ENEFI

ENEFI ENERGYEFFICIENCY PLC.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2015

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

General information

Members of Board of Directors

Csaba Soós

Attila Pálffy Gagyi

László Bálint

Member of Audit Committee

Gyula Bakacsi Dr.

Miklós Siska Dr.

Attla Fekete

Group Contacts

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Auditor

dr. Csaba Adorján (registration number: 001089)

UNIKONTO Számvitelkutatási Kft.

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

Company registration number: 001724

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2016

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Abbreviations used in the consolidated financial statements:

IAS International Accounting Standards
IFRS International Financial and Reporting Standards
IFRIC/SIC Explanations for IFRS
AFS Assets for sale (financial instruments)
FVTPL Fair value to profit and loss accounts
EPS Earnings per share
CGU Cash generating unit
FB Audit committee
NCI Non-controlling interest

unikonto
Könyvvizsgálat

Unikonto Számvitelkutatási Kft.
Cím: H-1093 Budapest, Fővám tér 8.
Kamarai nyilvántartási szám: 001724

Independent Auditor's Report

To the Shareholders of ENEFI Energiahatékonysági Nyilvánosan Működő Részvénytársaság

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of **ENEFI Energiahatékonysági Nyilvánosan Működő Részvénytársaság** (seat: 1134 Budapest, Klapka u. 11., registration number: Cg. 01-10-045428) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In these financial statements the total assets amounts to 8 774 219 EUR, the equity attributable to the shareholders of the parent is 5 225 623 EUR and the total comprehensive income for the year then ended 4 182 791 EUR (profit).

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for the Disclaimer of Opinion

1. The timing of the issue of the financial statements and our evidence

The current financial statements were approved by the Board of Directors on 27th April 2017 and were made available for audit to us. Before that – in a short time – many other draft financial statements were prepared in which the reported figures were materially different, and certain positions were supported by different evidence. The changes in the draft financial statements were initiated mostly by our audit findings.

One of the material component of the entity is audited by an other auditor. The report of that auditor is currently not available for us.

Due to the short time we had available and the lack of certain audit evidence, and the complex nature of other evidences provided to us we were unable to obtain sufficient evidence if the financial statements are free from material misstatements and we were not able to finalize our audit procedures planned.

2. The recognition and measurement of the deferred tax asset

The financial statements include currently a deferred tax asset of 1 095 793 EUR. We were unable to obtain reasonable evidence about the recoverable amount of this asset, and whether the recognition and the measurement requirements of the relevant standard are met, namely we were not able to get evidence if sufficient taxable profit or taxable temporary difference will be available for the recovery of this asset (see: IAS 12.24, IAS 12.28 and IAS 12.34). The business plan provided by the Group and other proposed evidence did not provide sufficient and appropriate audit evidence for the existence and the measurement of the asset and we could not obtain evidence using alternative methods.

3. Impairment review of the non-current assets

The Group recognizes 924 611 EUR non-current tangible assets and 20 833 EUR intangible assets in the consolidated statement of financial position (together: 945 444 EUR). The Group did not conduct an impairment review required by IAS 36.9, so we could not obtain audit evidence how much is the

recoverable amount of these assets in accordance with International Financial Reporting Standards and we could not determine if impairment would have been required for this.

Report on other Regulatory Requirements: Business Report

The other regulatory requirements include the business report of the Group for the year ending on 31 December, 2016. The management is responsible to prepare the business report in line with the Act on Accounting (Act C. Year 2000) and other relevant legislation.

Our responsibility in relation of the Business Report to read the report to assess if the Business Report contradicts the Financial Statements and to assess if based on our audit evidence obtained the Business Report contains a material misstatement.

Due to the fact that we did not express an opinion on the financial statements based on the facts described in Basis for the Disclaimer of Opinion section, we do not express an opinion about the Business Report of ENEFI Energiahatékonysági Nyilvánosan Működő Részvénytársaság and consolidated subsidiaries for the year ended on December 31, 2016.

Responsibilities of the Management for the Consolidated Financial Statements

Management is responsible of the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those who are charged with governance are responsible to oversee the process of reporting.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Due to the fact described in the Basis for Disclaimer of Opinion we were unable to gather sufficient and appropriate audit evidence for this consolidated financial statements.

We are independent of the Company in accordance with the ethical rules applicable in Hungary and we have fulfilled our other ethical responsibilities in accordance with these requirements.

At Budapest, April 27., 2016

dr. Adorján Csaba
UNIKONTÓ Kft.,
1093 Budapest, Fővám tér 8.
Registration number: 001724

dr. Adorján Csaba
Registered auditor
Registration number: 001089.

Disclaimer!
This is the translation of the Audit Report issued in Hungarian. This is only for information purposes. In case of any discrepancy the Hungarian language document remains valid!

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2016

Consolidated profit and loss account

All figures are in EUR unless otherwise indicated.

	Note	12.31.2016	12.31.2015
Revenue	5	2 879 788	3 819 899
Cost of sales	6	-1 576 172	-1 627 723
Gross Profit		1 303 616	2 192 176
Personnel cost	7	-660 598	-772 007
Service used	8	-1 102 093	-855 540
Other revenue and expenditures, net	9	616 510	-5 906 366
Depreciation	14, 15	-2 634 562	-2 771 377
Net profit/loss from financial activities	10	601 725	4 234 834
Profit before tax		-1 875 403	-3 878 279
Income tax expense	11	542 793	-1 002 760
Profit for the year		-1 332 610	-4 881 039
Discontinued operations			
Current year profit/loss of sold entities	12 ,13	-248 041	2 036 556
Profit/loss on entities sold	13	5 182 985	0
Profit for the year		3 602 334	-2 844 483
Attributable to:			
Owners of the Company		3 618 178	-3 136 920
Non-controlling interests		-15 844	292 436
Foreign currency translation differences		580 458	276 030
Total other comprehensive income		580 458	276 030
Total comprehensive income		4 182 791	-2 568 454
Attributable to:			
Owners of the Company		4 198 635	-2 860 890
Non-controlling interests		-15 844	292 436
Earnings per share (EUR)			
Continued and discontinued operations			
Basic earnings per share	31	0,35	-0,23
Diluted earnings per share	31	0,02	0,10
Continued operations			
Basic earnings per share	31	0,35	-0,23
Diluted earnings per share	31	0,02	0,10

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Representative of ENEFI ENERGYEFFICIENCY PLC.

27 April, 2017

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

Consolidated financial position

All figures are in EUR unless otherwise indicated.

Consolidated statement of financial position - Assets	Note	12.31.2016	12.31.2015
Property, plant and equipment	14	924 611	1 045 636
Intangible assets	15	20 893	2 528 106
Investments in affiliated companies	16	0	0
Financial Asset	17	2 290 974	2 644 722
Finance lease receivables	18	1 440 455	1 548 572
Deferred tax assets	11	1 095 793	521 275
Total non-current assets		5 772 726	8 288 311
Assets held for sale	19, 20	0	23 564 741
Total assets held for sale		0	23 564 741
Inventories	21	32 325	18 621
Trade receivables	22	728 342	843 361
Other receivables due within a year	23	1 597 898	623 560
Accruals and prepaid expenses	24	292 216	377 840
Cash and cash equivalents	25	350 711	645 465
Total current assets		3 001 492	2 508 847
Total assets		8 774 219	34 361 899

Consolidated statement of financial position - Equity and liabilities	Note	12.31.2016	12.31.2015
Share capital	26	969 968	969 968
Reserves	27	41 212 642	40 632 184
Treasury shares	28	-16 606 171	-5 487 637
Retained earnings		-20 350 816	-23 451 875
Equity attributable to owners of the Company		5 225 623	12 662 640
Non-controlling interests	29	72 158	2 060 098
Total equity		5 297 781	14 722 738
Provisions	30	638 639	858 375
Deferred income	11	47 566	49 507
Other long-term liabilities	32	0	7 708
Total non-current liabilities		686 205	915 590
Liabilities held for sale	19, 20	0	15 354 466
Total liabilities held for sale		0	15 354 466
Trade payables	33	624 135	783 377
Accruals and deferred income	34	426 583	814 543
Other liabilities	33	1 739 515	1 771 185
Total current liabilities		2 790 233	3 369 105
Total liabilities		3 476 438	19 639 161
Total equity and liabilities		8 774 219	34 361 899

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Representative of ENEFI ENERGYEFFICIENCY PLC.
27 April, 2017

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

ENEFI ENERGYEFFICIENCY PUBLIC LIMITED COMPANY

Consolidated financial statements for the year ended December 31, 2016

Consolidated statement of change in equity

All figures are in EUR unless otherwise indicated.

	Attributable to equity holders of the parent								
	Share capital	Share premium	Translation reserve	Total reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2015	969 968	41 507 855	-990 594	40 517 261	-5 375 680	-20 870 854	15 240 695	1 684 469	16 925 164
Profit or loss for the period						-3 136 920	-3 136 920	292 436	-2 844 485
Other comprehensive income									
Foreign currency translation differences			190 405	190 405			190 405		190 405
Comprehensive income									
Increase in treasury shares	0	0	0	0	-201 451	0	-201 451	0	-201 451
Treasury shares held by companies held for sale	0	0	0	0	89 494	0	89 494	0	89 494
Other movement		-124 921	49 439	-75 482		555 899	480 417		480 418
Elimination of NCI due to lost of control		0	0	0	0	0	0	268 854	268 854
Dividend to non controlling interest	0	0	0	0	0	0	0	-185 661	-185 661
Balance at December 31, 2015	969 968	41 382 934	-750 750	40 632 184	-5 487 637	-23 451 875	12 662 640	2 060 098	14 722 738
Prior year errors	0	0	0	0	0	-93 861	-93 861		-93 861
Modified balance at December 31, 2015	969 968	41 382 934	-750 750	40 632 184	-5 487 637	-23 545 736	12 568 779	2 060 098	14 628 877
Profit or loss for the period	0	0	0	0	0	3 618 180	3 618 180	-15 844	3 602 336
Other comprehensive income									
Foreign currency translation differences	0	0	580 458	580 458	0	0	580 458	0	580 458
Comprehensive income									
Increase in treasury shares	0	0	0	0	-12 284 780	0	-12 284 780	0	-12 284 780
Sale of treasury shares	0	0	0	0	1 166 246	-179 912	986 334	0	986 334
Other movement						-243 348	-243 348	0	-243 348
Elimination of NCI after selling the Polish entities	0	0	0	0	0	0	0	-1 972 096	-1 972 096
Balance at December 31, 2016	969 968	41 382 934	-170 293	41 212 641	-16 606 171	-20 350 816	5 225 622	72 158	5 297 781

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

Cash flow statement

	Note	2016	2015
Cash flow from operations			
Profit /loss for the period from continuing operations		3 690 340	-2 844 484
Income tax expense recognised in profit and loss	11	0	1 002 760
Income tax paid	-	0	-1 170 365
Depreciation and amortization	14,15	2 634 562	2 771 377
Impairment of asset	9	974 524	9 349 306
Reversed impairment	9	-384 245	-2 756 777
Gain on sale of fixed asset	15	-15 867	0
Exchange difference	14,15,27	571 435	621 830
Changes of fair value of financial assets	17	353 748	758 694
Changes of provisions	30	-219 736	431 560
Change in other long term liabilities	32	-7 708	-365 060
Change in deferred income	-	0	-249 248
Change in deferred tax and liabilities	11	-576 460	1 023 757
Adjusted profit/loss in the year concerned		7 020 593	8 573 350
Change in operating capital			
Changes of receivables and other current assets	17,22,23	-1 338 200	-3 919 259
Changes of accruals	24, 34	-302 335	233 223
Changes of Inventories	21	-13 704	707 080
Changes of Trade payables and other liabilities	21	-528 112	-3 537 194
Net cash-flow from operating activity		-2 182 351	-6 516 150
Cash flows from investing activities			
Payments related to purchasing property, machines and equipment	**14, 15**	-32 668	-623 646
Revenue from the sale of property, machines, equipment and financial instrument	**14**	47 954	564 847
Net cash out for new financial assets (new contracts)	**19, 20, 29**	6 150 178	0
Net cash flow from investing activity		6 165 464	-58 799
Cash flows from financing activities			
Change in loans (take out-repayment)	-	0	-1 596 708
Dividend paid to non-controlling interest	-	0	-185 246
Sale - purchase of treasury shares	28	-11 298 449	-111 957
Net cash flow from financial activities		-11 298 449	-1 893 911
Change of Cash and cash equivalents	-	-294 754	105 489
Cash and cash equivalents at the beginning of the year	-	645 465	539 976
Cash and cash equivalents at the end of the year		350 711	645 465

1. General background

1.1. The basis of preparation of financial statements

Declaration on conformity with the IFRSs
The management declares that the consolidated financial statements were made in conformity with the *International Financial Reporting Standards that were adopted by the European Union*. The management made this declaration in the knowledge of its liability.
The contents of the financial statements
These financial statements present the assets, the performance and the financial position of ENEFI Energiahatékonysági Nyrt., as parent company and its enterprises involved in the consolidation (together: Group). The Group's financial statements are prepared, approved and announced by the Parent Company's management.
The basis of preparing the financial statements; the applied set of rules and the underlying presumptions, evaluation philosophy
The financial statements have been completed based on the International Financial Reporting Standards (IFRS) created by the International Accounting Standard Board (IASB). The Group applied the IFRSs in the form as those were adopted by the European Union.
The Parent Company's management established that the going concern principle is fulfilled, i.e. there is no sign implying that the Group will terminate or significantly curtail its operations within the foreseeable future (at least within a year).
The Group generally evaluates its assets at historical cost, except for the situations where the given element must be evaluated at fair value, on the basis of the IFRSs. In the financial statements, the financial instruments serving commercial purposes had to be evaluated at fair value.

1.2. Introduction of the Group

ENEFI Energy Efficiency Plc. (formerly named: E-Star Alternative Plc., RFV Plc.) (called „ENEFI" or „Company"), which is the parent company of the group ("Group"), is registered in Hungary. Its registered head office is at 1134 Budapest, Klapka str. 11. The Company's legal predecessor was established on 29 June 2000 with the aim of implementing for its clients – primarily energy-related – investments, the cost of which are recouped from the savings they generate, and by operating these projects in the long term, efficiently supplying energy to its clients. As of the balance sheet date, the Company's owners were as follows:

Owner	December 31, 2016	December 31, 2015
	Percentage of ownership (%)	
Treasury Shares	65,52	17,92
OTP Alapkezelő Zrt.	0	14,67
Csaba Soós	0	11,47
CRH INVEST Kft.	0	11,27
Allianz Alapkezelő Zrt.	0	9,75
EETEK Ltd.	6,66	0
Free Float (owned by subsidiaries)	27,82 (3,27)	34,92 (4,09)
Total	100%	100%

Initially, the Company implemented heat supply, public lighting and kitchen technology investments in Hungary, mostly in the municipal sphere. Owing to the changing economic and social expectations in our region, the demand for the solutions offered by our Company kept increasing, which permitted the Company, which was gaining strength and acquiring references in Hungary, to expand regionally as well.

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

At present the Company is an actual stock exchange-listed ESCO (an Energy Service Company that implements energy savings) in Hungary. The Company developed individual solutions for each of its projects, independent of any technology or service provider. It implemented projects as a main contractor while securing the appropriate financing.

When preparing projects, ENEFI Energyefficiency Plc. first examined/examines the possibilities of streamlining its customers' energy consumption points, then realises investments that help achieve considerable savings. An added business value of the projects is that, after the investments are completed, ENEFI Energyefficiency Plc. provides innovative energy services, as well as operates and maintains the energy systems of its partners over the long run.

Major economic events and evaluation of the year 2016

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

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

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

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

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

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

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

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

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

2. The Basis for Preparing the Consolidated Financial Statements

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards („IFRS"), also adopted by the EU. The International Financial Reporting Standards („IFRS") contain the standards approved by the Commission of the European Communities and issued by the International Accounting Standards Board („IASB") as well as the International Accounting Standards („IAS") issued by the International Accounting Standards Committee („IASC"). They include further the interpretations of the International Financial Reporting Standards Interpretation Committee („IFRS IC") and the Standing Interpretations Committee („SIC") approved by the European Commission.

The basis of the consolidation

The consolidated financial statements cover the financial statements (assets) of the Group and the entities (Group's subsidiaries) controlled by the Group. From the business year starting on 1 January 2014, the term of control is defined in the IFRS 10 standard. Accordingly, the investor has control over the investee if it is entitled to the changing, positive returns (earnings) produced by the investee and bears the consequences of negative returns and is able to control operations through its decisions (power) and thus to influence these returns. Thus, the management ability and the control derive from rights.

Control can be mainly gained through an ownership share, an agreement with other owners or a special market position (e.g. monopoly). Regarding the enterprises covered by this financial statement, the parent company gained control through ownership share, without any exceptions.

Earlier, control was defined differently in the IFRSs (see former IAS 27). As the audits before the entry into force of the IFRS 10 standard also showed, the management concluded that the regulation did not change regarding the group structure transformation, as the existence of the rights originating control and the majority of the voting rights are concurrent, thus the voting right continues to be the guiding indicator. The revenues and the expenditures of subsidiaries purchased and sold through the year are covered in the comprehensive consolidated P/L account, from the actual date of acquisition until the actual date of sale. The total, comprehensive result of the subsidiaries is due to the owners of the Group and the non-controlling shares. The amount of the comprehensive result must also be assigned to the non-controlling unit if it is negative.

If needed, the subsidiaries' financial statements are modified so that their accounting policies conform with the accounting policies applied by other Group members.

At the date of consolidation, the transactions, balances, revenues and expenditures are fully filtered out even if the produced result appears in form of an asset value.

The revenues and the expenditures of affiliated companies purchased and sold through the year are covered in the comprehensive consolidated P/L account, from the actual date of acquisition until the actual date of sale. The total, comprehensive income of affiliated enterprises is due to the owners of the Company and the non-controlling shares even if in this manner the balance of non-controlling shares will be negative.

The companies pertaining to the Company Group apply a uniform accounting policy.

The transactions, balances, revenues and expenditures within the Group are fully filtered out upon the consolidation.

Companies involved in the consolidation:

ENEFI Energiahatékonysági Nyrt. is the direct parent company, and it prepares the consolidated financial statements under the IFRS. The following Companies are involved in the course of the consolidation:

All figures are in EUR unless otherwise indicated

Name	Country of incorporation	2016 Share ownership	2016 Voting power	2015 Share ownership	2015 Voting power
EETEK Limited	Cyprus	100%	100%	100%	100%
RFV Józsefváros Kft.	Hungary	49,00%	70,00%	49%	70%
E-Star Management Zrt. (previous RFV Management Kft.)	Hungary	100,00%	100,00%	100%	100%
ENEFI Projekttársaság Kft.	Hungary	100,00%	100,00%	100%	100%
E-Star Centrul de Dezvoltare Regionala SRL	Romania	100,00%	100,00%	100%	100%
Termoenergy SRL	Romania	99,50%	99,50%	99,5%	99,5%
SC Faapritek SA	Romania	99,99%	99,99%	99.99%	99.99%
E-STAR ZA Distriterm SRL „felszámolás alatt"	Romania	51,00%	51,00%	51%	51%
E-Star Mures Energy SA „felszámolás alatt"	Romania	99,99%	99,99%	99.99%	99.99%
E-Star Alternative Energy SA	Romania	99,99%	99,99%	99.99%	99.99%
E-Star Energy Generation SA	Romania	99,99%	99,99%	99.99%	99.99%
E-STAR Investment Management SRL „felszámolás alatt"	Romania	99,93%	99,93%	99,93%	99,93%
Elektrocieplownia Mielec Spółka z o. o. *	Poland	0,00%	0,00%	85,37%	85,37%
EC-Energetyka Spółka z o. o. *	Poland	0,00%	0,00%	51,66%	51,66%
E-Star Polska *	Poland	0,00%	0,00%	100%	100%
Premium Fund Sp zoo *	Poland	0,00%	0,00%	99,9%	99,9%
Energia Euro Park Sp. z o.o. *	Poland	0,00%	0,00%	21,65%	21,65%
RFV Slovakia sro *	Slovakia	0,00%	0,00%	100%	100%

* The entity sold during current year

Entities sold in current year:

Component	Country	Selling date	Profit/loss included in Consolidated income statement
Elektrocieplownia Mielec Spółka z o. o. *	Poland	February 26, 2016.	Yes
EC-Energetyka Spółka z o. o. *	Poland	February 26, 2016.	Yes
E-Star Polska *	Poland	February 26, 2016.	Yes
Premium Fund Sp zoo *	Poland	February 26, 2016.	No
Energia Euro Park Sp. z o.o. *	Poland	February 26, 2016.	Yes
RFV Slovakia sro *	Szlovakia	April 19, 2016.	Yes

2.1. New and modified International Financial Reporting Standards

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

The Group voluntarily did not change its accounting policies applied in 2014 for 2015.
Below we cover the impact on the Group's financial statements by the changes in the IFRSs and IFRICs entering into effect after the balance sheet date. We do not analyse in details the expected impact of the changes in IFRSs and IFRICs that are in progress and known at the balance sheet date because they do not influence the financial statements significantly, and disregarding them does not affect the decisions of those using the report.

The following standards and interpretations (also including their modifications) enter into effect in the business year of 2015.

New and modified standards and interpretations entering into effect from this reporting period, published by the IASB and adoped by the EU:

Modifications to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in associates and joint ventures" – Investment companies: application of the consolidation exception (approved by the European Union on 22 Sep 2016, entered into force on 1 January 2016 and in the later started reporting periods).
On 18 Dec 2014 the IASB announced modifications to the international financial reporting standards IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in associates and joint ventures". The introduced modifications specify the requirements on accounting investment funds in manner that the said funds do not consolidate their investments in certain situations. As the Group does not qualify as an investment company, the modifications to the standard are not relevant.

IFRS 11(Modification) "Joint Arrangements" – accounting for acquisition of interests in joint activities – adopted by the EU on 24 November 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date). The modification gives new guidelines as to how entities should account for the acquisition of interests in joint activities. The modifications specify the proper accounting of such acquisitions. The modification is not relevant as the Group has no joint activities.

IAS 1 (Modification) "Presentation of financial statements – Initiation of publication – adopted by the EU on 18 December 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date. The modification clarifies the guideline of IAS 1 on materiality and encourages the entities to apply their professional consideration in specifying what information must be published in their financial statements. As a result, the Group revised its accounting practice and attempted to manage insignificant topics (if their publication deteriorated clarity) combined with other topics. The modification had no essential impact.

IAS 16 (Modification) "Property, plant and equipment" and IAS 38 "Intangible assets" – Clarification of methods adopted for depreciation and amortisation – adopted by the EU on 2 December 2015 (will enter into force on 1 January 2016 and in the reporting periods starting after the above date).
The IASB clarified that revenue-based methods are not appropriate for assessing the depreciation of an asset because revenues generated by an activity that involves usage of the asset generally reflect other factors than the usage of the future economic benefits incorporated in the asset. The IASB also stated that revenues are generally not suitable for measuring the usage of economic benefits incorporated in immaterial goods. At the same time, this assumption can be refuted under specific, restricted conditions.
The Group did not apply any revenue-based write-off, thus this change had no impact.

IAS 19 (Modification) "Employee benefits" – Specific benefit programmes, contributions paid by employees – adopted by the EU on 17 December 2014 (will enter into force on 1 February 2015 and in the reporting periods starting after the above date). The purpose of the modifications is to simplify and clarify the accounting for contributions by employees or third parties with regard to specific benefit programmes. The Group has no such programme, thus this modification had no impact on the financial statements.

Modification concerning the following standards (between 2010-2012) Based on IFRS Development Project concerning the following standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), primarily in order to terminate inconsistencies and to clarify explanations accepted by EU on December 17, 2015 (the modifications must be applied from 1 February 2015 and in the reporting periods starting afterwards).

The modification of various standards "IFRS improvements (in 2012-2014)" – Based on IFRS Development Project concerning the following standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) as a result of the IFRS Development Project, primarily in order to terminate inconsistencies and to clarify explanations accepted by EU on December 15, 2015 (the modifications must be applied from 1 January 2016 and in the reporting periods starting afterwards).
All figures are in EUR, unless otherwise indicated.
The modifications to the existing standards described in the above two paragraphs did not lead to modification to the Group's accounting policy, and exert no major impact on the Group.

Modifications to the standards issued by the IASB and approved by the European Union that have not entered into force yet.
The following standards, modifications and interpretations approved by the European Union did not yet enter into force at the date of adopting these financial statements:
IFRS 9 "Financial instruments" (will enter into force on 1 January 2018 and in the reporting periods starting after the above date).
On 24 July 2014 the IASB published the IFRS 9 Financial instruments standard, which replaces the IAS 39 Financial instruments: recognition and measurement standard. The standard contains rules on recognising, evaluating, impairment, derecognising financial instruments, as well as rules on general hedge accounting.

The version of IFRS 9 issued in 2014 annuls all the former versions.

The Group has numerous financial instruments, therefore, the change in rules was reviewed in this period. The company mainly has FVTPL financial instruments. These are handled similarly under the new standard, thus the introduction of IFRS 9 will probably cause no changes.

The standard radically changes the rules on the impairment of financial instruments. As against the objective impairment (incurred impairment), the expected impairment model is introduced, which demands that the forecast impairment is inserted into the financial statements. The Group has claims that will be affected by the above change in rule. The accounting records and calculating impairment will be a heavy technical burden on the Group, but its expected impact (expected loan loss that is to be actually accounted) will probably not be significant.

IFRS 15 "Revenue from contracts with customers" (will enter into force on 1 January 2018 and in the reporting periods starting after the above date).
IFRS 15 created a unified model for revenues deriving from contracts (except the contract that are identified as lease, or insurance contract or financial instruments).

IFRS 15 replaces the former revenue standards, which involve interpretations of IAS 18 Revenues, IAS 11 Investment contracts and revenue accounting. From among the Group's activities, the standard will probably apply for the health sector, but no major deviations have been identified compared to the current practice.

Standards and modifications issued by the IASB and not yet approved by the European Union

The IFRSs also approved currently by the European Union do not differ significantly from the rules approved by the IASB, except for the following standards and the modifications to the existing standards which were not yet approved by the European Union at the date of publishing the financial statements (the below mentioned dates are the dates of the full application of the given IFRS).

IFRS 14 "Regulatory deferral accounts" standard (entered into force on 1 January 2016 and in the later started reporting periods)
The European Commission decided not to apply the approval process for the current interim standard but to wait for the final standard. Therefore, this standard does not, and will have no impact on the accounting.

IFRS 16 "Leasings" standard (entered into force on 1 January 2019 and in the later started reporting periods)
The IASB issued the IFRS 16 – Leasings standard in January 2016, which lays down the basic principles of recognition, evaluation, presentation and publication of leasing contracts both for the "lessee" and the "lessor".
The IASB decided in October 2015 that the IFRS 16 Leasings standard becomes obligatory for entities after 1 January 2019 and in the later accounting periods. Early application is permitted if the entity already applies the IFRS 15 – Revenue from contracts with customers standard at the date or before the first application of this standard.
The purpose of the yet-to-be-introduced standard is to ensure the full presentation of assets and liabilities deriving from leasing contracts.
After its introduction, the IFRS 16 – Leasings standard repeals IAS 17 – Leasings standard and the related interpretations (IFRIC 4).
The Group as lessor is directly impacted by the standard, but the yet-to-be-introduced standard will probably not affect the accounting process due to the lessor status.

Modifications to the IFRS 2 "Share-based payments" standard – Classification and evaluation of share-based payments (published on 20 June 2016, entered into force on 1 January 2018 and in the later started reporting periods)
The modifications specify prescriptions for accounting the following items:
(a) impact of the vesting and non-vesting conditions on share-based payments settled in cash;
(b) handling the net settlement of share-based payment transactions related to source tax obligation;
(c) accounting for the modification of share-based payment transactions settled in cash into share-based payment transactions settled in equity.
This modification impact does not have to be considered as the Group has no share-based payments.

Modifications to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" – Sale and transfer of assets between the investor and its affiliated or jointly managed enterprise (entered into force on 1 January 2016 and in the later started reporting periods).

The modification relieves an existing contradiction between the IFRS 10 and the IAS 28 (2011) requirements with regard to asset sale or transfer between the investor and its affiliated or jointly managed enterprise. The main consequence of the modifications is that the total profit or loss must be accounted if the transferred assets conform with the definition of business combination. Partial profit or loss must be accounted for the transfer of assets not qualified as business combination. The project, just like the adoption of the standard, has been postponed for an indefinite period of time. The Group reckons that the proposed change – if adopted - will not have an essential impact.

IFRS 15 "Revenue from contracts with customers" standard clarification – problems arising upon the TRG reconciliation (published on 12 April 2016, entered into force on 1 January 2018 and in the later started reporting periods).

The purpose of the project is to clarify issues related to IFRS 15 standard guideline TRG (Transition Resource Group) revenue accounting. The reconciliation highlighted various potential interpretations of the interested parties about different IFRS questions. The given questions were forwarded to IASB, which issued a modification for clarifying the questions with regard to the IFRS 15 prescriptions and expectations. Over and above the principal-agent regulation, the Group does not reckon with a major impact from applying the standard.

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

On 29 January 2016, IASB announced the initiative regarding the Presentation of additional information. The purpose of the modifications is to amend IAS 7 so that the users of financial statements can gain more detailed information on the financial activities of the entity. According to the modifications, the entity must publish additional information, which enables the users of financial statements to interpret changes in the financial activity-related liabilities, also including changes involving and not involving cash flow. This change implies an essential modification in the Group's supplementary notes as the Group has financing cash flows where this information will have to be provided. The Group has started technical preparations for implementing this specification.

IAS 12 "Income taxes" standard modifications – Accounting deferred tax assets relevant to unrealized losses (entered into force on 1 January 2017 and in the later started reporting periods)
On 19 January 2016 the IASB made modifications to the IAS 12 – Income taxes standard, under the title Recognition of deferred tax assets for unrealized losses. These modifications clarify the methodology of accounting deferred tax in connection with debt instruments evaluated at fair value.
The IAS 12 standard specifies the conditions on presenting and evaluating deferred tax assets and liabilities. The issued modifications clarify the conditions on presenting deferred tax assets in connection with unrealized losses.

The modifications must be applied by the entities after 1 January 2017 and in the reporting periods starting afterwards. Early application is permitted.
The modifications to the standard follow the IFRIC recommendation. The Group expects no major change with regard to the introduction of the standard.

Modifications to the IAS 40 "Investment property" standard – Reclassification of properties for investment purposes (published on 8 December 2016, entered into force on 1 January 2018 and in the later started reporting periods)
The IASB modified the standard in order to strengthen the rule saying that reclassification into or from investment property is possible only if there has been a change in the usage of the property.
Modification to certain standards "Extended development of IFRS (in the years 2012-2014)" – As a result of the IFRS Development Project, there were modifications to some standards (IFRS 1, IFRS 12 and IAS 28), primarily in order to terminate inconsistencies and to clarify explanations. (They have no impact on the Group.)

IFRIC 22 interpretation "Foreign currency transactions and advance consideration" (published on 8 December 2016, entering into force on 1 January 2018 and in the later started reporting periods).
The interpretation details the accounting of transactions related to advance payment in foreign currency.
Here, the rule says that the advances in question may not be revaluated within the framework of end-year evaluation. So far the Group has managed its foreign currency advances on the basis of this rule, therefore, the rule will have no impact later.

3. Significant accounting policies

3.1. The basic principles of making statements

The consolidated financial statements were made based on the cost value principle, except for financial instruments that were evaluated in a revaluated amount or at fair value, just as explained in the below accounting policies. The cost value is usually based on the fair value of the consideration (counter-value) delivered in exchange for the assets.

3.2. Changes in the owner interests in the Group's current affiliated enterprises

Changes in the shares held by the Group in affiliated enterprises that do not result in the termination of control are accounted as capital transaction. The Group corrects the registration value of its own shares and non-controlling shares in a manner that the values should reflect the distribution of the relative shares in the individual affiliated enterprises, with the proviso that certain priority shares may lead to deviations in the NCI value. The deviations between the amount of correction affecting non-controlling shares and the fair value of paid or received consideration (counter-value) are accounted directly in the equity capital, and are assigned to the Company's owners.

If the Group's controlling right over an affiliated enterprise ceases to exist, the result of sale (i) is the amount of the fair value of the received consideration (counter-value) and the fair value of the kept share, as well as (ii) the difference between the fair value of the affiliated enterprise's assets (including goodwill) and liabilities and between the amount of non-controlling shares, with the proviso that evidently correction is needed with the formerly filtered out balances. If the assets of affiliated enterprises are registered at a revaluated value or fair value and the amount of the connected accumulated profit or loss was accounted in the other overall result and accumulated in the equity capital, accounting is made as if the Group had sold directly the relevant assets (i.e. they are reclassified into the result or directly into the accumulated result according to the relevant IFRSs). The fair value of the share maintained in the earlier affiliated enterprise and prevailing on the day of termination of control is the fair value of initial presentation stated in the course of the later evaluation under the IAS 39 Financial instruments: recognition and measurement, or, if applicable, the cost value of investments in affiliated enterprises or common organizations incurring at the initial presentation.

3.3. Business combinations

Business combination is the situation where the Group gains control over a new company, and the purpose of the acquisition was to acquire the business activity of the purchased entity and not only to acquire the assets of the purchased business entity. The control shall be regarded as acquired from the day when any situation required for qualification as a subsidiary was fulfilled.
The purchaser is the entity that gains control over the purchased entity. If it is not clear which party is the purchased entity, it must be determined on the basis of the following features:

- In the course of a business combination that is primarily established by delivering cash instruments or other assets or by assuming liabilities, the purchaser is usually the entity that delivers the cash instruments or other assets or assumes the liabilities.
- In the course of a business combination that is primarily implemented through the exchange of capital shares, the purchaser is generally the entity issuing the capital shares. In the course of business combinations called reverse acquisition, the purchased entity is the issuing entity. Some other relevant facts and circumstances must also be considered for identifying the purchaser, like relative voting rights, existing minority share, composition of the controlling body, composition of the top management and the conditions on capital share exchange.
- The purchaser is usually the merging entity whose relative size (e.g. measured in assets, revenues or result) is much higher than that of the other merging entity or entities.

- In the course of a business combination affecting more than two entities, the definition of the purchaser must also consider, among other things, which of the merging entities initiated the combination, and what is the relative size of the merging entities.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

If the first accounting of a business combination was not closed at the end of the reporting period when the business combination took place, the Group will account transitional estimated amounts for the items that were not accounted yet. The Group corrects these estimated amounts through the accounting period (see above), or accounts for further assets or liabilities so that the amounts also reflect the new information obtained about the facts and circumstances prevailing on the day of acquisition, which – if they had been known - would have influenced the amounts accounted on the day of acquisition. Such modifications do not qualify as an error.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. In this case the calculation need to be done twice).

The non-controlling interest, which represent a share of ownership, and its owner shall grant the right of the net assets of the economic entity in proportion to the event of the liquidation, proportional part of either fair value or the acquiree's identifiable net assets recognized in the amount of is repeating non-controlling interests can be assessed. The Group doesn't apply the recognition of NCI at fair value.

If the initial accounting of a business combination is not full at the end of the reporting period when the combination took place, the purchaser must indicate temporary amounts in its own financial statements for the items where the accounting is not full. Through the evaluation period the purchaser must retroactively modify – with regard to the date of acquisition – the indicated temporary amounts in order to reflect new information on facts and circumstances prevailing at the date of acquisition which – if they had been known - would have influenced the evaluation of the amounts presented at that date. Through the evaluation period the purchaser must also indicate further assets or liabilities if it obtained new information on facts and circumstances prevailing at the date of acquisition which – if they had been known - would have resulted the presentation of assets and liabilities at that date. The evaluation period is over when the purchaser receives the information that it searched about the facts and circumstances prevailing at the date of acquisition, or it learns that no further information can be obtained. At the same time, the evaluation period may not exceed one year calculated from the date of acquisition.

The evaluation period is the period after the date of acquisition when the purchaser can modify the temporary amounts presented with regard to the business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3.4. Goodwill

The difference of the consideration (counter-value) given for the acquired subsidiary (cost of control) and the acquired net assets is presented as goodwill, which is an immaterial asset that cannot be depreciated. The Group assigns this goodwill to a cash generator unit (CGU) and tests it every year to determine whether the goodwill is impaired. When testing the goodwill impairment, the CGU's returns value (recoverable amount) must be compared to the CGU's book value. If the returns value is lower than the CGU's book value, the goodwill must be written off first, unless there is a clearly damaged asset. The goodwill must not be reversed / written back later. The CGU returns value is the higher of its usage value and the fair value reduced with the sales costs.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the

unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the Group accounting policy regarding the goodwill on aquisition of investment in affiliate see notes 3,6 below.

3.5. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Authoritative/standard control is if the vote for decisions regarding the investee's financial and operating policy directly or indirectly exceeds 20%.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount, but the goodwill can't be reversed.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group. Claims and liabilities are not filtered out. If the investor grants a credit to the affiliated enterprise that is to be repaid only in a specific situation (in the far future), it is presented together with the value of investments, and the difference is recorded in the other comprehensive result in the course of the revaluation.

3.6. Leases

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

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

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

- specified and fixed term
- each element of ownership goes to the lessee during the term of the contract
- the lessee gets a purchase option right where the trade price is much lower than the market price known when exercising the option

- the term of lease reaches 75% of the asset's economic obsolescence period (most part of the leasing object's economical lifecycle)
- the present value of leasing fee payments exceeds 90% of the asset's purchase value (market value)

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

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

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

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

3.7. Revenue recognition

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

Rendering of services

The Group's core business is heat energy production and sale. The items related to sales revenues are invoiced and accounted on a monthly basis. Apart from heat energy, the Group has significant revenues from service fees related to individual contracts, accounted on the basis of IFRIC 12. In addition, the sales revenues also cover other rental fees and engineering services.

Dividend and interest income

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

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

3.8. Foreign currencies

Presentation currency:

The financial statements were prepared in "EUR. The Group chose EUR as the currency of presentation to make it easier for investors to interpret the financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- an exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

Functional currency:

The functional currency of the subsidiaries is identical with the currency of the relevant countries because most of the sales revenues of the subsidiaries are invoiced in the currency of their own country.

3.9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.10. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.11. Retirement benefit costs

Defined contribution plan

One subsidiary of the Company operates a defined contribution pension plan for employees. Pension costs are charged against profit or loss as the related service is provided.

3.12. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period. The Group apply 9% income tax for the Hungarian entities and 16% for Romanian entities.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.13. Property plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their carrying amounts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Structures	10 years
Plant and equipment	3-5 years
Vehicles	5 years

3.14. Intangible assets

Intangible assets acquired separately:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised

3.15. Impairment of tangible and intangible assets other than goodwill

The Group tests its assets from the viewpoint of impairment every year. The test has two steps. First, it is checked whether there are any signs suggesting that the given assets are impaired. The following signs can indicate impaired assets:

- damage;
- falling revenues;
- unfavourable change in market relations, decline of demand;
- rising market interest rates

If there is a sign of impaired assets, a calculation must be made to establish the returns value (recoverable amount) of the asset (second step). The returns value is the higher of the fair value of the asset reduced with the sales costs and the present value of cash flow deriving from regular use. In lack of more accurate estimates, the sales costs must be established at 10%. If the usage value of an asset group cannot be established because it does not produce cash flow on its own (cannot be utilized), the test must be accounted for a CGU, If the usage value could only be established for a CGU and impairment had to be accounted, the impairment has to be divided as follows:

- first the damaged assets must be reduced;
- then the goodwill must be reduced;
- in the third step the remaining impairment must be divided for the tangible assets (PPE) and the immaterial assets, in proportion to their book value prior to the impairment.

No asset value can be reduced below the fair value reduced with the individual sales costs. The immaterial goods that have no defined useful lifecycle and cannot be used yet are reviewed at least every year in the case of signs of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out ("FIFO") basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.17. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision is expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

3.18. Financial instruments

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

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

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

Available for sale financial assets

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.19. Earnings per share (EPS)

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.20. Service Concession Agreements

In accounting for public-to-private service concession agreements, the Group applies the following principles.

The provisions in interpretation 12 of the IFRIC are applied if the following conditions are met in case of a public-to-private service concession agreement: (a) the concession grantor has control over or can regulate what services, to whom and at what price are to be provided by the operator using the infrastructure; and (b) at the end of the agreement, the concession grantor will control, through ownership, beneficiary rights or otherwise, all the major residual assets relating to the infrastructure.

According to the terms of such agreements, the operator works as a service provider. The operator builds or develops the infrastructure used for providing public services (construction or development services), and operates and maintains the infrastructure for a definite period of time (operating services).

If certain contracts made with public authorities meet the above conditions then the infrastructure covered by such a contract will not be recognized in the Group's accounts as real estate property, machinery or equipment.

In the case of such contracts, the construction or development services provided by the Group will be presented at the actual value set out in the contract, whether received or receivable. The consideration set out in the contract will be accounted for as a financial asset or intangible asset.

Construction or development services provided by the Group will be presented as financial assets if, on the basis of the contract, the Group has an unconditional contractual right to receive funds from the concession grantor (local municipality) or at the latter's instruction in return for the construction or development services; and the concession grantor has no or hardly any chance for avoiding payment because the contract is lawfully enforceable. The Group is entitled to receive funds if the concession grantor provides a contractual guarantee that it will pay a fixed or calculable amount to the Group or pay the difference between the amounts received from the users of the public service and the fixed or calculable amount set out in the contract.

Construction or development services provided by the Group will be presented as intangible assets if, on the basis of the contract, the Group acquires the right (licence) to charge a fee on the users of the public service. In this case the costs of raising loans for the agreement will be capitalized during the construction or implementation phase of the agreement.

If the construction or development services provided by the Group are paid partly in cash and partly by intangible assets then the respective parts of the consideration so received will be accounted for separately.

If the Group has contractual obligations to maintain or restore the infrastructure taken over or developed by it then these obligations shall be accounted for in the financial statements at the value estimated at the time of preparing the statements.

The Group has such concession rights that are defined as financial assets.

If the Group has any liabilities arise from the contract regarding maintenance or restoration of built or received infrastructure, than these liabilities get presented in the financial statements based on the estimated value at balance sheet date as mentioned in IAS 37.

The capacity increase recognised based on IAS 11 rules.

3.21. Operating segments

An operating segment is a component of the business entity:

a. which conducts business activities involving revenues and expenditures (including revenues and expenditures related to transactions that are conducted with other components of the same business entity).
b. the operating results of which are regularly reviewed by the key operating decision maker of the business entity to be able to make a decision regarding the funds to be allocated to the segment and to evaluate its performance, and
c. in respect of which separate financial information is available.

Based on the foregoing, the Group defined and presents its operational segments. The management concluded that the Group's operational segments can be defined on a geographical basis, and activity-based segmentation cannot be carried out sensibly.

4. Critical accounting judgements and key sources of estimation uncertainty

With respect to the application of the Group's accounting policies, the management has to make decision, estimates and assumption as to the registration value of the assets and liabilities that cannot be clearly determined from other sources. The estimates and related assumptions are based on past experience and other factors that are considered relevant. The actual results may be different than these estimates.

The estimates and the assumptions on which they are based must be reviewed continuously. The modifications of accounting estimates must be recognised in the period when the modification was made if the modification only affects this period, or in the period when the modification was made and the periods after that if the modification affects the period under review as well as the future.

The following describes the critical decisions - with the exception of those that contain estimates - that the Group made in the context of the application of its accounting policies and which made the biggest impact on the amounts presented in the financial statements.

4.1. Provisions

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The entities of the Group are involved in several ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.2. Concession rights valuation

The Group is recognized the value of the project at Gyergyószentmiklós according to the standard of IFRIC 12 Service Concession Agreements. During the calculation the Company estimated the future net income of the project and determined the realisable value less cost to sell. During the determination of the fair value the Company calculated with discounted future cash flows. These future cash flows represent the management's best estimation. The details of the concession contract are disclosed in the Note 13.

The company measured all components of the Hungarian portfolio both in terms of assets and contracts, that is, on the basis of the net present value calculations. These assets are presented between financial assets in the statement of financial position, their book value is 2,644,722 EUR as of December 31, 2015 and 5,629,391 EUR as of December 31, 2014.

4.3. Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the management determined that the useful lives of the properties, plants and equipments remained as in the previous years.

4.4. Impairment of property, plant and equipment and intangible assets

Impairment on property, plant and equipment or on intangible assets is determined based on estimations concerning the recoverable amount of those assets. Changes in accounting estimates relating to asset impairment (estimates of the asset's fair value less cost to sell and value in use, the free cash flow estimate, considerations regarding the discount rate, etc.) could have a material impact on the results of the Group.

In respect of tangible and intangible assets, the recovery on the business entity's assets is tested in the context of an impairment test. The corrections that appear necessary on the basis of the impairment test are presented by the Group in these consolidated financial statements.

4.5. Determining the Fair Value in case of Acquisition

In case of acquisitions the Group determines the fair value of the assets and liabilities of the company or companies acquired.

The assets transferred by the acquiring entity in exchange for control over the acquired entity as well as any obligations assumed shall be valued at the fair value as at the time of the acquisition.

The costs of acquisition will be presented in the profit and loss statement.

4.6. Generating profit to create enough tax base to apply the deferred tax method

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The management needs to make substantial assumptions with respect to the potential deferred tax, as well as about the time and amount of the profit which creates the tax base in view of the tax-planning strategy.

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

The balance of deferred tax receivables in 2016 841.230 EUR, in 2015 521.275 EUR.

5. Revenue

	2016	2015
Heat sales	2 216 011	3 447 071
Other revenue	663 777	372 828
total	2 879 788	3 819 899

The Group recognise its revenue mainly from sale of electricity and heat energy. The heat energy derived from the Group own production.

6. Cost of sales

	2016	2015
Cost of mediated services	1 518 728	1 530 522
Material costs	57 444	63 636
Cost of sold goods	0	33 565
Total	1 576 172	1 627 723

A significant portion of the value of intermediated services consists of the cost of public utility.

7. Personal costs

	2016	2015
Wages and salaries	522 758	620 781
Social security contributions	130 742	144 219
Other employee benefits	7 099	7 007
Total	660 598	772 007

The head count figure of the group is 169 as of December 31, 2015 and 33 as of December 31, 2016.

8. Service used

	2016	2015
Legal fees	383 058	61 950
Maintenance costs	216 020	251 939
Rental fees	147 433	169 462
Advisory fees	143 347	219 736
Bank charges	100 343	21 099
Other costs	59 517	101 787
Insurance fees	32 959	6 067
Office, communication	16 226	17 892
Property related services	2 396	3 840
Car operation costs	793	1 768
Total services	1 102 093	855 540

9. Other revenue and expenditure

	2016	2015
Other revenue		
Income related to concession right*	1 113 479	0
Reversal of provisions	533 644	635 806
Reversal of impairment of assets	384 245	3 187 316
Fines related to grants	338 454	0
Income related to previous year	153 831	0
Released fine related to concession fees	130 027	0
Net profit on sale of plant, property and equipment	49 177	0
Credited fines	0	719 620

Assumption of debt	0	235 265
Other government grants	0	72 413
Other revenues	96 812	198 818
Total	**2 799 670**	**5 049 238**
Other expenditure		
Impairment of assets	974 524	2 378 611
Released receivables	359 230	0
Collection	313 576	0
Provision made during the year	310 602	1 684 448
Fines	88 988	441 447
Other taxes	25 973	54 114
Impairment due to changes in group	0	6 328 387
Net loss on sale of plant, property and equipment	0	7 990
Other expenditures	110 268	60 607
Total	**2 183 160**	**10 955 604**
Other income and expenses (net)	616 510	-5 906 366

* On 3 April 2017, E-Star Centrul de Dezvoltare Regionala SRI (hereinafter: CDR) was notified by the Gyergyószentmiklós (Gheorgheni) Mayor's Office, in which the town officially admitted that the Company has debts of only RON 2,000,000 (EUR 445,384 at the average EUR exchange rate of 2016) for the period when the concession contract was in force. Earlier, according to the contract, the town of Gyergyószentmiklós invoiced a concession fee of RON 7 000 077 (EUR 1,558,863 at the average EUR exchange rate of 2016) for the period until 8 March 2017, which CDR earlier accounted as expenditure. Based on the official notification, in late 2016 CDR accounted RON 5,000,077 (EUR 1,113,479 at the average EUR exchange rate of 2016) as other revenue for the over-invoiced (overcharged) concession fee at the end of 2016. As CDR paid RON 4,666,718 (EUR 1,039,242 at the average EUR exchange rate of 2016) until the end of the contract, the Mayor's Office has to pay back RON 2,666,718 (EUR 593,857).
The release of the impairment of assets visible in late 2016 is related to the impairment accounted in the earlier years and attached to CDR's accounts receivable (consumers).

10. Net profit/loss from financial activities

	2016	2015
Net asset of the Romanian component, on which the Group lost the control	0	5 984 291
Interest income	871 997	76 868
Other finance income	153	195 362
Loss realised on the lease agreement that were treated under IFRIC 12 by 2014	0	-1 056 572
Net foreign currency gain / loss	-216 309	-428 551
Interest expense	-50 452	-38 326
Other finance cost	-3 664	-498 238
Net profit/loss from financial activities	601 725	4 234 834

11. Income tax

	2016	2015
Corporate income tax	-578	-715 655
Local business tax	-34 126	-35 710
Deferred tax loss (-) / gain	640 578	-1 773 342
Changes in impairment of deferred tax	-63 081	1 521 947
Total income tax	542 793	-1 002 760

Applicable to profits of the consolidated entities as follows:

	31 December 2016	31 December 2015

Hungary- income tax (500 tHUF profits under)	10%	10%
Hungary- income tax (500 tHUF profits over)	19%	19%
Hungary - Local business Tax	2%	2%
Poland - Income tax	19%	19%
Romanian - Income tax	16%	16%

Movement table of impairment of deferred taxes:

Impairment movement table	31 December 2016	31 December 2015
Balance at January 1	2 089 223	3 611 170
Reversal of impairment	0	-1 521 947
Impairment loss	-62 930	0
Balance at December 31	2 026 293	2 089 223

Impairment of deferred tax assets and liabilities:

	31 December 2016	31 December 2015
Deferred Tax Assets	1 095 793	521 275
Deferred Tax Liabilities	-47 566	-49 507
	1 048 227	471 768

Deferred Tax receivable (liability)	Balance as 31 December 2014	Change	Balance as 31 December 2015	Change	Balance as 31 December 2016
Loss accruable under tax law	4 646 251	-2 378 267	2 267 984	-241 555	2 026 429
Impairment of assets	530 174	-65 968	464 206	480 981	945 187
Tangible and intangible assets (including reserves for future investments)	-624 182	401 607	-222 575	153 465	-69 110
Risk provision	287 325	-202 465	84 860	-41 993	42 867
Adjustment due to application of IFRIC 12	-241 501	58 395	-183 106	58 940	-124 166
Impairment of deferred tax asset	-3 611 170	1 521 947	-2 089 223	62 794	-2 026 429
Other	155 336	-5 714	149 622	-150 736	-1 114
Net deferred tax receivables / (liabilities)	1 142 233	-670 466	471 768	321 896	793 664

	Accounting value	Tax value	Difference
Fixed assets	924 611	3 914 734	-2 990 123
Investments in associated companies	0	42 462	-42 462
Financial assets (IFRC 12)	2 290 974	0	2 290 974
Leases	1 440 455	0	1 440 455
Inventories	32 325	181 448	-149 123
Trade receivables	728 342	9 362 544	-8 634 201
Other receivables	1 597 898	3 428 036	-1 830 139
Tax loss carry forward	0	1 507	-1 507
Provisions	-638 639	0	-638 639
	6 375 966	**16 930 731**	**-10 554 765**

Deductible difference	-14 286 194
Taxable difference	3 731 429
	-10 554 765
Deferred tax asset	1 095 793
Deferred tax liability	47 566

Profit before tax	2 212 612
Effective tax rate x%	24,53%
Current year tax	41 396
Deferred tax (temporary differences)	501 397
Permanent differences and not recognised tax assets	0
Theoretical tax value:	**542 793**

12. Discontinued operations

In the second half of 2015, the Group signed a contract to sell the Polish ENEFI Polska. The sale and purchase took place in February 2016. The debts of ENEFI Polska Sp. Zoo to Zachondi Bank and the remaining price (PLN 48.51 million in total) have been fully paid by the buyer on 26 February 2016.
The profit of ENEFI Polska and its subsidiary Elektrocieplownia Mielec Spólka z.o.o. in 2015 is stated as a discontinuing operation and, based on IFRS 5, it represents a separated geographical region in the Group's portfolio.

Figures of 2015

	2015 consolidated net profit	2015 discontinued operations	Total statement of comprehensive income
Revenue	22 440 132	18 620 233	3 819 899
Cost of sales	-13 864 764	-12 237 041	-1 627 723
Gross Profit	8 575 368	6 383 192	2 192 176
Personnel cost	-3 070 352	-2 298 345	-772 007
Service used	-1 756 371	-900 831	-855 540
Other revenue and expenditures, net	-5 626 566	279 800	-5 906 366
Depreciation	-4 093 152	-1 321 775	-2 771 377
Impairment of PPE	33 680	33 680	0
Net profit/loss from financial activities	4 752 301	517 467	4 234 834
Profit before tax	-1 185 092	2 693 188	-3 878 280
Income tax expense	-1 659 392	-656 632	-1 002 760
Profit for the year form continued operations	-2 844 484	2 036 556	-4 881 040

Cash flow from discontinued operations

	2015
Net cash flow from operating activities	355 425
Net cash flow from investing activities	13 122 662
Net cash flow from financing activities	-1 595 984
Net cash flow	11 882 103

13. Profit/loss on sale of affiliated companies

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

	Date of sale	Proportion of sale %
ENEFI Polska	24 February 2016	100%

Profit/loss from sale of affiliated companies (+/-)	
Consideration	11 134 877
Net asset on 31 December 2015	8 210 275
net assets attributed to the group	5 990 469
Profit/loss on sale	5 144 408

	Date of sale	Proportion of sale %
RFV Slovakia sro.	19 April 2016	100%

Profit/loss from sale of affiliated companies (+/-)	
Consideration	1
Net asset on 31 December 2015	38 576
net assets attributed to the group	38 576
Profit/loss on sale	38 577

Current year profit/loss of sold entities

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

	2016
Current year profit of Polish entities until date of sale	-248 041
Total	-248 041

	Elektrocieplownia Mielec	ENEFI Polska	Total
Revenue	4 614 159	60 067	4 674 226
Cost of sales	-2 377 905	-1 222	-2 379 126
Gross profit	2 236 254	58 846	2 295 099
Personal costs	-369 651	-1 253 645	-1 623 296
Service used	-517 743	-26 810	-544 553
Other revenue and expenditures, net	159 800	0	159 800
Depreciation	-264 593	0	-264 593
Net profit/loss from financial activities	1 809	0	1 809
Profit before tax	1 245 877	-1 221 609	24 268

Income tax expense	-272 309	0	-272 309
Profit for the year	973 568	-1 221 609	-248 041

14. Tangible assets

	Land and buildings	Plant and equipment	Other equipment	Asset under construction	Total
Costs or deemed costs					
01 January 2015	7 259 742	15 808 890	476 219	3 779 760	27 324 611
Additions	865 991	1 644 708	36 108	1 008 285	**3 555 092**
Capitalizations	0	0	0	-1 008 285	**-1 008 285**
Disposals	-1 457 783	-944 659	-52 985	-696 908	**-3 152 335**
Reclassification	-6 420 214	-14 155 459	-127 497	-2 553 237	**-23 256 407**
Effects of movements in exchange rates	-2 887	61 263	-250	-1 105	**57 021**
31 December 2015	244 849	2 414 743	331 595	528 510	3 519 697
Additions	3 528	0	14 524	13 634	**31 686**
Capitalizations	0	0	0	-13 634	**-13 634**
Disposals	0	-67 584	0	0	**-67 584**
Effects of movements in exchange rates	-1 874	-506	-8 174	-636	**-11 190**
31 December 2016	246 503	2 346 653	337 945	527 874	3 458 975
Depreciation and impairment					
01 January 2015	1 683 085	7 210 781	284 947	1 258 197	10 437 010
Depreciation for the year	4 236	208 914	7 158	0	**220 308**
Disposals	0	-587 555	-2 271	0	**-589 826**
Impairment loss	0	0	0	0	**0**
Reversal of impairment	0	0	0	0	**0**
Reclassification	-1 541 604	-5 146 251	-32 984	-736 571	**-7 457 410**
Effects of movements in exchange rates	-758	-134 056	-112	-1 095	**-136 021**
31 December 2015	144 959	1 551 833	256 738	520 531	2 474 061
Depreciation for the year	4 360	49 610	36 076	0	**90 047**
Disposals		-35 497		0	**-35 497**
Impairment loss	2 860	0	3 280	0	**6 140**
Reversal of impairment		-2 859		0	**-2 859**
Effects of movements in exchange rates	2 484	-980	-205	1 173	**2 472**
31 December 2016	154 663	1 562 107	295 889	521 704	2 534 364
Carrying amounts					
At January 1, 2015	5 576 657	8 598 109	191 272	2 521 563	**16 887 601**
At December 31, 2015	99 890	862 910	74 857	7 979	**1 045 636**
At December 31, 2016	91 840	784 545	42 056	6 170	**924 611**

15. Intangible assets

	Concession rights	Software and other	CO2 quota	Total
Costs or deemed costs				
01 January 2015	16 147 867	267 235	1 575 204	17 990 306
Additions	25 898	8 032	0	33 930
Capitalizations	0	-53 352	0	-53 352
Disposals	-374 456	11 219	-1 575 204	-1 938 441
Reclassification	0	0	0	0
Effects of movements in exchange rates	-139 235	-42	0	-139 277
31 December 2015	15 660 074	233 092	0	15 893 166
Additions	19 034	0	0	19 034
Disposals	0	0	0	0
Reclassification	0	0	0	0
Effects of movements in exchange rates	-51 959	-30	0	-51 989
31 December 2016	15 627 149	233 062	0	15 860 211
Depreciation and impairment				
01 January 2015	10 821 648	207 440	0	11 029 088
Depreciation for the year	690 493	28 011	0	718 504
Disposals	0	-27 816	0	-27 816
Impairment loss	1 832 565	0	0	1 832 565
Reversal of impairment	0	0	0	0
Reclassification	-48 402	11 219	0	-37 183
Effects of movements in exchange rates	-139 038	-11 061	0	-150 099
31 December 2015	13 157 266	207 793	0	13 365 059
Depreciation for the year	685 798	4 348	0	690 146
Disposals	0	0	0	0
Impairment loss	1 854 369	0	0	1 854 369
Reversal of impairment	0	0	0	0
Reclassification	0	0	0	0
Effects of movements in exchange rates	-70 284	28	0	-70 256
31 December 2016	15 627 149	212 169	0	15 839 318
Carrying amounts				
At January 1, 2015	5 326 219	59 795	1 575 204	6 961 217
At December 31, 2015	2 502 808	25 299	0	2 528 106
At December 31, 2016	0	20 893	0	20 893

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

E-STAR Centrul de Dezvoltare Regionala SRL (hereinafter: CDR) provided district heating service in Gyergyószentmiklós. The concession contract related to this activity was already terminated earlier. On 8 March 2017 the infrastructure constituting the district heating system was delivered to the county-rank town of Gyergyószentmiklós, and from that time on the company has provided no such service. The infrastructure was delivered without remuneration, according to the local legal rules. Based on CDR's current net asset value, the financial performance of claims against CDR is not probable, therefore, the claims against CDR were also written off in full.

CDR has several ongoing lawsuits for damages in Romania. Some of them are related to the return of concession rights and to the compensation of damage deriving therefrom, and some others prevail for other reasons (these are explained in details in the

chapter of Lawsuits, at the end of the Supplementary annex). A part of the claims that were written off now are expected to be recovered if the ongoing lawsuits are closed down with a positive result.

ENEFI provides continuous information on CDR at www.e-star.hu/www.enefi.hu, www.bet.hu, www.kozzetetelek.hu, detailing the background and the current standing of the legal dispute. The notices of the company are also available now at the above addresses.

16. Investments in affiliated companies

On 31 December 2016, there is no investments in affiliated companies. The Group disclose as an affiliated company the 21,65 % share in Energia Euro Park Sp. z o.o. within the Mielec Spółka z o. o. This share added to the Group in 2013. Given that this investment is part of the Polish operation, which has been selling process (set in detail in Note 12) there will be reclassified to assets held for sale of those shares between the balance sheet.

	31.12.2015	31.12.2014
Current assets	3 411 838	3 005 075
Non-current assets	3 283 841	3 577 917
Current liabilities	1 368 696	1 433 245
Non-current liabilities	279 814	560 142

	2015	2014
Revenue	9 984 755	10 391 855
Profit or loss from continuing operations	620 454	720 568
Dividends received from the associate during the year	0	33 016
Net assets of the associate	5 047 168	4 589 605
Proportion of the Group's ownership interest in Energia Euro Park	21,65%	21,65%
Foreign currency exchange gain (loss)	33 400	34 705
Carrying value of investments in associated companies	1 059 312	958 945
Calculated profit/loss on associated companies	134 328	157 022
From discontinuing operation reclassified	134 328	157 022
Total profit/loss on associated companies	0	0

17.Financial assets

	2016	2015
Assets from service concession arrangements	2 290 974	2 644 722

Reclassification of transactions

The Group during the 2014 financial year, bought tools, which leased assets held under service concession contract for a specified period after the authorities had been for sale, and sale of assets. The group sold assets for sellers typically purchase price of the Group's assignment of municipalities to service charges arising from the service concession contracts are fulfilled. The group identified during the close of the year 2015, that the above-described transactions have been classified as leases. Reclassification of loss effect in 2014 on profit immaterial.

The group lost the control of the ESCO during the 2015 business year and its subsidiaries (the transaction is presented in Note 18 with more details). Owned by the ESCO prior to the loss of control devices (which are part of the concession service agreements for municipalities) were sold to the Group. Under the transaction, the ESCO Group has assigned all future claims arising from the concession service contracts, with the result that these instruments are recognized as leasing receivables in the 2015 annual report. The transaction is a result of changed accounting classification of the transaction was justified by the means provided by the service concession agreements to a transfer of the lease receivables. The transfer of assets carried at amortized cost, which was accounted for € 1,056,572 loss, despite the fact that the future cash flow projections are providing the means returns no change, so that detected the loss will login to the future cash flows realized as profit.

Current year the reclassified transactions are handled as financial lease.

Assumptions used in determining the fair value of the balance sheet date:

In any case, the group at the time of the project, the existing internal discount rate (used in determining the fair value discount rates vary from 6% to 8% range) discounted future cash flows.

Partner	Date	Expiration	2016	2 015
Project 1	2007.07.24	2022.07.24	1 969 267	2 086 910
Project 5	2006.11.30	2018.11.30	61 713	87 751
Project 4	2005.11.24	2017.11.24	46 319	81 885
Project 8	2005.06.29	2018.01.17	23 980	62 001
Project 6	2005.06.13	2017.06.13	26 353	60 842
Project 7	2006.01.17	2018.01.17	26 571	55 213
Project 9	2005.10.06	2017.11.15	23 780	50 389
Project 16	2005.06.21	2017.06.21	35 564	42 400
Project 12	2004.07.05	2016.07.05	20 592	40 771
Project 19	2005.12.29	2017.12.29	30 073	33 661
Project 31	2008.09.15	2020.10.31	14 113	19 115
Project 35	2008.05.20	2020.10.02	12 648	18 149
Project 49	2008.07.16	2017.04.30	0	5 635
		Total	**2 290 974**	**2 644 722**

IFRIC 12 calculation	2016	2015
net value of the assets related to IFRIC 12	-1 072 687	-1 174 953
IFRIC 12 receivables	2 290 974	2 644 722
effect on equity of applying IFRIC 12	1 218 287	1 469 769

effect of applying IFRIC 12 on current year profit	2016	2015
decrease of revenue	-410 737	-323 527
interest income	291 635	542 672
reversed current year depreciation	170 044	189 878
error	-337 210	0
FX difference	-9 317	103 711
total effect on profit	**-295 586**	**512 734**

18. Financial lease receivables

	2016	2015
Long-term receivables from the rental fee of assets	1 440 455	1 548 572
Receivables from the rental fee of assets	164 272	137 313
TOTAL	**1 604 728**	**1 685 885**

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

Presentation of the lease receivables

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

	31 December 2016		31 December 2015	
	Minimal lease	Discount value of lease fees	Minimal lease	Discount value of lease fees
within 1 years	282 533	164 272	190 820	137 313
between 1 and 5 years	1 573 522	860 935	1 437 164	1 009 437
over 5 years	712 699	579 520	1 114 361	539 135

Total minimum lease	**2 568 753**	**1 604 728**	**2 742 346**	**1 685 885**
financial expenses related lease	-964 026		-1 056 461	
Lease payments present value	**1 604 728**	**1 604 728**	**1 685 885**	**1 685 885**

19. Assets held for sale

ENEFI Polska was sold in February 2016. The assets and liabilities related to ENEFI Polska, and to its subsidiary Elektrocieplownia Mielec Spólka z.o.o. are presented as assets and liabilities held for sale.

	December 31, 2015.	December 31, 2014.
Assets held for sale	23 564 741	0
Liabilities related to assets held for sale	15 354 466	0

	December 31, 2015.
Property, plant and equipment	14 792 279
Intangible assets	2 532 681
Investments in related parties	1 059 312
Investments in associates	104 740
Total non-current assets (total)	18 489 012
Inventories	1 527 686
Trade receivables	2 161 636
Other receivables	43 012
Accruals	128 052
Cash and cash equivalents	1 215 343
Total current assets	5 075 729
Total assets	23 564 741
Loans and other long term financial liabilities	5 890 359
Provisions	742 419
Deferred tax liabilities	353 292
Accruals and deferred income	2 934 708
Other liabilities	301 062
Total non-current liabilities	10 221 840
Trade payables	917 361
Loans and other short term financial liabilities	1 019 489
Provisions (current)	1 801 379
Accruals and deferred income	387 699
Other liabilities due within a year	1 006 698
Total current liabilities	5 132 626
Total liabilities	15 354 466
Net assets	8 210 275
Net assets owned by non-controlling interest	2 065 323
Net assets owned by the parent company	6 144 952

20. Business combinations and the effects of the changes in the consolidation circle

In 2016 there was no new business combination. No new companies were included in consolidation in 2015.

In current year E-Star ESCO Kft., including 100% share in Veszprém Megyei Nonprofit Kft-ben and in Fejér Megyei Energia Nonprofit Kft. -were sold.

	Fejér Megyei Energia Nonprofit Kft.	Veszprém Megyei Nonprofit Kft.	E-Star ESCO Kft.	Total
Profit / loss generated from the sale of subsidiaries	04 November 2015	04 November 2015	04 November 2015	
Consideration transferred	0	0	3 194	3 194
	315	12 391	758 301	771 007
	-91	8 295	-76 727	-68 523
	-224	-20 686	-678 380	-699 290

2015 years removed from the scope of consolidation, E-Star Mures Energy SA as due to liquidation proceedings were instituted against the company discontinued the control over the company. This transaction presented in the following table (note 10) with more details
The group has a significant amount of claims on the E-Star Mures Energy SA. These claims reported € 6,328,387 impairment in the year 2015.

	Amount
Total assets	2 960 178
Total liabilities	8 872 758
Net asset value	-5 912 581
Net asset attributable to the group	-5 912 581
Net result until disposal of subsidiary	2 592 111
Net assets value recognized until disposal	5 912 581
Impairment recognized in profit/loss due to the receivables of Mures accounted earlier	-6 328 387
Net profit on disposal of Mures	2 176 306

21. Inventories

	31 December 2016	31 December 2015	31 December 2014
Materials	30 020	2 420	557 795
Heating material	2 305	16 201	0
Total inventories (gross)	32 325	18 621	557 795
Impairment	0	0	0
Total inventories (net)	32 325	18 621	2 254 387

22. Trade receivables

	31 December 2016	31 December 2015
Trade receivables	728 342	843 361

	31 December 2016	31 December 2015
Not past due	526 442	445 701
Past due 0-90 days	220 144	240 825
Past due 91-180 days	286 605	73 726
Past due 181-360 days	374 314	290 723
More than one year	2 737 755	2 680 065
Trade receivables gross total	4 145 260	3 731 040
Impairment	-3 416 918	-2 887 679
Trade receivables total	728 342	843 361

In respect of receivables that were overdue on the balance sheet day but in terms of the probability of their influence - in the opinion of the Company's management - they do not pose a risk (or are covered with other assets or liabilities), the Company did not recognise impairment.

Non-impaired overdue receivables	31 December 2016	31 December 2015
Past due 0-90 days	100 099	240 825
Past due 91-180 days	24 857	73 726
Past due 181-360 days	64 954	290 723
More than one year	11 991	170 648
Total	201 901	775 922

When examining whether a given account receivable can be realised, the Group takes into account the changes, if any, in the quality of the receivable that occurred between the date of the loan provision and the end of the reporting period.
The payment deadline of accounts receivable is always 8 days.

23. Other receivables

	31 December 2016	31 December 2015
Receivables related to concession rights	3 610 124	3 610 124
Overpaid concession fee	587 577	0
Invoiced but not received heat subsidy	321 290	0
VAT receivable related to property purchase from Energy Generation	203 196	201 833
Short term part of leases	164 272	137 313
Loans given	142 150	170 189
Receivables of assignment	83 518	0
Other tax receivables	64 190	90 356
VAT reclaimable	40 331	28 186
Advance Payments	8 595	17 491
Other receivables	293 849	367 856
Other receivables due within a year	5 519 092	4 623 348
Impairment	-4 102 816	-4 045 057
Total other receivables	1 416 276	578 291

	31 December 2016	31 December 2015
Corporate income tax receivable	181 622	45 269

Total tax receivable	181 622	45 269

24. Accruals

	31 December 2016	31 December 2015
Accrued revenue	283 387	0
Accrued expenses	8 829	377 840
Total	292 216	377 840

25. Cash and cash equivalents

	31 December 2016	31 December 2015
Bank balances	318 164	609 221
Call deposits	29 560	34 079
Cash on hand	2 986	2 166
Cash and cash equivalents	350 711	645 465

26. Subscribed capitals

	31 December 2016	31 December 2015
	piece	piece
Issued pieces' shares (10HUF par value/ shares)	27 172 579	27 172 579

Registered capital on par value	2016.december 31.	2015.december 31.
Balance at 1 January	969 968	969 968
Par value of the cancelled treasury shares during the year	0	0
Balance at December 31.	969 968	969 968

Movement of issued and fully paid shares	2016	2015
Balance at 1 January	27 172 579	27 172 579
Number of the cancelled treasury shares during the year		0
Balance at December 31.	27 172 579	27 172 579

27. Reserves

Reserves

	31 December 2016	31 December 2015
Share premium	41 382 934	41 382 934
Modification	0	0
Foreign currency translation	-170 292	-750 750
Total reserves	41 212 642	40 632 184

Movements of the reserves

	31 December 2016	31 December 2015

Balance at beginning of year	40 632 184	40 517 261
Last year's changes	0	0
Movements	580 458	114 923
Balance at the end of year	41 212 642	40 632 184

Movement of share premium

	31 December 2016	31 December 2015
Balance at beginning of year	41 382 934	54 198 984
Share premium recognized during bankruptcy proceedings	0	0
Share premium from cancelled treasury shares during the year	0	-12 816 050
Balance at the end of year	41 382 934	41 382 934

Foreign currency translation

	31 December 2016	31 December 2015
Balance at beginning of year	-750 750	-1 026 780
Net foreign exchange losses (-) / gains	580 458	276 030
Balance at the end of year	-170 292	-750 750

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

28. Treasury shares

Movements of pieces of treasury shares	31 December 2016 piece	31 December 2015 piece
Opening	5 926 357	5 540 991
treasury share decrease due to entity left the group	1 057 202	-156 553
Number of treasury share purchase in the period	0	541 919
Number of the cancelled treasury shares during the year	42 369	0
Number of sold treasury shares during the year	0	0
Closing (piece)	20 444 723	5 926 357
Attributable to subsidiary	2 643 314	1 057 202
owned by EETEK:	1 810 975	0
owned by Enefi Projekttársaság	832 339	832 339
owned Elektrocieplownia Mielec Spólka	0	224 863

Movements of book value of treasury shares	31 December 2016	31 December 2015
Opening	5 487 637	17 476 556
Previous year adjustments	0	-12 100 876
Adjusted opening balance	5 487 637	5 375 680
Treasury share decrease due to entity left the group	-81 780	-89 494
Book value of treasury shares purchased	12 373 663	201 451
Book value of the cancelled treasury shares during the year	0	0
Book value of sold treasury shares during the year	-1 173 349	0
Movements of treasury shares in book value	16 606 171	5 487 637

Attribute to subsidiary	2 361 568	430 608

29. Non-controlling interest

The Group faced no uncertainty and did not have to decide on any difficult question when considering how to manage its investments. All of its enterprises qualify as subsidiaries and the Group has 100% ownership with the exception of two companies. The Group has less than 100% ownership in RFV Józsefváros Kft. and Thermoenergy srl. It is clear about all subsidiaries (also including those not in 100% ownership) that they are controlled by the parent company as both the control, the daily operative tasks and the conditions on exposure to variable yields are fully and spectacularly fulfilled.

	31 December 2016 Józsefváros	31 December 2015 Thermoenergy
Current assets	425 768	642 302
Non-current assets	0	21 637
Short term liabilities	-293 793	-178 858
Long term liabilities	0	0
Net assets	131 975	485 081

	2016 Józsefváros	2016 Thermoenergy
Revenue	1 058 759	0
Profit before tax	43 490	-2 644
Profit after tax	40 479	-2 649
Other comprehensive income	0	0

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

The Group has to face no restriction with regard to any of its enterprises that would affect access to the net assets, to the result or to the cash flow.

The Group has no consolidated or non-consolidated interests where control cannot be established on the basis of the voting rights or where the voting rights do not serve the management of relevant activities leading to control (structured entities).

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

	31 December 2016	31 December 2015
Balance at beginning of the year	2 060 098	1 684 469
Share of profit for the year	-15 844	292 436
Dividend paid to non-controlling interests	0	-185 661
Disposal of the non-controlling interests related to sold subsidiary	-1 972 096	268 854
Balance at end of year	72 158	2 060 098

30.Provisions

	Emission quota	Employee benefits	Tax related	Employment	Development subsidy	Total
January 1, 2015	**978 254**	**809 046**	**1 019 159**	**164 154**	**0**	**2 970 613**
Current portion of provisions (-)	978 254	84 863	339 826	0	0	**1 402 943**
Non-current portion of provisions	0	724 183	679 333	164 154	0	**1 567 670**
Provisions recognized during the year	0	0	684 447	131 007	180 136	995 590
Provisions reversed during the year	-978 254	-809 046	-1 334 797	0	0	-3 122 097
Effects of movements in exchange rates	0	0	14 269	0	0	14 269
31 December 2015	0	0	383 078	295 161	180 136	858 375
Current portion of provisions (-)	0	0				**0**
Non-current portion of provisions	0	0	383 078	295 161	180 136	**858 375**
Provisions recognized during the year	0	0	308 869			308 869
Provisions reversed during the year	0	0	-221 156	-131 891	-181 352	-534 399
Effects of movements in exchange rates	0	0	3 693	885	1 216	5 794
31 December 2016	0	0	474 484	164 155	0	638 639
Current portion of provisions (-)	0	0	0	0	0	**0**
Non-current portion of provisions	0	0	474 484	164 155	0	638 639

31. Earnings per share

The earnings per share index is calculated in a way that the earnings of the reporting year due to the shareholders are divided by the weighted average of the number of common shares.

Basic and diluted EPS	31 December 2016	31 December 2015
Profit for the period attributable to ordinary shareholders from continuing operations	3 871 356	-4 881 039
Profit for the period attributable to ordinary shares from discontinuing operations	192 642	2 036 556
Weighted average number of ordinary shares (shares)	11 012 956	21 246 222
Basic EPS from continuing operations (EUR/pieces)	0,33	-0,33
Basic EPS from discontinuing operations (EUR/pieces)	0,02	0,10
Total basic EPS	0,35	-0,23
Diluted EPS from continuing operations(EUR/pieces)	0,33	-0,33
Diluted EPS from discontinuing operations(EUR/pieces)	0,02	0,10
Total diluted EPS	0,35	-0,23

32. Other long term liabilities

	31 December 2016	31 December 2015
Other long term liabilities	0	7 708

Total	0	7 708

33. Other short term liabilities

	31 December 2016	31 December 2015
Liabilities related to ESTAR share	644 011	639 692
Concession fee that are not compensated	509 135	0
Other taxes payable	245 456	742 651
Short-term liabilities from Romanian concession contract	220 320	0
Wages and salaries	30 490	176 921
Social security	14 735	165 403
Other liabilities	75 367	46 518
Total	1 739 515	1 771 185

34.Accruals and deferred income

	31 December 2016	31 December 2015
Deferred revenue	383 000	625 261
Accrued expenditures	43 583	189 282
Total	426 583	814 543

35. Related party transactions

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

Item	31 December 2016	31 December 2015
Loan to related party- Csaba Soós	0	54 778
Interest receivables to related party- Csaba Soós	0	4 730
Loan to related party- Attila Pálffy Gagyi	32 152	0
Interest receivables to related party- Attila Pálffy Gagyi	809	0
Total	32 961	59 508

Transactions in profit and loss accounts

Late interest paid for related party regarding transactions od previous years	0	0
Receivables of related party: Csaba Soós	0	0
Receivables of related party: Attila Gagyi Pálffy	0	0
Remised interest by related party under bankruptcy procedure	0	0

Interest income from related parties	1 465	3 214
Total	1 465	3 214

The terms and conditions of loans received from and granted to affiliated partners are in line with the market conditions.

Transactions affecting the comprehensive income

	31 December 2016	31 December 2015
Gross honorarium	82 874	79 810
Commission fee	24 362	23 617
Total	107 236	103 427

36. Segment information

Figures of 2016

	Hungarian	Romanian	Other	Total
Revenue	1 233 250	1 646 538	0	2 879 788
Cost of sales	-527 140	-991 588	0	-1 518 728
Gross Profit	706 110	654 950	0	1 361 060
Material cost	-10 450	-46 994	0	-57 444
Personnel cost	-258 969	-401 629	0	-660 598
Service used	-497 493	-222 175	-382 425	-1 102 093
Other revenue and expenditures, net	-1 340 334	1 846 673	-140 603	365 736
Operation cost	-2 107 246	1 175 874	-523 028	-1 454 400
Earnings before financial transactions, depreciation and taxation (EBITDA)	-85 402	-178 789	0	-264 191
Depreciation		-2 377 235		-2 377 235
EBIT	-498 692	345 872	5 495 886	5 343 067
Net profit/loss from financial activities	156 446	-156 446	0	0
Net profit/loss from associated companies				
Profit before tax	-1 828 784	-535 774	4 972 858	2 608 300
Income tax expense	85 981	64 478	0	150 458
Profit for the year from continuing operations	-1 742 803	-471 297	4 972 858	2 758 759

Figures of 2015

	Hungarian	Romanian	Polish	Other	Total
Net Revenues:	2 949 060	870 839	0	0	3 819 899
Cost of Sales	-842 883	-721 197	0	0	-1 564 080
Gross profit	2 106 177	149 642	0	0	2 255 819
Materiel cost	-17 859	-45 784	0	0	-63 643
Personnel cost	-383 607	-388 400	0	0	-772 007
Service used	-512 137	-236 471	0	-106 932	-855 540
Other revenue and expenditures, net	-1 597 747	-4 103 382	0	-205 237	-5 906 366
Operation cost	-2 511 350	-4 774 037	0	-312 169	-7 597 556
Depreciation	-212 836	-2 558 541	0	0	-2 771 377
Impairment of Property, plant and equipment	0	0	0	0	0
Net profit/loss from financial activities	4 540 788	-268 243	0	-37 711	4 234 834

Net profit/loss from associated companies	0	0	0	0	0
Profit before tax	3 922 779	-7 451 179	0	-349 880	-3 878 280
Income tax expense	-1 155 602	126 932	0	25 911	-1 002 759
Result from discontinued operation	0	0	2 036 556	0	2 036 556
Net profit	-2 767 177	-7 324 247	2 036 556	-323 970	-2 844 484

37. Management of financial and Market Risks

The Group is exposed to risks relating to the changes of market and financial conditions. These changes may have an impact on the profit as well as on the value of the assets and liabilities. The purpose of financial risk management is to continuously diminish risks through operative and financing measures.

The Group is exposed to the following risks:

The Group is exposed to the following risks:

- Market risk
  - Currency risk
  - Interest risk
- Liquidity risk
- Credit risk

The following table shows the difference between the fair value of financial instruments and book value.

	Book value	Fair value
Long-term lease receivables	1 440 455	2 286 221
Trade receivables	728 342	728 342
Other receivables	1 597 898	1 597 898
Financial Asset	350 711	350 711
Other long-term liabilities	0	0
Trade payables	624 135	624 135

The Group's calculation of the fair value of financial instruments to an appropriate level triple.

For finance leases and the value of real differences in the values of the difference in the carrying number of assets leased arise.

37.1. Market Risk

The Group's operations are primarily exposed to the financial risk relating to the changes of exchange rates and interest rates. The Group does not purchase derivative financial instruments to cover its interest rate and exchange rate risks.

37.2. Currency Risk

The Group makes transactions also in foreign currencies therefore it is exposed to exchange rate risk. The Group manages exchange rate risks by means of forward currency transactions in accordance with its relevant regulation.

The Group's selling prices are primarily determined in HUF, PLN and RON and payments are also received mostly in these currencies. The Group operates primarily in Hungary, Poland and in Romania.

The management periodically reviews contracts made in foreign currencies and considers the opportunity of managing the relevant risk by means of derivative transactions.

The Group's foreign currency denominated assets and liabilities were valued at the end of the reporting period as follows.

31 December 2015	RON	PLN	HUF
Receivables	572 971	3 548 043	1 289 265
Trade payables	-1 216 014	-2 311 758	-673 044
Revenue	870 839	18 591 112	2 122 737
Expenditure	833 153	-14 627 564	-283 518
Net position	1 060 949	5 199 833	2 455 440

37.3. Sensitivity analysis:

Transactions are mostly made in RON, HUF or PLN, our exposure to exchange rates were evaluated on the basis of the fluctuation of the exchange rates of these three currencies.

The Company's exchange rate sensitivity for the year 31 December, 2016 presented in the table below:

Change (%) of FX rate	FX EUR/HUF	EUR/RON	Effect on profit
97,69%	0,0031		
		0,2152	-219 357
		0,2203	-79 702
		0,2254	59 952
100,00%	0,0032		
		0,2152	-139 655
		0,2203	0
		0,2254	139 655
102,31%	0,0033		
		0,2152	-59 952
		0,2203	79 702
		0,2254	219 357

We prepared the calculation for 31 December, 2015. also:

Change (%) of FX rate	FX EUR/HUF	EUR/RON	EUR/PLN	Effect on profit
97 69%	0 0031			
		0 2160	0 2291	-85 482
		0 2211	0 2243	-63 595
		0 2262	0 2399	-13 408
100 00%	0 0032			
		0 2160	0 2291	-28 762
		0 2211	0 2345	0
		0 2262	0 2399	43 313
102 31%	0 0033			
		0 2160	0 2291	27 959
		0 2211	0 2243	63 595
		0 2262	0 2399	100 033

37.4. Risk of changing interest rate

Interest rate risk is the risk that future cash-flows from certain financial assets and liabilities may fluctuate due to the changes in market interest rates.

37.5. Sensitivity analysis

A 50 base point change in the interest environment would cause the following change in the Group's profitability:

Interest environment:	4.1%	4.6%	5.1%
Interest	-49 422	0	49 422

37.6. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations. Liquidity risk must be managed eventually by the Board of Directors. The Group manages its liquidity risk by keeping a proper level of reserves, bank credit lines, reserve loan raising opportunities; and by continuously monitoring its planned and actual cash-flow data as well as by reconciling the expiry dates of financial assets and liabilities.

37.7. Liquidity and interest risk table

31.dec.16						
In EUR	Within 1 year	1 to 2 years	2 to 5 years	over 5 years	Contractual	Carrying
Loans and borrowings	0	0	0	0	0	0
Other long term liability	0	0	0	0	0	0
Trade and other payables	2 790 237	0	0	0	2 790 237	2 790 237
Total financial liabilities	2 790 237	0	7 708	0	2 790 237	2 790 237

31.dec.15						
In EUR	Within 1 year	1 to 2 years	2 to 5 years	over 5 years	Contractual	Carrying
Loans and borrowings	0	0	0	0	0	0
Other long term liability	0	0	7 708	0	7 708	7 708
Trade and other payables	3 369 105	0	0	0	3 396 105	3 369 105
Total financial liabilities	3 369 105	0	7 708	0	3 376 813	3 376 813

37.8. Credit risk

Credit risk is the risk that a debtor defaults on its contractual obligations which may cause a financial loss to the Group.

Most of the Group's customers are large multinational firms, local municipalities, or listed firms or subsidiaries of companies controlled by local municipalities.

Most of the Group's customers have been doing business with the Group for years and credit losses have been very rare. As a result of the current market environment, watching the creditworthiness of partners on a day-to-day basis became one of the most important tasks of the management.

Aged accounts receivable as follows:

	31.dec.16	31.dec.15
Not past due	526 442	445 701
Past due 0-90 days	220 144	240 825
Past due 91-180 days	286 605	73 726
Past due 181-360 days	374 314	290 723
More than one year	2 771 598	2 680 065
Trade receivable gross total	4 179 103	3 731 040

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

There was no other off-balance sheet item except the followings:

Hungarian lawsuits in progress when preparing the report

Plaintiff	Defendant	Subject matter
dr. Tibor Botos	ENEFI Energiahatékonysági Nyrt.	Judicial review of corporate resolutions 4.11.2014 The Company won the procedure on first instance, the Plaintiff lodged an appeal, therefore the case went to second instance. The second instance court placed the procedure back to first instance. On first instance the company once again won the lawsuit. The decision is not final yet.
dr. Tibor Botos	ENEFI Energiahatékonysági Nyrt.	Judicial review of corporate resolutions 30.12.2016 There has been no trial in the matter yet.
ENEFI Energiahatékonysági Nyrt.	Municipality of the village of Nagydobos	Contractual fee and additional amounts
ENEFI Energiahatékonysági Nyrt.	Municipality of the village of Szamosszeg	Contractual fee and additional amounts

Judicial supervisory proceedings are in progress against the Company at the competent registration court, where the subject matter covers the leading official mandates terminated on 31.12.2015. In the meantime, the Company's general meeting decided to elect the officials.

FLEETCONCEPT Hungary Fleet Management and Car Rental Ltd. initiated a liquidation procedure against the Company. The creditor lost the procedure both on first and second instances, and submitted to the Court a request for review against the decision. The Court has not made a decision yet.

Romanian lawsuits in progress when preparing the report:

Ser. no.	Plaintiff	Defendant	Subject matter
1.	E-Star Mures Energy SA	47 retail consumers	Payment of fees under the consumption contract.
2.	E-Star Mures Energy SA		Case number 168/1371/2013 Filing request for bankruptcy protection on 8.2.2013.
3.	E-Star Mures Energy SA	Town of Marosvásárhely	Case number 3104/102/2013 Payment of damages due to the breach of concession contract, claim for district (remote) heating subsidy and payment of fees under the consumer contract. Amount: RON 124,040,531.19 Within this lawsuit, the Town demanded - through a counter-action – to qualify the contract termination as unlawful.
4.	E-Star CDR SRL	201 retail consumers	Payment of fees under the consumption contract.

5.	E-Star CDR SRL	Town of Gyergyószentmiklós	905/96/2016 Damages due to breach of concession contract. Amount: RON 104,225,844.69 + additional amounts + 15% of the annual internal profit rate for the whole contracted period.
6.	E-Star CDR SRL	Town of Gyergyószentmiklós	file number 324/96/2017 challenge to the council resolution no. 243/13.12.2016
7.	E-Star CDR SRL	Town of Gyergyószentmiklós	File number 323/96/2017 Default interest claim calculated on the support earlier granted by court – RON 1.3 million.
8.	Fluid Group Hagen SRL	E-Star Investment Management SRL	Case number 1247/1371/2012 Request for liquidation due to the non-payment of contractual fees. Claim: RON 73,896.85 * new lawsuit (filed with defendant on 28.11.2012)
9.	ENEFI Energiahatékonysági Nyrt.	Maros Tax Authority	15750/320/2014 challenge of the tax resolution issued ex officio in execution file no. E1415/2014, under number 27820525/2014 Tax authority's claim: additional amounts to the tax obligation of 265,977 leus. 3602/1/2015 - Supreme Court 2690/102/2016 - Maros Court 556/102/2017 - Maros Court
10.	ENEFI Energiahatékonysági Nyrt.	Maros Tax Authority	Case number 5058/2/2014 Complaint against the rejection of the our complaint against the minutes taken by the Tax Authority to establish the second tax-law insolvency status against our Company's tax-law business site. Claim by the Tax Authority: tax obligation of 7,602,324 leus.
11.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Case number 5461/84/2012 - payment of contractual fees (payment order). Claim: RON 1,023,813.35
12.	County-rank town of Zilah	-E-Star ZA Distriterm SRL -ENEFI Energiahatékonysági Nyrt. (former E-Star Alternatív Nyrt.)	Case number 5209/84/2012 Termination of the concession contract, declaring the trunk line sale and purchase contract to be null and void.
13.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Case number 4892/84/2012

			- payment of contractual fees (liquidation procedure). Claim: RON 1,023,813.35
14.	ENEFI Energiahatékonysági Nyrt.	- Zilah Tax Authority - Maros Tax Authority	Case number 1977/337/2015 Complaint about enforcement against minutes on the seizure of real estate assets (no. 15.918/2015.04.16.) The Romanian Tax Authority seized the land plot purchased in Zilah in order to collect tax debts failed in the Hungarian bankruptcy procedure with the Romanian liquidation request. - case number 909/84/2016 - case number 4810/337/2016 - case number 5299/337/2016 - case number 2197/84/2016 - case number 48/337/2017 - case number 836/84/2017
15.	- I&O, the liquidator of E-Star ZA Distriterm SRL -ENEFI Energiahatékonysági Nyrt. -E-Star Management Zrt. - E-Star Energy Generation SA	- Zilah Tax Authority	Case number 1620/84/2015 - The liquidator challenged the result of the financial examination whereby the Tax Authority established that the finally lost claim (RON 932,730) is current and the court resolutions stating the contrary are not valid against the Tax Authority. - The creditors whose interest is violated by the Tax Authority's method of procedure submitted a request for intervention.
16.	Zilah Tax Authority	- I&O, the liquidator of E-Star ZA Distriterm SRL -ENEFI Energiahatékonysági Nyrt. -E-Star Management Zrt. - E-Star Energy Generation SA	Case number 4892/84/2012_a24 The Zilah Tax Authority challenged the liquidator's report in which it was proposed to pay back to ENEFI the lawyer's fee of RON 24,000 advanced in file no. 3892/117/2014.

39. Approval of financial statements

The Annual General Meeting of ENEFI Energy Efficiency Plc. on April 27, 2017. approved the 2016 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS).

40. Previous year correction

Consolidated statement of financial position - Assets	12.31.2015	Changes	12.31.2015 *Changed
Property, plant and equipment	1 045 636	-31 613	1 014 023
Intangible assets	2 528 106		2 528 106
Financial Asset	2 644 722	-22 809	2 621 913
Finance lease receivables	1 548 572		1 548 572
Deferred tax assets	521 275		521 275
Total non-current assets	8 288 311	-54 422	8 233 889
Assets held for sale	23 564 741		23 564 741
Inventories	18 621		18 621
Trade receivables	843 361		843 361
Other receivables due within a year	623 560		623 560
Accruals and prepaid expenses	377 840		377 840
Cash and cash equivalents	645 465		645 465
Total current assets	26 073 588	0	26 073 588
Total assets	34 361 899	-54 422	34 307 477

Consolidated statement of financial position - Equity and liabilities	12.31.2015	Changes	12.31.2015 *Changed
Share capital	969 968		969 968
Reserves	40 632 184	-1 923	40 630 261
Treasury shares	-5 487 637		-5 487 637
Retained earnings	-23 451 875	-52 500	-23 504 375
Equity attributable to owners of the Company	12 662 640	-54 422	12 608 218
Non-controlling interests	2 060 098		2 060 098
Total equity	14 722 738	-54 422	14 668 316
Provisions	858 375		858 375
Deferred income	49 507		49 507
Other long-term liabilities	7 708		7 708
Total non-current liabilities	915 590	0	915 590
Liabilities held for sale	15 354 466		15 354 466
Trade payables	783 377		783 377
Accruals and deferred income	814 543		814 543
Other liabilities	1 771 185		1 771 185
Total current liabilities	18 723 571	0	18 723 571
Total liabilities	19 639 161	0	19 639 161
Total equity and liabilities	34 361 899	-54 422	34 307 477

	12.31.2015	Changes	12.31.2015 *Changed
Revenue	3 819 899	-401 788	3 418 111
Cost of sales	-1 627 723		-1 627 723
Gross Profit	2 192 176	-401 788	1 790 388
Personnel cost	-772 007		-772 007
Service used	-855 540		-855 540
Other revenue and expenditures, net	-5 906 366	5 801	-5 900 565
Depreciation	-2 771 377	101 463	-2 669 914
Net profit/loss from financial activities	4 234 834	367 670	4 602 505
Profit before tax	-3 878 279	73 146	-3 805 133
Income tax expense	-1 002 760		-1 002 760
Profit for the year	-4 881 039	73 146	-4 807 893
Discontinued operations			
Current year profit/loss of sold entities	2 036 556		2 036 556
Profit/loss on entities sold	0		0
Profit for the year	-2 844 483	73 146	-2 771 337
Owners of the Company	-3 136 920	73 146	-3 063 774
Non-controlling interests	292 436		292 436
Foreign currency translation differences	276 030		276 030
Total other comprehensive income	276 030	-101 824	174 206
Total comprehensive income	-2 568 454	-28 677	-2 597 131
Owners of the Company	-2 860 891	-28 677	-2 889 568
Non-controlling interests	292 436	292 437	584 873

41. Material events after the Reporting Period

ENEFI Energiahatékonysági Nyrt. presented the main economic events of 2017 in its announcements for the reference year, and these events are also pointed out below:

1) The delivery and takeover related to the district heating system took place in Gyergyószentmiklós on 8.3.2017.
2) Based on the information by EETEK Ltd. and Csaba Soós, the National Bank of Hungary decided (no. (H-PJ-III-B-3/2017)) to impose a penalty with reference to market influencing and insider dealing: HUF 45 million for EETEK Ltd. and HUF 75 million for Csaba Soós. The entities concerned made use of their right of legal remedy and started a court revision against the decision.
3) The Group draws the attention to the fact that – being a public company registered at the stock exchange – it publishes all major events concerning ENEFI Energiahatékonysági Nyrt. in form of a notice, which is available in its website (www.e-star.hu, www.enefi.hu) at the Budapest Stock Exchange (Értéktőzsde Zrt) website (www.bet.hu) and on the website run by the National Bank of Hungary (www.kozzetetelek.hu).
4) ENEFI Energiahatékonysági Nyrt, being the sole member of EETEK Ltd., decided on paying dividends of EUR 10,295,000 in its decision made on 19 April 2017.

42. Statements

We caution you that a number of important factors could cause actual results to differ materially from statements for the future.

Statement of responsibility – We declare that the Consolidated Financial Statements which have been prepared in accordance with the applicable accounting standards and the best knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of ENEFI Energy Efficiency Plc. and its undertakings included in the consolidation, development and performance of the Company and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.

The Board of Directors approved the financial statement on April 27, 2017 and recommended it for publication.

Budapest, April 27, 2017

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Representative of ENEFI ENERGYEFFICIENCY Plc.