

21 June 2010

Szentlőrinci Geotermia Zrt., 90% subsidiary of PannErgy Polifin Zrt., has entered a long-term heat supply contract with the Szentlőrinci Közütemi Közhasznú Nonprofit Kft. fully owned by the Municipality

PannErgy Plc hereby informs capital market actors that today Szentlőrinci Geotermia Zrt., 90% subsidiary of PannErgy Polifin Zrt., and Szentlőrinci Közütemi Közhasznú Nonprofit Kft. have entered a long-term contract for 15 years, with a five-year extension option. Within the meaning of this contract, expectedly from 15 October 2010 Szentlőrinci Geotermia Zrt., a district heating generator will supply heat energy from geothermal energy resources to the district heating service provider currently operating the district heating system of Szentlőrinc. The temperature of the water produced from the well that has been established in Szentlőrinc, within the framework of the project is 87°C, and in a closed system it may reach 90°C, while the maximum output of the well is 25 liters per second, and thus with the use of geothermal energy the current district heating services based on natural gas can be fully replaced.

Under the contract, the fees and charges between the Parties will be reviewed in each period of six months, and the heating fee to be applied by the Parties will follow the changes in the average values of household district heating tariffs that are applied in the towns taken as references by the Parties – with respect to a complex calculation method and set of conditions –in approx. 80 percent.

As a result of the contract, the household consumers of district heating in Szentlőrinc will be provided with these services at perceivably smaller prices in comparison with the average values of household district heating tariffs that are applied in the towns taken as references.

Dr. Márk Győrvári, Mayor of Szentlőrinc has emphasized: *“In addition to being the cleanest way to generate energy, geothermal resources mean long-term, sustainable, calculable and safe energy supply to our town. Yet, we have considered other aspects, as well, when deciding in favour of the geothermal solution. I think, cheaper energy will create new jobs, and potentially attract further investors to our region, and on the whole give a new impetus to the development of this area.”*

Balázs Bokorovics, Chairman of PannErgy Plc’s Board of Directors has explained: *“The Szentlőrinc project is the first major investment of domestic geothermal energy – a solution that effectively optimizes the energy supply of a town with green energy. Our long-term contract, cooperation forged with the town may be viewed as a model for all our partner municipalities wishing to exploit their geothermal assets. I honestly trust that after the drilling of the reinjection well and the installation of the surface equipment the following heating season will see the supply of heat from geothermal resources to local consumers.”*

**PannErgy Plc
Board of Directors**

