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OTHER INFORMATION

The drilling of the reinjection well in Kistokaj (KIS-PE-01) has been commenced

After the first successful drilling operations were performed in the autumn of 2010, recent days (on 20.09.2011) have seen the commencement of the first drilling activities for the wells in Kistokaj as the second group of the wells planned within the geothermal system of Miskolc. It is expected that the well head will reach that level at around the depth of 2000 meters in the middle of this October where the extracted water can be reinjected with high efficiency.

The first test runs are foreseen to take place in next spring. Due to the additional drilling operations, as well as the construction of the pipeline to Miskolc and other technical implementation activities, the Company and its subcontractors are still to shoulder weighty workloads.

Owing to the geothermal spring that can be exploited in the region of Mályi–Kistokaj, the city of Miskolc will be among the first settlements in Hungary to rely on the cheap and environmentally sustainable energy that is also preferred in the relevant directive of the European Union. As projected, in the first phase 10,448 apartments in the Avas housing estate, as well as nearly 200 commercial properties and institutions will be gradually connected to the system, and as a consequence cheaper hot water and district heating services can be provided to Miskolc in an environmentally conscious manner.

According to the plans, the water will first reach the Avas district heating center at a temperature of cc. 95°C via an almost 9-kilometer-long transmission line, and there this energy will be fed into the grid of the District Heating Supplier of Miskolc (MIHŐ). Besides, PannErgy has made a contract with Geo-Wendung Zrt. to supply heating services in the region of Mályi and Kistokaj with the use of secondary heating energy.

“It is a particular pleasure for us that in cooperation with the District Heating Supplier of Miskolc (MIHŐ) owned by the Municipality of Miskolc, City of County Rank we can jointly act to rely on geothermal energy, and thus turn the future district heat supply of the city cheaper and “greener”. In our opinion, the utilization of the geothermal energy from Kistokaj will be useful in avoiding any further increase in district heating tariffs, and furthermore the gas dependence of the city can be moderated with the additional benefit of encouraging job-creating investments – claimed Balázs Bokorovics, Chairman of PannErgy Plc’s Board of Directors.”

“Back in 2009, MIHŐ Kft. and Miskolci Geotermia Zrt. entered a long-term heat energy supply agreement with each other. By taking over the heat energy offered for sales by the



heat producers, MIHŐ Kft. follows the objective to improve service standards, maintain operating safety, sustain environmental protection, and not the least to achieve more favourable pricing. The appearance of geothermal energy in the district heating system of Miskolc can potentially reduce the volume of heat and electric power generation from natural gas, and put such a secure and long-term source of energy in place whose price will be more favourable and regulated than the rates of the current energy resources – stated László Nyíri, MIHŐ Kft's Managing Director.”

One of the basic pillars of Miskolc's energy strategy can be the implementation of the utilization of geothermal energy, and thus the provision of safe, environmentally friendly and competitive services for all the consumers.

Miscellaneous technical information:

Upon the commission of PannErgy Plc's majority-owned subsidiary, Miskolci Geotermia Zrt. DoverDrill Kft. is performing the implementation works of water reinjection well KIS-PE-01 as the general contractor for drilling.

The Company has already completed the drilling of the 17 1/2” section and geophysical profiling works, the 13 3/8 casing tube has also been constructed and concreted, and at the present the 12 1/4” section is being deepened.

PannErgy Plc

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General

Pannonplast Plc's legal successor, PannErgy is looking forward to the implementation of its strategy framed in the field of the utilization of renewable energies with a background and history of nearly a hundred years. PannErgy Plc's shares are traded at the Budapest Stock Exchange; they are parts of the BUX basket reflecting the trends in the exchange rates of Hungarian securities. The Company's equity exceeds HUF 10 billion.

Formulated back in 2007, PannErgy's long-term strategy is to exploit the potentials of the long-known Hungarian geothermal resources, and generate considerable volumes of heat energy and electric power, thereby creating value for the population of the country and institutional actors, as well as PannErgy's shareholders. The demand for energy seems to be rising unstoppably, while both the Hungarian and global sources are limited, or they cannot be reached and exploited effectively.

FOR FURTHER INFORMATION:

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