier published data were corrected directly. The date of correction is the first day of the comparison period (unless the correction cannot be made). The main impacted balances are the following:

- Derecognition of deferred tax assets;
- Re-stating the value of assets indicated in concessions and leasing
- Corrections attached to the impacts of changes in exchange rates during former periods.

The impacts of the individual re-statements on various years are as follows:

	2015	2016
Equity		
published	**3,964,926**	**1,625,273**
Deferred tax assets	-116,373	-270,933
Deferred tax liabilities	15,502	14,794
IFRIC 12 receivables correction	-82,697	-70,249
Lease claims correction	57,209	51,092
Other corrections	-56,856	-65,446
modified	**3,781,711**	**1,284,531**

Net result	
Year 2016 - published	**1,307,708**
Deferred tax assets	-154,560
Deferred tax liabilities	-708
IFRIC 12 receivables correction	12,448
Lease claims correction	-6,117
Revaluation differences	-154,506
Correction due to share-based benefits	-230 516
Other corrections	-60,851
Year 2016 - modified	**712 898**

Presentation of 2016 balance sheet's and profit & loss statement's correction

Consolidated statement of financial position - Assets	2016 publsihed	Changes	2016 *modified
Property, plant and equipment	287,572	-8,250	279,322
Intangible assets	6,498	-280	6,218
Financial Asset	712,539	-70,249	642,290
Finance lease receivables	448,010	51,092	499,102
Deferred tax assets	340,814	-270,933	69,881
Total non-current assets	**1,795,433**	**-298,620**	**1,496,813**
Assets held for sale	0	0	0
Inventories	10,054	0	10,054
Trade receivables	226,529	1	226,530

Other receivables due within a year	496,978	-51,233	445,745
Accruals and prepaid expenses	90,885	0	90,885
Cash and cash equivalents	109,078	0	109,078
Total current assets	**933,524**	**-51,232**	**882,292**
Total assets	**2,728,957**	**-349,852**	**2,379,105**

Consolidated statement of financial position - Equity and liabilities	**2016 published**	**Changes**	**2016 *modified**
Share capital	301,679	-4,953	296,726
Capital reserve	12,870,920	8,589,550	21,460,470
Accumulated revaluation reserve	-52,964	86,845	33,881
Share-based benefit reserve	0	0	0
Treasury shares	-5,164,851	65,103	-5,099,748
Retained earnings	-6,329,513	-9,077,285	-15,406,798
Equity attributable to owners of the Company	**1,625,271**	**-340,740**	**1,284,531**
Non-controlling interests	22,443	16	22,459
Total equity	**1,647,714**	**-340,724**	**1,306,990**
Provisions	198,629	2	198,631
Deferred income	14,794	-14,794	0
Other long-term liabilities	0	0	0
Total non-current liabilities	**213,423**	**-14,792**	**198,631**
Liabilities held for sale	0	0	0
Trade payables	194,118	4,453	198,571
Accruals and deferred income	132,676	0	132,676
Other liabilities	541,025	1,212	542,237
Total current liabilities	**867,820**	**5,665**	**873,485**
Total liabilities	**1,081,243**	**-9,127**	**1,072,116**
Total equity and liabilities	**2,728,957**	**-349,851**	**2,379,106**

	2016 published	**Changes**	**2016 *modified**
Revenue	896,939	140,341	1,037,280
Cost of sales	-490,915	10,956	-479,959
Material cost	0	-17,861	-17,861
Personnel cost	-205,750	1,497	-204,253
Expenditures of share-based benefits	0		-230,516
Service used	-343,258	-13,656	-356,914
Other revenue and expenditures, net	192,018	-30,413	161,605
Depreciation	-820,561	14,182	-806,379
Net profit/loss from financial activities	187,413	-181,801	5,612
Profit before tax	**-584,113**	**-76,755**	**-891,385**
Income tax expense	169,058	-157,830	11,228
Profit for the year	**-415,055**	**-234,585**	**-880,157**
Discontinued operations			
Profit/loss on entities sold	1,614,293	-140,264	1,474,029
Current year profit/loss of sold entities	-77,255	109	-77,146
Result from discontinued operations	0	25,739	25,739
Profit for the year	**1,121,983**	**-374,739**	**542,466**
Owners of the Company	1,126,918	-347,770	779,148
Non-controlling interests	-4,935	-1,232	-6,167

Presentation of 2016 balance sheet's correction

Consolidated statement of financial position - Assets	2015 published	Changes	2015 *modified
Property, plant and equipment	327 409	-16 993	310 416
Intangible assets	791 601	-320	791 281
Financial Asset	828 115	-82 697	745 418
Finance lease receivables	484 889	57 209	542 098
Deferred tax assets	163 222	-116 373	46 849
Total non-current assets	**2 595 236**	**-159 174**	**2 436 062**
Assets held for sale	7 378 592		7 378 592
Inventories	5 831		5 831
Trade receivables	264 073		264 073
Other receivables due within a year	195 249	-54 119	141 130
Accruals and prepaid expenses	118 309		118 309
Cash and cash equivalents	202 108		202 108
Total current assets	**8 164 162**	**-54 119**	**8 110 043**
Total assets	**10 759 397**	**-213 293**	**10 546 104**

Consolidated statement of financial position - Equity and liabilities	2015 publsihed	Changes	2015 *modified
Share capital	271 726		271 726
Reserves	12 754 740	8 500 214	21 254 954
Revaluation reserves	-235 075	104 690	-130 385
Treasury shares	-1 718 289	59 133	-1 659 156
Retained earnings	-7 343 251	-8 847 252	-15 176 280
Equity attributable to owners of the Company	**3 964 926**	**-183 215**	**3 781 711**
Non-controlling interests	645 058		645 058
Total equity	**4 609 984**	**-183 215**	**4 426 769**
Provisions	268 774		268 774
Deferred income	15 502	-15 502	0
Other long-term liabilities	2 414		2 414
Total non-current liabilities	**286 690**	**-15 502**	**271 187**
Liabilities held for sale	4 807 791	-1	4 807 790
Trade payables	245 291	-16 874	228 417
Accruals and deferred income	255 049	-1	255 048
Other liabilities	554 593	2 301	556 894
Total current liabilities	**5 862 724**	**-14 575**	**5 848 149**
Total liabilities	**6 149 414**	**-30 077**	**6 119 336**
Total equity and liabilities	**10 759 398**	**-213 292**	**10 546 105**

36.Material events after the Reporting Period

ENEFI Energy Efficiency Plc. 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.
- In the reference year the Company – authorized by the general meeting - decided to reduce its equity capital to HUF 100,000,000 by withdrawing its own equity shares. The capital increase was entered into the trade registry in the reference year, the shares were deleted in 2018.
- The Company Group continues to actively proceed to enforce its claims in Romania, and regularly informed its investors about these activities in its announcements.

37.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 Energy Efficiency 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 18, 2018 and recommended it for publication.

Budapest, April 18, 2018

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Representative of ENEFI ENERGYEFFICIENCY Plc.