Quarterly Report

of

ENEFI Energy Efficiency Plc

for Q1 2016

Q1

31/03/2016

Published: 26/06/2014

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 balance sheet - Assets	31/03/2016	31/12/2015
Tangible assets	910,129	628,584
Real estates held for investment	0	0
Intangible assets	2,552,333	2,528,106
Investments in affiliated company	0	0
Investments in other company	0	0
Financial assets	2,535,068	2,621,913
Leasing receivables	1,700,574	1,714,495
Deferred tax assets	534,658	418,937
FIXED ASSETS	**8,232,762**	**7,912,035**
Other assets for sale	0	23,564,741
Inventories	15,122	18,621
Emptors	1,382,901	894,269
Other receivables	504,566	500,647
Accruals	353,821	377,840
Securities	0	0
Cash and cash equivalents	763,264	645,208
Total current assets	**3,019,674**	**26,001,326**
Total assets	**11,252,436**	**33,913,361**

Consolidated balance sheet - Capital and sources	31/03/2016	31/12/2015
Subscribed capital	969,968	969,968
Reserves	40,586,293	40,573,987
Own shares	-16,860,650	-6,167,906
Retained earnings	-18,295,748	-22,598,565
Capital of the Shareholders of the Company	**6,399,863**	**12,777,483**
Non-controlling shares	69,315	2,046,274
Total Capital and Reserves	**6,469,178**	**14,823,757**
Loans and other long term financial liabilities	0	0
Provisions	855,533	858,375
Deferred tax liability	1,185,334	222,547
Deferred revenue	0	0
Other long-term liabilities	303,164	7,708
Total long term liabilities	**2,344,031**	**1,088,630**
Liabilities held for sale	0	15,354,466
Supplier liability	745,658	861,125
Loans	0	0
Provisions (short)	0	0
Passive accruals	602,192	653,890
Other short-term debts	1,091,377	1,131,493
Total short term debts	**2,439,227**	**18,000,974**
Total debts	**4,783,258**	**19,089,604**
Total capital and resources	**11,252,436**	**33,913,361**

2. Profit and Loss Account (Figures in EUR)

	01/01/2016-31/03/2016	01/01/2015-31/03/2015
Revenues	1,213,681	1,364,153
Direct costs	-618,757	-698,266
Extraordinary result	**594,924**	**665,887**
Payments to personnel	-156,263	-179,832
Services used	-850,949	-132,183
Other revenues/expenditures	92,040	327,997
Depreciation	-58,505	-258,642
Depreciation of tangible assets and intangible assets	0	212,668
Other expenditures (revenues) of financial transactions	4,233,353	119,459
Share from profit of affiliated companies	0	-17,414
Pre-tax profit	**3,854,600**	**737,940**
Income tax	-254,343	18,232
Annual profit from terminated activity	725,003	1,453,207
Profit of subsidiaries excluded from the group due to the loss of control	0	2,390,097
Annual profit	**4,325,260**	**4,599,477**
Share of parent company shareholders from profit	4,302,819	4,445,464
Share of external owners from profit	22,442	154,012
Exchange rate differences arising in currency exchange of foreign operations	12,306	293,175
Total other general revenue of the reference period	12,306	293,175
Total general revenue for the period	**4,337,566**	**4,892,651**
Share of parent company shareholders	4,315,125	4,738,639
Share of external owners	22,442	154,012
Earnings per share (EUR)		
From continues and discontinued operations		
Earnings per share	0.58	0.28
Diluted earnings per share	0.58	0.28
From continued operations		
Earnings per share	0.49	0.22
Diluted earnings per share	0.49	0.22

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

	Equity of the Owners of the Company								
	Subscribed capital	Capital reserve	Exchange reserves	Total provisions	Own shares	Cumulated profit	Total	Non-controlling shares	Total capital
Account 1 January 2015	**969,968**	**54,198,984**	**-1,026,780**	**53,172,204**	**-17,476,556**	**-20,870,851**	15,794,765	**1,684,473**	**17,479,238**
Annual profit						-1,913,380	-1,913,380	547,466	-1,365,914
Other general revenue for the reference year									
Exchange rate difference occurred at currency exchange			217,833	217,833		0	217,833		217,833
Other general revenue for the reference year									
Purchase of own shares					-201,451		-201,451		-201,451
Own shares of companies out of consolidation					183,729		183,729		183,729
Reclassification to reserves	0	-12,816,050		-12,816,050	11,326,371	0	-1,489,679		-1,489,679
Dividend paid to non-controlling shares						185,665	185,665	-185,665	0
Account 31 December 2015	**969,968**	**41, 382,934**	**-808,947**	**40,573,987**	**-6,167,906**	**-22,598,566**	12,777,482	**2,046,274**	**14,823,757**
Annual profit	0	0	0	0	0	4,302,819	4,302,819	22,442	4,325,261
Other general revenue for the reference year									
Exchange rate difference occurred at currency exchange	0	0	12,306	12,306	0	0	12,306	0	12,306
Other general revenue for the reference year									
Purchase of own shares	0	0	0	0	-10,781,446	0	-10,781,446	0	-10,781,446
Delisting own shares	0	0	0	0	88,702	0	88,702	0	88,702
Delisting equity of minority shares	0	0	0	0	0	0	0	-1,999,401	-1,999,401
Account 31 March 2016	**969,968**	**41, 382,934**	**-796,642**	**40,586,292**	**-16,860,650**	**-18,295,747**	6,399,863	**69,315**	**6,469,178**

4. Cash Flow (data in EUR)

	Q1 2016	Q1 2015
Operational cash flow		
Annual profit	4,579,603	4,835,427
Income tax accounted on the revenue	-254,343	-235,950
Depreciation	39,531	581,789
Depreciation write-off	0	-2,895,576
Exchange rate difference	12,306	104,851
Change of real value of financial assets	-234,231	0
Change of provisions	-2,842	-1,271,812
Change of other long-term liabilities	0	536,374
Result from the sale of subsidiary	-4,924,003	0
Change of deferred revenues	0	35,240
Change of deferred tax assets and payables	847,065	72,878
Corrected profit for the year:	**63,086**	**1,763,221**
Changes of working capital		
Change of customer and other receivables	-478,629	-883,427
Change of accruals	-27,679	-139,236
Change of inventories	3,500	1, 823,054
Change of supplier and other liabilities	139,873	-836,476
Cash flow from operation:	**-362,935**	**-36,085**
Cash flow from investment operation:		
Payments related to the procurement of real estates, plants and equipment	-24,227	-143,460
Net cash flow of sale of subsidiaries	11,134,877	0
Cash flow from investment operation:	**11,110,650**	**-143,460**
Cash flow from financial transactions		
Changes of loans (taking-repayment)	0	-241,717
Purchase of securities	0	-439
Purchase of own shares	-10,692,744	-59,880
Cash flow from financial transactions	**-10,692,744**	**-302,036**
Net change of cash and cash equivalents	118,056	1,281,641
Cash and cash equivalents at the beginning of financial year	645,208	539,976
Cash and cash equivalents at the end of financial year	**763,264**	**1,821,617**

5. Declaration of the Issuer

The issuer hereby declares that the consolidated report of the first quarter 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.

ENEFI Energy Efficiency Plc.

Consolidated

Executive Report

for the Q1 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 ZA Distriterm SRL “under final settlement”	Romania	RON 40,000	51%	51%
8	E-STAR Energy Generation SA	Romania	RON 90,000	99.99%	99.99%
9	E-STAR Mures Energy SA “under liquidation”	Romania	RON 90,000	99.99%	99.99%
10	E-STAR Alternative Energy SA	Romania	RON 90,000	99.99%	99.99%
11	SC Faapritek SA	Romania	RON 90,000	99.99%	99.99%
12	E-STAR Investment Management SRL “under liquidation”	Romania	RON 15,000	99.93%	99.93%
13	EETEK Limited	Cyprus	EUR 1,000,000	100%	100%
14	RFV Slovak s.r.o.*	Slovakia	SKK 200,000	100%	100%

*Sold in April 2016

III.

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 form 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

2016 The trends continued in Q1 2015, 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 od the Company.

Hungary

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.

Following the reference period, 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.

MAG Zrt. informed the Company that it filed irregularity proceedings against it in relation with a project involving tender subsidy previously announced for SMBs and accounts HUF 56,641 thousand claim. The Company had previously generated provisions for the claim.

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.

Irrespectively 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.

- 100% of the future revenues arising from the ESCO projects were assigned to ENEFI prior to the sale of E-Star Esco Kft, i.e. the future cash-flows arising from the projects shall be due to ENEFI group.

Under the above agreements, the profit of the projects did not change in the first quarter from the point of view of the corporate group, as expected.

Romania

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).

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 mad 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.

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 included in its claim.

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

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 can not exercise any further legal remedy in Romania, therefore it shall enforce its claim at an international forum.

Poland

The transaction of the sale of ENEFI Polska Spolka Z.o.o. was closed in the reference period which had been announced and publicised by ENEFI Energy Efficiency Plc., the accounting effect of which was accounted in Q1 2016.

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 Elektrocieplownia 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.

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).

Trading Profit of the Reference Period and Prospects

The single effect profit items of Q1 are mentioned at the description of the business operations in each country.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

Name of index	31 March 2016	31 December 2015
Rate of fixed assets: (fixed assets/total assets)	73.16%	23.33%
Indebtedness rate: (payables/Resources)	42.51%	56.29%
Liquidity index I.: (current assets/short-term liabilities)	1.24	1.44
Quick liquidity ratio (cash/short-term liabilities)	0.31	0.04
Name of index	**31 March 2016**	**31 March 2015**
Profitability in the ratio of sales revenues (pre-tax profit/net sales revenues)	317.60%	54.10%
Profitability in the ratio of own capital (pre-tax profit/own capital)	59.58%	4.98%

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.