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PannErgy Plc

QUARTERLY PRODUCTION REPORT

for the period of Q4 of 2018

15 January 2019

Introduction:

PannErgy Plc publishes quarterly production reports in order to present its operations in green energy generation and utilization in Hungary. In this report, PannErgy gives a description of the conditions of its geothermal energy production systems, functioning and operating experience, as well as information in relation to the realized green heat sales.

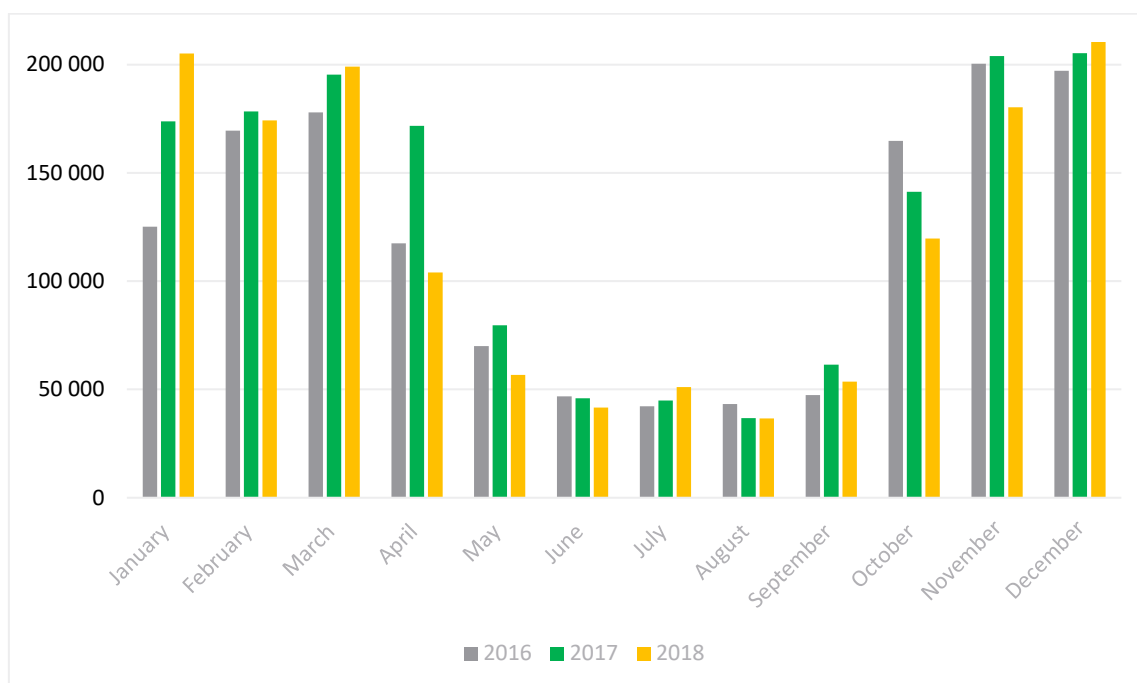


Figure 1

Consolidated quantities of sold heat, expressed in GJ

The graph shows the aggregated heat quantity sold in the Miskolc, Győr, Szentlőrinc and Berekfüdő projects, in a monthly breakdown.

	2016	2017	2018
January	124 060	172 758	205 199
February	168 574	177 533	174 300
March	177 177	194 634	199 090
April	117 075	171 294	104 033
May	69 990	79 700	56 758
June	46 866	45 936	41 641
July	42 193	44 865	51 247
August	43 294	36 709	36 794
September	46 429	61 502	53 650
October	163 409	141 270	119 652
November	199 716	204 045	180 263
December	197 650	205 251	213 267
TOTAL	1 396 434	1 535 497	1 435 894

Figure 2

Consolidated heat quantity sold, in a tabular format, expressed in GJ

When comparing heat sales of Q4 of 2018 to those of the corresponding period of 2017, it can be claimed that this year weather conditions were less beneficial than in the previous period.

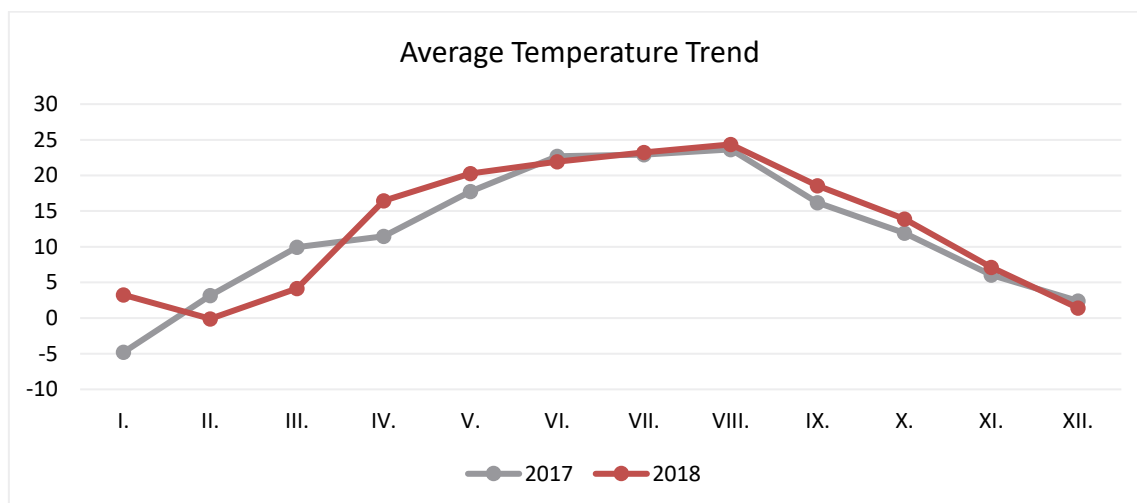


Figure 3

Trends in average temperature data in 2017–2018

During the heating season, geothermal heat sales reach the ideal range when outdoor temperature is at 2–8 °C, and more specifically when daily minimum and maximum temperatures show minimum differences. The Company estimates the annual effect of unfavourable weather circumstances to be the loss of 40 000 GJ and 60 000 GJ heat sales in Győr and Miskolc, respectively. Figure 3 shows that in Q3 and Q4 – similarly to the corresponding periods of 2017 – the average temperatures were less beneficial, especially in October and November. The heating season of 2018/19 began at the end of September. Overall, it can be claimed that the annual heat sales of the previous heating season were primarily affected by the end of heating season 2017/18, which had a negative effect compared to the previous heating period, as the heating season ended unusually early. There are no significant changes in summer heat sales, weather conditions have low impact on these. The losses of Q4 were primarily caused by the warm autumn weather and minor technical issues in Miskolc. The Company seeks to fully counterbalance the impact on profit caused by the technical factors occurring mainly in October and to a smaller extent in November. The heat volume sold in 2018 was 9.3% lower than that of the base period, however the more efficient operation of the plant, as mentioned, as well as the higher authority-regulated sales prices effective as of 1 October have had a beneficial impact on the profit. Consequently, in view of the preliminary calculations, the 2018 EBITDA value was around the level of the profit in 2017.

Geothermal Project of Miskolc

(Miskolci Geotermia Ltd, Kuala Ltd)

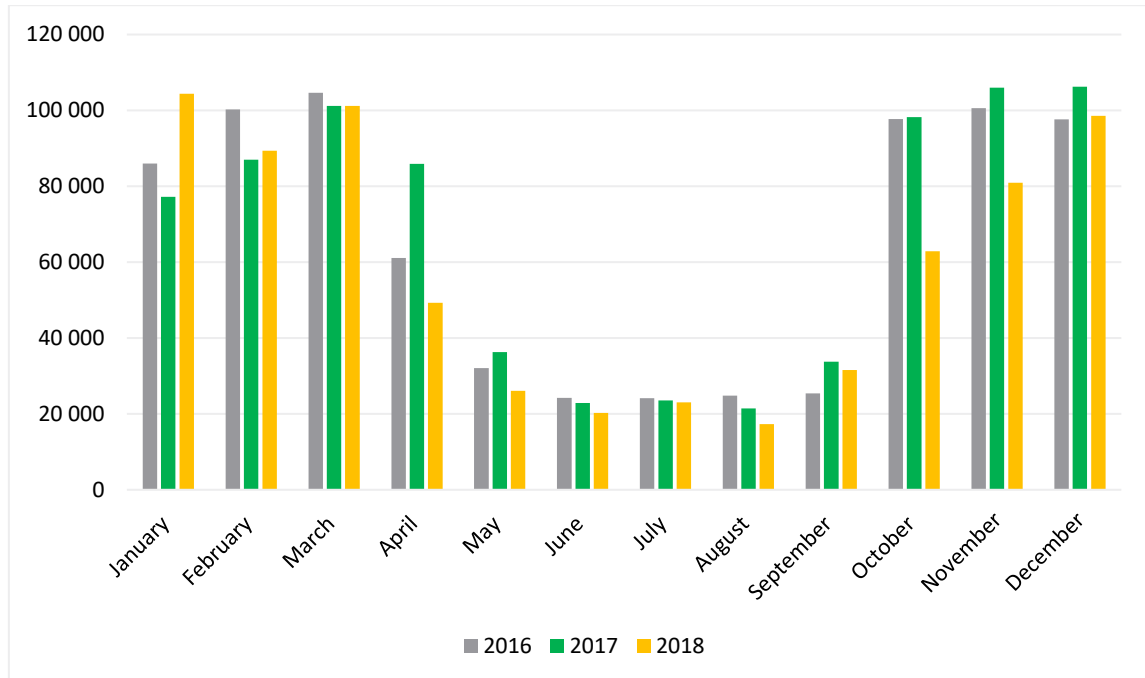


Figure 4
Quantities of sold heat in Miskolc, expressed in GJ

In the fourth quarter of 2018, the Geothermal System of Miskolc sold 242,367 GJ heat energy in total, which was 12 % less than the value achieved in the corresponding period of 2017 as a result of the above-mentioned weather conditions and technical issues. The annual heat energy sales were 704,794 GJ.

Geothermal projects of Győr

(DD Energy Ltd, Arrabona Geothermal Ltd, PannErgy Concession Ltd)

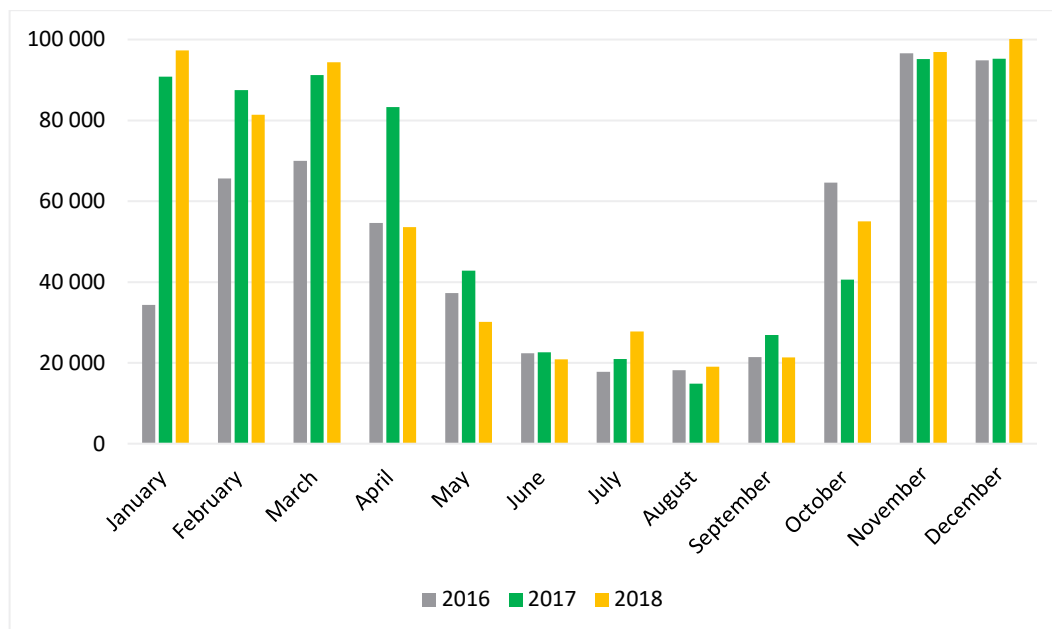


Figure 5
Quantities of sold heat in Győr, expressed in GJ

In the fourth quarter of 2018, the Geothermal System of Győr sold altogether 263,037 GJ heat energy, which represented 14 % increase after Q4 of 2017. The annual heat sales in Győr were 708,738 GJ. The increased sales of Q4 can primarily be attributed to the fact that due to the increased yield in district heating and the form of operations developed accordingly, to be less sensitive to reduced environmental temperatures, boiler heating virtually decreased to zero (a technical optimum was reached in terms of geothermal energy), which fully counterbalanced – and even outperformed – the disadvantageous warm weather in October and November.

Concerning the PannErgy Concession Project, it can be concluded that in the period under review, the Company – in line with its commitments – closed the concession research. The building for gaining geothermal energy no. BON-PE-03 that is subject to concession, and utilizing it for energy-related purposes has been given commissioning permit by the Mining Department of the Government Office of Veszprém County, and moreover the Final Report on the Concession Research has been submitted and approved since then.

Geothermal heating facility of Szentlőrinc

(Szentlőrinc Geothermal Ltd)

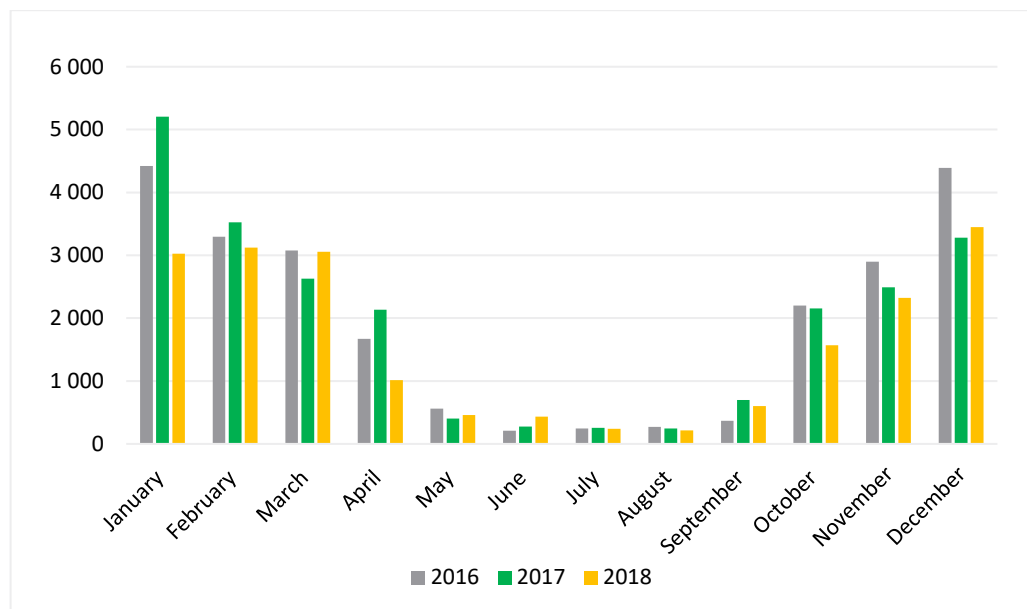


Figure 6

Quantities of sold heat in Szentlőrinc, expressed in GJ

The Geothermal Facility of Szentlőrinc operated seamlessly in Q4 of 2018, however – primarily due to the weather conditions – its heat sales lagged behind the corresponding period of last year by 7%. In the quarter under review, the Company sold 7,343 GJ heat.

Due to the pump replacement in the summer, and the optimized operational conditions implemented as a result, the energy demand of the system has decreased significantly, the specific energy consumption has been reduced by nearly 50% (from 12 kWh/GJ to 6.15 kWh/GJ).

Geothermal methane utilization facility of Berekfürdő

(Berekfürdő Energy Ltd)

In the period under review, the electric power sales of the Geothermal Methane Utilization Facility of Berekfürdő were 161,293 kWh. Calculated on a calendar basis, the availability of the gas engines was 54%, due to the reason that the larger gas engine is currently under reconstruction. In the period under review, the quantity of heat sold was 435 GJ, which is the consequence of the non-operating gas engine.

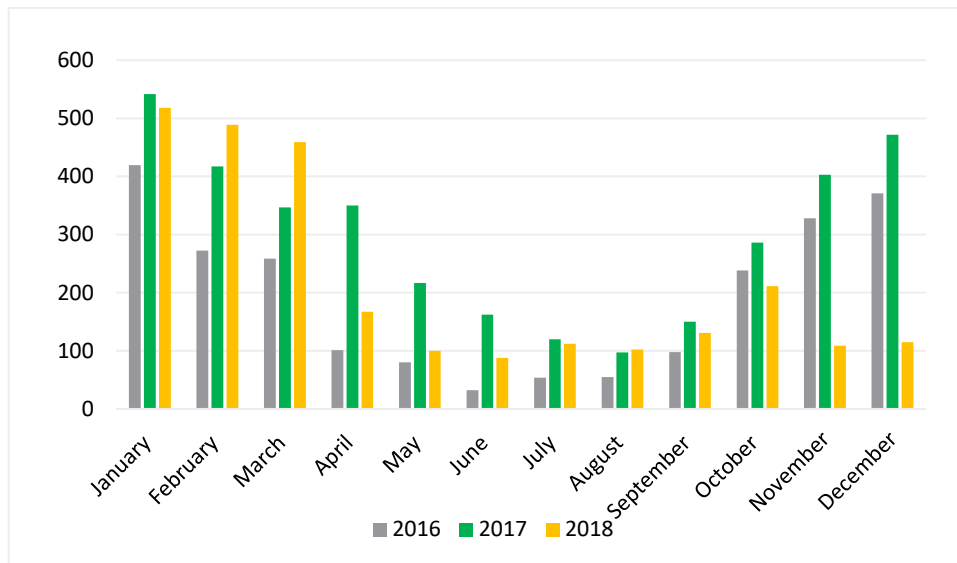


Figure 7

Quantities of sold heat in Berekfürdő, expressed in GJ

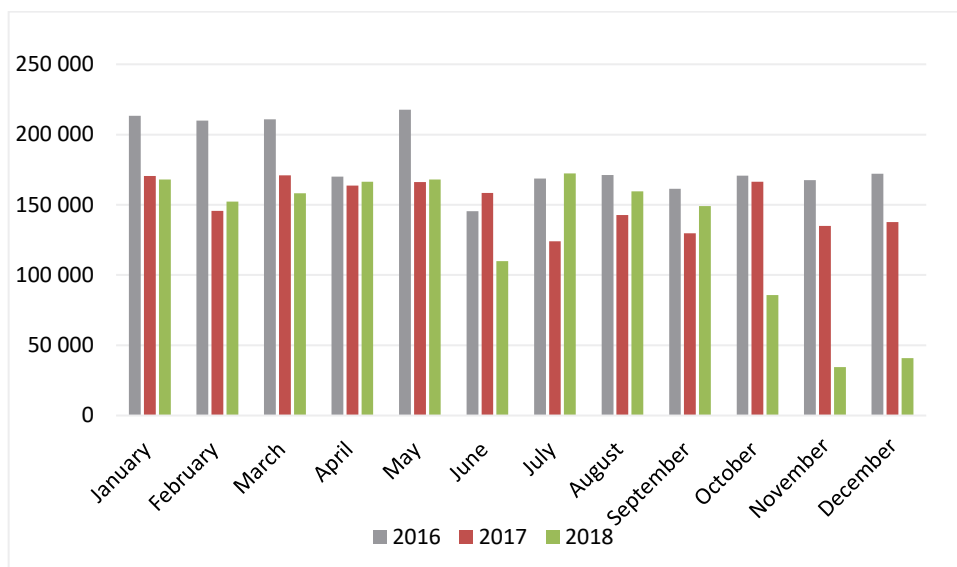


Figure 8

Quantities of electric power sold in Berekfürdő, expressed in kWh

Environmental protection

In the period under review, the utilization of green heat energy generated by PannErgy Group's projects contributed to the Hungary's climate protection efforts by reducing the emission of CO₂ as a greenhouse gas by 29,768 tons.

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