OTHER INFORMATION

Budapest, 9 September 2014

The second phase of the Geothermal Project of Miskolc has been opened

PannErgy Plc's subsidiary, KUALA Ltd has completed the second phase of the Geothermal Project of Miskolc. KUALA Ltd has funded the investment partly from the HUF one billion non-repayable grant awarded to the application entitled "Geothermal energy, professional expertise serving the economy" in the grant application scheme "Satisfaction of local heat and/or cooling demands with the use of renewable energies" announced within the framework of the Environment and Energy Operational Programme of the New Széchenyi Plan.

The mayor of Miskolc City of County Rank, Dr. Ákos Kriza joined the managing director of Miskolc Heat Distribution Ltd, László Nyíri and PannErgy Plc's chief executive officer, Péter Tóth on 9 September to open the district heating center in Tatár Street, a constituent of the second phase of the Geothermal Project of Miskolc. With the implementation of the Project, trial operation can be commenced, and as a result heat will be supplied by the Company to the district heating areas of Miskolc City Center and the University District.

The second phase of the project has involved the construction of a preinsulated line section between the district heating center in Tatár Street needed for system expansion and the Avas District Heating Center. The nearly 4-km long pair of new heat transmission lines starting from the Avas Hydraulic Station – via the heat exchangers of nearly 30 MW combined capacity installed in the district heating center in Tatár Street – carry hot water produced with the use of geothermal energy towards the Heating System of the City Center. The trial operations scheduled to last until the end of September will see testing with the systems of MIHŐ Ltd and MVM MIFŰ Ltd, and alignment of their technical parameters in order to put continuous and safe heat feeding in place for the 2014 heating season.

"*Today, Miskolc has become the top-ranking city of the country in the use of renewable energies, while the overall achievements of our city in the field of environmentally conscious developments are remarkable even in European comparison. One of my key goals has been to restore the standing of our city as the center of this entire region. In the field of environmentally friendly and sustainable developments, we have not simply accomplished our objectives, but reached beyond them. In view of sustainable and environmentally friendly developments, Miskolc has taken a leading role both in the region and nationwide.*" **– said Dr. Ákos Kriza, mayor of Miskolc**.

"MIHŐ Ltd is committed to the broad-scaling use of renewable energy resources. Its fundamental goal is to partially replace the increasingly expensive natural gas as an energy carrier, enhance operating safety, implement competitive, energy-conscious district heating services. Uniquely in the country, MIHŐ Ltd utilizes four different kinds of renewable energies in its district heating system; the energy of its solar collector system, biogas, biomass and geothermal energy as the most significant component. It is similarly unmatched in the European landscape that while in 2013 hardly 16% of MIHŐ Ltd's total energy consumption originated from renewable energy, in 2014, after the involvement of geothermal energy, more than 40% of energy demands has been covered with the use of renewable energy sources, with which Miskolc now belongs to the international top ranks." – **declared László Nyíri, MIHŐ Ltd's managing director .**

"An important element of the sustenance and improvement of the safety of domestic energy supply is the utilization of renewable energy resources. With the implementation of the Geothermal Project of Miskolc, PannErgy has concluded such an investment targeting the use of geothermal heat that is unexampled in Central and Eastern Europe. As a result of the current geopolitical situation, with respect to the need to moderate our dependence on natural gas and accomplish our goals in the field of environmental protection, heating systems using the energy of thermal waters satisfy all the energy-related objectives that have been set by the Hungarian government for the long term. Our Company is highly pleased that the realization of the first and second phase of the project contributes to the moderation of the dependence of the City of Miskolc on fossil energies. With its expected 750–800 TJ heat supply, the installed geothermal system can potentially cover 65–70 percent of the total heat demand of two heating districts in Miskolc. The exploitation of geothermal energy in district heating services will reduce the extent of air pollution by 43,500 tons of carbon dioxide in Miskolc City of County Rank. I would like to express my gratitude to the State of Hungary, the Ministry for National Development, Miskolc City of County Rank, and at last, but not least to Miskolc Heat Distribution Ltd for their support and contribution to the successful implementation of the Geothermal Project of Miskolc. It is a success we share that a geothermal system ensuring safe energy supply for the city of Miskolc has been constructed in Hungary in this unique manner." – **claimed Péter Tóth, PannErgy Plc's chief executive officer, member of the Board of Directors**."

PannErgy Plc