



**ENEFI Energy Efficiency Plc.**

**BUSINESS REPORT of THE BOARD OF DIRECTORS**

on the Management of the Company, the Financial Situation and  
Business Policy of the Company

and

to the Annual Individual Report of the Company of 31 December  
2015.

Status: 25.05.2016.

**Objective 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.:**

**1. Basic Details of the Company, Composition of Subscribed Capital:**

**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:	8413 Eplény, Veszprémi u. 66 Building A.
Country of registered seat:	Hungary
Telephone:	06-1- 279-3550
Facsimile:	06-1- 279-3551
Governing law:	(Hungarian)
Initial Public Offering:	Budapest Stock Exchange Warsaw Stock Exchange
Corporate form:	Public Limited Corporation

**Predecessors of the Company and Changes in Corporate Form**

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

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

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

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

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

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

### Term of the Operation of the Company

The Company was founded for an indefinite period of time.

### Registered Capital of the Company

The registered capital of the Company: 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.

Owners of the Company on balance day:

Ownership Structure	31 December 2015	31 December 2014
	Ownership Ratio (%)	
Own shares	17.92	20.39
OTP Alapkezelő Zrt.	14.67	14.67
Csaba Soós	11.47	11.47
CRH INVEST Kft.	11.27	11.27
Allianz Alapkezelő Zrt.	9.75	9.75
Free float rate (from which: owned by associated enterprises)	34.92 (4.09)	32.45
<b>Total</b>	<b>100%</b>	<b>100%</b>

Ownership Structure on the day of the annual report:

Ownership Structure	Ownership Ratio (%)	
	Own shares	64.35
PLOTINUS HOLDING Nyrt.	5.87	
Free float rate (from which: owned by associated enterprises)	29.78 (4.38)	
<b>Total</b>	<b>100%</b>	

The rights and liabilities set forth in legal regulations and the Articles of Association of the Company shall be associated to the shares, particularly but not exclusively including the relevant provisions of the Articles of Association:

„1. The responsibility of the shareholders for the Company covers the provision of the par value, or the issuing value, except for the employee shares, which may be issued free of charge too. The shareholder shall not be obliged to undertake the liabilities of the Company, if legal regulations do not provide otherwise. The shareholder shall be entitled to exercise its rights following the registration in the share register.

2. Shareholders have the proprietary rights related to shares, especially the right of dividend, interim dividend and the right of liquidation margin. Employee shareholders also have the preferential right determined in the Civil Code if they have this type of employee shares. The right of ordinary share owners to dividend may be restricted in practice by the potentially issued preferential employer shares and other rights related to dividend shall be interpreted with the consideration of this.

The shareholder shall be entitled to acquire dividend who is registered into the share register on the basis of the owner identification issued by KELER Zrt. on the dividend payment day determined by the decision of the General Meeting deciding on the dividend payment. The dividend payment shall be due after at least 20 days after the decision of the General Meeting on the day determined by the General Meeting.

3. On the basis of the membership rights of shareholders in accordance with the provisions of Section VIII. 4. of the Articles of Association, each shareholder has the right to take part at the General Meeting, request information within the legally determined frames, make remarks and proposals and vote in the possession of shares providing voting rights.

4. In addition to the above, shareholders have the legally determined minority rights and the right to transfer the shares but in the case of employer shares the restrictions of transfer set forth in Section 1., Chapter VI. of the Articles of Association shall be observed.

5. Upon the notice of the Board of Directors, the shareholder registered in the share register (custodian, shareholder trustee, and in case of shared property shares the representative) shall declare without delay that as an actual owner what extent of control it has in the Company. In the event that the shareholder fails to meet the notification within the deadline determined, then its right to vote shall be suspended until it fulfils its information liability.

## **2. Transfer of Issued Shares Constituting Registered Capital:**

The rules of the transfer of shares are set forth in the Civil Code, the Capital Market Act and the Articles of Association of the Company. The Articles of Association of the Company do not include any provisions or does not require any restrictions differing from the law.

## **3. Issued Shares Providing Special Control Rights:**

The Company did not issue such shares.

## **4. Control mechanism set forth by the employee shareholder system, in which control rights are not directly exercised by employees:**

The Company does not have such a shareholder system.

## **5. Restriction of Rights to Vote**

Upon the notice of the Board of Directors, the shareholder registered in the share register (custodian, shareholder trustee, and in case of shared property shares the representative) shall declare without delay that as an actual owner what extent of control it has in the Company. In the event that the shareholder fails to meet the notification within the deadline determined, then its right to vote shall be suspended until it fulfils its information liability.

The Articles of Association and other rules of the Company do not include further provisions differing from the law in terms of the restriction of the rights to vote.

**6. Agreement between Owners:**

The Company has no information about any agreement between owners, which may result in the restriction of the transfer of the issued shares or the rights to vote.

**7. Rules of the assignment and withdrawal of chief executives and modification of the Articles of Association:**

The major body of the Company, General Meeting shall make decisions by the simple majority of the votes except if the legal regulation or the Articles of Association on basis of the authorisation thereof, or the rules of the stock exchange compulsorily applicable for the operation of the Company make a higher rate of votes compulsory.

**8. Authority of chief executives, especially the rights to issue and repurchase shares:**

The Articles of Association of the Company do not include provisions differing from law in terms of the authority of the chief executive apart from the following authorisation based on a legal regulation:

*„7. The Board of Directors shall be entitled to make decisions on modifying the name, registered seat (premises, branch offices), activities (except for the main activity) of the Company and to modify the Articles of Association accordingly.”*

The general meeting may authorise the Board of Directors to increase the registered capital of the Company and to make the related decisions.

**9. Agreement for the case of public purchase offer:**

There is no significant agreement concluded with the participation of the Company which shall enter into effect, be modified or terminated following the change in the control of the Company after a public purchase offer.

**10. Agreement between the Company and its employee:**

There is no agreement concluded between the Company and any chief executive or employee thereof, which sets forth compensation for damages in the event that the chief executive resigns or the employee quits, if the legal relationship of the chief executive or the employee is unlawfully terminated or the legal relationship is terminated due to public purchase offer.

**11. Board of Directors of the Company:**

Name of Board Member	Position
Csaba Soós	Chairman of the Board of Directors
Attila Gagyí Pálffy	Member of the Board of Directors
László Bálint	Member of the Board of Directors

The managing body of the Company is the Board of Directors exercising its rights and liabilities as a body in accordance with the provisions of the Act on Business Associations and other relevant legal regulations. The Board of Directors is mandated and authorised to make all decisions which do not belong to the authority of the Annual General Meeting or any other body on the basis of authorisation by any legal regulation or the Rules of the Company. The operation, mandate and authority of the Board of Directors are regulated by the Act on Business Associations and the rules of procedure of the Board of Directors.

The members of the Board of Directors are elected by the Annual General Meeting for a definite or indefinite period of time. On the basis of the authorisation of the Annual General Meeting, the Board of Directors is entitled to permit the operation of committees, consulting and other bodies in order to prepare decisions.

### **12. The Company' Supervisory Board**

The Supervisory Board of the Company regularly gets informed about the significant events in the Company, participates in the process of preparing and supervising reports, then accepts them and prepares a report on that. Members of the Supervisory Board:

Name of the SB member	Position
Dr. Miklós László Siska	Chairman of the Supervisory Board
Gyula Bakacsi	Member of the Supervisory Board
Viktor Benke-Szabó	Member of the Supervisory Board
Attila Fekete	Member of the Supervisory Board
Zoltán Poják	Member of the Supervisory Board

The Supervisory Board supervises the management of the Company for the main body of the business association. During this it may require information from the managing officers, examine the books and documents of the Company. The Supervisory Board elects its chairman from the members.

The mandate, authority, organisation and operation of the Supervisory Board are governed by the provisions of the Act on Business Associations and the rules of procedure of the supervisory Board. The assignment of the members of the Supervisory Board shall be valid for an indefinite period of time.

### **13. Audit Committee of the Company**

An Audit Committee at the public limited company.

Name of Audit Committee Member	Position
Dr. Miklós László Siska	Chairman of the Audit Committee
Gyula Bakacsi	Member of the Audit Committee
Viktor Benke-Szabó	Member of the Audit Committee
Attila Fekete	Member of the Audit Committee
Zoltán Poják	Member of the Audit Committee

The mandate and authority of the Audit Committee shall cover anything assigned to it by law or the Articles of Foundation on the basis of the authorisation thereof. The chairman of the Audit Committee shall be elected by the members from the members and makes decisions by simple majority.

**14. The Auditor of the Company:**

The responsibility of the selected auditor of the Company is to take care of conducting the audition determined in the Act on Accounting and especially determining whether the balance sheet of the business association in accordance with the Act on Accounting meets the legal regulations, furthermore whether it provides a reliable and real picture of the proprietary and financial situation of the Company as well as the results of its operations.

Name: BDO Magyarország Könyvvizsgáló Kft.  
Registered seat: 1103 Budapest, Kőér utca 2/A.,  
Company registration number: Company reg. nr. 01-09-867785  
Chamber registration number: 002387

Person personally responsible for audition:

Name: Ferenc Baumgartner auditor  
Home address: 1037 Budapest, Kunigunda útja 22.,  
Mother's name: Margit Szajki,  
Auditor licence number: 002955

II.

**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 1st 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 negotiated with several traders of the energy market, took 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 29th 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 in certain, well-established areas of the three countries mentioned above. Additionally certain companies of the Group deal with the modernisation and 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:

- Street lighting service;
- Heat supply service

**The Offered Service**

After a free survey the Company offers an agreement to its customers in which it implements the luminous flux regulation of street lighting as its own development without involving the resources of the customer. The Company installs voltage regulators with the capacity meeting the local requirements, which regulate the voltage required for the street lighting. The voltage regulators are usually installed by local subcontractors and the installed devices remain the property of the Company. By the conclusion of the Agreement, the Company purchases the previously provided service - electric power, maintenance of consumers - and sells its own service to the customer. The



Company performs the maintenance of the equipment installed by the Company with the involvement of subcontractors too. The customer periodically (monthly) pays a basic, or service fee and a consumption fee. The customer and the Company share the part of the achieved cost saving exceeding the amount spent on the funding of the development. The Company shall be entitled to correct the price of electric energy sold to the customer by the electric energy price rises at all times.

### **Heat supply service with heating system modernisation**

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

### **Major Markets**

#### **Geographical Penetration of ENEFI**

- Initially 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 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 covered the territory of Hungary, Romania and Poland in accordance with the situation in the beginning of 2015.

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
- modernisation and exploitation of efficiency in energy supply and transformation equipment

**Management of the Company, Objectives and Strategy**

Among its first tasks the newly elected Board of Directors of the Company have found it important to determine and communicate its short and medium term objectives about the Company to the 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. 7.2 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 below 10 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 has practically been reduced to the incoming invoices during the daily operations. The payment discipline of the remaining customers is sufficient. The Company is able to finance the operations from its revenues. In case of starting new projects it acts with due carefulness and consideration of risks. The customers (municipalities and their institutions) involve the risk of not paying. Currently the entire Hungarian operation takes place without using bank financing. In the event that the capital requirement of the newly started projects exceeds the available amount of resources, the Company will need external financing.

### **Risk factors**

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

### **Trading Profit of the Annual Report Period and Prospects**

The trading profit of 2015 was negatively influenced by the fact that year 2015 was a record warm year. Unfortunately, the tendency continued in January, February and March too, therefore this factor will probably negatively influence the first quarter figures of 2016 and it will affect the economic performance of the entire financial year as well.

Considering the risks, the Company started opening to the market again by purchasing some new projects. Retained earnings was HUF (-) 825,532 thousand loss following the evaluation of the Romanian corporate group. The Company sold its subsidiary E-Star Esco Kft. and Fejér Megyei Nonprofit Kft and Veszprém Megyei Nonprofit Kft 100% property thereof in 2015.

### **Quantitative and Qualitative Indexes and Indicators of Performance Measurement.**

The numerical analysis of the situation of the Company is included in the paragraph titled: **“The Typical Indexes of the Company in the Reference Period”** of the Supplementary Annex constituting a part of the Report. Keeping operation costs permanently low is characteristic.

Name of index	31st December 2014	31st December 2015
Rate of fixed assets: (fixed assets/total assets)	64.31%	70.24%
Indebtedness rate: (payables/Resources)	47.51%	53.83%
Profitability in the ratio of own capital (pre-tax profit/own capital)	21.60%	-31.33%
Liquidity index I.: (current assets/short-term liabilities)	8.86	0.73
Quick liquidity ratio (cash/short- term liabilities)	0.10	0.02

### **Detailed Description of the Financial Situation of the Company**

The detailed description of the financial situation of the Company is included in the annual report presented together with the present report, while the annual consolidated report includes it at corporate group level.

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

## **Major Economic Events and Assessment of 2015**

ENEFI presented the major significant events of 2015 in details by countries in the Executive Reports constituting annexes of its quarterly reports, which are built in the present report by references as follows:

Q1 report (report of the first quarter):

[http://bet.hu/topmenu/kibocsatok/kibocsatoi\\_hirek/119132361.html](http://bet.hu/topmenu/kibocsatok/kibocsatoi_hirek/119132361.html)

H1 report (report of the first half):

[http://bet.hu/topmenu/kibocsatok/kibocsatoi\\_hirek/119670633.html](http://bet.hu/topmenu/kibocsatok/kibocsatoi_hirek/119670633.html)

Q3 report (report of the third quarter):

[http://bet.hu/topmenu/kibocsatok/kibocsatoi\\_hirek/120108009.html](http://bet.hu/topmenu/kibocsatok/kibocsatoi_hirek/120108009.html)

**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](http://www.e-star.hu) , [www.enefi.hu](http://www.enefi.hu)) and on the website of Budapest Stock Exchange Plc. ([www.bet.hu](http://www.bet.hu)) as well as the website operated by MNB ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).**

## **2. Major Events, Particularly Significant Processes after the Balance Day**

The Company continuously informed the public about the more important events after the balance day in its announcements.

1. The transaction of the sale of ENEFI Polska Spolka Z.o.o. was closed after the balance day which had been announced and publicised by ENEFI Energy Efficiency Plc.

In the transaction, EETEK Ltd. sold ENEFI Polska Spolka Z.o.o. above book value, for PLN 48.51 million cash plus the consideration of all its claims against ENEFI Polska ENEFI Plc. (approx. PLN 28 million). In the scheme, ENEFI founded a company with majority ownership named Polska Premium Fund Spolka Z.o.o. to which it brought its shares owned in E-STAR Elektrociepłownia Mielec Spółka z o. o. company.

By the sale of ENEFI Polska, the liability of ENEFI Polska to BZ WBK was also sold, which the emptor undertook to pay off in advance to the Bank, and the guarantee of ENEFI Energy Efficiency Plc for the liabilities of ENEFI Polska Sp. z o.o. was also terminated, the amount of which is maximum PLN 54,000 thousand + PLN 20,000 thousand penalty, payable in case of the breach of contract by E-Star Polska Sp. z o.o., the duration of the agreement is 15 years.

2. The Company sold its entire ownership in affiliated company RFV Slovak s.r.o (Registered seat: Hnústa, Francisciho nám 373., Republic of Slovakia, 98101, Company registration number: 44 016 972) for a symbolic amount of EUR 1.

RFV Slovak s.r.o has not conducted actual operations for years, it does not have assets, however the maintenance thereof has costs, therefore the Company decided to sell it in order to simplify the corporate group and reduce costs.

3. The Company informed its investors, that significant non-planned depreciation is expected in its annual report of 2015 in relation with its project in Gheorgheni in its consolidated report through the IFRIC 12 calculation. Since under the IAS rules the intangible assets model must be followed in case of the project in Gheorgheni, the write-off will affect the intangible assets at the consolidated level (IFRS does not require the presentation of the investment under a concession agreement in the project in Gheorgheni and in similar projects as tangible assets but as intangible assets in the consolidated report, which in certain cases may be misleading for less expert persons, therefore the Company hereby calls particular attention of its Honourable Investors to this).

4. The Company informed its Investors that in relation with the termination of its project in Gheorgheni the Romanian Court of Justice decided that its affiliated company in Gheorgheni shall be obliged to provide service until the lawsuit on the lawfulness of the termination is closed.

The Company informed its investors that on the basis of the information of the operations in Gheorgheni, the tribunal made a favourable decision for E-Star CDR in the lawsuit filed by the Town of Gheorgheni (the subject of which was the request to determine that the Town Council had voted for the modification of the price of district heating, therefore the termination by the affiliated company of the Company in Gheorgheni (E-Star CDR) was unlawful, which shall be made void). The tribunal accepted the objection raised by E-Star CDR and rejected the action filed by the Town to determine the approval of the draft decision of the Town Council on the price of district heating together with the other subsequently submitted actions. The decision is not final.

5. Among its first tasks the newly elected Board of Directors of the Company have found it important to determine and communicate its short and medium term objectives about the Company to the honourable Shareholders included in the above part of the report.

6. The Company informed its investors that according to the information from the Romanian operations, the second instance court decision (the lawsuit was closed in favour of the Company at first instance) has been made in the lawsuit related to the attachment exercised by the Romanian Financial Authority on the land of the Company in Zalău with the following explanation:

The Court concluded in the explanation that the Financial Authority initiated collection legally on the basis of only the amount of RON 265,977 from its total claim of RON 8,967,172. The Court concluded about the other claims that the Financial Authority lost its right of collection (considering the failure of registration in the previous bankruptcy proceedings of the Company). The Company also disputed the claim of RON 265,977. The objection was rejected by the Court irrespectively of the fact that the Court itself did not find the collection lawful apart from the interest.

The claim of RON 265,977 is the interest of the above RON 8,967,172 (RON 8,701,195 + RON 265,977 interest), which was established by the Financial Authority in spite of the fact that the Court had declared earlier that it had lost its claim of RON 8,701,195. The Company

challenged the decision determining the interest which lawsuit was closed in favour of the Company at first instance, however the Court approved the claim of the Financial Authority at second instance.

The Court based its decision on that decision in the present lawsuit.

The Company challenged the previous final in review proceedings because it is unintelligible for the Company how interest can be determined for a capital claim which the Company is not obliged to pay therefore it obviously cannot fall into delay. The request for review was rejected, which decision is being appealed. The Company reminds stakeholders that the capital claims were not due to its previous creditors regularly registered in the bankruptcy proceedings, since they waived those in the settlement with the creditors.

The Company hereby highlights that the Financial Authority initiated collection for the total amount of the claim being aware on the basis of the previous Court decision that it had lost its right to enforce such collection. In addition to the above, the Authority did not pay the Company the amount of VAT legally reclaimed by the Company because it was compensated its claim.

The Company will exercise revision against the present second instance decision.

7. The Company hereby informs its Honourable Investors that according to the information received from the Romanian operations, the Court of Appeal of Târgu Mures rejected the appeal submitted against the rejection of the application for legal remedy against the final decision rejecting the appeal against the decision ordering the liquidation of E-Star Mures Energy SA "under liquidation". As a consequence of the above the Company cannot exercise any further legal remedy in Romania, therefore it shall enforce its claim at an international forum.

8. MAG Zrt. informed the Company that it filed irregularity proceedings against it in relation with a project with tender subsidy previously announced for SMBs.

According to the explanation, in accordance with the consolidating annual reports of the Company for 2011 and 2012, the average number of employees was 504 and 449 respectively and *"on the basis of these, it may be concluded that your Company fails to meet the tender conditions set forth in the Tender Announcement and Guidelines, and the qualification of SMBs. According to the explanation, it is considered as a breach of contract if "the Beneficiary no longer meets the tender conditions due to the changes of the ownership structure thereof."*

The Company explained in its remarks that according to its standpoint, the conditions of commencing irregularity proceedings do not exist against it on the basis of the above reasons; the Company did not violate the support agreement; the explanation is unfounded and contradicting and is based on false assumptions. The Tender Announcement clearly states that the SMB status is a condition of application. The Company met the tender conditions at the time of submitting and winning the tender. The support agreement and the Tender Announcement and Guidelines do not contain any condition that the tenderer must meet the qualification for SMBs until the end of the maintenance period. This would be against the objective and the principle of the support. The reason for the breach of contract referred to in the explanation cannot be interpreted by the Company, especially



that on the date of submitting the application and today it was and it is operating in the form of public limited corporation; there is no correlation between the ownership structure and the SMB status; the Tender Announcement and Guidelines or the Agreement do not contain any provision that the ownership structure of the applicants may not be changed.

Irrespective of the above, MAG Zrt. stated that irregularity took place, following which the Company exercised its right to appeal.

The Ministry for National Economy approved the decision for stating the irregularity and informed that it shall take measures to rescind from the agreement.

Following the above, the Ministry for National Economy notified the Company that it shall rescind from the agreement and take measures to collect the amount of the subsidy as taxes.

The Company disputes the claim and shall enforce its claim in front of the Court of Justice.

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](http://www.e-star.hu) , [www.enefi.hu](http://www.enefi.hu)) and on the website of Budapest Stock Exchange Plc. ([www.bet.hu](http://www.bet.hu)) as well as the website operated by MNB ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).

### **3. Expected Development (Known and Expected Development of the Economic Environment Depending on the Expected Effect of Internal Decisions):**

The Company shall devote the near future to fulfil the strategic objectives announced earlier.

### **4. Field of Research and Experimental Development:**

The corporate group did not do such activity in 2015 and does not plan to do it in the future.

### **5. Premises:**

The corporate group did not establish any new premises or branch offices in 2015.

### **6. Employment Policy of the Com:**

The Company has a reduced number of employees according to its current economic situation. According to the employment policy of the Company, the headquarters of the Company, which is also the headquarters of the corporate group is operated with a “knowledge centred” view, typically employing highly educated professionals. The professionals required for the investments implemented in the operation of the Company are employed by ENEFI via contracts of agency.

### **7. Protection of the environment**

The Company pays particular attention to the protection of the environment in the business and operative activities. The major business of the Company is modern energy supply implemented by energy developments, which in addition to constituting the source of incomes of the Company, prevents the environment from significant amounts of pollution and use of energy. The Company



had continuously looked for the possibilities of using and utilising renewable energies in its previous operations too. Energy saving and thus the increased protection of the environment is a fundamental objective and business policy of the Company.

**8. Utilisation of Financial Instruments:**

The Company did not have open positions in its business operations in 2015 and it will not open new ones.

**9. Risk Management Policy and Hedging Transactions Policy:**

The Company prevents potential risks arising from currency exchange rates by currency market transactions. Such transactions did not take place in the reference year.

**10. Price, Credit, Interest, Liquidity and Cash-flow Risks:**

Most of the risks of the Company mentioned in the title were eliminated by the successful agreement with the creditors (settlement with the creditors).

The pricing policy of the Company ensures sustainable operations.

As a result of the portfolio clearing and the agreements, the cash-flow and the liquidity of the Company has been stabilised.

The Company is currently bearing the risks of the normal course of business compared to the period of the bankruptcy proceedings.

III.

**Report of the Board of Directors for the Individual Report of the Company for 2015:**

The Board of Directors prepared and accepted the individual report of ENEFI Energy Efficiency Plc. for year 2015 in accordance with the Hungarian Act on Accounting.

The Company suggests its shareholders knowing the reports of the Board of Directors, the Supervisory Board and the Auditor, to accept its report for year 2015 prepared in accordance with the Act on accounting with HUF 6,460,258 thousand as assets-resources equalling amount for the reference year, HUF -825.532 trading profit (loss).

The Board of Directors hereby calls the attention of its reputable investors to the fact that the individual annual report of the Company constitutes an inseparable part of the present report and requests them to make their decision on the acceptance of the report (including the supplementary annex and the related notes as well) carefully getting informed of these.

The Board of Directors of the Company does not suggest the General Meeting to decide on dividend payment.

The Board of Directors of the Company prepared and accepted its responsible company management report to be submitted to the Budapest Stock Exchange on the basis of a legal regulation, which was presented to the general meeting by the Supervisory Board.

IV.

**Company Management Declaration:**

The Company annually publishes its responsible company management report, which is prepared and published on the basis of the Act on Business Associations, the Capital Market Act and the relevant rules of the Budapest Stock Exchange.

The responsible company management report of the Company can be found on its website ([www.e-star.hu](http://www.e-star.hu), [www.enefi.hu](http://www.enefi.hu)) and on the website of Budapest Stock Exchange Plc. ([www.bet.hu](http://www.bet.hu)) as well as the website operated by MNB ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).

The Company declares its company management practice and the reasons for the potential differences from the mandatory recommendations in a detailed manner in its responsible company management report.

During the preparation of the report, the Company acts with particular carefulness; in the supervision and risk management process (i) the accounting professionals of the Company prepare the report, (ii) the Board of Directors of the Company discusses it, (iii) following the acceptance by the management, the report is discussed by the Supervisory Board of the Company (iv) as well as the Audit Committee, (v) and the report is revised and audited by an auditor each year.

**Declaration of the Issuer**

The annual report prepared on the basis of the accounting provisions applied and according to our best knowledge provides a reliable picture of the assets. Liabilities, financial situation and profit of ENEFI Energy Efficiency Plc.

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.