

6 October 2010

EXTRAORDINARY INFORMATION

PannErgy buys a power generation plant with methane gas

In accordance with its strategy focusing on renewable energy PannErgy Geothermal Power Ltd. has extended its alternative energy portfolio with a methane-burning power generation plant, and the related technological know-how, as it has signed an agreement to buy 100% stake in the Berekfurdo Energy Production and Service Ltd. The company produces electricity from methane gas extracted from thermal water and it sells heat to the local consumers. The electricity production can reach 320 kW, while the heat production can be 450 kW. The EBITDA of the company will be between HUF 55-65 million annually.

On the 5th of October, 2010 PannErgy Geothermal Power Generation Ltd. signed an agreement on the purchase of 100% stake in Berekfurdo Energy Production and Service Ltd.

Berekfurdo Ltd. produces energy by capturing methane gas from the thermal water in the wells. The company purchases the methane from the municipality responsible for the operation of the wells and after the extraction from the water the methane is burnt in two cogeneration gas engines. The produced electricity is sold to MAVIR Ltd. under the feed-in tariff system and to local consumers, while the heat is purchased by local customers.

2,297 MWh) Under the feed-in tariff system the project is defined as combined heat and power production, the feed-in time frame is 74 months starting from September 2010.

Apart from the electricity production the power plant produces 11,200 GJ heat annually. Currently the company has an agreement to sell 4,600 GJ of heat annually and further negotiations are underway to sell additional 6,600 GJ locally.

The project's EBITDA will be HUF 55-65 million annually. The purchase price of the company calculating with the 2011 EBITDA means a 3.6-3.8 EV/EBITDA multiplier.

Dénes Gyimóthy, PannErgy Plc.'s CEO has commented:

„The power generation plant in Berekfurdo organically is a good fit to our strategy focusing on renewable energy, as it gives new ways to the utilisation of geothermal resources. The geothermal energy means not only the direct energy extracted from the thermal water, but also the accompanying gas coming to the surface from the wells that is also suitable for energy production. On the one hand, the plant is extremely effective as a co-generation facility, which can produce both electricity and heat, on the other hand it decreases the methane emission by 400 tonnes annually. As methane is a greenhouse gas, which is 17 times more harmful to the atmosphere than CO₂ this acquisition has also strengthened PannErgy's position in environmental protection. Through the acquisition of an already operating power plant PannErgy has entered the electricity production market. Furthermore as a result of this transaction the company has acquired a new knowhow, which enables it to establish energy producing facilities operating on similar ways.”

PannErgy Plc

