

ENEFI ENERGYEFFICIENCY PLC.

ESTABLISHMENT OF BASE STRATEGY

Adopted: by Board of Directors (hereinafter: Board) of ENEFI Energyefficiency Plc. (hereinafter: ENEFI or Company or Issuer) on 27. 06. 2019.

BACKGROUND

The Company published its objectives on the 04. 04. 2016. (<http://www.e-star.hu/docs/i1459785615kozlemanyigcelkituzesek.pdf>).

The Board later amended its strategy that was submitted to the Company's General Meeting (hereinafter: General Meeting). The General meeting adopted via its decision No. 6/2019. (03.22.) the Board's strategy as earlier published, participation in the implementation of two EU funded project (PAN-LNG and Clean Fuel Box).

Thereafter, the General meeting authorized the Board in its decision No. 6/2019. (03.22.) upon a shareholder initiation to search for such assets with investment and funding purposes that may be capable of increasing the value of ENEFI Energyefficiency Plc's shareholders by way of its capacity to generate earnings, that really differs from the energy efficiency portfolio in profile.

At its meeting held on 27. 06. 2019, the Company's Board has adopted a new base strategy in line with shareholders' expectations as follows:

THE BASE STRATEGY

ENEFI Energyefficiency Plc's Board adopted and submits to the honoured shareholders the below detailed base strategy in order to implement the General Meeting's decision on the search for assets with investment and funding purposes and to meet the shareholder expectations. The Company's Board does its activity in alignment with the current base strategy in the upcoming years.

Purpose of total capital value of 'pillars' included in the base strategy is HUF 30 billion that purpose may require serial private and public capital increase, as well as usage of internal resources, for example by way of purchase of assets from own fund.

PILLARS

A. BASE PILLARS

1. LITIGATIONS

Romanian litigations:

COMPANY	LITIGATION	RECEIVABLES - CAPITAL	RECEIVABLE – INTEREST/CON TRIBUTION	TOTA RECEIVABES Lei/EURO/HUF
ENEFI PLC SP	There are several litigations where, though ENEFI is plaintiff, it is defending itself with regard to the total sum of 9,867,217 lei deriving from the files, the Romanian finance is trading with.	-	-	-

<p>E-Star Mures Energy S – liquidation, where ENEFI is unsecured creditor in 76,44%</p>	<p>vs Municipality of Marosvásárhely 3104/102/2013* case number</p>	<p>75,318,364 lei, aout of which: - 8,154,628.56 lei – investments without amortization + - 7,736,491 lei concession fee to be recovered + - 49,645,937 lei indemnity for brech of contract, - 2,656,318.23 lei thermal heat support+ - 707,425.64 lei institutional thermal energy consumption - 6,415,564 lei késedefault interest</p>	<p>cca 43,100,000 lei default interest</p>	<p>cca 112,000,000 lei / 23,714,745 EURO</p>
<p>E-Star Mures Energy SA, where ENEFI is unsecured creditor in 76,44%</p>	<p>vs Brassó Regional Finance case number 684/102/2019</p>	<p>524,548.80 lei VAT to be recovered</p>	<p>-</p>	<p>524,548.80 lei / 111,067.33 EURO / 35,776,074.21 HUF</p>
<p>E-Star Mures Energy SA, where ENEFI is unsecured creditor in 76,44%</p>	<p>vs retail segment</p>			<p>725,830.98 lei / 153,686.58 EURO / 49,504,228.62 HUF</p>

E-Star CDR SRL – where ENEFI is the only owner	vs Municipality of Gyergyószentmiklós 905/96/2016*	104,225,844.69 lei, out of which: - 477,454.13 lei margin, - 3,071,101.56 lei concession fee to be recovered, - 58,050,200 lei investment, - 42,657,089 lei investments without amortization, and top of that, the amount equal to the 15 % annual internal profit for the full contracted period (which amount is determined by the expert involved by the court).	28,385,506.35 lei, amiből: - 121,526.17 lei default interest - 839,178.50 lei default interest - 15,862,217.15 lei default interest - 11,562,584.53 lei default interest	132,611,351.04 lei / 28,059,955.79 EURO/ / 9,084,213,662.15 HUF + the amount equal to the 15 % annual internal profit for the full contracted period
E-Star CDR SRL – where ENEFI is the only owner	vs retail segment			1,316,989.25 lei / 278,857.72 EURO / 89,823,352.89 HUF

Receivables

The total value of the two major Romanian litigation is approximately HUF 17.5 bn including interests, but without the calculated value of the 15 per cent annual internal rate of return in Gyergyószentmiklós.

According to International Accounting Standards, receivables, including receivables challenged in Romania, are completely booked as impairment, ie at HUF 0 in the Company's books. Auditors explicitly requested the full impairment based on the International Accounting Standards. The Company's management on the other hand considers the conduct of litigations well-founded and, in its opinion, there is a good chance that the claims of the cases detailed above may be won, but the values likely to be assumed by the management of the Company may not be included in the Company's accounts.

ENEFI management still does not reject the possibility of an out-of-court settlement, but for the time being it would not significantly differ from the calculated magnitude of the litigation value.

Out-of-court settlement has low possibility, since:

- The negotiation partners are completely unreliable, as evidenced by their default behavior during the contract and then by the post-contract negotiations.
- Under Romanian law, senior officials of defendants involved in litigation may be held personally liable for any damage they cause.

“Duties”

There are several cases where the ENEFI is plaintiff, is factually defending itself against a total claim of approximately HUF 673 million from cases initiated by Romanian finance, eg. by challenging enforcement orders.

Both ENEFI management and the Company’s legal representative considers the Romanian financial receivable well-founded.

WARNING!!

The above-mentioned Romanian lawsuits are a significant part of the Basic Pillars of ENEFI's Strategy, successful closure of procedures may be of great value in the future. However, it should be emphasized that there is no guarantee that the lawsuits will end with the ENEFI's success and no certainty may be stated with regard to the amounts awarded or enforced later in the event of successful closure of lawsuits, as the closure date of the lawsuits may not be predicted either.

2. ENERGY EFFICIENCY

The Company has ongoing revenues in the present deriving from the conduct of the previously built energy efficiency business. These revenues are suitable for making a positive cashflow with the current organizational set-up.

The Company has 7 different contractual relationships, these contracts guarantee its continuous sales revenue. Expected HQ costs for the coming years are secured by contractual revenues. The Company is currently producing about HUF 200 million cash per year. ENEFI does not require external financing for its current business.

The Company has considerable knowledge and experience in the field of energy efficiency, therefore the management assess the possibility of returning to the energy efficiency area from the second half of 2019, but it should be noted that the market has undergone significant changes, the contractual terms are less encouraging, competition has increased and the company management would implement project financing only by way of internal (self) financing.

Another way of sustainability of the energy efficiency business as a pillar may be that the Company utilizes the expertise and materials accumulated so far by participating in energy projects carried out by other market participants, as a first step thereof, ENEFI has acquired an interest in the LCNG project implemented by Pannon-Fuel Kft.

The following were registered in 2018:
https://www.bet.hu/newkibdata/128087141/K_zlem_ny_LNG.pdf

B. REAL PILLARS

PURPOSE: Corporate and real estate investments. Real economy exposure acquired through direct and indirect holding of business organizations in the real economy.

REASON: The average growth rate of the real economy in the world has been typical since the 1900s. The basis for the development of the macro economy is made up of micro-level interpretable companies, which have undergone healthy transformations in the recent past. There were a total of 20 years of recession and 100 years of economic activity out of the 120 years between 1900 and 2019.

The world economy is basically "doomed" to growth, so the overall involvement in the real economy through investments grounded by fundings and share acquisition is fundamentally justified. The Company's long-term goal is to develop a diversified portfolio with the fundings and share purchases that respond with flexibility to the changes in business cycles and recessions.

Below is an illustration of the planned "Real Pillars" of the Company. The listed "sectors" are best suited to provide exposures in the secondary and tertiary sectors, but management does not exclude its presence in the primary sector in the medium term.

1. FINANCE

PURPOSE: Fundamentally acquiring minority interest in companies engaged in the following activities: Bank, Insurance company, Investment Bank (service provider).

REASON: The development of information technology can significantly rearrange financial and financial natured services in the near future. The Company plans to acquire qualified interest in enterprises that offer innovative financial services that are also active in the field of information technology, and who may be suitable for mass customer service, basically with retail focus.

2. TOURISM

PURPOSE: Finding potentials in the field of tourism and hospitality that have a particular uniqueness. Uniqueness means that the Company does not focus on creation and acquisition of general tourist and hospitality units and services in Hungary, but on individual projects based on niche, experience-free, non-existent, or inefficiently operated hospitality.

REASON: There has been a spectacular turnaround in tourism and hospitality in recent years. Public and EU applications may still provide significant resources for well-drafted projects.

Hungary is increasingly visited by foreigners, and we believe that the number of visitors and the volume of their spending in Hungary may increase significantly in the coming years.

Period	Total number of foreigners' visit to Hungary					
	number of sample, pieces	number of trips, thousand	number of days spent, thousand day	spending, million HUF	general period of stay, day	spendings of one person for one day, thousand HUF

2009	64,858	40,624	96,988	1,200,637	2.4	12.4
2010	57,448	39,904	95,718	1,189,819	2.4	12.4
2011	55,376	41,304	99,185	1,200,139	2.4	12.1
2012	55,703	43,565	99,881	1,208,547	2.3	12.1
2013	52,268	43,611	101,420	1,263,957	2.3	12.5
2014	52,265	45,984	109,879	1,459,534	2.4	13.3
2015	49,188	48,345	119,645	1,607,668	2.5	13.4
2016	50,285	52,890	124,044	1,724,543	2.3	13.9
2017	48,109	54,962	124,444	1,832,412	2.3	14.7
2018	44,249	57,667	130,095	2,066,780	2.3	15.9

Source: KSH, ENEFI

While the number and value of visits by foreigners in Hungary shows an increase in recent years, stagnation is more typical of the country's internal tourism data.

Period	Total travel, thousand heads	Time spent by trip, thousand days	Spending, in million HUF	Spending of one traveller for one day, HUF
2-4 days visits				
2008	16,238	47,786	151,296	3,166
2009	13,245	39,156	123,400	3,152
2010	13,631	38,990	125,832	3,227
2011	14,566	42,342	142,528	3,366
2012	12,740	37,513	144,367	3,848
2013	10,197	30,476	129,374	4,245
2014	10,863	32,460	151,004	4,652
2015	11,315	34,137	171,225	5,016
2016	10,664	32,565	175,921	5,402
2017	10,737	32,512	197,422	6,072
2018	10,541	31,839	202,127	6,348
Visits with 5 or more overnights				
2008	5,257	38,798	139,602	3,598
2009	4,490	33,163	113,418	3,420
2010	4,343	33,473	121,800	3,639
2011	4,232	32,849	120,657	3,673

2012	4,378	33,155	121,430	3,662
2013	4,180	30,459	134,162	4,405
2014	3,991	28,955	143,588	4,959
2015	3,939	27,838	136,183	4,892
2016	3,761	26,403	132,989	5,037
2017	3,637	25,396	131,379	5,173
2018	3,844	28,457	145,294	5,106
Total overnight trips				
2008	21,494	86,584	290,898	3,360
2009	17,735	72,319	236,818	3,275
2010	17,974	72,463	247,632	3,417
2011	18,798	75,191	263,186	3,500
2012	17,118	70,668	265,797	3,761
2013	14,377	60,935	263,536	4,325
2014	14,854	61,415	294,592	4,797
2015	15,253	61,975	307,407	4,960
2016	14,425	58,967	308,911	5,239
2017	14,374	57,908	328,802	5,678
2018	14,386	60,296	347,421	5,762

Source: KSH, ENEFI

The possibility arises of the stagnation, because the cash supply of the domestic population shows an increase due to three factors: 1. Increasing real wages 2. Expected increase in the ratio of trust spending 3. Government support system for large families.

3. REAL ESTATE

PURPOSE: The ENEFI management considers essential the existence of real estate investments as a part of a responsible funding and investment strategy., the real estate value provides a solid foundation in the long run as well, regardless of what happens to the economy of the world and Hungary.

REASON: It is a fact that in recent years real estate prices in Hungary have grown enormously and this price increase may be followed by a consolidation process. At the same time, the management's opinion is that the real estates purchased with the present pricing could be also valuable in the medium term.

The following factors are preferred during the purchase of the real estate: 1. Office real estates 2. Tourist real estates 3. Real estate for development (plots, superstructures for reconstruction).

Real estate development, operation and possibly small-scale real estate investments are already part of the short term strategy.

4. FOOD(INDUSTRY)

PURPOSE: One of the basic human needs is food, eating, so the advanced food industry is an essential part of today's real economy. The Company would like to have exposure in the industry as well as determining part of the economy and to represent at the same time that it understands all areas of the real economy as investment potential.

REASON: ENEFI management sees food industry as an opportunity to appear in the food market through the acquisition of minority shareholding (s) and to be a transitional pillar for future primary sector appearance. Since ENEFI has no experience or knowledge in the field of food industry, the management initially expects only minimal investment in this area.

C. CAPITAL MARKET PILLARS

Equity-based investments, capital market products, assets. One of the fundamental elements of value creation is to invest in the capital market in addition to investing in the real sector from which the Company expects continuous revenue through the cash flow from dividend gains and dividend payments. While the majority of real investments are expected to be long-term returns, capital market investments are made into liquid assets, closing investments within a day is also a possibility, as well as within a few months.

Capital market investments take place in a regulated, controlled manner, and as the first task to be implemented, the management of the Company considers it essential to develop an investment regulation system, which is based on the creation of the "Investment Policy" document. The investment policy will regulate, among other things, the size of the investment capability of the maximum total assets, the "quality" and extent of the risks assumed, the expected return on the investment, the range, distribution of investment assets, the investment strategy per target market and product, requirements of sectors' and individual products' introductory, analysis, distribution indicators of horizon and return based on dividend or exchange rate gains.

However, the form of the capital market appearance is not only justified by the "different profit form" of the real economy, but also because the funds invested in this way are invested in liquid capital market instruments that can be easily realized at any time, and the disposability of investment products is relatively constant.

1. BUDAPEST STOCK EXCHANGE

The Budapest Stock Exchange market has undergone significant development in recent years and while the majority of retail and institutional investors thought that due to the limited size of the Hungarian market (turnover, number of instruments, product types, etc.) it would be worthwhile to have exposure on foreign stock markets, the management of the renewed ENEFI sees great potential in the Hungarian capital market instruments, basically in the trading with shares of large and medium sized issuers listed on the Budapest Stock Exchange.

It strengthens the commitment that the Company itself is one of the issuers of the Budapest Stock Exchange, and its presence on the Hungarian stock market is long-term and one of its short-term goals is to be included in the premium category of the Budapest Stock Exchange.

The Company intends to play a significant role in the development of the Hungarian capital market due to its stock exchange presence and commitment., it directs the support of the Hungarian stock exchange both with its funds and internal knowledge and expertise, expressing its confidence in the Hungarian economy through the Hungarian capital market's preference for free funds.

By establishing a short, medium and long-term investment strategy, ENEFI intends to determine on a value base how much it wants to hold in Hungarian assets out of the total value of its asset management assets.

2. INTERNATIONAL STOCK EXCHANGES

Since March 2009 (more than 10 years) the most important indices of US equities, the DOW 30, SP500 and NASDAQ indices are rising almost steadily. Long periods of ascent are followed by shorter periods of shrinking periods, and the churn of these declining periods and trends can often lead to panic markets and underpriced share prices. An important element of the capital market pillar of ENEFI is value-based investments, which are not only interesting at home, but also meaning interesting, profitable investment opportunities in foreign markets. The goal in international trade is also to achieve exchange rate gains and dividend yields through liquid investments.

The free funds invested in international trade will be considerably smaller in volume, as long as the total volume managed on the Budapest Stock Exchange market does not reach the level, significant compared to the Budapest Stock Exchange market, which makes it difficult to realize efficient, diversified investments. In this case, the free allocation of funds for investment purposes may shift towards international stock exchanges.

3. OTC-, MTF MARKET

The management of ENEFI does not exclude the presence on the OTC market either. If it experiences such investment opportunity - such as a capital market investment opportunity - that can yield substantial returns, it is ready to also allocate resources to this type of investment.

It should be separately noted that the Company would like to appear on the XTEND market of the Budapest Stock Exchange with a smaller proportion of free funds, as many such companies may fall into this category that can develop and grow in the next few years, and may eventually reclassify into the stock exchange trading of the Budapest Stock Exchange.

The management of ENEFI believes that general yield levels may also increase over time, especially for FIX INCOME-based products. Well-diversified investments may also include government bonds and corporate bonds.

SOURCE OF PILLARS

BASIC PILLARS	LITIGATIONS	ENERGY EFF.		
Financing	ordinary course of business	ordinary course of business +RV issuance +own financial asset		
REAL PILLARS	FINANCE	TOURISM	REAL ESTATE	FOOD INDUSTRY
Financing	RV issuance + own financial assets	RV issuance + own financial assets	RV issuance + own financial assets	RV issuance + own financial assets
CAPITAL MARKET PILLARS	BUDAPEST STOCK EXCHANGE	INTERNATIONAL	OTC, MTF	
Financing	free-cash+own share	own financial asset	own financial asset	

Ordinary course of business: financing item calculated through the normal activity of ENEFI

RV issuance: issues of shares, ENEFI may pay by way of issuing shares

Own financial asset: ENEFI may use its own free-cash

Own share: ENEFI uses, rearrange the financial asset deriving from the sale of own shares

GOVERNANCE SYSTEM – PILLAR HEADS

BASIC PILLARS	LITIGATIONS	ENERGY EFF.		
Head	Csaba Soós +lawyers	Csaba Soós +operation		
REAL PILLARS	FINANCE	TOURISM	REAL ESTATE	FOOD INDUSTRY
Head	Ferenc Virág	László Bálint	László Bálint	László Bálint
CAPITAL MARKET PILLARS	BUDAPEST STOCK EXCHANGE	INTERNATIONAL	OTC, MTF	
Head	Ferenc Virág	Ferenc Virág	Ferenc Virág	

CAPITAL INJECTION SYSTEM TOWARDS SHAREHOLDERS

DIVIDEND PAYMENT

Dividends may only be paid on the basis of a positive retained earnings under the current accounting rules. Due to losses incurred during the past operation of ENEFI (these are due to non-fulfillment of partner obligations and claims), the Company will not be able to pay dividends from its retained earnings in the long run, despite its expected profitable activity.

SHARE-REPURCHASE PROGRAM (CAPILTA INJECTION)

Since the Company will not be able to pay dividends for a long period of time due to the above-mentioned reasons, the own-share repurchase program may result in a primary capital injections for the shareholders. ENEFI plans to return a predetermined portion of its annual net profit to its shareholders under a share repurchase program in the medium term. (A policy will be issued about the repurchase program and it will be submitted to the NBH.)

SHARE-REPURCHASE PROGRAM (EXCHANGE RATE MAINTENANCE)

NEFI management considers it appropriate to prepare for negative capital market processes. The management considers it essential to develop a policy in this case too in order to appear in the regulated market in accordance with the statutory, prudential and regulatory requirements in a predefined manner and limit value, with its own-share repurchase program if the market would underestimate ENEFI shares.

Shares purchased in this way would be separated from shares accumulated under a capital injection repurchase program in a way that is distinct from the announcements. Shares purchased during exchange rate maintenance may subsequently be disposed of through stock exchange or over-the-counter sales, or may serve as a basis for further acquisitions. (A policy will be issued about the repurchase program and it will be submitted to the NBH.)

Board of ENEFI Plc.