

EXTRAORDINARY INFORMATION

Budapest, 3 July 2015

Withdrawal of the grant agreement

PannErgy Plc hereby advises the actors of the capital markets that grant agreement no. GOP-1.2.1-12/B-2012-0052, made by and between its subsidiary, PannTerm Ltd as the Beneficiary and the Ministry of the National Economy as the Sponsor, has been withdrawn. The implementation of the project and the actual commencement of the investment have been hindered by archeological and financing difficulties.

On 10 May 2013, based on grant agreement no. GOP-1.2.1-12/B-2012-0052 the Ministry of the National Economy as the Sponsor agreed with PannErgy Plc's subsidiary, the Beneficiary to furnish a non-repayable governmental grant in an amount of HUF 2,843,029,570. In view of the available facts, it has been ascertained that project no. GOP-1.2.1-12/B-2012-0052 is not able to fulfill the requirements set out in the grant agreement, and therefore the sponsoring organization has unilaterally decided on the cancellation of the agreement by means of withdrawal.

At the Kistokaj site of the implementation of the project, the preparatory phase necessitated the compilation of preliminary archeological documentation, the execution of archeological excavation works, as well as diagnostic studies at the archeological site. The value assessment relating to the archeological heritage elements pointed out that a considerable part of the area affected by the investment and its surroundings coincided with an extensive archeological site, while within the 500-meter range of the planned investment 4 other archeological sites could be found, which was regarded as a major threat on realization activities at the planned area of the investment. In order to preserve the archeological values, the implementation of the Kistokaj project called for further archeological investigations and heritage protection measures, which would have resulted in a material increase of costs and the critical prolongation of realization activities provided that the investment was launched.

Another significant element of risk occurred in relation to the financing potentials of the planned Kistokaj project. Even after a series of negotiations lasting for more than 1 year, PannTerm Ltd was not given a binding funding offer that would have made the safe financing of the project until the time set in the feasibility study acceptable.

Based on the recognized risk factors, it can be ascertained that the implementation of project no. GOP-1.2.1-12/B-2012-0052 until the associated due date is just slightly probable. In the preparatory phase of the project, the prolongation of archeological works connected with the infrastructure investment and the given research results, as well as the fruitfulness of the negotiations with banks to secure the funding background of the project jointly led to the postponement of the startup of implementation.





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PannTerm Ltd has not submitted a claim for payment in connection with the project to the Sponsor, and therefore repayment obligations have not been incurred.

As a result of the particularly high risks having emerged during the implementation of the project, the funding decision has become void, and consequently the Ministry of the National Economy as the Sponsor has withdrawn from grant agreement no. GOP-1.2.1-12/B-2012-0052.

"We are unhappy to see that more than two years of work and a lot of dedicated efforts have been ultimately lost with our unsuccessful Kistokaj Greenhouse Project. In the light of the combined outcome of the results of the archeological studies conducted in the area designated for the investment and the funding difficulties, we have concluded that our plans associated with the realization of our greenhouse project that was to utilize secondary heat energy with reliance on a technological foundation that was unique all over Europe have been made futile by external factors. Even with the failure of the greenhouse project, PannErgy Group remains a dedicated advocate of the utilization of secondary heat in the framework of both the Miskolc and Győr projects, as well as the realization of a project that enables the creation of a modern, innovative plant-farming complex. Our company will make every effort to have access to EU sources preferably with sufficient funding in the development period of 2014–2020, and with the involvement of a partner that has the financial and professional capability to implement the greenhouse project." - stated Balázs Bokorovics, Chairman of the Board of Directors.

PannErgy Plc

More information about the Kistokaj Greenhouse Project:

In April 2013, PannErgy Geothermal Power Plants Ltd (PEGE Ltd) was awarded a non-repayable grant of HUF 2,843,029,570 in the "Innovation and technology parks, development centers" scheme of the Economic Development Operational Programme no. GOP-1.2.1-12/B-2012-0052 with its proposal entitled "R&D pilot project of a sustainable 10 ha greenhouse development integrated in the geothermal heat generation system of Miskolc". With the amendment of their agreement on 27 March 2014, PEGE Ltd's tasks were taken over by PannErgy Ltd's subsidiary, PannTerm Ltd. The grant was to be used for the implementation of an innovative, plant-farming greenhouse complex for the utilization of the secondary heat energy of the Miskolc Geothermal Project.

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