



PannErgy Plc.

QUARTERLY PRODUCTION REPORT
Q4 2021

and

2022 – 2023 EBITDA plan

14 January 2022

Introduction

PannErgy Plc. publishes a production report on a quarterly basis, presenting green energy production and utilisation. In its report, the Company presents the green heat sales figures of its key geothermal energy production systems in the reporting period, alongside additional useful information. Each year, the production report for the fourth quarter is supplemented with a preliminary, quarterly heat sales plan for the following year (Figure 2) and the preliminary annual EBITDA plan (Chapter II), the values of which are either confirmed or adjusted, as appropriate, at the Company's annual General Meeting.

I. Consolidated production information

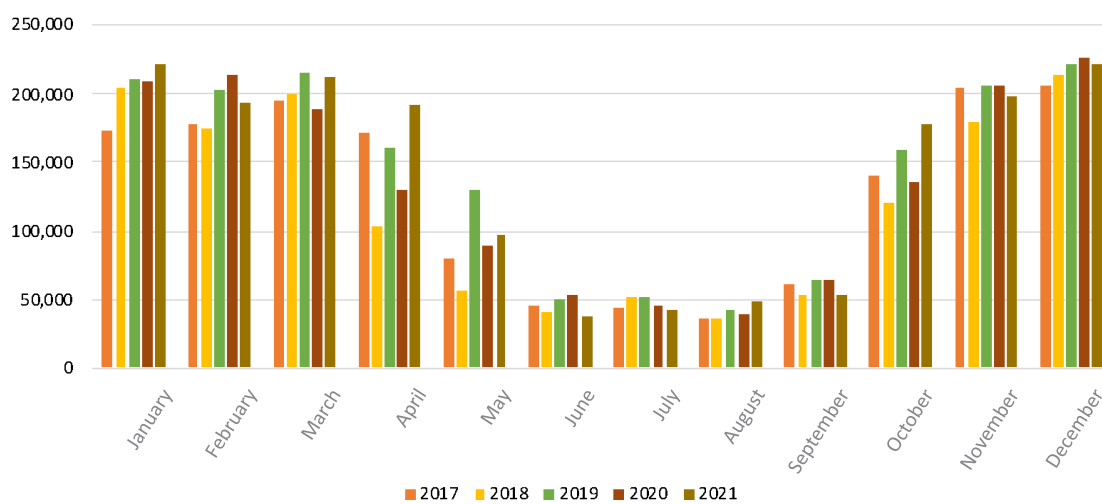


Figure 1
Consolidated volume of heat sold (GJ)

The chart presents the aggregate volume of heat sold by the Miskolc, Győr, Szentlőrinc and Berekfüdő projects, in a monthly breakdown.

	2017	2018	2019	2020	2021	2021 TARGET	2022 TARGET
January	172,758	205,199	209,999	209,678	221,966		
February	177,533	174,300	203,484	213,855	194,173		
March	194,634	199,090	215,693	189,195	211,762		
Q1	544,925	578,589	629,176	612,728	627,901	660,769	646,020
April	171,294	104,033	160,548	130,407	192,053		
May	79,700	56,758	129,300	89,190	96,333		
June	45,936	41,641	50,780	53,394	38,595		
Q2	296,930	202,432	340,628	272,991	326,981	290,438	315,549
July	44,865	51,247	52,406	45,297	42,919		
August	36,709	36,794	42,415	39,205	48,023		
September	61,502	53,650	63,731	64,096	53,870		
Q3	143,076	141,691	158,552	148,598	144,812	160,683	163,654
October	141,270	119,652	159,888	136,460	180,427		
November	204,045	180,263	206,686	205,417	197,872		
December	205,251	213,267	221,248	225,688	221,198		
Q4	550,566	513,182	587,822	567,565	599,497	620,679	626,790
ANNUAL TOTAL	1,535,497	1,435,894	1,716,178	1,601,882	1,699,190	1,732,569	1,752,012

Figure 2
Consolidated volume of heat sold, in a table format (GJ) and relevant target data

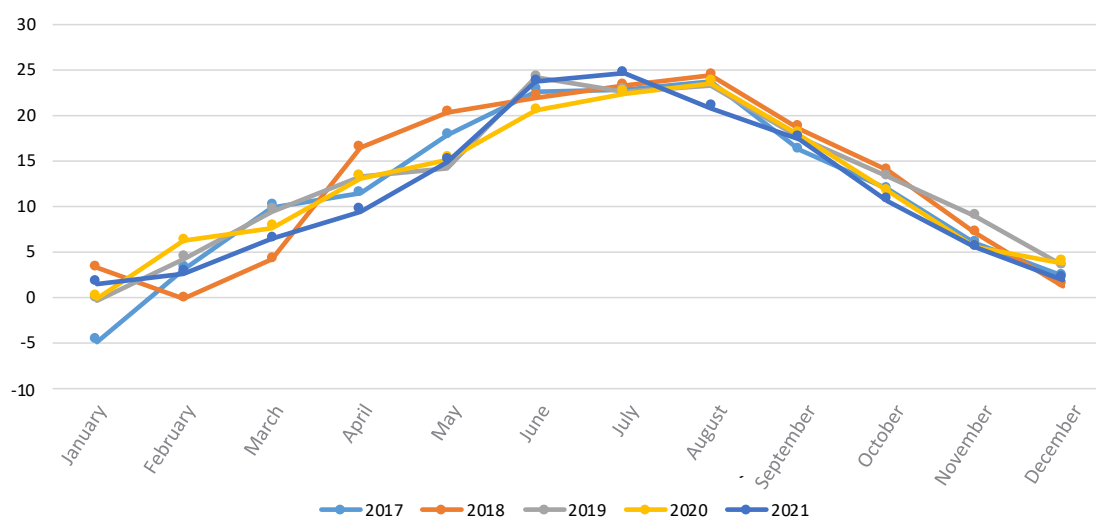


Figure 3
Average temperatures in 2017–2021

In the period under review the weather offered a heating potential at Group level comparable to the same period in 2020.

A comparison of the Q4 2021 heat sales figures with the average values of the same period in historical years indicates that the Company accomplished record heat sales in the period under review. The volume of heat sold in the quarter under review exceeded the corresponding value of the base period by 5.6%. However, it fell short of the quarterly target by approximately 3.4%, primarily due to the outage in Miskolc from 2-11 November as previously disclosed by the Company.

In consideration of the information presented in this production report, the Company confirms the expected fulfilment of the consolidated HUF 2,800–2,880 million EBITDA target range published previously for the 2021 business year.

II. EBITDA projection for 2022 and 2023

In respect of the 2022 business year, the Company's management confirms the previously published preliminary consolidated EBITDA target in the range of HUF 3,000 – 3,100 million under the IFRS. The planned quarterly heat sale volumes assigned to the target are presented in the table of Figure 2.

The abovementioned EBITDA target range for 2022 represents an increase of approximately 7% compared to the target range of the base period, primarily reflecting the effect of completed or in-progress capacity expansion and efficiency improving projects.

In terms of the EBITDA forecast for 2023, the Company also confirms the previously published preliminary consolidated EBITDA target in the range of HUF 3,150 – 3,250 million under the IFRS, which is subject to the boring and commissioning of the third production well of the Miskolc Project in the current year. In the event of the omission of boring the well, the EBITDA target level for 2022 is currently also the baseline for 2023.

III. Main projects

Miskolc Geothermal Project

(Miskolci Geotermia Kft., Kuala Kft.)

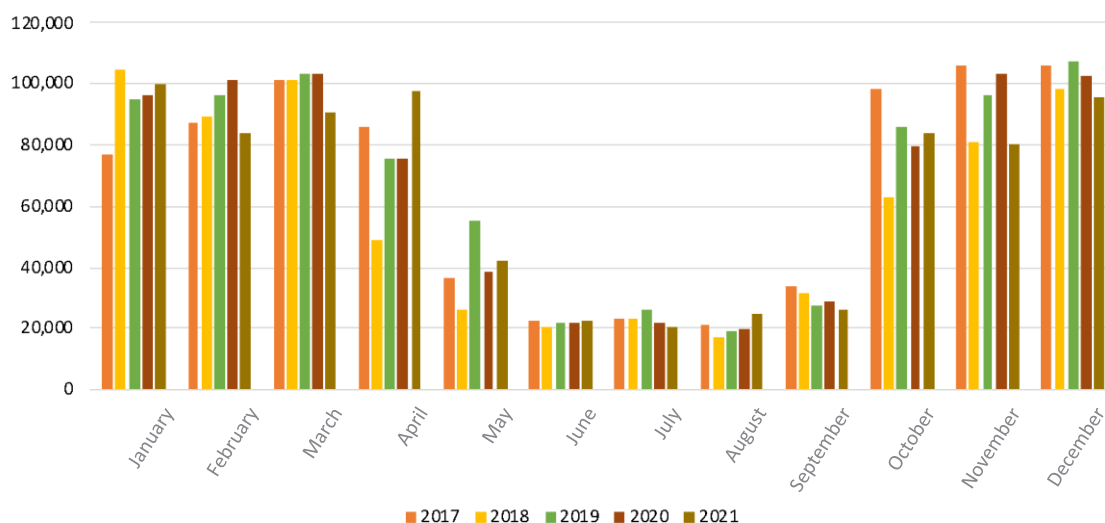


Figure 4

Volume of heat sold in Miskolc (GJ)

The Geothermal System of Miskolc sold a total of 260,127 GJ of thermal energy in Q4 2021, down by 8.7% compared to the heat sales data of the same period in 2020, mainly due to the outage in November referred to previously.

Győr Geothermal Projects

(DD Energy Kft., Arrabona Koncessziós Kft.)

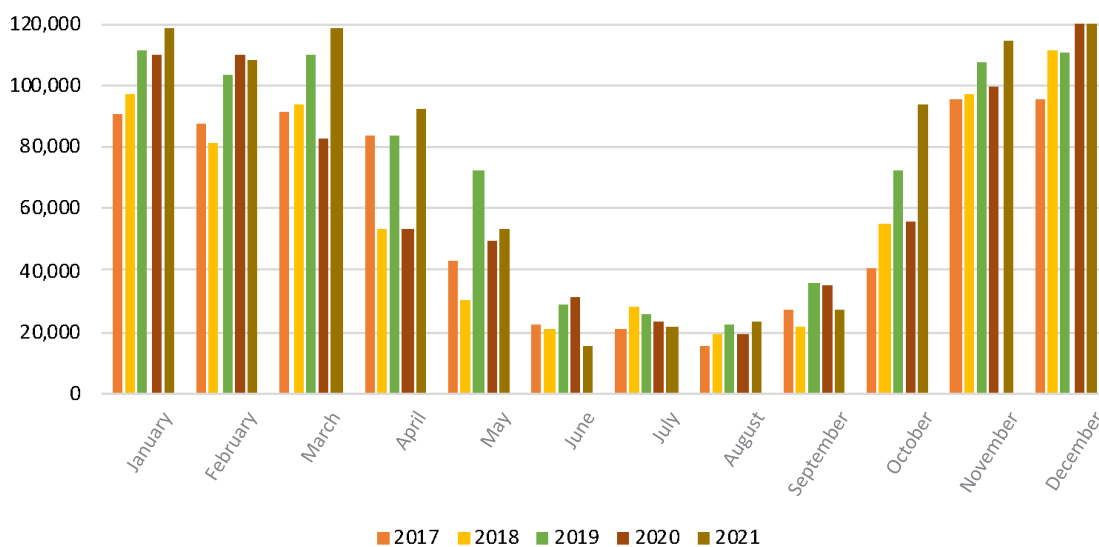


Figure 5

Volume of heat sold in Győr (GJ)

The Geothermal System of Győr sold a total record volume of 330,520 GJ of thermal energy in Q4 2021, representing an increase of 20.0% year-on-year. The reasons for the increase include

the return on investment activity in recent periods and the operational difficulties presented in the base period production report.

Geothermal Facility of Szentlőrinc

(Szentlőrinci Geotermia Kft. - company form under registration)

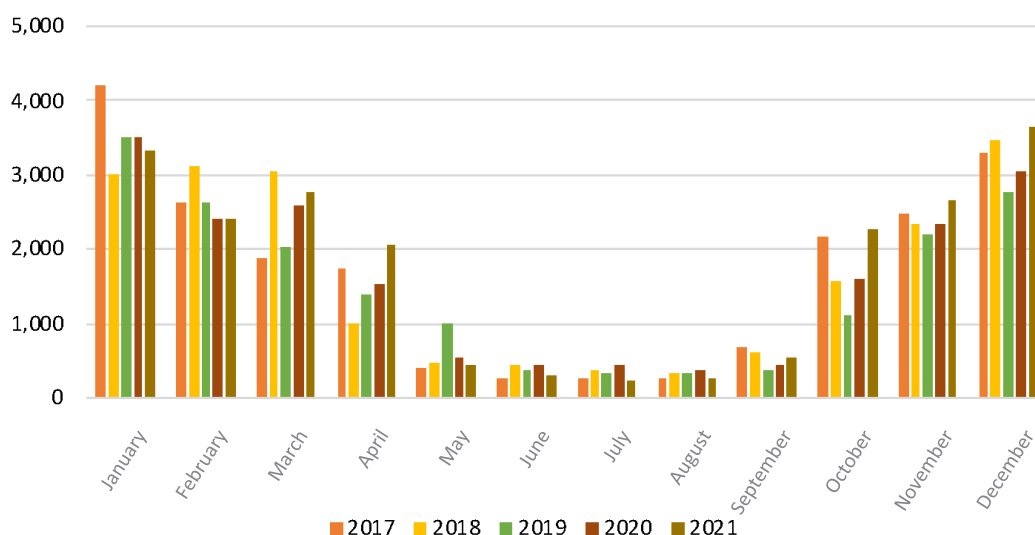


Figure 6

Amount of heat sold in Szentlőrinc (GJ)

In Szentlőrinc, the volume of heat sold in the period under review was 22.2% higher than in the base period, amounting to 8,568 GJ. The Geothermal Facility of Szentlőrinc can fully meet the heat demand of the local district heating system on its own; thus, the weather sensitivity of the geothermal heat input may be significantly higher than that of district heating systems with complex heat resources.

IV. Miscellaneous

PannErgy for the prevention of climate change

In line with global efforts, Hungary intends to take resolute action against climate change. The key energy sector action plan for these efforts is the new National Energy Strategy (NES) published in January 2020, which supersedes a similar strategy published in 2011. The NES presents the future of the Hungarian energy sector for the period until 2030 and, at the same time, it provides an outlook for the following decade. The NES takes into account the requirement of the European Union stating that the economies of EU Member States must become climate-neutral, overall, by 2050.

The NES is committed to decarbonisation, providing ample leeway for the further proliferation of green and other, emission-free energy production solutions. NES goals to be highlighted from the perspective of the geothermal energy production represented by PannErgy:

- reducing Hungary's gas consumption and thus, its reliance on energy imports;
- giving preference to district heating systems;
- reducing the share of natural gas sources below 50% in district heating systems;
- increasing the utilisation of geothermal sources and urban waste in district heating systems, implementation of the Green District Heating Programme.

As a comprehensive, quantified target, by 2030 the share of renewable energy sources in gross final energy consumption should be increased to at least 21% (compared to 13.3% in 2017), whereby greenhouse gas emissions will decline by around 40% compared to the level recorded in 1990.

Impact of climate changes on PannErgy's heat markets

One of the tangible effects of climate change in Hungary manifests itself in the form of frequent volatile and extreme changes in weather conditions, including ambient temperatures, and a rise in the average temperature of winter months from the historically cold, steadily sub-zero range to markedly above the freezing point. These changes are not expected to have an adverse impact on the output of geothermal heat generation; in fact, taking the average over a horizon of several years, the perspectives of input into district heating systems seem favourable. The reason is that the daily geothermal heat sales can be maximised even when outside temperatures are above freezing point during the heating season. At the same time, the potential decrease in demand for heat during the transitional seasons may be offset or even surpassed by the growth in the potential of the increasingly mild winter periods.

The demand for energy in the large district heating systems supplied by the PannErgy Group is far greater than the amount of geothermal energy that can be fed into those systems. Accordingly, any changes in demand for heat in those heating systems stemming from climate change have no perceivable effect on PannErgy Group, and the Company does not expect any trend-like negative effects in the future either.

The primary goal of PannErgy is to utilise its substantial uncommitted available thermal capacities in addition to the capacities being currently utilised, which is expected to further reduce sensitivity to ambient temperature changes.

Increased hydrocarbon prices and carbon dioxide quota costs have further increased the competitiveness of geothermal energy.

The most important possible areas for utilising free thermal capacities include:

- implementation of energy efficiency and optimisation projects with existing customers;
- cold energy projects for the utilisation of the so-called 'summer' heat;
- connection of new customers indirectly through district heating systems or directly to the geothermal systems on the primary or the secondary (return) sides;
- technical, energy and R&D projects aimed at the improvement of heat production efficiency.

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