



Quarterly Report

of

ENEFI Energy Efficiency Plc

for H1 2016

H1

30/06/2016

Published: 29/09/2016

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

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

ENEFI Energy Efficiency Plc is a corporate group consisting of companies with its registered seat in Budapest operates in Hungary, Poland and Romania, the subsidiaries of which deal with heat production and supply as their main activity and electric energy production and trading as related activity in certain, well-established areas of the three countries mentioned above. Additionally certain companies of the Group deal with the operation of street lighting systems in Hungarian projects. In a transaction closed in the reference period, the Company sold its operations in Poland; therefore its operation currently covers the territory of Hungary and Romania.

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

1. Balance sheet (data in EUR)

Consolidated statement of financial position - Assets		2016.06.30	2015.12.31
Property, plant and equipment	989 978	1 045 636	
Intangible assets	2 526 927	2 528 106	
Financial Asset	2 441 361	2 644 722	
Other long term receivables	1 353 975	1 548 572	
Deferred tax assets	466 795	521 275	
Total non-current assets	7 779 036	8 288 311	
Assets held for sale	0	23 564 741	
Inventories	19 242	18 621	
Trade receivables	853 589	843 361	
Other receivables due within a year	530 893	623 560	
Accruals and prepaid expenses	325 542	377 840	
Cash and cash equivalents	1 570 087	645 465	
Total current assets	3 299 353	26 073 588	
Total assets	11 078 389	34 361 899	
Consolidated statement of financial position - Equity and liabilities		2016.06.30	2015.12.31
Share capital	969 968	969 968	
Reserves	40 678 901	40 632 184	
Treasury shares	-15 334	-	
	849	-5 487 637	
Retained earnings	-19 000	-23 451	
	045	875	
Equity attributable to owners of the Company	7 313 974	12 662 640	
Non-controlling interests	59 748	2 060 098	
Total equity	7 373 722	14 722 738	
Provisions	850 121	858 375	
Deferred tax liabilities	49 508	49 507	
Other long-term liabilities	294 682	7 708	
Total non-current liabilities	1 194 311	915 590	
Liabilities held for sale	0	15 354 466	
Trade payables	468 126	783 377	
Accruals and deferred income	579 206	814 543	
Other liabilities	1 463 024	1 771 185	
Total current liabilities	2 510 356	18 723 571	
Total liabilities	3 704 667	19 639 161	
Total equity and liabilities	11 078 389	34 361 899	

2. Profit and Loss Account (Figures in EUR)

	2016.01.01.- 2016.06.30.	2015.01.01.- 2015.06.30.
Continued Operations		
Revenue	1 774 472	2 014 095
Cost of sales	-838 439	-1 008 545
Gross Profit	936 033	1 005 550
Personnel cost	-314 261	-354 361
Service used	-1 100 949	-310 160
Other revenue and expenditures, net	-222 143	224 176
Depreciation	-39 874	-513 703
Impairment of property, plant and equipment	0	422 392
Net profit/loss from financial activities	4 616 426	152 592
Net profit/loss from associated companies	0	124 994
Profit before tax	3 875 232	751 479
Income tax expense	-135 533	-99 552
Profit for the year from continuing operations	3 739 699	651 927
Discontinued operations		
Profit from discontinued operation	725 003	916 889
Result of subsidiaries excluded from the group due to loss of control	0	2 652 138
Profit for the year	4 464 702	4 220 955
Attributable to:		
Owners of the Company	4 451 830	4 019 563
Non-controlling interests	12 875	201 392
Other comprehensive income		
Foreign currency translation differences	-89 245	23 112
Total other comprehensive income	-89 245	23 112
Total comprehensive income	4 375 457	4 244 066
Attributable to:		
Owners of the Company	4 362 586	4 042 674
Non-controlling interests	12 875	201 392
Earnings per share (EUR)		
Basic earning per share	0,64	0,23
Diluted earnings per share	0,64	0,23
Continued operations		
Basic earning per share	0,55	0,19
Diluted earnings per share	0,55	0,19

3. Equity of the Owners of the Company (Figures in EUR)

	Attributable to equity holders of the parent								Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Share-based payment reserve	Total reserves	Treasury shares	Retained earnings	Total		
Balance at January 1, 2015	969 968	41 507 855	-990 594	0	40 517 261	-5 375 680	-20 870 854	15 240 695	1 684 469	16 925 164
Profit or loss for the period	0	0	0	0	0	0	-3 136 920	-3 136 920	292 436	-2 844 485
Other comprehensive income										
Foreign currency translation differences	0	0	190 405	0	190 405	0	0	190 405	0	190 405
Comprehensive income										
Increase in treasury shares	0	0	0	0	0	-201 451	0	-201 451	0	-201 451
Elimination of treasury shares	0	0	0	0	0	89 494	0	89 494	0	89 494
Other		-124 921	49 439		-75 482		555 899	480 417		480 418
Elimination of non controlling interest due to loss of control	0	0	0	0	0	0	0	0	268 854	268 854
Divident to non controlling interest	0	0	0	0	0	0	0	0	-185 661	-185 661
Balance at December 31, 2015	969 968	41 382 934	-750 750	0	40 632 184	-5 487 637	-23 451 875	12 662 640	2 060 098	14 722 738
Profit or loss for the period	0	0	0	0	0	0	4 451 830	4 451 830	12 875	4 464 705
Other comprehensive income										
Foreign currency translation differences	0	0	46 717	0	46 717	0	0	46 717	0	46 717
Comprehensive income										
Increase in treasury shares	0	0	0	0	0	-9 847 212	0	-9 847 212	0	-9 847 212
Increased liability to give treasury shares according court resolution	0	0	0	0	0	0	0	0	-2 013 225	-2 013 225
Balance at June 30, 2016	969 968	41 382 934	-704 033	0	40 678 901	-15 334 849	-19 000 045	7 313 975	59 748	7 373 722

4. Cash Flow (data in EUR)

	2016 Q2	2015 Q2
Cash flow from operations		
Profit /loss for the period from continuing and discontinuing operations	4 600 235	4 671 992
Income tax expense recognised in profit and loss	-135 533	-451 037
Depreciation and amortization	39 874	760 631
Impairment of asset	0	-2 682 624
Exchange difference	46 717	23 129
Changes of fair value of financial assets	414 919	188 600
Changes of provisions	-8 254	-1 231 811
Changes in other long term liabilities	286 974	15 189
Loss from the sale of a subsidiary	-6 202 048	0
Changes in deferred income	0	-31 755
Changes in deferred tax assets and liabilities	54 480	189 401
Adjusted profit/loss in the year concerned:	-902 636	1 451 715
Change in operating capital		
Changes of receivables and other current assets	1 346 663	1 859 099
Changes of accruals	-183 036	-73 888
Changes of Inventories	-621	1 162 410
Changes of Trade payables and other liabilities	-623 413	-1 645 047
Net cash-flow from operating activity	539 593	1 302 574
Cash flows from investing activities		
Payments related to purchasing property, machines and equipment	0	-57 868
Net cash inflow related to the sale of subsidiaries	11 134	0
	877	
Net cash flow from investing activity	11 134	-57 868
	877	
Cash flows from financing activities		
Change in loans (take out-repayment)	0	-367 534
Divident paid to non controlling interest	0	-136 186
Sale - purchase of securities	0	-649
Sale - purchase of treasury shares	-9 847 212	-184 208
Net cash flow from financial activities	-9 847 212	-688 577
Change of Cash and cash equivalents	924 622	2 007 844
Cash and cash equivalents at the beginning of the year	645 465	539 976
Cash and cash equivalents at the end of the year	1 570 087	2 547 820

5. Declaration of the Issuer

The issuer hereby declares that the consolidated report of the first half year of 2016 prepared on the basis of the provisions of the IFRS in accordance with its best knowledge, presents a realistic and reliable picture of the assets, debts, financial situation and the profit and loss statement of the issuer and the companies involved in the consolidation.



ENEFI Energy Efficiency Plc.

Consolidated

Executive Report

for the H1 2016 report

Objective of the Report:

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

I.

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

Basic Information of the Company

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

Predecessors of the Company and Changes in Corporate Form

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

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

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

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

Date of registration:	12/06/2006
-----------------------	------------

RFV Regionális Fejlesztési, Beruházó, Termelő és Szolgáltató Nyilvánosan Működő Részvénytársaság (RFV Regional Development, Investment, Production and Service Public Limited Corporation)

Date of change:	12/03/2007
-----------------	------------

The Initial Public Offer of the shares took place at the Budapest Stock Exchange on 29 May 2007.

E-STAR Alternative Energy Service Plc.

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

ENEFI Energy Efficiency Plc.

Date of change:	09/12/2013
-----------------	------------

Date of registration: 17/12/2013

Registered Capital of the Company

The registered capital of the company is HUF 271,725,790, i.e. two hundred and seventy-one million, seven hundred and twenty-five thousand, seven hundred and ninety Forints.

Shares of the Company

The registered capital consists of 27,172,579 pieces of registered, dematerialised, regulated, publicly offered ordinary shares, the par value of which is HUF 10, each.

Term of the Operation of the Company

The Company was founded for an indefinite period of time.

II.

Information on the Companies Involved in the Consolidation:

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

	Name of the Company	Country	Registered Capital	Direct and indirect business share (%)	Voting Ratio (%)
1	ENEFI Energy Efficiency Plc.	Hungary	HUF 271,725,790	-	-
2	E-STAR Management Zrt.	Hungary	HUF 5,000,000	100%	100%
3	RFV Józsefváros Szolgáltató Kft.	Hungary	HUF 3,000,000	49%	70%
4	ENEFI Projekttársaság Kft.	Hungary	HUF 3,000,000	100%	100%
5	Termoenergy SRL	Romania	RON 6,960	99.50%	99.50%
6	E-STAR Centrul de Dezvoltare Regionala SRL	Romania	RON 525,410	100%	100%
7	E-STAR Energy Generation SA	Romania	RON 90,000	99.99%	99.99%
8	E-STAR Alternative Energy SA	Romania	RON 90,000	99.99%	99.99%
9	SC Faapritek SA	Romania	RON 90,000	99.99%	99.99%
10	EETEK Limited	Cyprus	EUR 1,000,000	100%	100%
11	RFV Slovak s.r.o.*	Slovakia	SKK 200,000	100%	100%

*Sold in April 2016

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

Brief Story of the Issuer

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

Business Environment of the Company

The Corporate group with its registered seat in Budapest operates in Hungary and Romania, the subsidiaries of which deal with heat production and supply as their main activity and electric energy production and trading as related activity. Additionally certain companies of the Group deal with the operation of street lighting systems in Hungarian projects.

Introduction of Business Activity by Spheres of Activity

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

- Heat supply service
- Street lighting service;

Heat supply service with heating system modernisation

Municipalities and public institutions often solve the heating of their institutions with obsolete, wasteful heating systems. Moreover the maintenance of the obsolete systems can only be solved with greater difficulties and higher maintenance costs; the potential failure of the equipment may cause significant, unplanned investment. The investment may potentially be only implemented by loan and the further worsening credit rating due to the poor municipality management. Following the individual survey of the buildings of the customers and the preliminary survey of needs, the Company prepares an offer package in this business branch, which includes a proposal for the long term solution of heat supply at higher standards. Following the conclusion of the agreement the Company implements the energetic modernisation prepared during the survey and undertaken in the impact study without involving the resources of the customer, then it provides long term (10-25 years) heat supply service on the modern system, including operating and maintenance tasks. Depending on individual needs, the modernisation may include the replacement of the boiler, the conversion of the heat consumption into a controllable and measurable system (converting the heating systems into multiple circles, installing thermostatic controls, building in heat pump, etc.). The Company acquires the further factors required for providing the heat supply (e.g. leasing boiler-house, electric energy, water, etc.) partly from the customers. The Company

purchases the equipment from the Hungarian representatives of worldwide companies (e.g. in case of boilers, these companies are typically Viessmann, Buderus, Hoval, etc.), who usually perform installation too. The Company also concludes long term agreements for the maintenance of the equipment with a local subcontractor. The modernisation results in significant, even 40-50% energy cost saving among the same conditions. In order to ensure heat supply, the Company usually uses gas-fired equipment. Instead of the direct "gas supplier - municipality" relationship, the Company purchases gas and supplies heat to the customers in a "gas supplier (gas trader) - Company" relationship. The customer uses the heat supply at lower costs while the heating system is modernised. The customer periodically (monthly) pays a basic, or service fee and a consumption fee according to a previously determined formula. The Company adjusts the unit price of the heat supply service to the gas price invoiced by the utility gas supplier.

Street lighting service

All own development street lighting projects of the company were closed in the first half of 2015. Currently ENEFI is not maintaining any street lighting competencies.

Major Markets

Geographical Penetration of ENEFI

- Initially the Company implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector.
- Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed for the regional expansion of the Company becoming stronger and obtaining references in Hungary.
- Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of the Company / corporate group has turned towards the surrounding countries, especially Romania and Poland since the beginning of 2011's business year.

The geographical distribution of the operations of the entire ENEFI corporate group covers the territory of Hungary, Romania and Poland.

The Company sold its operations in Poland, thus the area of operation has been limited to the territory of Hungary and Romania.

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

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

- efficient thermal energy and district heating supply based on sustainable primary energy sources
- providing energy-efficient public lighting services on the basis of modern voltage control
- modernisation and exploitation of efficiency in energy supply and transformation equipment

Objective and Strategy of the Company

Among its first tasks the newly elected Board of Directors of the Company have found it important to determine and communicate its short and medium term objectives about the Company to the Shareholders particularly considering the fact that the previous owners and members of the Board of Directors did not reach an agreement in terms of establishing the strategy of the Company.

Having surveyed the ownership structure of the Company, the Board of Directors found that the ownership structure of the Company has been significantly changed recently due to the ENEFI share purchases by EETEK Ltd. and then the sale of these shares to the Company. As a result of the successfully closed bankruptcy proceedings of the Company the Company, which had been mostly owned by shareholders who were former creditors since 2013, has become the majority property of shareholders acquiring shares with real and genuine share purchase intention again? In terms of figures, the number of former creditor shareholders has decreased below 250 persons among the approximately 2000 owners. The number of shares held by former creditor shareholders was 50 million pieces as a result of the settlement with the

creditors. Following the acquisition and withdrawal of the shares transferred to affiliated company, this number has decreased to approximately 20 million. Currently, excluding the own shares of the Company and its affiliated companies, the number of shares owned by shareholders is approx. 8.5 million pieces, less than half of which are shares issued under the settlement with the creditors.

The change in the ownership structure may have facilitated the growth of the Company, however the initiatives aiming to start new projects and develop new business have all failed within the Company in the past three years. During this time the Company have been continuously losing its capabilities of vital importance to gather pace for growth. The eventually implemented projects meant the purchase of already operating street lighting projects associated to one corporate group, which however were not as successful as expected and their revenue has not or hardly been received by the Company. The recent hostile takeover corrupted the situation of the Company even further, resulting in employees continuously quitting, which has been threatening the going concern status of the Company especially in the audit period.

The management of the Company sees that the shares of the Company traded at the Budapest Stock Exchange and the Warsaw Stock Exchange are far below the book value per share, reflecting the lack of trust from investors.

The Company had previously communicated several times that the asset elements were conservatively evaluated in its report. The recently closed Polish asset sale transaction partially proved this, since the asset was sold at a price over the double of the book value.

Therefore in the current situation the new management of the Company does not see the realistic opportunity to put the Company on the track of growth by implementing new projects or developing new energy business(es) in short terms. The previously made traditional businesses will however end (expire) in the following 3-8 years.

The Board of Directors of the Company has determined its short and medium term objectives as follows:

1. The management of the company is currently focusing on sizing up the damages and repairing them as soon as possible, which will presumably require the following 2-3 months.
2. Further reducing central costs by determining the salary of the operative executive as half the amount than it previously was.
3. Issuing employee shares and converting / replacing them to ENEFI ordinary shares HUF 300 target price in order to implement the program of the Company. Instead of issuing approx. 4 million pieces of employee shares previously accepted by the general meeting, the Board of Directors plans to issue 2.5 million pieces of employee shares.
4. The Board of Directors shall put its proposal to withdraw the own shares of the Company on the agenda in year 2016.
5. The Company shall focus on the following in the next 3-5 years:
 - Sale of the existing Hungarian project before the end of duration taking into account that operation costs shall always be sufficiently covered.
 - Sale of the last still operable project in Gheorgheni, Romania in a manner arranged with the local town council. In the event that this fails to achieve success, then the Company shall enforce its right in front of court.
 - Closing lawsuits in Romania via out of court agreements.
 - Protection and legal enforcement of the interests of the corporate group to the furthest extent in all Romanian lawsuits where out of court agreements are not viable (e.g. disputes arising from the unlawful attacks of the Romanian Financial Authority).
 - Spending the amounts incoming from the above described reduction of the operation of the Company on the acquisition of own shares.

Major Resources of the Company

The number of employees in the Company has been reduced to the minimum as a result of the former dramatic downsizing of operations. The head count is sufficient to maintain daily operations. Operations with the significantly downsized corporate centre can be compared with the basic operations of an

investment. In case of starting new and large projects more staff may be required. The successful closure of the former bankruptcy proceedings stabilised the market position of the Company in Hungary. The amount of external liabilities in Hungary has practically been reduced to the incoming invoices during the daily operations. The Company is able to finance the operations from its revenues. The customers (municipalities and their institutions) involve the risk of not paying. Currently the entire Hungarian operation takes place without using bank financing. In the event that the capital requirement of the newly started projects exceeds the available amount of resources, the Company will need external financing.

Risk factors

The detailed description of the risk factors is included in the previously published Consolidated Report of the Company (pages 22-37), which is available here:

http://bet.hu/newkibdata/115693892/T_j_koztat_.pdf

Summary of the Reference Period

The trends continued in H1 2016, that the mean temperature higher than the average of several years negatively influenced the heat quantity of the Company primarily dealing with thermal energy production,, distribution and supply, thus negatively affecting the profit of the Company.

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

Regarding this the Company hereby particularly calls attention to the statements of its 2016 Q1 report on the reference period.

The Company still does not plan to implement new energy projects. The Company focuses in its business on effectively operating its assets, selling those in given circumstances and it is open to close its lawsuits in progress by out of court agreements. Due to the low stock exchange prices the Company intends to continue its previous own share repurchase programme from its free cash considering the objectives formulated by the shareholders that the acquisition of ENEFI shares at prices below the book value per one share generates value and provides an option to exit for shareholders. In addition to ENEFI, an affiliated company thereof, the management of EETEK Ltd. also decided to purchase significant amounts of ENEFI shares.

Trading Profit of the Reference Period and Prospects

The single effect profit items of H1 are mentioned at the description of the business operations in each country.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

Name of index	June 30, 2016	December 31, 2015.
Rate of fixed assets: (fixed assets/total assets)	70,22%	24,12%
Indebtedness rate: (payables/Resources)	33,44%	57,15%
Liquidity index I.: (current assets/short-term liabilities)	1,31	1,39
Quick liquidity ratio (cash/short-term liabilities)	0,63	0,03
Name of index	June 30, 2016	June 30, 2015

Profitability in the ratio of sales revenues (pre-tax profit/net sales revenues)	218,39%	37,31%
Profitability in the ratio of own capital (pre-tax profit/own capital)	52,55%	5,10%

IV.

Declaration of the Issuer

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

ENEFI Energy Efficiency Plc.