

ENEFI Energy Efficiency Plc.  
13719069-3530-114-01  
Statistical No.  
01-10-045428  
Company registration number

## **ENEFI Energy Efficiency Plc.**

**1134 Budapest, Klapka u. 11.**

# **Annual report**

**31 December 2016**

Status: 21 April 2017

Chief executive (representative) of the company

SEAL

ENEFI Energy Efficiency Plc.  
 13719069-3530-114-01  
 Statistical No.  
 01-10-045428  
 Company registration number

**"A" Balance Sheet Assets**

31 December 2016

data in thousand HUF

Serial number	Item Description	2015.12.31	Modifications of previous year(s)	2016.12.31
a	b	e	d	e
1	<b>A. Fixed assets</b>	4 537 409	-	4 332 776
2	I. Intangible assets	1 303	-	465
3	Capitalised value of establishment, reorganization	-	-	-
4	Capitalised value of experimental development	-	-	-
5	Right to assets and licences	1 303	-	465
6	Incorporeal products	-	-	-
7	Goodwill	-	-	-
8	Advance payments for purchase of intangible assets	-	-	-
9	Revaluation on intangible assets	-	-	-
10	<b>II. TANGIBLE ASSETS</b>	1 114 055	-	991 008
11	Real estates and related rights to assets	269 877	-	270 906
12	Technical equipment, machines, vehicles	827 049	-	708 978
13	Other equipment, supplies, vehicles	17 129	-	11 124
14	Breeding stock	-	-	-
15	Investments, renovations	-	-	-
16	Advances given for investments	-	-	-
17	Revaluation upwards on tangible assets	-	-	-
18	<b>III. INVESTED FINANCIAL ASSETS</b>	3 422 051	-	3 341 303
19	Long term profit-sharing in associated enterprise	3 363 501	-	3 341 303
20	Long-term loans due from affiliated enterprise	58 550	-	-
21	Long-term major business share	-	-	-
22	Long-term loans due from enterprise in major shareholding relationship	-	-	-
23	Other long-term profit-sharing	-	-	-
24	Long-term loans due from other enterprise	-	-	-
25	Other long-term loan	-	-	-
26	Securities representing long-term loans	-	-	-
27	Revaluation on invested financial assets	-	-	-
28	Revaluation difference on invested financial assets	-	-	-

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31 December 2016

data in thousand HUF

Serial number	Item Description	2015.12.31	Modifications of previous year(s)	2016.12.31
a	b	e	d	e
29	<b>B. Current assets</b>	1 852 348	-	3 918 511
30	<b>I. INVENTORIES</b>	-	-	-
31	Materials	-	-	-
32	Unfinished production and semi-finished products	-	-	-
33	Young, livestock and other animals	-	-	-
34	Finished products	-	-	-
35	Goods	-	-	-
36	Advance payments for inventories	-	-	-
37	<b>II. RECEIVABLES</b>	1 061 998	-	307 672
38	Receivables from cargo transport and services (customers)	37 318	-	107 736
39	Receivables from associated enterprise	944 761	-	81 277
40	Receivables from enterprise in major sharing relationship	-	-	-
41	Receivables from other enterprise	-	-	-
42	Bills receivables	-	-	-
43	Other receivables	79 919	-	118 659
44	Revaluation difference on receivables	-	-	-
45	Positive revaluation difference of derivative transactions	-	-	-
46	<b>III. SECURITIES</b>	735 242	-	3 560 282
47	Shares in affiliated enterprise	-	-	-
48	Major business share	-	-	-
49	Other shares	-	-	-
50	Own shares, own partnership shares	735 242	-	3 560 282
51	Securities representing negotiable loan	-	-	-
52	Revaluation difference on securities	-	-	-
53	<b>IV. CASH</b>	55 108	-	50 557
54	Cash in hand, cheques	153	-	549
55	Bank deposits	54 955	-	50 008
56	<b>C. Active accruals</b>	70 501	-	8 217
57	Accruals of revenues	62 423	-	7 435
58	Active accruals of costs and expenditures	8 078	-	782
59	Deferred expenditures	-	-	-
60	<b>Total assets</b>	6 460 258	-	8 259 504

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**"A" Balance Sheet Liabilities**

31 December 2016

data in thousand HUF

Serial number	Item Description	2015.12.31	Modifications of previous year(s)	2016.12.31
a	b	e	d	e
61	<b>D. Equity</b>	2 635 267	-	1 431 413
62	I. SUBSCRIBED CAPITAL	271 726		271 726
63	of which: repurchased shares on par value	48 692		178 014
64	II. SUBSCRIBED BUT YET UNPAID CAPITAL (-)	-		-
65	III. CAPITAL RESERVE	21 254 954		21 254 954
66	IV. ACCUMULATED PROFIT RESERVE	- 18 996 948		- 22 647 520
67	V. RESERVED EARNINGS	931 067		3 756 106
68	VI. REVALUATION RESERVE	-	-	-
69	Revaluation valuation reserve	-		-
70	Revaluation reserve of actual valuation	-		-
71	VII. AFTER-TAX PROFIT	- 825 532		- 1 203 853
72	<b>E. Provisions</b>	265 714	-	100 081
73	Provision for the expected liabilities	265 714		100 081
74	Provision for future costs	-		-
75	Other provision	-		-
76	<b>F. Liabilities</b>	3 477 785	-	6 715 155
77	I. SUBORDINATED LIABILITIES		-	-
78	Subordinated liabilities to affiliated enterprise	-		-
79	Subordinated liabilities to other enterprise in sharing relationship	-		-
80	Subordinated liabilities to other organisation	-		-
81	II. LONG-TERM LIABILITIES	945 456	-	6 357 122
82	Long-term loans received	-		-
83	Convertible bonds	-		-
84	Debts from bond issue	-		-
85	Investment and development credits	-		-
86	Other long-term credits	-		-
87	Long-term liabilities to affiliated enterprise	945 456		6 357 122
88	Long term liabilities to enterprise in major sharing relationship	-		-
89	Long-term liabilities to other enterprise in sharing relationship	-		-
90	Other long-term liabilities	-		-

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Serial number	Item Description	2015.12.31	Modifications of previous year(s)	2016.12.31
a	b	e	d	e
91	<b>III. SHORT-TERM LIABILITIES</b>	2 532 329	-	358 033
92	Short-term loans	-	-	-
93	of which: convertible bonds	-	-	-
94	Short-term credits	11	-	-
95	Prepayments received from customers	-	-	-
96	Liabilities from cargo transport and services (suppliers)	46 056	-	93 902
97	Bills of exchange payable	-	-	-
98	Short-term liabilities to affiliated enterprise	2 455 624	-	94 990
99	Short-term liabilities to enterprise in major sharing relationship	-	-	-
100	Short-term liabilities to other enterprise in sharing relationship	-	-	-
101	Other short-term liabilities	30 638	-	169 141
102	Revaluation difference on liabilities	-	-	-
103	Negative revaluation difference of derivative transactions	-	-	-
104	<b>G. Deferrals</b>	81 492	-	12 855
105	Deferred incomes	253	-	-
106	Accruals on costs and expenditures	81 239	-	12 855
107	Deferred revenue	-	-	-
108	<b>Total liabilities</b>	6 460 258	-	8 259 504

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**"A" PROFIT AND LOSS STATEMENT (total cost format)**

31 December 2016

data in thousand HUF

Serial number	Item Description	2015.12.31	Modifications of previous year(s)	2016.12.31
a	b	e	d	e
1	1 Net domestic sales revenues	665 342		667 450
2	2 Net export sales revenues	-		-
3	<b>I. Net sales revenues (01+02)</b>	665 342	-	667 450
4	3 Change of self-manufactured inventories ±	-		-
5	4 Capitalised value of self-manufactured assets	-		-
6	<b>II. Own work capitalized (±03+04)</b>			
7	<b>III. Other income</b>			
8	of which: depreciation write-off	713 582		136 054
9	5 Cost of materials	45 517		95 668
10	6 Value of services used	3 327		3 115
11	7 Cost of other services	138 966		131 958
12	8 Cost of goods sold	5 705		12 938
13	9 Cost of (mediated) services sold	201 961		164 605
14	<b>IV. Material costs (05+06+07+08+09)</b>	14 438		10 210
15	10 Wage cost	364 397	-	322 826
16	11 Other payments to personnel	55 505		57 400
17	12 Payroll taxes	1 587		1 745
18	<b>V. Payments to personnel (10+11+12)</b>	16 291		16 780
19	<b>VI. Depreciation and amortization</b>	73 383	-	75 925
20	<b>VII. Other expenditures</b>	122 929		128 235
21	of which: depreciation	1 679 607		952 556
22	<b>A. OPERATING PROFIT AND LOSS (I±II+III-IV-V-VI-VII)</b>	1 381 762		808 695
		- 861 392	-	676 038

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**"A" PROFIT AND LOSS STATEMENT (total cost format)**

31 December 2016

data in thousand HUF

Serial number	Item Description	2015.12.31	Modifications of previous year(s)	2016.12.31
a	b	e	d	e
23	13 Received dividends and shares	-		-
24	from which: from affiliated enterprise	-		-
25	14 Revenues from shares, exchange rate profits	52 191		-
26	from which: from affiliated enterprise	-		-
27	15 Revenues and exchange rate profits of non-current financial assets	-		-
28	from which: from affiliated enterprise	-		-
29	16 Other received (due) interests and similar revenues	120 645		10 720
30	from which: from affiliated enterprise	118 571		9 712
31	17 Other revenues from financial transactions	23 132		2 084
32	of which: revaluation difference	-		-
33	<b>VIII. Financial revenues (13+14+15+16+17)</b>	<b>195 968</b>	<b>-</b>	<b>12 804</b>
34	18 Expenditures and exchange rate losses from shares	61 661		-
35	From which: given to affiliated enterprise	-		-
36	19 Expenditures and exchange rate losses of non-current financial assets	-		-
37	from which: given to affiliated enterprise	-		-
38	20 Payable (paid) interests, and similar expenditures	140 140		214 526
39	from which: given to affiliated enterprise	140 140		214 526
40	21 Depreciation of shares, securities, bank deposits	- 84 268		300 079
41	22 Other expenditures of financial transactions	42 575		26 014
42	of which: revaluation difference	-		-
43	<b>IX. Expenditures of financial transactions (18+19+20+21+22)</b>	<b>160 108</b>	<b>-</b>	<b>540 619</b>
44	<b>B. FINANCIAL PROFIT (VIII-IX)</b>	<b>35 860</b>	<b>-</b>	<b>527 815</b>
45	<b>C. PRE-TAX PROFIT (±A±B)</b>	<b>- 825 532</b>	<b>-</b>	<b>1 203 853</b>
46	<b>X. Tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>
47	<b>D. AFTER-TAX PROFIT (±A±B)</b>	<b>- 825 532</b>	<b>-</b>	<b>1 203 853</b>

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## Independent Auditor's Report

### To the Shareholders of the ENEFI Energiahatékonysági Nyilvánosan Működő Részvénytársaság

#### Opinion

We have audited the financial statements of ENEFI Energiahatékonysági Nyilvánosan Működő Részvénytársaság (seat: 1134 Budapest, Klapka u. 11., registration number: Cg.: 01-10-045428) (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, and notes to the financial statements, including summary of significant policies. In these financial statements the total asset values 8 259 504 kHUF, the net loss is 1 203 853 kHUF.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting [Law C of 2000] in the Hungarian Jurisdiction (hereinafter referred to as "accounting act").

#### Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Audit and in accordance with the law and other regulation applicable in the Hungarian jurisdiction. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

1. We draw attention to page 14 of the Notes, where the Company discloses a provision due to a legal issue. After the close of this legal issue there may be other effect on the financial position, financial performance and cash flows of the Company, which may not be included in these financial statements. Our opinion is not modified in respect of this matter.
2. We draw attention to page 13-14 of the Notes, where the Company discloses the legal cases initiated by the Romanian tax authorities. There are no provision recognized for these law cases due to reasons detailed in the Notes to the financial statements. In case these cases are concluded with unfavourable decision for the Company, there are going to be effects on the financial statements which can not be included in the financial statements for 2016. Our opinion is not modified in respect of this matter.
3. We draw attention to page 12 of the Notes, where the company explains the circumstances of purchasing treasury shares. Our opinion is not modified in respect of this matter.
4. We draw attention to page 8-9 of the Notes where the company explains the calculation of the recoverable amount of its investment in a subsidiary and the recoverable amount of the receivable from this subsidiary. The financial statements for 2016 does not include the effects for the situation if these circumstances will happen. Our opinion is not modified in respect of this matter.
5. We draw attention to page 24 of the Notes where there is a list about the legal procedures started against the company. The first two explains issues where the legal procedures challenges the decision passed by the general meeting of the company. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Our audit procedures, how the matter was addressed
<b>The measurement of the company's non-current tangible assets</b>	
<p>Most of the non-current tangible assets of the company serves a technological purpose. The net book value of these assets at the end of this reporting period was more than 990 million HUF.</p> <p>The useful life and certain aspects of the subsequent measurement of these asset rely on the assumptions and the professional judgement of the management.</p> <p>Therefore we identified this area a key audit matter.</p>	<p>We investigated if the estimation of the management regarding the useful life is reasonable. This was audited by investigating the available contracts, the conditions there explained and the technological characteristics of the asset.</p> <p>In case of the subsequent measurement of the asset we investigated that based on the current contract is reasonable that the asset's value will be recovered.</p> <p>In case of the sole property (real estate) of the company we have audited if the rights to the asset is existing and if the book value is above the market price.</p>
<b>The book value of the investments in other entities</b>	
<p>The company has several investments in Hungary, Romania and Cyprus. Several of these investments were impaired before the current period.</p> <p>The cost of the investment was 6 540 million HUF, the book value as at 31 December 2015 is 3 364 million HUF.</p> <p>The previously recognized impairment losses and the recognition of further expected impairment losses are tested annually to see if there are further adjustments needed.</p> <p>This test was conducted based on the equity of the investee, identifying the equity of the foresaid entity as market value. The prolonged effect is taken into consideration when recognizing or reversing impairment losses.</p> <p>The application of this method requires the management to make extensive judgements and estimations.</p> <p>Therefore, we identified the measurement of the investments a key audit matter.</p>	<p>We focused on the question whether the methodology and the assumptions of the management is appropriate to conduct a test like this.</p> <p>We investigated the equity of the investments, the pattern of the profit generated there, if the profit will be available for the parent, therefore if the investment will be recovered in any way.</p> <p>The long term investment's impairment or the reversal of the impairment we taken into consideration how prolonged the process is (was) and we investigated if an unreversible process is taken as prolonged.</p> <p>We investigated if the relevant accounting regulation was met, if the assumptions and estimations of the management are reasonable and if the disclosures are in line with the requirements.</p>

<b>The measurement of the receivables of the company</b>	
<p>The Company and the subsidiaries are often provide each other intercompany loans.</p> <p>The entities operation in Romania received material amount of loan that was impaired in the previous period since it was not recoverable.</p> <p>The collection of the amounts invoiced may also be complicated so the recoverable amount of those is also a material judgement.</p> <p>The subsequent measurement of the receivable requires the management to make extensive assumptions and judgements.</p> <p>Therefore, we identified the measurement of the receivables a key audit matter.</p>	<p>When auditing the accounts receivable we have checked how much of these receivable are confirmed and how much was subsequently settled. When a receivable was not confirmed or not settled the information available for the customer was investigated. We have also audited if the assumption of the management was reasonable.</p> <p>In relation to receivables from the subsidiary company we have investigated is sufficient free cash flow will be available to settle the debt and the interest.</p> <p>In relation to non operational entities we have checked if the receivable will be recoverable based on the net assets of that entity.</p> <p>We also investigated if the assumptions and estimations of the management was reasonable and prudent.</p>
<b>The provision recognized</b>	
<p>The company recognized material provisions. The opening balance of the provision for 2016 was 265 million HUF.</p> <p>The measurement of this item requires extensive management judgement and assumptions.</p> <p>Therefore, we identified the measurement of the receivables a key audit matter.</p>	<p>During our audit we checked if the circumstances leading to the recognition of the provisions are still existing. In doing this we investigated the documents in relation to financial settlements.</p> <p>Where the recognition of the provision at the yearend is still required we have seen if the assumptions of the management are realistic and in line with the documentation available.</p>

### Report on other Regulatory Requirements: Business Report

The other regulatory requirements include the business report of the company for the year ending on 31 December, 2016. The management is responsible to prepare the business report in line with the Act of Accounting and other relevant legislation. Our opinion expressed in the "Opinion" section does not apply to the Business Report.

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.

Based on the Accounting Act it is our responsibility to assess if the Business Report meets the requirements of 95/B § (2) e) and f) in the Accounting Act. We also need to state if the information required by 95/B § (2) a-d) and g) are disclosed.

In our opinion the Business Report of ENEFI Energiahatékonysági Nyilvánosan Működő Részvénytársaság for the year ended on December 31, 2016 is in consistent with the financial statement for the year then ending. The information required by 95/B § (2) a-d) and g) of the Accounting Act is disclosed.

Since other regulation does not require any other disclosure in the Business Report we do not express an opinion required by 156 § (5) h) of the Accounting Act.

Furthermore we are required to report if we are aware of any incorrect communication (material misstatement) made before the date of this audit opinion based on our information received from the Company. If yes, we need to identify the communication and report the nature of it. We do not have anything to report in this matter.

### **Responsibilities of the Management for the Financial Statements**

Management is responsible of the preparation and fair presentation of the financial statements in accordance with the Accounting Act 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 financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

### **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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian Standards on Audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of the financial statements.

As a part of an audit in accordance with the Hungarian Standards on Audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

At Budapest, April 25, 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 Energy Efficiency Plc.**  
Supplementary Annex to the  
Annual Report on 31 December 2016

**I. General Additional Information**

***Description of the Company***

Company name: ENEFI Energy Efficiency Plc. (name changed: 9 December 2013, registered: 17 December 2013 , former name E-STAR Alternative Plc, name changed: 17/02/2011, registered: 04/03/2011, former name: RFV Plc.)

Subscribed capital of the company: HUF 271,725,790 in 27,172,579 pieces of HU 10 par value ordinary shares.

\* On the basis of the decision No: 34/2016. (05. 06.) of the General Meeting accepted on 06/05/2016, the Board of Directors of the Company decided on the registered capital increase via closed issue of free employee shares by the amount of HUF 25,000,000, via issuing 2,500,000 pieces of employee shares with the par value of HUF 10 to the amount of the amount of HUF 296,725,790. The Board of Directors also decided on the modification of the Articles of Association on the basis of the authorization of the general meeting. The changes related to the capital increase were registered in the company registry by the Court of Registration on 21/04/2017. The employee shares have not been created and distributed; the Company shall inform its Honourable Investors of this later in a separate announcement.

**Composition of Registered Capital, Major Shareholders on the Balance Day:**

<b>Owner</b>	<b>Ownership Ratio (%)</b>
Own shares	65.51
Free float rate	27.82
EETEK Ltd.	6.66

Registered seat of the Company on balance sheet day: 1134 Budapest, Klapka utca 11.

Branch office of the company: 8413 Eplény, Veszprémi u. 66/A.

Representatives of the company authorised to sign:

Csaba Soós  
Attila Gagyí Pálffy  
László Bálint

Date of conversion to Private Limited Corporation: 01/03/2006, registered: 12 June 2006

Date of conversion to Public Limited Corporation: 12/03/2007, registered: 10/05/2007

Vat number: 13719069-4-41

Company registration number: 01-10-045428

Main activity: Steam and air conditioning supply

**Description of the Enterprise:**

The Company (or its predecessor) was founded on 29 June 2000 for purposes to implement - primarily energetic - developments returning from savings for its customers, and with the long term operation of these it shall supply power for its customers effectively. The Company operates in the energy sector equivalent of PPP (public-private-partnership) structures, the so called ESCO (energy service company) services. It implements energy interventions from its own investments typically returning from saving energy costs, which it maintains and operates in the long duration following the investment. During these investments, the Company provides energy services (thermal energy supply, street lighting service, electric energy efficiency service, etc.) with the equipment developed by the Company, typically in an 8-15-year contract period depending on return. The Company typically financed the investments from bank loans. In addition to taking loans to finance subsidiary projects and the EETEK Limited transaction, it also issued shares and bonds.

The most important services (branches) of ENEFI Energy Efficiency Plc. are the following:

- Thermal energy supply service with heating system modernisation,
- Energy reconstruction of buildings prepared with industrial technologies and long term heat supply service.
- Street lighting service

***Long term profit-sharing in associated enterprise on 31 December 2016:***

The following subsidiaries belong to the sphere of consolidation of ENEFI Energy Efficiency Plc (31/12/2016):

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

Other companies owned by ENEFI Energy Efficiency Plc:

	Name of Company	Country	Registered Capital	Direct and indirect business share (%)	Voting Ratio (%)
1	E-Star Mures Energy SA – under liquidation	Romania	RON 90,000	99.99%	99.99%
2	SC E-Star Investment Management SRL – under liquidation	Romania	RON 15,000	99.93%	99.93%
3	SC E-Star ZA Distriterm SRL – under liquidation	Romania	RON 40,000	51%	51%

The corporate group does not have control over the above companies under liquidation, therefore the conditions of inclusion in the consolidated report are not fulfilled. These companies were recorded in the 2016 annual report by the amount of zero.

***Detailed basic information regarding subsidiaries on 31 December 2016:***

Detailed basic information of the subsidiaries of E-Star Alternative Energy S.A.:

	Name of Company	Country	Registered Capital	Ownership Ratio (%)	Voting ratio (%)
2	E-Star Investment Management SRL	Romania	RON 15,000	99.93%	99.93%

Auditor of the company

Auditor company name: UNIKONTO Számvitelkutatási Kft.  
Registered seat: 1092 Budapest, Fővám tér 8. 3. em. 317/3.  
Company registration number: Cg.01-09-073167  
Chamber registration number: 001724

Person personally responsible for auditon:

Name: Dr. Csaba Adorján  
Auditor licence number: 001089

Name of accounting service provider at the date of signing: AccountantZ Kft.

Zoltán Győrfi  
Registration number: 006318

## II. Main characteristics of the accounting policy:

The Company keeps its books and records in accordance with the principles set forth in Act C. of 2000 on Accounting (hereinafter referred to as: Act on Accounting) amended from time to time. The Company declared its assessment procedures and methods in its accounting policy.

The annual report includes:

- "A" type balance sheet
- Profit and loss statement prepared in total cost format
- supplementary annex

Balance Sheet day: 31 December 2016

Date of Balance Sheet: 20 January 2017 according to the accounting policy, but for the business year of 2016 deviating from the policy, it is 21 April 2017.

### *Applied Assessment Procedures, Method of Depreciation Accounting:*

#### **Assets**

##### **Fixed Assets**

- The rights to assets and intellectual property in the group of intangible assets are written off in three to five years.
- Tangible assets: The Company evaluates tangible assets individually in accordance with the Act on Accounting.
- In case of procurement, the gross price is the procurement value.
- Accounting depreciation:
- Tangible assets below HUF 100,000 procurement value are accounted in one amount at the time of commencement of use.
- In case of tangible assets over HUF 100,000 the linear writing off method issued.
- Applied depreciation write off keys:

<u>Name</u>	<u>Applied key</u>
Intangible assets	20-33%
Real estates and related rights to assets	6%
Technical equipment, machines, vehicles	6-33%
Other equipment, supplies, vehicles	20-33%

- Depreciation is accounted prorated, monthly.
- No depreciation is accounted for plots and pieces of fine art.
- The Company does not apply value adjustment.
- If the assets do not permanently serve the operations of the Company, those are qualified as current assets.
- Depreciation above planned shall be accounted in intangible assets and tangible assets, if the book value of the intangible asset, or the tangible asset (including investment) is permanently significantly higher than the market value of the given assets.

- If the book value of the assets is lower than the original procurement value of these assets and the reasons of the evaluation at the lower value no longer or only partly exist, then the write-off shall be cancelled for reliable and realistic picture, and the asset shall be valued back to its market value (write-back).

**Non-current financial assets:**

- In case of investments constituting shares, depreciation between the book value and the market value of the investment shall be accounted in the amount of the loss type difference if such difference is permanent and of significant amount.
- The value of investment constituting business share shall be determined on the proportional own capital of the company enjoying the investment in case of majority ownership share.
- In other cases the market value shall be determined if the company has a real market, then on the basis of the real market value, otherwise on the basis of the proportional own capital of the company enjoying the investment.

**Current assets**

**Stocks:**

- In inventories, the Company accounts subcontractor deliveries related to the maintenance of potential secondary systems, which are invoiced at the appropriate time. Furthermore the services related to the Romanian projects are accounted here, which will be invoiced by the implementation of the projects.
- If the items in the inventory are not invoiced, the Company shall account for depletion.

**Receivables:**

The receivables in the records on 31 December 2016 shall be individually qualified as follows:

- total value
- expired
- doubtful
- uncollectable receivables

The receivables are individually assessed on the basis of the ageing list, considering the financial deliveries following the balance sheet day and depletion is generated to the necessary extent.

## **Liabilities**

### **Equity:**

- **Subscribed capital:** The par value determined in the Articles of Association the value registered at the Company Registration Court in accordance with the provisions of the Act on Accounting.
- **Capital reserve:** Reserves available for the Company, accounting share premium amount in case of issuing shares.
- **Accumulated profit reserve:** as per records.
- **Reserved earnings:** The items determined by the Act on Accounting shall be transferred from accumulated profit reserve. It shall be accounted under this title at the company
  - **Development reserve:** The Company shall generate it individually in accordance with the extent set forth in the Act on Corporate Tax, it shall be written-back upon the capitalisation of new developments.
  - amounts employed from the accumulated profit reserve due to the repurchase of own shares.
- **After-tax profit:** contribution to stock equity in accordance with the amount of the profit and loss statement.

### **Provisions:**

Resource generated on pre-tax profit for expected liabilities and future costs. The Company shall not generate provisions for future expenditures.

The Company shall generate provisions for expected liabilities on the basis of legal and other information received. Upon determining the amount of this the liability arising in the most probably occurring case shall be considered. In the event that the expected liability cannot be precisely estimated, then the Company shall present the uncertainty related thereto in the supplementary annex.

### **Sales revenues:**

The Company accounts the value of the sold, purchased and produced stocks and delivered services of the reference period as sales revenue. (Energy fee, street lighting, service fee, other sales revenues).

### **Costs:**

Costs of purchased materials (and used in the reference year), used services, costs of other services, wages and payroll taxes, other personal payments and depreciation shall be accounted as costs.

### **Error of significant amount**

An error is of significant amount, if in the year of exploring the error during different revisions the total amount of the value of errors and error effects affecting one year (separately year by year) increasing or decreasing the profit or equity (irrespective of sign) exceeds the value limit determined in the accounting policy. Each case is an error of significant amount if in the year of exploring the error during different revisions, affecting the same year, the total amount of the value of errors and error effects increasing or decreasing the profit or equity (irrespective of sign) exceeds 2 percent of the total assets of the revised year, or if 2 percent of the total assets does not exceed HUF 1 million, then HUF 1 million.

### **Error of not significant amount**

An error is of no significant amount, if in the year of exploring the error during different revisions the total amount of the value of errors and error effects affecting one year (separately

year by year) increasing or decreasing the profit or equity (irrespective of sign) does not exceed the value limit of the error of significant value determined in the previous Section.

Errors and error effects qualified as ones of significant amount are presented in a separate (middle) column of the balance sheet and profit and loss statement of the reference year on the basis of the Act on Accounting. Errors and error effects qualified as ones of significant amount on the basis of the above, be accounted on a separate book account after exploration within the given account group, separated by year.

No error of significant amount was explored in the reference year.

### III. Additional comments related to the Balance sheet

#### Intangible Assets and Tangible Assets

Annex No: 1 presents the development of intangible assets and fixed assets.

No significant change took place in the reference year. The HUF 20,668 thousand related to Termoenergy Srl. together with the depreciation thereof was put from the goodwill line among business shares. Tangible assets increased by HUF 9,887 thousand, decreased by HUF 10,191 thousand and the amount of HUF 127,382 was accounted as depreciation. The company did not account for unplanned depreciation in terms of tangible assets in the reference year.

#### Long term profit-sharing in associated enterprise:

*data in thousand HUF*

Name	Book value 31 December 2015	Depreciation writeback in 2016	Revaluation in 2016 (+ loss/ - profit)	Increase in 2016	Decrease in 2016	Book value 31 December 2016
RFV Józsefváros Kft	1,470	0	0	0	0	1,470
Termoenergy SRL	0	0	0	0	0	0
RFV SRL / CDR SRL	0	0	0	0	0	0
E-Star ZA Distriterm S.R.L.	0	0	0	0	0	0
E-Star Mures Energy SA	0	0	0	0	0	0
E-Star Energy Generation SA	0	0	0	0	0	0
E-Star Heat Energy SA	0	0	0	0	0	0
E-Star Alt. Energy SA	0	0	0	0	0	0
E-STAR Management Plc.	0	0	0	0	0	0
EETEK Limited	3,309,840	0	-22,198	0	0	3,287,642
ENEFI Projektársaság Kft.	52,191	0	0	0	0	52,191
<b>Total:</b>	<b>3,363,501</b>	<b>0</b>	<b>-22,198</b>	<b>0</b>	<b>0</b>	<b>3,341,303</b>

One significant circumstance changed in the evaluation of long term profit-sharing. EETEK Limited sold its Polish subsidiaries in 2016 as a result of which significant profit was realised. Consequently its own capital and the net real value of its assets increased.

The owner of EETEK Limited, ENEFI Plc. decided to pay EUR 10,295 thousand as dividend from the 2016 profit of EETEK Limited, therefore the increase of own capital may not be considered as permanent. On the basis of all this, writing off depreciation is not justified on the basis of the Accounting Act and the accounting policy of the Company.

**Long-term loans to affiliated enterprises:**

2015 31 December

data in thousand HUF

Name	Capital	Interest	Capital depletion	Interest depletion	Book value
Long-term loan Faapriték	20,247	4,978	-20,247	-4,978	0
Long-term loan RFV Józsefváros Kft.	54,133	4,417	0	0	58,550
Long-term loan RFV Slovak s.r.o	102,017	8,765	-102,017	-8,765	0
Long-term loan Grep Zrt.	15	2	-15	-2	0
<b>Total</b>	<b>176,412</b>	<b>18,162</b>	<b>-122,279</b>	<b>-13,745</b>	<b>58,550</b>

2016 31 December

data in thousand HUF

Name	Capital	Interest	Capital depletion	Interest depletion	Book value
Long-term loan Faapriték	20,247	7,356	-20,247	-7,356	0
<b>Total</b>	<b>20,247</b>	<b>7,356</b>	<b>-20,247</b>	<b>-7,356</b>	<b>0</b>

**(Long and short term) evaluation of long term profit sharing and short term loans to affiliated enterprises**

The shares of the Company in its subsidiaries operating in Romania had been written back to zero prior to financial year 2016.

In case of these companies significant amount of loan was given and there were claims against these companies due to other business relationships too. Some of the subsidiaries are under liquidation and some others do minimum business activity. Due to these causes the Company evaluated the claims against the Romanian subsidiaries at the end of financial year 2015 on the basis of the expected return value and depreciation was accounted in relation with these accordingly. Since only the claim against E-STAR Centrul de Dezvoltare Regionala SRL had a positive return value, the depreciation of the other claims were accounted for the amount of the total claim.

E-STAR Centrul de Dezvoltare Regionala SRL (hereinafter CDR) provided district heating services in Gheorgheni. The concession agreement related to this service had been terminated earlier. The infrastructure of the district heating system was handed over to Gheorgheni city with county authority on 8 March 2017, therefore the company has not provided such service since then. The infrastructure was handed over without compensation in accordance with the local legal regulations. On the basis of the current net asset value of CDR the financial fulfilment of the claims against CDR is not likely, therefore the claims against CDR were completely written off.

CDR has multiple lawsuits in progress for compensation for damages in Romania. Some of these are related to returning the concession rights and to the compensation of damages arising from this, others are in progress for other reasons (described in details in the chapter Lawsuits at the end of the Supplementary Annex). In case of positive outcomes of these finally not yet closed lawsuits, the return of some of the claims described here is expected.

### Value and composition of current assets

*data in thousand HUF*

Name	31 December 2015	31 December 2016	Change
Receivables	1,061,998	307,672	-754,326
Securities	735,242	3,560,282	2,825,040
Monetary assets	55,108	50,557	-4,551
<b>Total:</b>	<b>1,852,348</b>	<b>3,918,511</b>	<b>2,066,163</b>

### Division of receivables:

*data in thousand HUF*

Name	31 December 2015	31 December 2016	Change
Receivables from cargo transport and services (customers)	37,318	107,736	70,418
Receivables from associated enterprise	944,761	81,277	-863,484
Other receivables	79,919	118,659	38,740
<b>Total RECEIVABLES</b>	<b>1,061,998</b>	<b>307,672</b>	<b>-754,326</b>

The receivables are evaluated on the basis of the ageing list as well as individually considering the financial fulfilments following the balance sheet day and the necessary depletion is generated.

### Depreciation of receivables:

HUF 121,937 thousand customer depreciation was accounted on the basis of individual assessment in the reference year.

*data in thousand HUF*

31/12/2016	Opening	Generating	Reclassification from investment	Resolution	Depreciation writeoff	Closing
Depreciation of not affiliated domestic customer receivables	238,970	121,937	0	0	0	360,907
Depreciation of non affiliated foreign customer receivables	147,285	0	0	0	0	147,285
Depreciation of other receivables	191,886	7,708	0	0	55,700	143,894
Depreciation of receivables against affiliated enterprises	8,770,951	679,050	36,348	95,523	5,280	9,385,546
<b>Total</b>	<b>9,349,092</b>	<b>808,695</b>	<b>36,348</b>	<b>95,523</b>	<b>60,980</b>	<b>10,037,632</b>

**ENEFI Energy Efficiency Plc.**  
**www.enefi.hu**  
**Supplementary Annex to the Annual Report on 31 December 2016**

***Receivables from affiliated enterprise, 31 December 2015***

*data in thousand HUF*

<b>31/12/2015</b>	<b>Capital</b>	<b>Interest</b>	<b>Capital YEAR</b>	<b>Interest YEAR</b>	<b>Book value</b>
<b>Name</b>					
Customer receivables RFV Józsefváros Kft.	31,322	0	0	0	31,322
Loan receivables E-Star Mures Energy SA	18,485	0	-18,485		0
Customer receivables E-Star Centrul de Dezvoltare Regionala SRL	147,469	0	0	0	147,469
Customer receivables Nordica Skiarena Kft.	51,977	0	0	0	51,977
Customer receivables E-Star Management Zrt.	38,348	31	-38,348	-31	0
Loan receivables Heat Energy S.A. / Faapríték S.A.	11,808	3,201	-11,808	-3,201	0
Loan receivables E-Star Distriterm S.R.L	169,761	92,656	-169,761	-92,656	0
Loan receivables E-Star Alternative Energy SA	257	4,706	-257	-4,706	0
Loan receivables E-Star Energy Generation SA	25,577	122,605	-25,577	-122,605	0
Loan receivables E-Star Investment Management SRL	26,687	3,088	-26,687	-3,088	0
Loan receivables E-Star Mures Energy SA	1,646,154	345,975	-1,646,154	-345,975	0
Loan receivables E-Star Centrul de Dezvoltare Regionala SRL	4,442,247	2,141,088	-4,442,247	-1,547,893	593,195
Loan receivables Termoenergy S.R.L	34,344	19,772	-34,344	-19,772	0
Loan receivables - Nordica	30,000	4,472	0	0	34,472
Group VAT receivables RFV Józsefváros Kft.	30,424	0	0	0	30,424
Group VAT receivables Rfv Panelrekonstrukciós Kft.	1,560	0	0	0	1,560
VAT receivables E-Star Esco Kft.	0	0	0	0	0
Other receivables affiliate - E-Star ESCO Kft.	0	0	0	0	0
Other receivables affiliate - E-Star CDR S.R.L	43,886	10,456	0	0	54,342
Other receivables affiliate - E-Star Energy Generation SA	45,418	0	-45,418	0	0
Other receivables affiliate - E-Star Investment Management SRL	3,285	0	-3,285	0	0
Other receivables affiliate - E-Star CDR S.R.L default interest on expired loan	205,000	0	-205,000	0	0
<b>Total</b>	<b>7,004,009</b>	<b>2,748,050</b>	<b>-6,667,371</b>	<b>-2,139,927</b>	<b>944,761</b>

**ENEFI Energy Efficiency Plc.**  
**www.enefi.hu**  
**Supplementary Annex to the Annual Report on 31 December 2016**

***Receivables from affiliated enterprise, 31 December 2016***

*data in thousand HUF*

31/12/2016	Capital	Interest	Capital YEAR	Interest YEAR	Book value
<b>Name</b>					
Customer receivables RFV Józsefváros Kft.	27,850	0	0	0	27,850
Loan receivables E-Star Mures Energy SA	18,485	0	-18,485		0
Customer receivables E-Star Centrul de Dezvoltare Regionala SRL	147,469	0	-147,469	0	0
Customer receivables E-Star Management Zrt.	99,883	1,909	-99,883	-1,909	0
Loan receivables Heat Energy S.A. / Faapriték S.A.	11,808	3,201	-11,808	-3,201	0
Loan receivables E-Star Distriterm S.R.L	171,418	92,656	-171,418	-92,656	0
Loan receivables E-Star Alternative Energy SA	816	4,719	-816	-4,719	0
Loan receivables E-Star Energy Generation SA	34,455	123,129	-34,455	-123,129	0
Loan receivables E-Star Investment Management SRL	26,687	3,088	-26,687	-3,088	0
Loan receivables E-Star Mures Energy SA	1,655,450	345,975	-1,655,450	-345,975	0
Loan receivables E-Star Centrul de Dezvoltare Regionala SRL	4,346,723	2,141,054	-4,346,723	-2,141,054	0
Loan receivables Termoenergy S.R.L	34,344	19,772	-34,344	-19,772	0
Loan receivables E-Star Faapriték SA	20,247	7,356	-20,247	-7,356	0
Group VAT receivables RFV Józsefváros Kft.	53,427	0	0	0	53,427
Other receivables affiliate - E-Star CDR S.R.L	43,448	10,352	-43,448	-10,352	0
Other receivables affiliate - E-Star Energy Generation SA	45,418	0	-45,418	0	0
Other receivables affiliate - E-Star Investment Management SRL	3,285	0	-3,285	0	0
<b>Total</b>	<b>6,741,213</b>	<b>2,753,211</b>	<b>-6,659,936</b>	<b>-2,753,211</b>	<b>81,277</b>

**Other receivables**

*data in thousand HUF*

Name	31 December 2015	31 December 2016	Change
Position against tax authorities	41,925	52,363	10,438
Foreign VAT	2,787	0	-2,787
Other receivables	18,802	634	-18,168
Supplier overpayment	37	0	-37
Deposit to suppliers	3,572	1,134	-2,438
Bails	2,036	1,347	-689
Member's loan interest, HUF	387	10,252	9,865
Receivables from employees, HUF	541	0	-541
Short-term loan Panelrekonstrukciós Kft.	154	0	-154
Offer collateral	25	0	-25
VAT receivables E-Star Esco Kft.	8,712	0	-8,712
Other receivables Pannon Fuel Kft (previously ESCO)	0	25,976	25,976
Other receivables from assignment	0	26,012	26,012
CRH Bail Klapka u.	941	941	0
<b>Total</b>	<b>79,919</b>	<b>118,659</b>	<b>38,740</b>

**Securities**

There are 17,801,409 pieces of ordinary shares of ENEFI Plc. on the securities line. The amount of depletion accounted on the balance day is HUF 839,004 thousand therefore its book value is HUF 3,560,282 thousand. The evaluation of the shares on the balance sheet day was based on the closing value of the share price valid at the time of preparing the balance sheet. The. previously accounted depletion had to be increased by further HUF 300,079 on 31 December 2016.

The Company published the ENEFI share acquisitions of the Corporate Group in its announcements of the reference year in details as well as the relevant decisions, approvals, program and strategy. The share acquisitions were approved by the main body of the Company, the share transactions concluded below the book value of the own capital per one share have generated value for the existing shareholders of the Company. On the basis of the share program, the decisions of the general meeting and the strategy of the Board of Directors, the Company wishes to delist the own shares as soon as possible, which has not yet been possible due to the prolonged company registration proceedings. The Company has fallen under the effect of the Civil Code in the reference year which includes a limit on the rate of own shares - as opposed to the previous regulations. Thus by falling under the effect of the Civil Code the number of own shares exceeded the amount allowed by the Civil Code which shall be properly solved by delisting the own shares.

**Monetary assets**

The total amount of monetary assets is HUF 50,557 thousand, from which HUF 50,008 thousand

is bank deposit and HUF 549 thousand is cash.

**Active accruals:**

*data in thousand HUF*

Name	31 December 2015	31 December 2016	Change
Consideration of leasing of assets	24,086	0	-24,086
Gas fee not invoiced	38,337	4,055	-34,282
Service fee not invoiced	0	0	0
Management fee	0	3,380	3,380
Total accruals of revenues	62,423	7,435	-54,988
Active accruals of costs	8,078	782	-7,296
<b>Total accruals</b>	<b>70,501</b>	<b>8,217</b>	<b>-62,284</b>

**Liabilities**

**Change of equity (thousand HUF)**

*data in thousand HUF*

Name	Subscribed capital*	Capital reserve	Profit reserve	Committed reserve	After-tax profit	Equity
Opening account	271,726	21,254,954	-18,996,948	931,067	-825,532	2,635,267
Increase	0	0	0	2,825,039	0	2,825,039
Decrease	0	0	3,650,572	0	378,321	4,028,893
Closing	271,726	21,254,954	-22,647,520	3,756,106	-1,203,853	1,431,413

\* Par value of repurchased own shares HUF 178,014 thousand.

**Change of accumulated profit reserve and put to the reserved earnings:**

*data in thousand forints*

Name	Accumulated profit reserve	Committed reserve
Opening	-18,996,948	931,067
Transcription of 2016 after-tax profit	-825,532	0
Committed reserve generating 17,801,409 pieces of shares	-2,825,040	2,825,040
Closing	-22,647,520	3,756,106

**Provisions:**

Provisions of HUF 575 thousand were generated and HUF 166,209 thousand were released in the reference year.

In 2014 the Group generated 25% provisions on the basis of the decision of the management, in relation with the lawsuits commenced by the Romanian tax authority, the amount of which was:

HUF 171,960 thousand. On the basis of a final decision, the provision was released due to the termination of the proceedings in 2015. In spite of the above, the Company generated 10% provisions at the end of 2015 again, taking the ongoing proceedings into consideration. As a result of the final Romanian and European Union court decisions in the reference year the provisions were released in year 2016. Although the proceedings are currently in progress too against the Romanian Financial (Tax) Authority, according to the view of the Company, the claim of the Financial Authority is unfounded and the proceeding is unlawful so the Company does not expect an unfavourable decision.

The amount of HUF 41 million provisions previously generated for a lawsuit filed by a private person has also been released because the legal dispute has been settled financially.

The amount of HUF 56 million provisions previously generated for the repayment of the development subsidy, since the liability has been settled financially.

The company had generated development reserve in previous years on the basis of the provisions of the Act on Corporate Tax in effect. The amount of this should have been used by the end of year 2014. The Company had generated HUF 45,800 thousand provisions for the tax payment liability arising due to the development reserve and the surcharge thereof and HUF 2,881 thousand for the Corporate tax self-revision. Only the surcharges of these were updated in the reference year.

The amount of the provisions generated for a case related to a legal dispute which may potentially become a lawsuit is HUF 51,400 thousand which has not been changed since last year.

The Company has no liabilities related to the protection of the environment.

### **Liabilities:**

#### **Long-term liabilities:**

The Company has over one year liabilities exclusively to its affiliates (in the following division in comparison with the base year).

#### **Long-term liabilities to affiliated enterprise**

*data in thousand HUF*

31 December 2015	Capital	Interest	Book value
Long-term loan liability EETEK Limited	876,580	68,876	945,456
Total	876,580	68,876	945,456

*data in thousand HUF*

31 December 2016	Capital	Interest	Book value
Long-term loan liability ENEFI Project Company	7,660	0	7,660
Long-term loan liability EETEK Limited	6,080,451	269,011	6,349,462
Total	6,088,111	269,011	6,357,122

**Short term liabilities:**

The summarised figures of short-term liabilities are presented in the following table.

*data in thousand HUF*

Name	31 Dec.2015	31 Dec.2016	Change
Short-term loans	-	-	-
Short-term credits	11	0	-11
Liabilities from cargo transport and services (suppliers)	46,056	93,902	47,846
Short-term liabilities to affiliated enterprise	2,455,624	94,990	-2,360,634
Other short-term liabilities	30,638	169,141	138,503
<b>Total</b>	<b>2,532,329</b>	<b>358,033</b>	<b>-2,174,296</b>

**Short-term liabilities to affiliated enterprise**

*data in thousand HUF*

Name	31 Dec.2015	31 Dec.2016	Change
Group VAT liability SKI SLOPE	4,244	0	-4,244
Loan Liabilities ENEFI Polska (capital and interest)	2,294,159	0	-2,294,159
Supplier liability E-Star Elektrociepłownia Mielec Sp.z.o.o	1,126	0	-1,126
Supplier liability E-Star CDR	11,359	0	-11,359
Supplier liability E-Star Energy Generation SA	0	1,684	1,684
Supplier liability - Nordica	50,800		-50,800
Affiliated other short-term liability E-STAR Management Plc.	0	0	0
Other liabilities - EETEK Limited	93,936	93,306	-630
<b>Total</b>	<b>2,455,624</b>	<b>94,990</b>	<b>-2,360,634</b>

**Other short-term liabilities**

*data in thousand HUF*

Name	31 Dec.2015	31 Dec.2016	Change
Different other short-term liabilities	0	158,351	158,351
VAT liability	0	4,169	4,169
Motor vehicle tax	0	34	34
Social contribution tax	0	1,169	1,169
Duty	0	2	2
Fine order	24	0	-24
Revenue settlement account	6,438	3,482	-2,956
Special tax	2,028	0	-2,028
Vocational training contribution	108	0	-108
Company car tax	0	272	272
Personal pension fund membership fee	1,998	0	-1,998
Customers with negative balance	1,374	1,375	1
Health insurance fund	252	287	35
Employee's contribution	6	0	-6
Other liabilities - E-STAR Geotherm Kft.	50	0	-50
E-Star ESCO Kft. liability part sale	18,360	0	-18,360
<b>Total</b>	<b>30,638</b>	<b>169,141</b>	<b>138,503</b>

\*The amount of HUF 158,351 thousand presented on the "Different short-term other liabilities" line among "Other short-term liabilities" does not constitute real liability for the company but the mutual receivables and liabilities have not yet been compensated with the business partner.

Deferrals

*data in thousand HUF*

Name	31 December 2015	31 December 2016	Change
Deferred incomes	253	0	-253
Deferred costs	81,239	12,855	-68,384
<b>Total:</b>	<b>81,492</b>	<b>12,855</b>	<b>-68,637</b>

Detailed deferred costs

*data in thousand HUF*

Name	31 December 2015	31 December 2016	Change
Consulting, auditing	5,920	6,000	80
Gas fee	38,307	2,866	-35,441
Other	37,012	3,989	-33,023
<b>Total:</b>	<b>81,239</b>	<b>12,855</b>	<b>-68,384</b>

**Items related to the profit and loss statement:**

*Division of domestic sales revenue*

*data in thousand HUF*

Name	2015	2016	Change
Sales revenue of service fee	293,570	293,817	247
Street lighting	12,593	0	-12,593
Mediated service RFV Józsefváros Kft	124,625	103,106	-21,519
Revenues of energy fee	82,497	69,945	-12,552
Revenues of rentals	93,198	188,177	94,979
Management fee	0	3,380	3,380
Other revenue	58,859	9,025	-49,834
<b>Total:</b>	<b>665,342</b>	<b>667,450</b>	<b>2,108</b>

**Division of revenues within the corporate group from sales revenues:**

*data in thousand HUF*

Name	2015	2016	Change
RFV Józsefváros Kft.	319,706	301,095	-18,611
E-STAR Management Plc.	0	80	80
ENEFI Projektársaság Kft.	0	180	180
E-Star Esco Kft. (Pannon Fuel Kft.)*	6,967	0	-6,967
E-Star Mielec Sp.z o.o.	38,064	0	-38,064
<b>Total:</b>	<b>364,737</b>	<b>301,355</b>	<b>-63,382</b>

\* No longer part of the corporate group in 2016

*Other revenues*

*data in thousand HUF*

Name	2015	2016	Change
Reversed depreciation	45,517	95,668	50,151
Intangible assets, tangible assets sold	490	883	393
Release of provisions	199,084	166,209	-32,875
Non-highlighted other revenue	167,001	26,202	-140,799
Penalties, default interest charged	205,791	-198,141	-403,932
Collection costs lump, revenues	132	1,107	975
Revenues related to previous years	217	44,126	43,909
Development subsidy transferred from extraordinary revenues	22,440	0	-22,440
Undertaken liability transferred from extraordinary revenues	72,910	0	-72,910
<b>Total:</b>	<b>713,582</b>	<b>136,054</b>	<b>-577,528</b>

The negative amount of the penalty charged was caused by the self-revision correction of the default interests incorrectly accounted as other revenues in the previous year. The amount accounted in 2015 and corrected in 2016 was HUF 205,000 thousand.

The amount of default interest financially realised in the reference year was HUF 6,825 thousand.

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**Material costs**

*data in thousand HUF*

Name	2015	2016	Change
Cost of materials	3,327	3,115	-212
Value of services used	138,966	131,958	-7,008
Cost of other services	5,705	12,938	7,233
Cost of goods sold	201,961	164,605	-37,356
Cost of (mediated) services sold	14,438	10,210	-4,228
<b>Total:</b>	<b>364,397</b>	<b>322,826</b>	<b>-41,571</b>

**Composition of cost of materials**

*data in thousand HUF*

Name	2015	2016	Change
Energy cost	1,435	817	-618
Fuel purchased	1,340	1,448	108
Office supplies, printed forms	371	364	-7
Water fee	24	0	-24
Other cost of materials	43	156	113
Material assets used up within one year	89	54	-35
Cleaning agents	25	276	251
<b>Total:</b>	<b>3,327</b>	<b>3,115</b>	<b>-212</b>

**Composition of services used**

*data in thousand HUF*

Name	2015	2016	Change
Management fee	9,224	3,812	-5,412
Legal costs	18,317	25,726	7,409
Rentals	9,823	8,146	-1,677
Accounting, tax consulting	255	15,122	14,867
Operation cost	58,329	26,808	-31,521
Maintenance costs	18,775	21,767	2,992
Business consulting, expert commission	908	660	-248
Audit Fee	9,400	13,400	4,000
Other	5,931	6,734	803
Service fee (stock exchange, financing)	3,189	4,575	1,386
Post, telephone cost, Internet	4,085	3,861	-224
Advertising, training	32	0	-32
Travelling cost	570	1,203	633
Costs of transportation	128	144	16
<b>Total:</b>	<b>138,966</b>	<b>131,958</b>	<b>-7,008</b>

Cost of other services

*data in thousand HUF*

Name	2015	2016	Change
Official fees, charges	891	2,822	1,931
Bank charges	3,811	3,684	-127
Insurance fee	1,003	6,432	5,429
<b>Total:</b>	<b>5,705</b>	<b>12,938</b>	<b>7,233</b>

Cost of goods sold

*data in thousand HUF*

Name	2015	2016	Change
Mediated service - gas fee	201,961	164,605	-37,356
<b>Total:</b>	<b>201,961</b>	<b>164,605</b>	<b>-37,356</b>

Cost of (mediated) services sold

*data in thousand HUF*

Name	2015	2016	Change
Mediated service - other	7,730	10,210	2,480
Mediated service - public lighting	5,478	0	-5,478
Mediated service - development	0	0	0
Mediated service - invoiced electricity	424	0	-424
Street lighting - ESCO	806	0	-806
<b>Total:</b>	<b>14,438</b>	<b>10,210</b>	<b>-4,228</b>

Payments to personnel

*data in thousand HUF*

Name	2015	2016	Change
Wage cost	55,505	57,400	1,895
Other payments to personnel	1,587	1,745	158
Payroll taxes	16,291	16,780	489
<b>Total</b>	<b>73,383</b>	<b>75,925</b>	<b>2,542</b>

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*Other expenditures*

*data in thousand HUF*

Name	2015	2016	Change
Depreciation of loans given	1,151,506	532,759	-618,747
Depreciation of customer receivables	65,339	122,081	56,742
Depreciation of affiliated customer receivables (CDR)	0	147,469	147,469
Depreciation of affiliated customer receivables (Mures)	18,485	0	-18,485
Generation of provisions	214,314	575	-213,739
Fines, penalties, demurrages, default interests	5,057	7,762	2,705
Book value of sold tangible assets	1,953	594	-1,359
Miscellaneous other expenditures	62,906	97,974	35,068
Taxes, duties	11,308	13,350	2,042
Depreciation of other receivables	146,435	6,384	-140,051
Expenses related to previous years	11	23,608	23,597
Amount transferred from extraordinary expenditures	2,293	0	-2,293
<b>Total</b>	<b>1,679,607</b>	<b>952,556</b>	<b>-727,051</b>

The amount of the depreciation of the loans given in the reference year was reduced by the self-revision correction accounted in relation with the due default interests accounted incorrectly as other revenues in the previous year. 100% depreciation was accounted for the amounts accounted as default interest in 2015 but financially not settled. This was corrected in 2016. The amount accounted in 2015 and corrected in 2016 was HUF 205,000 thousand.

The total amount of depreciation accounted for the loans given in the reference year was HUF 737,759 thousand.

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*Financial revenues*

*data in thousand HUF*

Name	2015	2016	Change
Revenues from shares, exchange rate profits*	52,191	0	-52,191
Received interest	120,645	10,720	-109,925
<i>out of this: Interests received from affiliated enterprise</i>	118,571	9,712	-108,859
<i>Out of this:</i>			0
E-Star Centrul de Dezvoltare Regionala SRL	94,018	32	-93,986
E-Star Mures Energy S.A.	57	0	-57
E-Star Esco Kft.	6,356	0	-6,356
E-STAR Management Plc.	31	1,878	1,847
E-Star Energy Generation SA	1,590	524	-1,066
RFV Józsefváros Kft.	2,421	800	-1,621
RFV Slovak s.r.o.	4,735	4,080	-655
E-Star Alternative Energy SA	32	13	-19
Termoenergy SRL	4,115	0	-4,115
Veszprém Megyei Nonprofit Kft.	1,470	0	-1,470
E-Star Faapríték SA	3,746	2,378	-1,368
ENEFI Projektársaság Kft.	0	7	7
Exchange rate gains on securities	0	0	0
Other revenues from financial transactions	23,132	2,084	-21,048
<b>Total financial revenues</b>	<b>195,968</b>	<b>12,804</b>	<b>-183,164</b>

\* Accounted as extraordinary revenues in the 2015 annual report upon the registration of the secession of ENEFI Projektársaság Kft. at a value of HUF 52,191 thousand. This shall be transferred to the revenues of financial transactions due to the temporary provisions of Act C. of 2000 on Accounting (Accounting Act), because it shall be accounted here under the rules of 2016.

*Expenditures of financial transactions*

*data in thousand HUF*

Name	2015	2016	Change
Negative foreign exchange rates of investments	61,661	0	-61,661
Payable interests	140,140	214,526	74,386
out of this: Payable interests to affiliated enterprise	140,140	214,526	74,386
<i>Out of this:</i>			0
EETEK Limited	41,752	200,134	158,382
E-Star Polska	98,371	14,341	-84,030
RFV Józsefváros Kft.	0	0	0
Fejér Megyei Non-Profit Kft.	17	0	-17
ENEFI Projektársaság Kft.	0	51	51
Other expenditures of financial transactions	42,575	26,014	-16,561
Depreciation of shares, securities, long term loans given, bank deposits	-84,268	300,079	384,347
<b>Total expenditures of financial transactions</b>	<b>160,108</b>	<b>540,619</b>	<b>380,511</b>

The Company did not conduct forward transactions in the reference year.

The item “depreciation of shares, securities, long term loans given, bank deposits” contains the depreciation of the repurchased own shares in the reference year.

*2016 After-tax profit*

Name	2015	2016	Change
Pre-tax profit	-825,532	-1,203,853	-378,321
Tax liability	0	0	0
<b>After-tax profit</b>	<b>-825,532</b>	<b>-1,203,853</b>	<b>-378,321</b>

Following the loss of HUF 825,532 thousand in the previous year, the Company made HUF 1,203,853 thousand loss.

The loss of the reference year was generated partly due to the significant amount of depletion of the receivables and partly due to the depletion of the repurchased own shares. The amount of interest paid to the affiliated companies also constituted significant expenditures.

The details of corporate tax calculations are included in annex no: 2.

**General additional information**

The number of employees of the Company, their wage costs and other personal costs are presented in the following table.

Average number of employees in 2015	Wage and payroll taxes (thousand HUF)	Other payments to personnel (thousand HUF)
6	71,796	1,587

Average number of employees in 2016	Wage and payroll taxes (thousand HUF)	Other payments to personnel (thousand HUF)
5	74,180	1,745

Remuneration of Chief Executives:

Gross honorarium and commission fee:                      HUF 32,325 thousand

## Other information

### Events after balance sheet date

ENEFI Energy Efficiency Plc. presented its major economic events of 2017 in details in its announcements of the reference year, of which the following shall be highlighted here:

1. The handover- takeover of the district heating system took place in Gheorgheni on 8/03/2017.
2. On the basis of the information received from EETEK Ltd. and Csaba Soós, the National Bank of Hungary charged a fine for influencing the market and insider trading with its resolution (H-PJ-III-B-3/2017.), the amount of which in case of EETEK Ltd. is HUF 45 million and in case of Csaba Soós is HUF 75 million. The parties exercised their right for legal remedy and commenced court supervision against the decision.
3. The owner of EETEK Limited, ENEFI Plc. decided to pay EUR 10,295 thousand as dividend from the 2016 profit of EETEK Limited on 19th\* April 2017. This appears at ENEFI Plc. as dividend revenue as an item influencing the profit of 2017.

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

### Off-Balance Sheet Items

No events took place in the reference year which may be listed as off-balance sheet items.

### Court proceedings:

#### **Court proceedings in Hungary directly affecting ENEFI Energy Efficiency Plc.**

Claimant	Defendant	Matter in dispute
dr. Tibor Botos	ENEFI Energy Efficiency Plc.	Court review of Company decisions 04/11/2014. The Company won the proceedings at first instance and the case was taken to second instance due to the appeal of the Claimant. The second instance court returned the proceedings to the first instance court. The case was closed on first instance again by the Company winning the lawsuit. The decision is not final yet.
dr. Tibor Botos	ENEFI Energy Efficiency Plc.	Court review of Company decisions 30/12/2016. No hearings have been held in the case yet.
ENEFI Energy Efficiency Plc.	Municipality of Nagydobos	Contractual fee and charges thereof
ENEFI Energy Efficiency Plc.	Municipality of Szamosszeg	Contractual fee and charges thereof

Judicial review proceedings are in progress against the Company in front of the competent Court of Registration, the main subject of which is the chief executive mandates terminated on 31/12/2015. Meanwhile the general meeting of the Company decided on the election of the new executives.

FLEETCONCEPT Magyarország Flottakezelő és Autókölcsönző Kft. filed liquidation proceedings against the Company. The creditor lost the proceedings at first and second instance and filed an application for revision against the decision to the Curia. The Curia has not made a decision.

### Court proceedings in Romania directly affecting ENEFI Energy Efficiency Plc.

No:	Claimant	Defendant	Matter in dispute
1.	ENEFI Energy Efficiency Plc.	Mures County Financial Authority	Contesting the tax resolution No: 27820525/2014 issued ex officio under executory file No: 15750/320/2014 E1415/2014, claim of Financial Authority: Duties of RON 265,977 tax liability. 3602/1/2015 – Supreme Court  2690/102/2016 - Mures Tribunal  556/102/2017 - Mures Tribunal
2.	ENEFI Energy Efficiency Plc.	Mures County Financial Authority	Case number: 5058/2/2014 Objection against the refusal of our complaint against the second minutes taken in order to state the condition of tax law insolvency against the tax law premise of our Company by the Financial Authority. Claim of Financial Authority: RON 7,602,324 tax liability
3.	ENEFI Energy Efficiency Plc.	- Zalău Financial Authority - Mures County Financial Authority	Case number: 1977/337/2015 Objection against execution of minutes on the attachment of immovable properties No: 15.918/2015.04.16. The Romanian Financial Authority seized the plot in Zalău in order to enforce the tax claims lost in the Hungarian bankruptcy proceedings and by the Romanian application for liquidation. 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

### Court proceedings in Romania indirectly affecting ENEFI Energy Efficiency Plc. or its subsidiaries

1.	E-Star Mures Energy SA	47 residential consumers	payment of fees according to consumer contract.
2.	E-Star Mures Energy SA		Case number: 168/1371/2013 Filing bankruptcy protection request on 08/02/2013
3.	E-Star Mures Energy SA	City of Târgu Mures	Case number: 3104/102/2013 Compensation for the breach of concession agreement, district heating subvention claim and payment of fees according to consumer contract. Amount: RON 124,040,531.19 The Town demanded within this lawsuit the

			qualification of the termination of the agreement illegal by a counterclaim.
4.	E-Star CDR SRL	201 residential consumers	Payment of fees according to consumer contract.
5.	E-Star CDR SRL	Town of Gheorgheni	905/96/2016 Compensation for damages due to breach of concession contract. Amount: RON 104,225,844.69 RON + interests thereof + 15% of the annual internal profit rate for the entire contracted period.
6.	E-Star CDR SRL	Town of Gheorgheni	File number: 324/96/2017 Contesting council decision no: 243/13.12.2016
7.	E-Star CDR SRL	Town of Gheorgheni	File number: 323/96/2017 Default interest claim calculated on the value of the subsidy previously judged by the court - RON 1.3 million.
8.	Fluid Group Hagen SRL	E-Star Investment Management SRL	Case number: 1247/1371/2012 Request for liquidation due to the failure to pay contractual fees. Claim: RON 73,896.85* new suit (filed on 28/11/2012 at the defendant)
9.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Case number: 5461/84/2012 - payment of contractual fees (payment demand). Claim: RON 1,023,813.35
10.	Zalău City with County Authority	-E-Star ZA Distriterm SRL -ENEFI Energy Efficiency Plc. (former E-STAR Alternative Plc.)	Case number: 5209/84/2012 termination of concession agreement, declaration of invalidity of sale and purchase agreement of backbone line.
11.	Uzina Electrica (CET)	E-Star ZA Distriterm SRL	Case number: 4892/84/2012 -payment of contractual fees (liquidation proceedings). Claim: RON 1,023,813.35
12.	- I&O, liquidator of E-Star ZA Distriterm SRL -ENEFI Energy Efficiency Plc. -E-Star Management Zrt. -E-Star Energy Generation SA	- Zalău Financial Authority	Case number: 1620/84/2015 - the liquidator contested the result of the financial audit, by which the Financial Authority stated that the finally lost claim amounting to RON 932,730 is current and the court decisions declaring the contrary are not effective against the Financial Authority. - the creditors whose interests are injured by the proceedings of the Financial Authority have filed an application for intervention.
13.	Zalău Financial Authority	- I&O, liquidator of E-Star ZA Distriterm SRL -ENEFI Energy Efficiency Plc. -E-Star Management Zrt. -E-Star Energy Generation SA	Case number: 4892/84/2012_a24 The Zalău Financial Authority contested the report of the liquidator in which it proposed the repayment of RON 24,000 attorney's fee paid in advance in case No: 3892/117/2014 to ENEFI.

**Indexes analysing the wealth, financial and profitability situation of the Company**

Indexes		2015	2016
<b>Liquidity</b>			
Liquidity ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	0.73	10.94
Quick liquidity ratio	$\frac{\text{Current assets - Stocks}}{\text{Short-term liabilities}}$	0.73	10.94
<b>Debt service</b>			
Interest coverage	$\frac{\text{Business operation results}}{\text{Payment Interests and interest type liabilities}}$	- 6.81	- 3.15
<b>Capital Structure</b>			
Rate of indebtedness	$\frac{\text{Liabilities}}{\text{Total assets}}$	0.54	0.81
Net indebtedness	$\frac{\text{Liabilities - Receivables}}{\text{Equity}}$	0.92	4.48

The company has no hazardous wastes.

No research and development cost occurred in the reference year.

Status: 21 April 2017

**Csaba Soós**

**László Bálint**

**Attila Gagyí Pálffy**

**members of the Board of Directors**

Annex No: 1

**Intangible assets, Tangible assets, table of move for reference year**

data in thousand HUF

Intangible assets	Foundation - reorganisation	Experi- mental developmen	Right to assets and licences	Incorpo- real products	Goodwill	Total intangible assets
<b>Gross value</b>						
<b>Opening value</b>	0	0	63 786	0	20 668	84 454
Increase	0	0		0	0	0
Impairment	0	0	54	0	0	54
Reclassification	0	0	0	0	20 668	20 668
<b>Closing value</b>	0	0	63 732	0	0	63 732
<b>Depreciation</b>						
<b>Opening value</b>	0	0	58 082	0	0	58 082
Increase	0	0	838	0	0	838
Impairment	0	0	54	0	0	54
Reclassification	0	0	0	0	0	0
<b>Closing value</b>	0	0	58 866	0	0	58 866
<b>Depreciation</b>						
<b>Opening value</b>	0	0	4 401	0	20 668	25 069
Increase	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Reclassification	0	0	0	0	20 668	20 668
<b>Closing value</b>	0	0	4 401	0	0	4 401
<b>Value</b>						0
<b>Opening net value</b>	0	0	1 303	0	0	1 303
<b>Closing net value</b>	0	0	465	0	0	465

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data in thousand HUF

<b>Tangible assets</b>	<b>Real estates and rights to assets</b>	<b>Technical Equipment</b>	<b>Other equipment</b>	<b>Breeding stock</b>	<b>Investments, renovations</b>	<b>Total tangible assets</b>
<b>Gross value</b>						
<b>Opening value</b>	<b>289 220</b>	<b>1 725 418</b>	<b>79 097</b>	<b>0</b>	<b>0</b>	<b>2 093 735</b>
Date of capitalisation					0	0
Increase	1 149	3 473	323	0	4 944	9 889
Impairment	0	0	5 247		4 944	10 191
Date of capitalisation	0	0	0	0	0	0
<b>Closing value</b>	<b>290 369</b>	<b>1 728 891</b>	<b>74 173</b>	<b>0</b>	<b>0</b>	<b>2 093 433</b>
<b>Depreciation</b>						
<b>Opening value</b>	<b>2 977</b>	<b>667 657</b>	<b>61 968</b>	<b>0</b>	<b>0</b>	<b>732 603</b>
Increase	120	121 544	5 734	0	0	127 398
Impairment	0		4 652	0	0	4 652
Reclassification	0		0	0	0	
<b>Closing value</b>	<b>3 097</b>	<b>789 201</b>	<b>63 049</b>	<b>0</b>	<b>0</b>	<b>855 349</b>
<b>Depreciation</b>						
<b>Opening value</b>	<b>16 366</b>	<b>230 712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>247 077</b>
Increase	0	0		0	0	
Impairment	0	0	0	0	0	
Reclassification	0	0	0	0	0	0
<b>Closing value</b>	<b>16 366</b>	<b>230 712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>247 077</b>
<b>Value</b>						
<b>Opening net value</b>	<b>269 877</b>	<b>826 989</b>	<b>17 129</b>	<b>0</b>	<b>0</b>	<b>1 114 055</b>
<b>Closing net value</b>	<b>270 906</b>	<b>708 978</b>	<b>11 124</b>	<b>0</b>	<b>0</b>	<b>991 008</b>

**Annex No. 2.**

**Corporate tax calculation**

*data in thousand HUF*

<b>Pre-tax profit</b>	<b>-1,203,853</b>
<i>Tax base increasing items</i>	<i>967,748</i>
Depreciation accounted in accordance with the Act on Accounting.	128,235
Book value of written-off tangible assets	594
Depreciation of receivables	808,695
Expenditures of previous years	23,609
Penalty	6,040
Provisions generated in the reference year	575
<i>Tax base decreasing items</i>	<i>-279,164</i>
Depreciation accounted in accordance with the Tax Law	17,287
Book value of written-off tangible assets according to Act on Corporate tax	0
Write-back of depreciation of receivables	95,668
Release of provisions	166,209
Generation of development provisions	0
<i>Loss from previous year</i>	
<b>Tax base</b>	<b>-515,269</b>
<b>Corporate tax liability of reference year</b>	<b>0</b>
<b>Tax allowance</b>	
<b>Final Corporate Tax</b>	<b>0</b>
<b>After-tax profit</b>	<b>-1,203,853</b>

**Annex No: 3.**

**CASH-FLOW REPORT 2016 31 DECEMBER**

*data in thousand HUF*

Line no.	NAME	31/12/2015	31/12/2016
<b>I.</b>	<b>Change of monetary assets from ordinary operations (Operational cash flow)</b>	<b>2,296,248</b>	<b>-2,345,578</b>
1.	Pre-tax profit	-825,532	-1,203,853
2.	Accounted depreciation	122,929	128,235
3.	Accounted write-off of depreciation	1,251,978	1,013,106
4.	Balance of accumulated provisions and their use	15,230	-165,633
5.	Year-end revaluation difference of fixed assets		22,197
6.	Profit from selling of Fixed Assets	63,124	-290
7.	Change of supplier liabilities	-57,100	47,845
8.	Change of other short-term liabilities	2,304,156	-2,222,131
9.	Change of passive accruals	-27,869	-68,637
10.	Change of Trade Accounts Receivable	-87,663	-70,418
11.	Correction due to customer depreciation		-121,937
12.	Change of Current Assets (w/o customer and monetary assets)	-463,997	824,744
13.	Correction due to depreciation of receivables from affiliated enterprise		-584,705
14.	Correction due to depreciation of other receivables from affiliated enterprise		-6,385
15.	Change of active accruals	992	62,284
16.	Paid and payable tax (taxes on profit)	0	0
17.	Paid and payable dividend, share	0	0
<b>II.</b>	<b>Change of monetary assets from investment operations (Investment Cash Flow)</b>	<b>-271,826</b>	<b>-4,060</b>
18.	Procurement of Fixed Assets	-210,655	-4,943
19.	Sale of Fixed Assets	-61,171	883
20.	Dividend, share received	0	0
<b>III.</b>	<b>Change of monetary assets from financial operations (Financing cash flow)</b>	<b>-1,998,125</b>	<b>2,345,087</b>
21.	Revenue from Share Issue and Capital Raise	0	0
22.	Revenues from the issue of bonds, securities representing loans	0	0
23.	Received credit and loan	0	0
24.	Instalments of Long-Term Loans Given and Bank Deposits	229,923	58,550
25.	Monetary Asset Received Permanently	0	0
26.	Withdrawal of shares, capital (capital decrease)	0	-3,125,118
27.	Repayment of Bonds and Securities Representing Long-Term Loans	0	0
28.	Instalment and repayment of credit and loan	-2,228,048	- 11
29.	Long-Term Loans Given and Bank Deposits	0	0
30.	Monetary Asset Given Permanently	0	0
31.	Change of long-term liabilities against founders and others	0	5,411,666
<b>IV.</b>	<b>Change of Monetary Assets {lines (+/-)I.(+/-)II.(+/-)III.}</b>	<b>26,297</b>	<b>-4,551</b>



**ENEFI Energy Efficiency Plc.**

**BUSINESS REPORT OF THE BOARD OF DIRECTORS**

**on the management of the Company, the financial situation and  
business policy of the Company and the annual individual report of  
the Company of 31 December 2015**

**and**

**to the Annual Individual Report of the Company of 31 December  
2016.**

**Status: 21/04/2017**

**Objective of the Report:**

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

I.

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

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

**Basic Information of the Company**

Company name:	ENEFI Energy Efficiency Plc.
The company's name in English:	ENEFI Energy Efficiency Plc.
Registered seat:	1134 Budapest, Klapka utca 11.
Branch office:	8413 Eplény, Veszprémi u. 66. Building A.
Vat number:	13719069-2-41
Country of registered seat:	Hungary
Telephone:	06-1- 279-3550
Facsimile:	06-1- 279-3551
Governing law:	(Hungarian)
Initial Public Offering:	Budapest Stock Exchange Warsaw Stock Exchange
Corporate form:	Public Limited Corporation

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

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

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

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

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

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

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

*E-STAR Alternative Energy Service Plc.*

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

*ENEFI Energy Efficiency Plc.*

Date of change: 09/12/2013

Date of registration: 17/12/2013

### Term of the Operation of the Company

The Company was founded for an indefinite period of time.

### Registered Capital of the Company

Registered capital of the public limited company on 31/12/2016: HUF 271,725,790 (i.e. two hundred and seventy-one million, seven hundred and twenty-five thousand, seven hundred and ninety Forints).\*

\* On the basis of the decision No: 34/2016. (05. 06.) of the General Meeting accepted on 06/05/2016, the Board of Directors of the Company decided on the registered capital increase via closed issue of free employee shares by the amount of HUF 25,000,000, via issuing 2,500,000 pieces of employee shares with the par value of HUF 10 to the amount of the amount of HUF 296,725,790. The Board of Directors also decided on the modification of the Articles of Association on the basis of the authorization of the general meeting. The modifications related to the capital increase were registered in the company registry by the Court of Registration on 21/04/2017. The employee shares **have not been created and distributed**; the Company shall inform its Honourable Investors of this later in a separate announcement.

### Shares of the Company

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

After the generation of the shares to be issued due to the capital increase: 29,672,579 pieces of shares; 27,172,579 pieces of registered, dematerialised, regulated, publicly offered ordinary shares, the par value of which is HUF 10, each and 2,500,000 pieces of dematerialised employee shares, the par value of which is HUF 10, each.

### Composition of Registered Capital, Major Shareholders on the Balance Day:

Owner	Ownership Ratio (%)
Own shares	65.51
Free float rate	27.82
EETEK Ltd.	6.66

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

"1. The responsibility of the shareholders for the Company covers the provision of the issuing value, except for the employee shares, which may be issued free of charge too. The shareholder otherwise shall not be responsible for the liabilities of the Company with the exceptions determined by law. The shareholder shall be entitled to exercise its rights following the registration in the share register.

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

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

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

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

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

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

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

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

The Company did not issue such shares.

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

The Company does not have such a shareholder system.

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

Upon the notice of the Board of Directors, the shareholder registered in the share register (custodian, shareholder trustee, and in case of shared property shares the representative) shall declare without delay that as an actual owner what extent of control it has in the Company. In the event that the

shareholder fails to meet the notification within the deadline determined, then its right to vote shall be suspended until it fulfils its information liability.

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

**6. Agreement between Owners:**

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

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

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

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

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

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

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

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

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

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

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

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

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

The managing body of the Company is the Board of Directors exercising its rights and liabilities as a body in accordance with the provisions of the Civil Code and other relevant legal regulations. The Board of Directors is mandated and authorised to make all decisions which do not belong to the

authority of the Annual General Meeting or any other body on the basis of authorisation by any legal regulation or the Rules of the Company. The operation, mandate and authority of the Board of Directors are regulated by the Civil Code and the rules of procedure of the Board of Directors.

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

### **12. Supervisory Board of the Company**

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

Name of Supervisory Board Member	Position
Dr. Miklós László Siska	Chairman of the Supervisory Board
Gyula Bakacsi	Member of the Supervisory Board
Attila Fekete	Member of the Supervisory Board

The Supervisory Board supervises the management of the Company for the main body of the business association. During this it may require information from the managing officers, examine the books and documents of the Company. The Supervisory Board shall act as a body of three members and shall elect a chairman from the members.

The mandate, authority, organisation and operation of the Supervisory Board shall be governed by the provisions of the Civil Code and the rules of procedure of the Supervisory Board. The assignment of the members of the Supervisory Board shall be valid for an indefinite period of time.

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

An Audit Committee of three members shall operate at the public limited company.

Name of Audit Committee Member	Position
Dr. Miklós László Siska	Chairman of the Audit Committee
Gyula Bakacsi	Member of the Audit Committee
Attila Fekete	Member of the Audit Committee

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

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

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

**Name:** UNIKONTO Számvitelkutatási Kft.  
**Registered seat:** 1092 Budapest, Fővám tér 8. 3. em. 317/3.  
**Company registration number:** Cg.01-09-073167  
**Chamber registration number:** 001724

**Person personally responsible for audition:**

**Name:** Dr. Csaba Adorján  
**Home address:** 2083 Solymár, Árok utca 21/B.  
**Mother's name:** Erzsébet Kiss  
**Auditor licence number:** 001089

II.

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

**Brief Story of the Issuer**

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

**Business Environment of the Company**

The Corporate group with its registered seat in Budapest consists of enterprises present in Hungary and Romania, the subsidiaries of which deal with heat production and supply as their main activity in the territories of the two countries mentioned above. Additionally certain companies of the Group deal with the modernisation and operation of street lighting systems in Hungarian projects.

ENEFI sold its operations in Poland and it is not operating any working project in Romania any more, it is enforcing its claim in front of court. Among the Romanian companies of the group SC E-Star Mures Energy, SA SC E-Star Investment Management SRL and SC E-Star ZA Distriterm SRL are under liquidation.

**Introduction of Business Activity by Spheres of Activity**

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

- Street lighting service;
- Heat supply service

### **The Service Offered**

After a free survey the Company offers an agreement to its customers in which it implements the luminous flux regulation of street lighting as its own development without involving the resources of the customer. The Company installs voltage regulators with the capacity meeting the local requirements, which regulate the voltage required for the street lighting. The voltage regulators are usually installed by local subcontractors and the installed devices remain the property of the Company. By the conclusion of the Agreement, the Company purchases the previously provided service - electric power, maintenance of consumers - and sells its own service to the customer. The Company performs the maintenance of the equipment installed by the Company with the involvement of subcontractors too. The customer periodically (monthly) pays a basic, or service fee and a consumption fee. The customer and the Company share the part of the achieved cost saving exceeding the amount spent on the funding of the development. The Company shall be entitled to correct the price of electric energy sold to the customer by the electric energy price rises at all times.

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

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

### **Major Markets**

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

- Initially ENEFI Plc. implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector.

- Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed for the regional expansion of the Company becoming stronger and obtaining references in Hungary.
- Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of ENEFI has turned towards the surrounding countries, especially Romania since 2010 and Poland since 2011. The Company sold its operations in Poland in 2016, thus the area of operation has been limited to the territory of Hungary and Romania.

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

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

- efficient thermal energy and district heating supply based on sustainable primary energy sources
- modernisation and exploitation of efficiency in energy supply and transformation equipment

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

Among its first tasks the newly elected Board of Directors of the Company have found it important to determine and communicate its short and medium term objectives about the Company to the honourable Shareholders:

[https://www.bet.hu/newkibdata/120976438/K\\_zlem\\_ny\\_IG\\_c\\_lkit\\_z\\_sek.pdf](https://www.bet.hu/newkibdata/120976438/K_zlem_ny_IG_c_lkit_z_sek.pdf)

#### **Major Resources of the Company**

The number of employees in the Company has been reduced to below 10 as a result of the former dramatic downsizing of operations. The head count is sufficient to maintain daily operations. Operations with the significantly downsized corporate centre can be compared with the basic operations of an investment. In case of starting new and large projects more staff may be required. The successful closure of the former bankruptcy proceedings stabilised the market position of the Company in Hungary. The amount of external liabilities in Hungary has practically been reduced to the incoming invoices during the daily operations. The payment discipline of the remaining customers is sufficient. The Company is able to finance the operations from its revenues. In case of starting new projects it acts with due carefulness and consideration of risks. The customers (municipalities and their institutions) involve the risk of not paying. Currently the entire Hungarian operation takes place without using bank financing. In the event that the capital requirement of the newly started projects exceeds the available amount of resources, the Company will need external financing.

#### **Risk factors**

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

[http://bet.hu/newkibdata/115693892/T\\_j\\_koztat\\_.pdf](http://bet.hu/newkibdata/115693892/T_j_koztat_.pdf)

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

Following the loss of HUF 825,532 thousand in the previous year, the Company made HUF 1,203,853 thousand loss in the reference year. The trading profit of 2016 was negatively influenced by the fact that year 2016 was a record warm year. Additionally the loss of the reference year was generated partly due to the significant amount of depletion of the receivables and partly due to the depletion of

the repurchased own shares. The amount of interest paid to the affiliated companies also constituted significant expenditures.

According to the expectation of the management, the individual negative items related to the project evaluations will not significantly spoil the current year's profits in the future.

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

The numerical analysis of the situation of the Company is included in the paragraph titled: "The Typical Indexes of the Company in the Reference Period" of the Supplementary Annex constituting a part of the Report. As the indexes reflect, the all aspects of the business of the Company show improvement. Keeping operation costs permanently low is also characteristic.

Name of index	31 December 2015	31 December 2016
Rate of fixed assets: (fixed assets/total assets)	70.24%	52.46%
Indebtedness rate: (payables/Resources)	53.83%	81.30%
Profitability in the ratio of own capital (pre-tax profit/own capital)	-31.33%	-84.10%
Liquidity index I.: (current assets/short-term liabilities)	0.73	10.94
Quick liquidity ratio (cash/short-term liabilities)	0.02	0.14

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

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

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

**Major Economic Events and Assessment of 2016**

ENEFI presented its major economic events of 2016 in details in its announcements of the reference year, of which the following shall be highlighted here:

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

In the transaction, EETEK Ltd., a 100% subsidiary of ENEFI Energy Efficiency Plc, sold ENEFI Polska Spolka Z.o.o. above book value, for PLN 48.51 million cash plus the consideration of all its claims against ENEFI Polska ENEFI Plc. (approx. PLN 28 million). In the scheme, ENEFI founded a company with majority ownership named Polska Premium Fund Spolka Z.o.o. to which it brought its shares owned in E-STAR Elektrociepłownia Mielec Spółka z o. o. company.

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

EETEK Ltd. purchased ENEFI Plc. shares from the incoming purchase price. As a result of the share transactions the ownership structure of the company was changed and several previous major owners decided to sell their shares.

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

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

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

4. On the basis of the decision No: 34/2016. (05. 06.) of the General Meeting accepted on 06/05/2016, the Board of Directors of the Company decided on the registered capital increase via closed issue of free employee shares by the amount of HUF 25,000,000, via issuing 2,500,000 pieces of employee shares with the par value of HUF 10 to the amount of the amount of HUF 296,725,790 in the reference year. The Board of Directors also decided on the modification of the Articles of Association on the basis of the authorization of the general meeting. The employee shares have not been created and distributed; the Company shall inform its Honourable Investors of this later in a separate announcement. Employee shares shall not be listed on the stock exchange.

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

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

ENEFI presented its major economic events of 2017 in details in its announcements of the reference year, of which the following shall be highlighted here:

1. The handover- takeover of the district heating system took place in Gheorgheni on 8/03/2017. As the Company had previously published in its announcement, the amount claimed from the municipality in the lawsuit considering all titles together, exceeds EUR 26 million. The Company had previously made a much more favourable settlement offer than the above amount to the Town in order to peacefully close the dispute, however the Town did not show real intent for settlement. Taking the above into consideration, the Company is preparing to enforce its rightful claim in front of the court, however it is still open for settlement within the frames of the decision of ENEFI Plc on this. The Company provided continuous information to the public about CDR at its places of announcement ([www.e-star.hu](http://www.e-star.hu)/[www.enefi.hu](http://www.enefi.hu), [www.bet.hu](http://www.bet.hu), [www.kozzetetelek.hu](http://www.kozzetetelek.hu)), presenting the background and current status of the dispute in details. The announcements of the Company are still available at the above sites.

2. On the basis of the information received from EETEK Ltd. and Csaba Soós, the National Bank of Hungary charged a fine for influencing the market and insider trading with its resolution (H-PJ-III-B-3/2017.), the amount of which in case of EETEK Ltd. is HUF 45 million and in case of Csaba Soós is HUF 75 million. The parties exercised their right for legal remedy and commenced court supervision against the decision.

3. The owner of EETEK Limited, ENEFI Plc. decided to pay EUR 10,295 thousand as dividend from the 2016 profit of EETEK Limited on 19th\* April 2017. This appears at ENEFI Plc. as dividend revenue as an item influencing the profit of 2017.

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

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

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

It had previously announced its short and medium term objectives of the Company: [https://www.bet.hu/newkibdata/120976438/K\\_zlem\\_ny\\_IG\\_c\\_lkit\\_z\\_sek.pdf](https://www.bet.hu/newkibdata/120976438/K_zlem_ny_IG_c_lkit_z_sek.pdf)

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

The corporate group did not do such activity in 2016 and does not plan to do it in the future.

## **5. Premises:**

The corporate group did not establish any new premises or branch offices in 2016.

**6. Employment Policy of the Company:**

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

**7. Environment protection:**

The Company pays particular attention to the protection of the environment in the business and operative activities. The major business of the Company is modern energy supply implemented by energy developments, which in addition to constituting the source of incomes of the Company, prevents the environment from significant amounts of pollution and use of energy. The Company had continuously looked for the possibilities of using and utilising renewable energies in its previous operations too. Energy saving and thus the increased protection of the environment is a fundamental objective and business policy of the Company.

**8. Utilisation of Financial Instruments:**

The Company did not have open positions in its business operations in 2016 and it will not open new ones.

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

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

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

The risks affecting the operation of the Company have been presented above with references.

III.

**Report of the Board of Directors for the Individual Report of the Company for 2016:**

The Board of Directors prepared and accepted the individual report of ENEFI Energy Efficiency Plc. for year 2016 in accordance with the Hungarian Act on Accounting.

The Company suggests its shareholders knowing the reports of the Board of Directors, the Supervisory Board and the Auditor, to accept its report for year 2016 prepared in accordance with the Act on accounting with HUF 8,259,504 thousand as assets-resources equalling amount for the reference year, HUF -1,203,853 trading profit (loss).

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

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

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

IV.

**Company Management Declaration:**

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

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

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

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

The Company did not apply any diversity policy in case of its management, managing and supervisory bodies, since it acts in accordance with the legal regulations in force in this field and the decisions in personal issues are made by the major governing body.

**Declaration of the Issuer**

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

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

**Csaba Soós**

**László Bálint**

**Attila Gagyí Pálffy**

**members of the Board of Directors**

**ENEFI Energy Efficiency Plc.**