

ENEFI Energy Efficiency Plc.

EXTRAORDINARY ANNOUNCEMENT¹

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

ENEFI Energy Efficiency Plc. (“Company”) hereby informs its Honourable Investors that the Romanian affiliate thereof, E-Star CDR srl. (“CDR”) has informed the Company about the following:

The Municipality of Gheorgheni (“Town”) informed CDR in a letter that the Town made two decisions on 28/10/2016. In one decision it is retrospectively stated that the Town had voted for the price increase of district heating on its regular meeting held on 19/03/2015 and amends the decision under which the date of entry into force shall be the day of making the decision (according to their view), i.e. 19/03/2015. Payment of the district heating price difference for the period between 01/04/2015 and 01/03/2016 has also been approved from the local budget. The other decision approves the local district heating price. The town sees that by this it has performed everything to recover the contractual balance and to maintain the agreement and requests the provision of services according to the terms and conditions of the agreement. The Town Clerk made remarks on the decisions. According to their opinion the Town did not vote for the price increase of district heating on the meeting held on 19/03/2015; he thinks it is unlawful to return to draft No: 41/C/2016.02.04 and deem that it has been approved after the proceedings conducted since then and consequently the Town Clerk did not provide positive legal signature of the decision.

The lawfulness of the decisions is therefore questionable in several points considering which CDR shall initiate legal proceedings in the case.

The above unintelligible measure of the Town (with which it wishes to make a decision retrospectively in spite of the contrary opinion of the Town Clerk so that it had meanwhile finally lost a lawsuit in the proceedings initiated in the case and requests to continue an already terminated agreement) is another evidence that the Town acted unlawfully and the Company acted lawfully in the case.

The decision of the Town is also unexplainable because CDR had requested the Town on multiple occasions to vote for the district heating price also accepted by the authority, which the Town did not fulfil, and it informed CDR about not accepting the district heating price on several occasions in writing. With the present decision it also admits that it had not made a valid decision (since otherwise the new decisions would not have been necessary), they are trying to make a decision unlawfully, retrospectively after the termination even according to their own Town Clerk in a manner that being aware of their previous notices this may not have any legal relevance in the case, they are further weakening their own position in the lawsuit and their responsibility at best.

It is regrettable for the Company that although CDR shall hand over the service on 12th December, the Town is not working on taking over the service and the provision of residential

¹ The present extraordinary announcement is the translation of the Hungarian announcement. In case of any discrepancies between the Hungarian and English language versions the Hungarian version shall prevail.

heating services, but it is trying to initiate further doubtful legal proceedings.

Considering the above it is feared that the town may be left without heating by the termination of the service and the technical system may be severely damaged too, the responsibility of which shall not be taken either by CDR or the Company; it shall not be entitled and liable to provide services after the expiry of the deadline.

Considering the previous communication of the Town, the Company does not know whether the residents of the town have been appropriately informed by the leaders of the town about the current situation, therefore it shall send an information letter to the consumers,

According to the opinion of the Company, there is less and less chance to make an out of court agreement between the parties due to the conduct of the Town.

Our Company had previously expressed intent on several occasions to peacefully settle the dispute, it was ready to conclude and out of court agreement in which it offered significant discount to the municipality compared to both the amount enforceable in a lawsuit and the amount previously invested in Gheorgheni.

It has been regretfully concluded that the Town consistently refused any agreement in each occasion arguing that no matter what amount the parties would agree on, it would later be accountable on the members of the body leading the town so they only saw the opportunity for an agreement after the final decision. According to the viewpoint of the Company, the above argument is legally not correct and mutatis mutandis it shall not provide a discount from the amounts to be judged for it later in the lawsuit for the compensation of damages.

In addition to the above, after the initiatives of the Town for negotiations and providing help it always turns out that they had initiated proceedings against CDR in the preceding days which they do not even mention at the meetings. Considering the above, the viewpoint of the Company is that the Town does not show real intent to negotiate; it is only diverting attention from their next legal action and marking time.

The Company fears that the above decisions exclusively serve the aim to provide material for new lawsuits, to see if they can successfully prevent the takeover of the service in front of any court.

The Company does not see it excluded that the case shall finally be brought in front of the international court and criminal proceedings shall also be initiated.

Board of Directors
ENEFI Energy Efficiency Plc.