



2014 Half-Year Report

of

ENEFI

Energy Efficiency Plc.

H1

30/06/2014

Published: 25/07/2014

ENEFI Energy Efficiency Plc. presents its financial results for the first half of 2014 below.

The management of the Company hereby calls the attention of its reputable Investors that due to the improvement of its internal records and reporting system it plans to publish its quarterly and half-year reports as well as the related executive reports in the future like now on the 25th day following the reference period after the closing of the market. In the event that this day is at a weekend, then the day of publication shall be the first stock exchange day after market closing.

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

ENEFI Energy Efficiency Plc is a corporate group consisting of twenty-eight companies with its registered seat in Budapest operates in Hungary, Poland and Romania, the subsidiaries of which deal with heat production and supply as their main activity and electric energy production and trading as related activity in certain, well-established areas of the three countries mentioned above. Additionally certain companies of the Group deal with the modernisation and operation of street lighting systems in Hungarian projects.

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

1. Balance sheet (Figures in EUR)

Konzolidált mérleg - Eszközök		2014.06.30	2013.12.31
			módosított
Tárgyi eszközök		17 051 506	17 688 849
Immateriális javak		5 699 846	6 309 065
Befektetések társult vállalkozásban		910 018	860 907
Befektetések egyéb társaságban		9 565	9 598
Pénzügyi eszközök		4 869 424	4 438 889
Egyéb hosszú lejáratú követelések		17 363	1 596
Halasztott adó eszközök		1 255 319	1 257 568
Befektetett eszközök összesen		29 813 041	30 566 472
Készletek		2 031 543	2 528 838
Vevők		2 983 384	3 534 523
Egyéb rövid lejáratú követelés		1 043 032	1 617 113
Elhatárolások		690 326	931 306
Értékpapírok		1 532	0
Pénz és pénz egyenértékesek		2 158 035	1 168 535
Forgóeszközök összesen		8 907 852	9 780 315
Eszközök összesen		38 720 893	40 346 787
Konzolidált mérleg - Tőke és források		2014.06.30	2013.12.31
			módosított
Jegyzett tőke		1 775 293	1 775 293
Tartalékok		64 993 386	64 819 306
Saját részvények		-29 111 186	-29 074 466
Eredménytartalék		-21 604 807	-23 391 304
A társaság részvényeseire jutó tőke		16 052 686	14 128 829
Nem ellenőrző részesedések		1 639 278	1 624 328
Tőke és tartalékok összesen		17 691 964	15 753 157
Hitelek és egyéb hosszú lejáratú pénzügyi kötelezettségek		7 285 887	7 343 419
Céltartalék		1 408 774	1 405 937
Halasztott adó kötelezettség		70 579	71 547
Halasztott bevételek		3 147 949	3 272 437
Egyéb hosszú lejáratú kötelezettségek		751 362	795 429
Hosszú lejáratú kötelezettségek összesen		12 664 551	12 888 769
Szállítói kötelezettség		2 991 194	4 345 799
Hitelek		1 389 971	1 395 493
Céltartalék (rövid)		733 543	1 049 490
Passzív elhatárolások		1 083 862	1 198 791
Egyéb rövid lejáratú kötelezettség		2 165 808	3 715 288
Rövid lejáratú kötelezettség összesen		8 364 378	11 704 861
Kötelezettségek összesen		21 028 929	24 593 630
Tőke és források összesen		38 720 893	40 346 787

2. Profit and Loss Account (Figures in EUR)

	2014.04.1.- 2014.06.30.	2014.01.01.- 2014.06.30.	2013.01.01.- 2013.06.30.
Folytatódó tevékenységek			
Árbevétel	3 935 941	9 736 734	15 091 488
Közvetlen költségek	-2 401 206	-5 469 023	-9 095 711
Bruttó eredmény	1 534 735	4 267 711	5 995 776
Személyi jellegű ráfordítások	-702 275	-1 448 731	-1 813 552
Igénybevett szolgáltatások	-384 946	-715 244	-1 336 119
Egyéb bevételek/ ráfordítások (-)	219 060	969 984	-37 929
Értékcsökkenés	-171 219	-656 885	-1 283 218
Pénzügyi műveletek egyéb ráfordítása (bevétele)	-41 056	-56 518	415 349
Részesedés társult vállalkozások eredményéből	11 656	51 708	0
Adózás előtti eredmény	465 955	2 412 025	1 940 307
Jövedelemadó	-94 965	-442 163	-307 150
Tárgyévi eredmény folytatódó tevékenységből	370 990	1 969 862	1 633 157
Megszűnt tevékenységek			
Tárgyévi eredmény megszűnt tevékenységből	0	0	53 528
Tárgyévi eredmény	370 990	1 969 862	1 686 685
Anyavállalati részvényesek részesedése az eredményből	335 721	1 786 497	1 468 820
Külső tulajdonosok részesedése az eredményből	35 270	183 365	217 865
Egyéb átfogó jövedelem			
Külföldi tevékenységek devizaátszámításakor felmerült árfolyam-különbszetek	148 190	174 080	-614 855
Időszaki egyéb átfogó jövedelem összesen	148 190	174 080	-614 855
Időszaki összes átfogó jövedelem	519 180	2 143 942	1 071 830
Anyavállalati részvényesek részesedése	483 906	1 960 573	814 348
Külső tulajdonosok részesedése	35 274	183 369	257 482
Egy részvényre jutó eredmény (EUR)			
Folytatódó és megszűnt tevékenységekből			
Alap egy részvényre jutó eredmény	0,02	0,09	0,33
Híjtott egy részvényre jutó eredmény	0,02	0,09	0,33
Folytatódó tevékenységekből			
Alap egy részvényre jutó eredmény	0,02	0,09	0,31
Híjtott egy részvényre jutó eredmény	0,02	0,09	0,31

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

	Attributable to equity holders of the parent								Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Share-based payment reserve	Total reserves	Treasury shares	Retained earnings	Total		
Balance at January 1, 2013	94 937	12 525 322	(961 557)	299 952	11 863 717	-	(24 394 928)	(12 436 274)	3 174 267	(9 262 007)
Profit or loss for the period	-	-	-	-	-	-	1 003 624	1 003 624	(137 715)	865 909
Other comprehensive income										
Foreign currency translation differences	-	-	677 323	-	677 323	-	-	677 323	-	677 323
Comprehensive income										
Capital increase with share premium	1 680 356	52 578 218	-	-	52 578 218	-	-	54 258 574	-	54 258 574
Controll loss regarding E-star Gorlice S.p.z.o.o.	-	-	-	-	-	-	-	-	(444 361)	(444 361)
Controll loss regarding Euro Energetyka Polska	-	-	-	-	-	-	-	-	(387 825)	(387 825)
Treasury shares aquired during bankrupcy procedure	-	-	-	-	-	-	-	-	(580 038)	(580 038)
Share-based payment	-	-	-	-	-	(29 074 466)	-	(29 074 466)	-	(29 074 466)
Issue of shares / share increase	-	-	-	(299 952)	(299 952)	-	-	(299 952)	-	(299 952)
Balance at December 31, 2013	1 775 293	65 103 540	(284 234)	-	64 819 306	(29 074 466)	(23 391 304)	14 128 829	1 624 328	15 753 157
Profit or loss for the period	-	-	-	-	-	-	1 786 497	1 786 497	183 372	1 969 869
Other comprehensive income										
Foreign currency translation differences	-	-	174 080	-	174 080	-	-	174 080	2 923	177 003
Comprehensive income										
Increase in treasury shares	-	-	-	-	-	(36 720)	-	(36 720)	-	(36 720)
Divident to non controlling interest	-	-	-	-	-	-	-	-	(171 345)	(171 345)
Balance at June 30, 2014	1 775 293	65 103 540	(110 154)	-	64 993 386	(29 111 186)	(21 604 807)	16 052 686	1 639 278	17 691 964

4. Cash Flow

	2014 Q2
Cash flow from operations	
Profit /loss for the period from continuing operations	2 412 025
Income tax expense recognised in profit and loss	-442 163
Depreciation and amortization	656 885
Reversed impairment	-651 466
Exchange difference	887 923
Changes of fair value of financial assets	-320 341
Changes of provisions	-313 110
Changes of deferred tax assets and liabilities	1 281
Change in other long term liabilities	-44 067
Change in deferred revenues	-124 488
Adjusted profit/loss in the year concerned:	2 062 479
Change in operating capital	
Changes of receivables and other current assets	1 760 919
Changes of accruals	126 051
Changes of Inventories	926 337
Changes of Trade payables and other liabilities	-2 589 150
Net cash-flow from operating activity	2 286 636
Cash flows from investing activities	
Payments related to purchasing property, machines and equipment	-414 677
Expense on financial assets	-315 719
Net cash flow from investing activity	-730 396
Cash flows from financing activities	
Change in loans (take out-repayment)	-357 143
Divident paid to non controlling interest	-171 345
Sale - purchase of securities	-38 252
Net cash flow from financial activities	-566 740
Change of Cash and cash equivalents	989 500
Cash and cash equivalents at the beginning of the year	1 168 535
Cash and cash equivalents at the end of the year	2 158 035

5. Declaration of the Issuer

The issuer hereby declares that the consolidated report of the first half of 2014 prepared on the basis of the provisions of the IFRS in accordance with its best knowledge, presents a realistic and reliable picture of the assets, debts, financial situation and the profit and loss statement of the issuer and the companies involved in the consolidation.

Budapest, 25th July 2014



ENEFI Energy Efficiency Plc.

Consolidated

Executive Report

for the H1 Report of 2014

H1

Objective of the Report:

Assessing the figures of the H1 report, this report aims to present the property, financial and revenue circumstances, and the course of business of ENEFI Energy Efficiency Plc. (hereinafter: "Company", or "Enterprise", or "ENEFI", or "Issuer") together with the major risks and uncertainties arising in its operations so that it provides a reliable and realistic picture of these, meeting the actual circumstances on the basis of past factual and expected future data.

I.

Information on the Parent Company, ENEFI Energy Efficiency Plc:

Basic Information of the Company

Company name:	ENEFI Energiahatékonysági Nyrt.
Name of the company in English:	ENEFI Energy Efficiency Plc.
Registered seat:	1134 Budapest, Klapka utca 11.
Branch office:	Building A., 66. Veszprémi u., Eplény, 8413
Tax number:	13719069-2-41
Country of registered seat:	Hungary
Phone:	06-1- 279-3550
Fax:	06-1- 279-3551
Governing Law:	Hungarian
Initial Public Offering:	Budapest Stock Exchange Warsaw Stock Exchange
Corporate form:	Public Limited Corporation

Predecessors of the Company and Changes in Corporate Form

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

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

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

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

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

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

E-STAR Alternative Energy Service Plc.

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

ENEFI Energy Efficiency Plc.

Date of change: 09/12/2013
Date of registration: 17/12/2013

Registered Capital of the Company

The Company decided to decrease its registered capital on 13/02/2014 to the amount of HUF 271,725,790 (i.e. two hundred and seventy-one million seven hundred and twenty-five thousand seven hundred and ninety Forints). The capital decrease has not been recorded at the Court of Registration. The registered capital of the Company recorded in the Corporate Registry is HUF 525,314,450 i.e. five hundred and twenty-five million, three hundred and fourteen thousand, four hundred and fifty forint.

Shares of the Company

The Company decided to decrease its registered capital on 13/02/2014 to the amount of HUF 271,725,790 (i.e. two hundred and seventy-one million seven hundred and twenty-five thousand seven hundred and ninety Forints). The decreased registered capital consists of 27,172,579 pieces of registered, dematerialised, ordinary shares, the par value of which is HUF 10, each. The capital decrease has not been recorded at the Court of Registration. The registered capital recorded in the corporate registry consists of 52,531,445 pieces of registered, dematerialised, regulated, publicly offered ordinary shares, the par value of which is HUF 10, each.

Term of the Operation of the Company

The Company was founded for an indefinite period of time.

II.

Information on the Companies Involved in the Consolidation:

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

	Name of the Company	Country	Registered Capital	Ownership Ratio (%)	Voting Ratio (%)
1	ENEFI Energy Efficiency Plc.	Hungary	HUF 271,725,790 change under registration HUF 525,314,450	-	-
2	E-STAR ESCO Kft.	Hungary	HUF 3,000,000	100%	100%
3	E-STAR Geotherm Kft.	Hungary	HUF 3,000,000	100%	100%
4	E-STAR Management Zrt.	Hungary	HUF 5,000,000	100%	100%
5	E-STAR Táv hőfejlesztési Kft.	Hungary	HUF 1,000,000	100%	100%
6	Veszprém Megyei Fűtés- és Melegvíz-szolgáltató Non-Profit Kft.	Hungary	HUF 510,000	100%	100%
7	RFV Józsefváros Szolgáltató Kft.	Hungary	HUF 3,000,000	49%	70%
8	Fejér Megyei Energiaszolgáltató Nonprofit Kft.	Hungary	HUF 510,000	100%	100%
9	RFV Slovak s.r.o.	Slovakia	SKK 200,000	100%	100%
10	ENEFI Polska Spółka Z o. o.	Poland	PLN 31,965,600	100%	100%
11	E-STAR Management Polska Spółka z o. o. under liquidation	Poland	PLN 5,250,500	100%	100%
12	E-STAR Elektrociepłownia Mielec Spółka z o. o.	Poland	PLN 9,994,000	85.37%	85.37%
13	EC-Energetyka Spółka Z o. o.	Poland	PLN 300,000	51.66 %	51.66 %
14	Termoenergy SRL	Romania	RON 6,960	99.50%	99.50%
15	E-STAR Centrul de Dezvoltare Regionala SRL	Romania	RON 525,410	100%	100%
16	E-STAR ZA Distriterm SRL1	Romania	RON 40,000	51%	51%
17	E-STAR Energy Generation SA	Romania	RON 90,000	99.99 %	99.99 %
18	E-STAR Mures Energy SA2	Romania	RON 90,000	99.99 %	99.99 %
19	E-STAR Alternative Energy SA	Romania	RON 90,000	99.99 %	99.99 %

1 Under bankruptcy proceedings since 12th November 2012 then in April 2013 the court has ordered the liquidation

2 Under bankruptcy proceedings since 14th February 2013

20	E-STAR Heat Energy SA from January 2013 as SC Faapritek SA3	Romania	RON 90,000	99.99 %	99.99 %
21	E-STAR CL Distriterm SRL4	Romania	RON 200	100%	100%
22	E-STAR Investment Management SRL5 under liquidation since January 2013	Romania	RON 15,000	99.93%	99.93%
23	EETEK Limited	Cyprus	EUR 1,000,000	100%	100%
24	E-STAR Kockázati Tőkealap-kezelő Zártkörűen Működő Részvénytársaság (E-STAR Venture Capital Management Private Limited Company)	Hungary	HUF 5,000,000	100%	100%
25	E-Star Reorganizáció-01 Kft.	Hungary	HUF 500,000	100%	100%
26	E-Star Transzfer-02 Kft.	Hungary	HUF 500,000	100%	100%
27	E-Star Debt-Equity-03 Kft.	Hungary	HUF 500,000	100%	100%
28	E-Star Capital-Share-04 Kft.	Hungary	HUF 500,000	100%	100%

3formerly known as E-STAR Heat Energy SA

4the decision has been made on liquidation but the court has not ordered the liquidation yet

5 Under bankruptcy proceeding since 22nd January 2013 then on 21st March 2013 the court has ordered the liquidation

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

Brief Story of the Issuer

The predecessor of the Company named Regionális Fejlesztési Kft. was founded by two private people in 2000. The founders intended to establish an ESCO (Energy Service Co., i.e. dealing with energy saving) type of company. Initially one of the main activities of the Company was cost-effective electrical energy supply which still provides significant revenues today. The Company provided continuous consultancy for its customers to assist them to choose the most favourable tariff package from the regionally competent energy supplier. In the framework of the service, the electrical energy was purchased by the Company and sold to its customers at a more favourable price than earlier. The customer and the Company shared the saved costs on the basis of a long term agreement concluded between them. Since 1st January 2008 however the free energy market was opened, which means that economic organisations may freely choose their energy suppliers and individually determine the conditions of the service. The Company also 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 12th June 2006, and then on 12th March 2007 the Court of Registration registered the change of “private limited corporation” form into “public limited corporation”. The Initial Public Offering of the shares of the Company took place at the Budapest Stock Exchange on 29th May 2007. The Initial Public Offering of the shares of the Company took place at the Warsaw Stock Exchange on 22nd March 2011.

Business Environment of the Company

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

Introduction of Business Activity by Spheres of Activity

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

- Street lighting service;
- Heat supply service

Luminous flux regulation of street lighting, Luminous Flux Regulation at Night

The concept covers the adjustment of street lighting to actual needs, i.e. lighting shall operate with the light reasoned by the traffic. The technical implementation of this means the pre-programmed regulation of voltage for each light source as a result of which the performance and consumption of light sources decreases, while their lifetime significantly increases. The energy consumption is reduced due to the reduction of voltage.

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 the Company implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector.
- Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed for the regional expansion of the Company becoming stronger and obtaining references in Hungary.
- Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of the ENEFI has turned increasingly towards the surrounding countries, especially Romania since 2010 and Poland since 2011.

The geographical distribution of the operations of the entire ENEFI corporate group covers the territory of Hungary, Romania and Poland in accordance with the situation in the beginning of 2013.

Most Important Services (Branches) of the Entire Group

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

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

The list of business operations of the Company has been supplemented with the following primary business operations through the acquisition of the EETEK corporate group:

- energy production, trade and distribution in Poland.

Objective and Strategy of the Company

In 2014 the Company plans to close the consolidation started in the business year of 2012. In the following consolidation the Company focuses on the reduction of its administrative charges in order to further reduce central costs by the rationalisation of operations. As a part of this the simplification of the complex and too divided corporate structure will be in focus in 2014. The simplification of the Hungarian operations at corporate group level will take place by the merger of certain companies of the corporate group in 2014.

Major Resources of the Company

The number of employees in the Company has been reduced to 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, the number of staff may need to be expanded considering that certain tasks may only be performed through subcontractors. The successful closure of the 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

Summary of the Reference Period

The second quarter for the Company was more favourable than expected in spite of the much milder weather conditions than the average of several years continuing in April and May.

The Company did not start any new projects in the reference period, or did not make acquisitions, however on the one hand it is slowly getting over its consolidation period by simplifying its internal administration and on the other hand it is preparing the Company for the commencement of the planned new future projects.

The significant simplification of the corporate structure is in progress in accordance with the details described in the quarterly report of the Company prior to the reference period. Under this process certain affiliates of the Company that do not perform profit-making activities (E-Star Geotherm Kft., E-Star Távhőfejlesztési Kft., E-Star Kockázati Tőkealap-kezelő Zártkörűen Működő Részvénytársaság, E-Star Reorganizáció-01 Kft., E-Star Transzfer-02 Kft., E-Star Debt-Equity-03 Kft. and E-Star Capital-Share-04 Kft.) shall merge into E-Star ESCO Kft. as a legal successor. The conversion has not been recorded at the Court of Registration.

In order to significantly reduce administrative load, the intercompany business and credit positions have been further simplified. In this process the proprietary rights of ENEFI Polska Spółka Z o. o. shall be soon transferred from ENEFI Energy Efficiency Plc. to EETEK Ltd.; the consent of BZ WBK Bank is required for the implementation of the transaction in Poland. Thus the extraordinary amount of credit position existing between the two companies shall be reduced by approx. HUF 2.2 billion.

The Metropolitan Regional Court rejected the action initiated by shareholder of the Company, Dr. Tibor Botos in order to revise the decisions made at the General Assembly by a non-final judgement and acting in its own jurisdiction it changed its previous decision for suspension and cancelled the suspension of the execution of the decisions. On the basis of the above, the obstacle of submitting and actually assessing the application for the registration of changes to the Court of Registration has been eliminated. The capital decrease has not been recorded at the Court of Registration. The Company decided to decrease its registered capital on 13/02/2014 to the amount of HUF 271,725,790 (i.e. two hundred and seventy-one million seven hundred and twenty-five thousand seven hundred and ninety Forints). The decreased registered capital consists of 27,172,579 pieces of registered, dematerialised, ordinary shares, the par value of which is HUF 10, each.

Individual items affecting the quarter:

- The IFRIC12 calculations were actualised by projects in Q2 2014 as a result of which the assets of the corporate group were reduced by one single amount of HUF 120 million. An amount of HUF 220 million was incorrectly presented on the Hungarian side in the annual report of 2013; the value of the other assets increased significantly - by approx. HUF 100 million - in order to outweigh this. In relation with this, the Company hereby particularly calls the attention of its reputable Investors to the fact, that in the point of view of the Company, the evaluation of its assets was conducted by a conservative approach. This is especially true about our Polish assets and the deferred tax asset, on which the Company accounted approximately EUR 3 million (77%) depreciation after long discussions with the auditor.
- The 24.4 Mwe coal fired steam turbine of the Mielec factory in Poland could be operated in April 2014 due to the favourable heat demands, which is our most efficient heat production facility.
- The service provider released our company from the contractual penalty accounted from the gas not consumed due to the outage of the gas engines last year, thus it is presented in the Q2 accounts as one single positive effect.
- The gas engines started operation in Mielec on 1st May 2014. Although the Company has not received the so called yellow certificates due in accordance with law, those are presented in the present report.

By the day of publishing the report the Company has fulfilled its tax arrears of approx. HUF 450 million to the National Tax and Customs Administration, on which it was granted a 15 months instalment in May 2013. By this step the Hungarian operation of the Company actually accounts for the current supplier debts arising from the normal course of business as external liabilities, which are continuously fulfilled in due time.

The Company had already notified in 2013 that following the execution and the administration of the settlement with the creditors it shall commence purchasing its own shares in addition to the commencement of new projects in the event that it has fulfilled its significant liabilities (particularly the tax debt of ESCO Kft.) and it is expected to be able to fulfil its liabilities (e.g. deferred tax liability). Shareholder proposal to purchase own shares had previously been received, particularly considering that permanent value can be created for the owners of the Company by purchasing own shares below Book Value. Considering the above too, the Company is expected to purchase its own shares from its free cash after obtaining the necessary decision of the general assembly.

E-Star ESCO Kft., an affiliate of the Company purchased ENEFI shares from its free cash in the reference period. The shares purchased are not own shares but similarly to the own shares, the voting right may not be exercised after those and they shall be ignored in determining quorum. Purchasing shares is expected to continue in the future.

The management of the Company repeatedly calls the attention of its reputable Investors that the Company is expected to produce losses in Q3 due to the circularity arising from the operational characteristics of the company.

Hungary

No significant events took place in Hungary in addition to the ones mentioned before. The strong control of the central costs of the corporate headquarters is still in the focus of the management.

Although slowly, but the Company managed to further reduce its outstanding debts which already shows the lowest value since 2010.

By the application of rule IFRIC12 the service fees accounted as sales revenue by the Company according to the Hungarian Accounting Standards, concurrently with the delisting of the amortisation and the tangible assets under the given rule, the assets are accounted on the financial assets line, their revenue is accounted partly on the normal revenues line and partly on the interests line, as a consequence of which the total amount of EBITDA realised in accordance with the IFRS is lower by EUR 360 thousand in the first half.

The detailed effect is presented in the table below:

		In HUF	In EUR
		To be filtered	To be filtered
General ledger data	Accounted depreciation	52,099,806	167,961
	Accounted sales revenue (service/lease fee)	238,042,992	767,410
	Book value of assets	891,734,967	2,874,802
		Presented in IFRS	Presented in IFRS
Calculated values	Financial assets "old" projects	1,412,513,752	4,553,705
	Financial assets "new" projects	97,932,882	315,719
	Revenue from interests	52,345,205	168,752
	Normal sales revenue	126,252,736	407,017
	Other modifying items	(7,345,245)	(23,680)
	Profit effect of previous years	520,778,785	1,678,903

Warning! The above accounting modifications do not affect the cash flow, i.e. the cash flow is established on the basis of HAS.

Romania

The usual winter trend continued in April, the last month of the heating season, when the temperature was approx. 4 degrees Celsius higher than the average of several years, which negatively affected the profit of the Gheorgheni, so it shows a significant deficit from the expectations.

Consumer outstanding debts significantly increased during the winter due to the fact that the fees payable by the residents increased by approx. 30% as a result of the decision of the municipality (concurrently the municipality dramatically reduced district heating subsidies). The fees charged by the Company (i.e. the tariff applied by the Company) did not change, which is worth pointing out because innumerable contradictory statements have been publicised.

99% of the revenues of the Company returned from the consumers in 2011; 97% returned in 2012, while in 2013 only 93% of the revenues returned from the consumers. The return of the 2014 consumer revenues is only at 75% ytd.

To complete the picture it must be added that the revenues of 2011 did not return in 2011 up to nearly 100%; those are the result of the significant collecting work of the company performed in the past years, however the price increase by the municipality implemented in the fees paid by the consumers negatively affected the Company.

Legal ways may still result in 100% return within three years, however the costs of collection and in some cases the interests and the default interests are hard to enforce.

Although the Company has put particular emphasis of collecting receivables, it shall handle it as an especially important task and it shall commence its legal actions against non-paying consumers within the shortest period of time provided by law.

The Municipality of Gheorgheni paid all its debts to the corporate group except for an amount of RON 1.1 million from 2011, which is currently under litigation.

In terms of the primary energy sources used, summer gas consumption is limited to the heating and hot water supply of two social blocks taken over from the Mayor's office, which have not been connected to the district heating system; they have their own gas boilers; invoices are based on costs and a monthly service fee is invoiced. These are expected to be connected to the district heating system in 2014, through which the network will be extended by new consumers. 100% of thermal energy was produced from waste wood in the areas covered by district heating.

A price modification process is in front of the Romanian National Price Approval Authority (ANRSC), which is expected to have a positive effect from Q3.

Poland

The most important development in relation with the Polish operations is that the gas engines were started again on 1st May 2014. On the basis of the current electric energy prices and the prices of the yellow certificates the engines produce a slight loss, however by the operation of the gas engines the Company escapes from the potential repayment liability of the received non-repayable subsidies.

In spite of the warmer than average weather in April 2014 on the basis of the heat demands the Company was able to run its coal-fired steam turbines all over the month, thus it was able to account for a much better profit for the entire period compared to the plans. The amount of this is approx. PLN 0.7 million.

The service provider released our company from the contractual penalty accounted from the gas not consumed due to the outage of the gas engines last year, thus it is presented in the Q2 accounts as one single positive effect. The effect of this is PLN 1.4 million.

Although the Company has not received the yellow certificates in accordance with law, those have been presented in the present report, since the provision thereof does not depend on any other external condition. The sales revenue accounted (carryforward) on the yellow certificates is PLN 1.1 million.

The smoke gas filter development of the Company is in progress according to the plans. The works - the total budget of which is PLN 7.3 million - are expected to finish in September 2014.

Energia Europark 22% of which is indirectly owned by the Company is expected to purchase the heat distribution devices of the Mielec industrial park. The purchase price is expected to be approx. PLN 3-4 million.

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

Trading Profit of the Reference Period and Prospects

The profit of the reference period is much better than planned, the causes of which have been explained in details above.

The management of the Company repeatedly calls the attention of its reputable Investors that the Company is expected to produce losses in Q3 due to the circularity arising from the operational characteristics of the company.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

The corporate group level indicators as per 30th June 2014 are presented in the table below.

Description of the index number	30th June 2014	30th June 2013
ratio of non-current assets (non-current assets/balance sheet total)	76,99%	65,69%
Gearing ratio (liabilities/resources)	54,31%	103,20%
Net turnover profitability (profit before tax/net sales revenue)	24,77%	12,54%
Equity ratio profitability (profit before tax/net sales revenue)	13,63%	-127,92%
Liquidity ratio I. (current assets/short term liabilities)	1,06	0,47
Liquidity quick ratio (cash/short term liabilities)	0,26	0,12

IV.

Declaration of the Issuer

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

ENEFI Energy Efficiency Plc.