

ENEFI Energy Efficiency Plc.

EXTRAORDINARY ANNOUNCEMENT

pursuant to the Capital Market Act and to Decree No: 24/2008. (VIII.15.) of the Minister of Finance. (VIII.15.)

ENEFI Energy Efficiency Plc. ("Company") hereby informs its Honourable Investors that it shall participate in the implementation of two projects supported by the European Union:

The budget of the PAN-LNG and the Clean Fuel Box projects is EUR 17 million and EUR 11.6 million respectively supported in 85% by the Innovation and Networks Executive Agency (hereinafter referred to as "INEA", Managing Authority).

The projects have been threatened recently, the initially pre-financed tenders became post-financed during the implementation and the participants of the project failed to organise financing thus the implementation fell into severe delay.

INEA eventually did not approve the extension of the term of PAN-LNG project and Clean Fuel Box project also fell into severe delay.

Every project member supports the participation of ENEFI in the projects.

In addition to professional participation, the Company is ready to provide significant financial help to close the projects successfully. The Company had previously provided HUF 100 million loan credit to Pannon Fuel Kft. (E-Star ESCO Kft.) playing a leading role in the projects and previously belonging to the corporate group thereof which may be followed up to HUF 300-400 million by the participation in the project.

On the basis of the agreement between the parties, ENEFI Plc. shall acquire 20% share in Pannon Fuel Kft. for HUF 500,000.

The management of ENEFI Plc. see great potential in participating in the projects; nevertheless it must be made clear and pointed out that investment in the projects is expressly risky due to the status of the projects.

The management of ENEFI Plc. shall initiate to convene the General Assembly of the Company soon so that the shareholders discuss the changed strategy of the Company.

The Company had previously considered participation on the CNG and LNG market however the management delegated by the major shareholders at that time refused the idea. The past period has made it clear that it is not possible to purchase large numbers of own shares (particularly in the manner acceptable by MNB (Central Bank of Hungary), i.e. cheaper than the market price), nevertheless the Company has significant free funds which the management wish to utilise thus they decided the above participation.

Please read the following brief description of the planned project by Pannon Fuel Kft.

“About the PAN-LNG Project

In the PAN-LNG Project the liquefied natural gas (LNG) is transported to the 5+1 LNG, L-CNG filling station which shall serve as distribution points for the CNG filling points (CFB project) addition to filling vehicles.

The tasks of the PAN-LNG Project also include supply for LNG-fuelled vehicles in the initial period. The primary consumers shall be heavy vehicles including semi-trailers. International companies sensitive to CO₂ footprint and environmental load are expecting to replace their Hungarian fleet to LNG-fuelled vehicles. The number of companies entering the system as consumers shall exceed 20 and the size of the fleet of vehicles involved shall be between 500 and 1,000.

About the Clean Fuel Box project

The CFB project aims to widely demonstrate an innovative product among real circumstances, which is capable of eliminating the severe deficiency of the CNG filling infrastructure which can be constructed along motorways and in towns and thus traditional so the launch thereof to the market fills a gap. It provides the possibility to install filling infrastructure for compressed bio- and natural gas fuelled vehicles in locations where this is not provided by the gas distribution network or where possibilities are limited.

The CNG Clean Fuel Boxes (CFB) are compact, self-service filling boxes with LCNG (Liquefied-Natural Gas) technology capable of refilling CNG vehicles quickly and without environmental noise 7/24. Installation of prefabricated boxes fitting in the urban environment shall take only one or two days which is a significant difference from the previous project terms even over a year's period. Installation of CFB filling stations is faster and cheaper than that of traditional compressor stations. Their greatest advantage or filling points however is the possibility of placing them in a market-oriented manner taking traffic into consideration. They can be installed in the needed numbers even temporarily wherever the expected traffic requires. The stations shall be monitored and refilled by an operational system working with a central dispatcher service and a “smart IT” system.

The mini filling stations shall have unique innovation content. In order to spread the development which is in line with European strategic interests, the agency of the European Union responsible for transport development and innovation, INEA supported the development and spread of the demonstration network with EUR 9.9 million.

The filling stations themselves may be defined at a product level and they shall represent significant commercial/service value in the future in a “package” together with their operational background. The LNG distribution background is a required element of the service package which may also be implemented by the development of Pannon Fuel Kft. thanks to the EUR 14.5 million support awarded by INEA.

CNG, the alternative fuel for light vehicles and locally used heavy vehicles

CNG means methane gas compressed to 200 bars which may be originally natural gas or alternatively produced so-called associated gas. Furthermore it may be produced from renewable sources since methane gas constitutes an important element of biogas production and it is suitable for fuelling vehicles after purification. Methane, with the chemical formula C_4 , offers the most favourable of all hydrocarbon molecules to produce the least harmful materials in the combustion chamber and the least greenhouse gas emission of CO_2 . It may cause up to 10% less exhaust CO_2 emission than diesel engines and approx. 25% less than petrol engines. In case of methane from renewable sources the amount of greenhouse gas emitted to the atmosphere may be even lower depending on the base material and the technology used, even close to zero. The PM (PM_{10} , $\text{PM}_{2.5}$ too) solid particle emission of methane-fuelled engines is close to zero, their NO_x emission is below the limit specified in the provisions of the very strict EURO6 regulations in force since the middle of the decade. The significantly (up to 5 dB) lower operational noise level in commercial vehicles and buses means less than half of the noise load.

CNG-fuelled cars shall come into the foreground

Banning the use of diesel cars in the traffic has been on the agenda for years in several cities in Western Europe thanks to the fact that decision-makers have recognised: by making the emission limit values stricter, only the procurement price of vehicles becomes higher but the problem of poisoning diesel pollution shall not be eliminated. On the basis of measurements in Miskolc, the NO_2 emission of CNG-fuelled buses was 99 percent lower than modern diesel buses. Moreover, our country is facing a great challenge in the reduction of the CO_2 emission of transport, to which natural gas and biogas based fuels provide the most economical solution for individuals as well as our entire society. CNG driving means clear and affordable operation either for passenger cars, buses or either commercial vehicles. CNG is equivalent with exactly 1.5 litres of petrol, i.e. a car consuming 9 litres of petrol shall consume no more than 6 kg of gas however the gas may optimally provide much better efficiency due to its nearly 120 octane quality. We can see on our own medium category vehicles that 4-4.5 kg CNG consumption is realistic in urban environment.

LNG, the alternative fuel for heavy vehicles

Not only low pollutant emission supports the use of LNG for transport purposes but also the possibility of applying the most effective process of using bioenergy. Attractive cost of operation is an advantage against traditional fuels. Natural gas has an increasingly significant price advantage against diesel oil on the market of fuels, as a result of which all future forecasts project the growth of the distance between the import price levels of crude oil and natural gas.

LNG is cheaper and clearer than LPG

Hungarian car owners often think of LPG (also called car gas) in relation with gas-fuelled transport, which is primarily produced during the refining of crude oil as a widely used alternative to traditional petrol. LNG is cheaper and clearer for transport which is actually liquefied natural gas obtained by cooling down to -161 degrees Celsius. LNG primarily originates from the natural gas fields where the producer is not connected with the consumer by a pipeline, however natural gas can be obtained from these production sites at a much lower price than the natural gas purchased through the traditional import routes arriving on

the pipeline network constructed by huge development costs and the price of which is fixed to the price of petroleum product by a long-term agreement. The volume of the gas is reduced to the minimum by liquefaction, thus it can be economically transported to great distances, even between continents.

Biogas may also be the basis for LNG

CH₄, i.e. methane gas arriving as the main component of fossil natural gas is also the main component of the renewable biogas produced by the fermentation of organic materials. Anything may be the source of biogas, e.g. the wastes of forestry which can hardly be used for anything, the plant waste of agriculture as well as the energy crops produced on unused territories, excrement from animal husbandry, waste from foodstuff processing or even the organic material from human communal waste or the sewage sludge from sewage purification to be treated. These biogases contain 35.5-65 % of methane so they carry significant caloric value potential. The usable amount of this potential in Hungary is approx. 50 PJ, which is approx. one quarter of the total energy consumption of transport. The 1-2% of components harmful for the internal combustion engine and the additional inert gases can be separated from biogas by a simple purification process to the required extent. The clear methane gas remaining after liquefaction can be sold to transport with the highest profit. But in addition to large fleets it may also be the reasonable and self-sustaining fuel for local agricultural machinery and transport vehicles so the use of biomethane may significantly improve the living standards of smaller agricultural communities.

Board of Directors
ENEFI Energy Efficiency Plc.