ENEFI Energy Efficiency Plc.

Q1 Report of 2015

03/31/2015

Public notice: 25.04.2015.

The ENEFI Energy Efficiency Plc hereby presents its financial results of the period of the first quarter of 2015.

The report presents the operations of the Company and the companies consolidated by the Company in the given period on the basis of the consolidated, non-audited financial figures of the current operation.

ENEFI Energy Efficiency Plc. with its registered seat in Budapest. ENEFI Energy Efficiency Plc is a corporate group operating 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 E-Star in the form of announcements, which can be found on its website (www.e-star.hu, www.enefi.hu) and on the website of Budapest Stock Exchange Plc. (www.bet.hu) as well as the website operated by MNB (www.kozzetetelek.hu).

1. Financial statement (data in EUR)

Consolidated balance sheet - Assets	31/03/2015	31/12/2014
Tangible assets	16 663 939	16 887 601
Intangible assets	5 462 519	6 961 217
Investments in affiliated companies	1 002 233	958 945
Investments in other companies	34 255	35 944
Financial assets	5 932 456	5 728 710
Other long-term receivables	6 233	1 594
Deferred tax assets	1 258 041	1 257 568
Total fixed assets	**30 359 676**	**31 831 579**
Stocks	1 928 032	2 254 387
Emptor	4 705 189	3 841 839
Other short-term liabilities	3 819 735	1 162 997
Accruals	733 578	596 868
Securities	1 124	685
Cash and cash equivalents	1 821 617	539 976
Total current assets	**13 009 275**	**8 396 752**
Total assets	**43 368 951**	**40 228 331**

Consolidated financial statement - Capital and sources	31/03/2015	31/12/2014
Subscribed capital	969 968	969 968
Reserves	42 139 007	53 172 204
Shares	-6 210 065	-17 476 556
Retained earnings	-16 425 388	-20 870 854
Shares of the Company	**20 473 523**	**15 794 762**
No	1 854 376	1 684 469
Total provisions	**22 327 899**	**17 479 231**
Other long-term liabilities	6 638 642	6 822 750
Provisions	1 125 949	1 567 670
Liabilities	188 213	115 335
Deferred revenue	3 219 196	3 183 956
Other long-term liabilities	1 210 204	673 830
Total long-term liabilities in total	**12 382 204**	**12 363 541**
Vendor Obligations	3 737 498	3 897 175
Loans	1 626 197	1 683 806
Provision (short)	572 852	1 402 943
Accruals and deferred income	1 057 467	1 059 993
Other short-term liabilities	1 664 834	2 341 642
Total short-term liabilities	**8 658 848**	**10 385 559**
Total liabilities	**21 041 052**	**22 749 100**
Capital and sources	**43 368 951**	**40 228 331**

2. Profit and Loss Statement (data in EUR)

	01/01/2015-31/03/2015	01/01/2014-31/03/2014
Revenue	8 091 907	5 800 793
Direct costs	-4 927 097	-3 067 817
Extraordinary result	**3 164 810**	**2 732 976**
Payments to personnel	-757 958	-746 456
Services used	-374 096	-330 298
Other income/expenses	2 927 247	750 924
Depreciation	-581 759	-485 666
Depreciation of tangible assets and intangible assets	212 668	0
Other expenses of financial transactions (income)	174 209	-15 462
Share from profit of affiliated companies	70 306	40 052
PRE-TAX PROFIT	**4 835 427**	**1 946 070**
Income taxes	-235 950	-347 198
Financial results	**4 599 477**	**1 598 872**
Share of parent company shareholders from profit	4 445 463	1 450 776
Share of external owners from profit	154 012	148 095
Other comprehensive income		
Exchange rate difference occurred at currency exchange of activities abroad	293 175	25 890
Total other general revenue for the period	293 175	25 890
Total general revenue for the period	**4 892 651**	**1 624 762**
Share of parent company shareholders	4 738 639	1 476 667
Share of external owners	154 012	148 095
Earnings per share (EUR)		
Earnings per share	0,22	0,07
Diluted earnings per share	0,22	0,07

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

	Attributable to equity holders of the parent									
	Share capital	Share premium	Translation reserve	Share-based payment reserve	Total reserves	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2014	**1 775 293**	**65 103 540**	**- 284 234**	**-**	**64 819 306**	**- 29 074 466**	**- 22 639 390**	**14 880 743**	**1 624 328**	**16 505 071**
Profit or loss for the period	-	-	-	-	-	-	1 768 539	1 768 539	277 399	2 045 938
Other comprehensive income										
Foreign currency translation differences	-	-	- 742 546	-	- 742 546	-	-	- 742 546	- 48 132	- 790 678
Comprehensive income										
Increase in treasury shares	-	-	-	-	-	- 111 971	-	- 111 971	-	- 111 971
Elimination of treasury shares	- 805 325	- 10 904 556	-	-	- 10 904 556	11 709 881	-	-	-	-
Divident to non controlling interest	-	-	-	-	-	-	-	-	- 169 122	- 169 122
Balance at December 31, 2014	**969 968**	**54 198 984**	**- 1 026 780**	**-**	**53 172 204**	**- 17 476 556**	**- 20 870 851**	15 794 765	**1 684 473**	**17 479 238**
Profit or loss for the period	-	-	-	-	-	-	4 445 463	4 445 463	154 012	4 599 475
Other comprehensive income										
Foreign currency translation differences	-	-	293 175	-	293 175	-	-	293 175	15 891	309 066
Comprehensive income										
Increase in treasury shares	-	-	-	-	-	- 59 880	-	- 59 880	-	- 59 880
Classification to share premium	-	- 11 326 371	-	-	- 11 326 371	11 326 371	-	-	-	-
Balance at March 31, 2015	**969 968**	**42 872 613**	**- 733 605**	**-**	**42 139 008**	**- 6 210 065**	**- 16 425 388**	**20 473 523**	**1 854 377**	**22 327 900**

4. Cash Flow (data in EUR)

	Q1 2015	Q1 2014
Operational cash flow		
Annual profit from continued activity	4 835 427	1 946 070
Income tax accounted on the revenue	-235 950	-347 198
Depreciation	581 789	485 666
Depreciation write-off	-2 895 576	-651 466
Exchange of currencies	104 851	641 701
Change of provisions	-1 271 812	-116 461
Change of deferred tax assets and payables	72 878	20 648
Change of other long-term liabilities	536 374	485 799
Change of deferred revenue	35 240	-86 503
Corrected profit for the year	**1 763 221**	**2 378 256**
Changes of working capital		
Change of financial assets	0	231 291
Change of customer and other receivables	-883 427	56 576
Change of accruals	-139 236	25 221
Stocks changes	1 823 054	915 175
Change of supplier and other liabilities	-836 476	-2 017 123
Examples of cash flows from operating activities are:	**-36 085**	**-788 860**
Examples of cash flows arising from investing activities are		
Payments related to the procurement of real estates, plants and equipment	-143 460	-17 720
Payments related to financial assets (new agreements)	0	-154 700
Examples of cash flows arising from investing activities are	**-143 460**	**-172 420**
Cash flow from financial operations		
Changes of loans (taking-repayment)	-241 717	-182 926
Purchase of securities	-439	-943
Purchase of own shares	-59 880	0
Cash flow from financial operations	**-302 036**	**-183 869**
Net change of cash and cash equivalents	1 281 641	1 233 106
Cash and cash equivalents at the beginning of financial year	539 976	1 168 535
Cash and cash equivalents at the end of financial year	**1 821 617**	**2 401 641**

5. Declaration of the Issuer

The issuer hereby declares that the consolidated report of the first quarter of 2015 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 April, 2015.

ENEFI Energy Efficiency Plc.

ENEFI Energy Efficiency Plc.

CONSOLIDATED

EXECUTIVE REPORT

For the Q1 Report of 2014

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.:

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
Applicable law:	(Hungarian)
Initial Public Offering:	Budapest Stock Exchange
	Warsaw Stock Exchange
Corporate form:	Public Limited Corporation

Predecessors of the Company and Changes in Corporate Form

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

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

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

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

Date of registration: 12/06/2006

RFV Regionális Fejlesztési, Beruházó, Termelő és Szolgáltató Nyilvánosan Működő Részvénytársaság (RFV Regional Development, Investment, Production and Service Public Limited Corporation)

Date of change: 12/03/2007

The Initial Public Offer of the shares took place at the Budapest Stock Exchange on 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 registered capital of the company is HUF 271,725,790, i.e. two hundred and seventy-one million, seven hundred and twenty-five thousand, seven hundred and ninety Forints.

Shares of the Company

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

Term of the Operation of the Company

The Company was founded for an indefinite period of time.

II.

Information on the Companies Involved in the Consolidation:

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

	Name of the company	Country	Registered Capital	Direct and indirect business share (%)	Voting ratio (%)
1	ENEFI Energy Efficiency Plc.	Hungary	271.725.790,- HUF	-	-
2	E-STAR ESCO Kft.	Hungary	3 000 000 HUF	100%	100%
3	E-Star Management Zrt. “under bankruptcy proceedings”	Hungary	5 000 000 HUF	100%	100%
4	Veszprém Megyei Fűtés- és Melegvíz-szolgáltató Non-Profit Kft.	Hungary	3.000 000 HUF	100%	100%
5	RFV Józsefváros	Hungary	3 000 000 HUF	49%	70%
6	Fejér Megyei Energiaszolgáltató Nonprofit Kft.	Hungary	3.000. 000 HUF	100%	100%
7	RFV Slovak s.r.o.	Slovakia	200 000 SKK	100%	100%
8	ENEFI Polska Spółka. z o.o	Poland	31 965 600 PLN	100%	100%
9	E-STAR Management Polska Spółka z o. o. “under liquidation”	Poland	5 250 500 PLN	100%	100%
10	E-STAR Elektrociepłownia Gorlice Spółka z o. o.	Poland	9 994 000 PLN	85.37%	85.37%
11	EC-Energetyka Spółka Z o. o.	Poland	300 000 PLN	51.66%	51.66%
12	Energia Euro Park Sp. z o.o.	Poland	16.491.000 PLN	21,65 %	21,65 %
13	Termoenergy SRL	Romania	6 960 RON	99,50%	99,50%
14	E-STAR Centrul de Dezvoltare Regionala SRL	Romania	525 410 RON	100%	100%
15	E-STAR ZA Distriterm SRL „under liquidation”	Romania	40 000 RON	51%	51%
16	E-STAR Energy Generation SA	Romania	90 000 RON	99,99%	99,99%
17	E-STAR Mures Energy SA „under bankruptcy proceedings”	Romania	90 000 RON	99,99%	99,99%
18	E-STAR Alternative Energy SA	Romania	90 000 RON	99,99%	99,99%
19	SC Faapritek SA	Romania	90 000 RON	99,99%	99,99%
20	E-STAR Investment Management SRL “ under liquidation process	Romania	15 000 RON	99.93%	99.93%
21	EETEK Limited	Cyprus	1 000 000 EUR	100%	100%

III.

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

Brief Story of the Issuer

The predecessor of the Company named Regionális Fejlesztési Kft. was founded by two private people in 2000. The founders intended to establish an ESCO (Energy Service Co., i.e. dealing with energy saving) type of company. Initially one of the main activities of the Company was cost-effective electrical energy supply which still provides significant revenues today. The Company provided continuous consultancy for its customers to assist them to choose the most favourable tariff package from the regionally competent energy supplier. In the framework of the service, the electrical energy was purchased by the Company and sold to its customers at a more favourable price than earlier. The customer and the Company shared the saved costs on the basis of a long term agreement concluded between them. Since 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, 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 Offered Service

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

Heat supply service with heating system modernisation

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

Major Markets

<u>Geographical Penetration of ENEFI</u>

• Initially the Company implemented successful heating supply, public lighting and kitchen technology developments in Hungary, primarily in the municipality sector.

• Due to the changing economic and social requirement in our region, the demand for the solutions offered by the Company increased, which allowed the regional expansion of the Company becoming stronger and obtaining references in Hungary.

• Since the municipalities are rather under-financed in our region, the heating technology of public institutions is also obsolete, significant savings may be achieved, therefore the attention of the Company / corporate group has turned towards the surrounding countries, especially Romania and Poland since the beginning of 2011’s business year.

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

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

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

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

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

- energy production, trade and distribution in Poland.

Objective and Strategy of the Company

In the consolidation started in financial year 2012, the Company further focuses on the reduction of its administrative charges in order to further reduce central costs by the rationalisation of operations. In addition to this, the objective of the Company determined by the management in financial year 2015 is to operate its projects more effectively and to acquire and commence new projects. The management of the Company presented major events in the announcements published in the reference period and the present report.

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 more staff may be required. The successful closure of the former bankruptcy proceedings stabilised the market position of the Company in Hungary. The amount of external liabilities has practically been reduced to the incoming invoices during the daily operations. The payment discipline of the remaining customers is sufficient. The Company is able to finance the operations from its revenues. In case of starting new projects it acts with due carefulness and consideration of risks. The customers (municipalities and their institutions) involve the risk of not paying. Currently the entire Hungarian operation takes place without using bank financing. In the event that the capital requirement of the newly started projects exceeds the available amount of resources, the Company will need external financing.

Risk factors

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

Summary of the Reference Period

The trends seen in 2014 continued in Q1 2015, that the mean temperature higher than the average of several years negatively influenced the heat quantity of the Company primarily dealing with thermal energy production,, distribution and supply, thus negatively affecting the profit od the Company.

In spite of this, the Company closed an outstanding quarter.

The equity of the Company increased by EUR 4.7 a smaller part of which is explained by the exchange rate decline of EURHUF, EURPLN and EURRON currency pairs (EUR 300 thousand because the Company reports in EUR) and to a greater extent by the outstanding high net profit of the Company for Q1 (EUR 4.4 million).

The nearly EUR 5 million EBITDA reached in Q1 contains one-off items too.

The Company had called the attention of its reputable Investors several times to the fact that **it accounts for certain assets at expressly conservative values in its books.**

Extraordinary event in the quarter in case of the Romanian operation: the Court of Appeal of Târgu Mures finally decided that the legal basis of the claim of the affiliated company of the Company in Târgu Mures against the municipality was right and it formed clear instructions making the position of the Company easier in the lawsuit for the first instance court in relation with the repeated proceedings of the case. Referring to the relevant court decision, the Company writes off the total depreciation of the different municipality claims presented in the 2012 consolidated report by the management of the affiliate of the Company in Târgu Mures at EUR 2.6 million following the necessary valuation proceedings; i.e. it is presented in the consolidated report at the value considered correct by the local management and auditor. The claim of the Company in dispute against the Municipality of Târgu Mures is significantly higher.

The profit was improved by the release of the EUR 300 thousand provision generated for the execution proceedings initiated by the Romanian Tax Authority against the Company as a one-off item. Considering the regularly formed sharp criticism against Romanian judicature by international institutions as well, with respect to the potential measures of the Romanian financial authorities considered as tortious by the Company, on the basis of the principle of carefulness, the Company considers the maintenance of 10% provision instead of the former 25% as reasonable for the claims - which the Company sees as not enforceable - of the Romanian financial authorities which is presented in the present report as well.

In case of the operations in Poland, the Company received purchase offers significantly exceeding the book value of the subsidiary. The negotiations on the potential sale of the Polish operations are still under progress; the potential financial effects of this (millions of EUR) are not presented in the present report.

The Q1 pre-tax profit without one-off effects is close to EUR 2 million, which is approximately 60% above the profit of the same period last year without one-off effects.
The Company does not prepare new IFRIC12 quarterly calculation with the quarterly reports this year, just like last year. The 2014 audited calculation is used when preparing the Q1 report with proportionality.

The registered capital per one share is approximately HUF 290. The registered capital per one share generated by the liability-capital conversion conducted on the liabilities to parties not within the corporate group, registered in the former, successfully closed bankruptcy proceedings (approx. HUF 7.2 billion then, and currently approx. 18.7 million pieces of shares) is approximately HUF 330.

<u>**Hungary**</u>

The Company informed its Reputable Investors in January, that according to the information sent by the National Tax and Customs Administration on 23 January 2015 to the Company, on the basis of the requisition of the inland revenue of Romania, member state it has initiated proceedings against the Company for over HUF 687 million and the contributions thereof. The Company stated that the claim constituting the subject of the execution proceedings is equivalent with the former claim of the tax authority of Târgu Mures which was not enforced within the bankruptcy proceedings and therefore was lost. **The Company applied legal remedy towards the Romanian as well as the Hungarian tax authority.** The Company verified to the Hungarian tax authority with documents that the Romanian tax authority cannot enforce its claims set forth in its requisition against the Company, therefore the execution proceedings against the Company have no legal basis either. **The Hungarian tax authority closed the execution proceedings initiated upon the requisition of the Romanian tax authority without conducting executory action.** The reason for closing the proceedings is that the Hungarian tax authority started discussion proceedings with the Romanian tax authority on the basis of the evidences presented by the Company, requesting the declaration of the Romanian tax authority on why it had not conducted complete execution proceedings in Romania (constituting a condition of international requisitions) prior to the international requisition, furthermore it requested an explanation on why it did not request execution of the claims which had previously been disputed by the Company. Considering that the Romanian tax authority did not reply the above questions asked in the discussion proceedings, only requesting the suspension of the proceedings, the discussion proceedings failed and considering all these, the Hungarian tax authority closed the proceedings without conducting any executory action.

As the Company had informed the Investors in its 2014 H1 report, 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. were transferred from ENEFI Energy Efficiency Plc. to EETEK Ltd. Thus the extraordinary amount of credit position existing between the two companies shall be reduced by approx. HUF 2.2 billion.

The Company had previously informed its reputable Investors that its affiliated company, E-Star Management Zrt. submitted an application for the commencement of bankruptcy proceedings to the competent Court of Justice in accordance with Paragraph (1), Article 7. of the Bankruptcy Act. The Metropolitan Court ordered the commencement of the company's bankruptcy proceedings. Commencement date of the bankruptcy proceedings: 24/09/2014 The reason for submitting the application for the commencement of bankruptcy proceedings was that the Company was not able to meet its due payment obligations to the Romanian Financial Office in time, therefore the right of the creditor to commence liquidation proceedings has opened. E-Star Management Zrt. concluded settlement with the creditors during the bankruptcy proceedings, which agreement was approved by the Metropolitan Court of Justice at first instance, not finally. Considering that the Romanian Tax Authority was unable to register legally to the bankruptcy proceedings of E-Star Management Zrt. in spite of the several, regular notifications and the Court rejected its subsequently submitted objection, the Company expects the commencement of further, unlawful proceedings from the Romanian Tax Authority to recover its claims.

The former creditor of the Company registered in the bankruptcy proceedings. FleetConcept Kft. submitted an application for liquidation to the Metropolitan Court, requesting the dissolution of the Company without legal successor. It based its claim partly on the claim registered in the bankruptcy proceeding and partly on alleged claims not registered in the bankruptcy proceedings.

The Metropolitan Court rejected the application for liquidation at first instance, not finally. The Company has not received the order.

Romania

In an extraordinary announcement published on 25 February 2015 the Company had provided information on the decision of the second instance court that the Court of Appeal of Târgu Mures accepted the appeal filed against the rejecting decision made by the Court of Justice at first instance in the lawsuit filed against the Municipality of Târgu Mures by the affiliated enterprise of the Company for compensation, it terminated the decision of the first instance court of justice and instructed it to completely retrial the case. The affiliated enterprise of the Company in Târgu Mures received the decision and the detailed explanation thereof of the second instance court on 25 February 2015. **The explanation says that the second instance court stated that the affiliated enterprise of the Company seated in Târgu Mures justifiably terminated the concession agreement concluded with the Municipality of Târgu Mures.** According to the viewpoint of the Company, as a consequence of the second instance decision also deciding on the legal basis; both the Municipality of Târgu Mures and the first instance court has significantly limited actions. According to the viewpoint of the Company, it is clear that the Municipality of Târgu Mures must completely pay:

- the fee of thermal energy consumed,
- the district heating subsidy determined,
- the prorated part of the concession fee which had previously been paid in advance for 15 years,
- the amount of developments implemented during the concession period,
- The losses suffered by the affiliated enterprise of the Company during the concession period.

According to the viewpoint of the Company, the only disputed issue may be the precise amount of the compensation for damages for the 23-year-long period remaining from the duration of the concession agreement.

The deficiency at EBITDA level in Gheorgheni is approximately EUR 70 thousand, which also appeared at the level of gross profit due to the mean temperature being a few degrees higher than average.

In Q1, January was 2.8, February was 0.9 and March was 2.5 degrees warmer than the average of several years, which resulted in 10.6% less quantity sold.

In addition to the mean temperature being higher than planned, the deficiency at Gross Margin level is explained by the exceptionally low consumption of consumers equipped with individually controlled heating systems.

The decrease of consumption may be made acknowledged by the price structure to be approved by the Romanian price-control authority (ANRSC) with half year delay on average, which may compensate for the potential losses. ANRSC approved 7.6% price increase in January 2015, which the affiliate of the Company in Gheorgheni wanted to enforce by the end of the quarter the latest, because the concession costs stipulated in the concession tender have not been built in the production price. However the on the basis of the information from the Municipality, the town council did not approve the price increase. According to the viewpoint of the Company, on the basis of the information received from the Municipality it is also doubtful whether the price increase was approved by the town council (on the basis of the opinion and the Romanian practice of several Romanian municipalities too, relative majority is necessary instead of absolute majority to accept the decision, which was achieved), nevertheless on the basis of the concession agreement, the Municipality would have been obliged to approve the price within 30 days after the positive assessment of the specialised authority. Our Company shall take all legal measures in order to observe the agreement and the legal regulations as well as to have potentially caused damages compensated.

Poland

As last year, winter was a few degrees warmer this year, than the average of several years in Poland. The affiliate of the Company sold 9% less thermal energy than planned in Q1, while electric energy was sold according to the plans.

Upon the request and cost of the manufacturer, gas engine No: 1 was overhauled in January 2015 in order to avoid similar damages as the event with gas engine No: 2 in November 2014.

The management of EC-ENERGETYKA Spólka z ograniczona odpowiedzialnoscia (3 Wojska Polskiego street, Mielec, 39-300, Polska) has filed an application for bankruptcy proceedings to the competent Polish court of justice. 51.67% of EC-ENERGETYKA is owned by Elektrociepłownia Mielec Sp. z o.o.; it does not conduct actual operations, considering that it has been unable to start the implementation of previously planned wind farm project due to the pending legal dispute with the competent municipality.

In order to increase the thermal energy market, the Polish affiliate of the Company, EC Mielec supports the residential cooperatives with 5-year, low interest development loans, as communicated before, where the sanitary hot water supply in the apartments is changed to form the energy system so that the heat produced by EC Mielec is used for sanitary hot water production. 11 residential cooperatives decided to use sanitary hot water based on district heating in March. In order to fulfil demands, the management of the Company increased the possible amount of loan for this purpose to PLN 1 million.

The price of electric energy has fallen from PLN 180 / MWH to PLN 150 / MWh in the past four months. The main reason for the unexpected fall is the significant decline of coal prices on the Polish market. Nevertheless the decrease of the price of coal provides the Company with good opportunities for the next heating season. Experts currently forecast long lasting low electric energy prices.

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

Trading Profit of the Reference Period and Prospects

In addition to the profit increase of Q1 arising from seasonality, the single effect profit items of the period are mentioned at the description of the business operations in each country.

Quantitative and Qualitative Indexes and Indicators of Performance Measurement.

The corporate group level indicators as per 31st March 2015 are presented in the table below.

Name of index	**31 March 2015**	**31st December 2014**
Rate of fixed assets: (fixed assets/total assets)	70,00%	79,13%
Indebtedness rate: (payables/Resources)	48,52%	56,55%
Liquidity index I.: (current assets/short-term liabilities)	1,50	0,81
Quick liquidity ratio (cash/short-term liabilities)	0,21	0,05
Name of index	**31 March 2015**	**31 March 2014**
Profitability in the ratio of sales revenues (pre-tax profit/net sales revenues)	59,76%	33,55%
Profitability in the ratio of own capital (pre-tax profit/own capital)	23,62%	11,90%

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.