

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 as follows about the Romanian affiliate thereof, E-Star CDR srl. (“CDR”):

CDR made another effort yesterday to close its legal dispute with the Municipality of Gheorgheni (Town) with an out of court agreement and sent its offer for agreement to the Town.

In our view the offer is extraordinarily favourable for the Town, since the Town would acquire the investment for a significantly lower value than the amount previously invested by CDR or enforceable in the lawsuit, i.e. for HUF 2 billion + VAT, which had previously been approved by the general meeting of the Company so that the Town would also get six months’ time for the payment of the total amount and only the amount equalling the extent of VAT should be paid when signing the agreement.

Our Company has constantly shown bona fide intent in order to avoid the legal dispute between the parties and then to solve it out of court, seeing however the communication and proceedings of the town conducted recently, the Company sees less and less chance for the agreement.

Although the Town asked the Company to submit its proposal already presented on oral discussions, the Company soundly suspects that this only serves the purpose of marking time (as this is supported by the fact that the Town had previously requested negotiations for 15th November, which has been put off to 21st November) and the proposal will not be accepted by the Town. The Town is also aware that CDR is unable to offer anything more favourable than the above offer and by the time the above offer will obviously become impossible to be maintained by CDR.

The Company hereby calls attention to the strategy of the Town drafted on the basis of the appearances in the press (e.g. <http://www.gyindex.ro/component/k2/itemlist/search?searchword=e-star&categories=>), which projects that they intend to terminate the agreement which still exists according to the viewpoint of the Town and to file further proceedings, initiate impeachment when CDR finishes the provision of services according to the court decision. It can be stated on the basis of the statements of the Town that it does not wish to take over the services irrespectively of the court decisions. Instead, it takes measures which seem to tinge the legal dispute (see e.g. the retrospectively voted decisions), which may provide the grounds for initiating new proceedings and to lengthen the duration of the proceedings and it refers to decisions which may derived back to its own actionable conduct, e.g. that the decisions (which decisions also support the legal opinion of the Town and that the Town itself also admits its breach of contract) of the Town on the takeover of the service was challenged by the Harghita County

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.

Prefect and annulled by the court.

Therefore the Town indirectly raises the responsibility of the Harghita County Prefect, since it tries to cover its own breach of contract and the consequences thereof with reference to the proceedings thereof. The legal dispute between the Town and the Prefect and the details thereof are unknown for the Company, however the Company notes that it is irrelevant from the aspect of the legal dispute between the parties. It must be emphasised here that the decisions previously announced by the Company refer to the circumstance created as a consequence of the proceeding of the Prefect (emphasising that the Town did not even appeal in the case), considering which they arrived at conclusions which are favourable for the Company.

As a reminder we hereby refer to the fact that the court decisions previously announced by the Company clearly stated amongst others that

- The Town had not voted for the decision;
- The Town “admits the fact” that it did not act according to its liabilities undertaken in the agreement to accept the price, the notice of termination is a founded means of will, the claim of the Town that it should receive the service is “obviously unfounded”, irrespectively of the lawsuit for the compensation of damages initiated by CDR.
- The obligation of CDR to provide the services shall not exceed 60 days from 13th October 2016.

Considering the above, the Company deems the proceeding of the Town expressly vexatious and hereby ensures its Investors that in the lack of an agreement, it shall use all available legal means in order to protect its investment and prevent the attempts to take it away, for which it unfortunately already has scenarios in Romania.

Considering the fact previously announced by the Company, that the Town requested the attorney’s office which represented the municipality in our lawsuit in Târgu Mures, it does not expect a different proceeding or conduct during the proceeding in terms of the Gheorgheni legal dispute either, which is deeply regrettable and fundamentally shakes the trust of the Company in creating fair business relations.

Unfortunately the suspicion of the Company is supported by the fact that although more than one year has passed since the termination of the agreement, on the basis of the declaration of the Town, the termination of the service on the date specified in the court decision would catch the Town so unprepared (according to the viewpoint of the Town, the concession agreement still exists in spite of the court decisions and stopping the services is a breach of contract due to the valid agreement and thus it gives ground to the demand of the town for the compensation of damages), that it would be forced to request the Romanian Government to announce the state of emergency which predicts a different type of takeover of the assets of the service provider than fulfilling the contractual responsibilities. The Company is obviously not able to give an offer for agreement to the Town, which is better than taking the assets away free of charge, so it is prepared for the lawsuit in case of the rejection of its offer and for the above surrealistic scenario.

Board of Directors
ENEFI Energy Efficiency Plc.