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PannErgy Plc

QUARTERLY PRODUCTION REPORT

for the period of Q3 of 2018

15 October 2018

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.

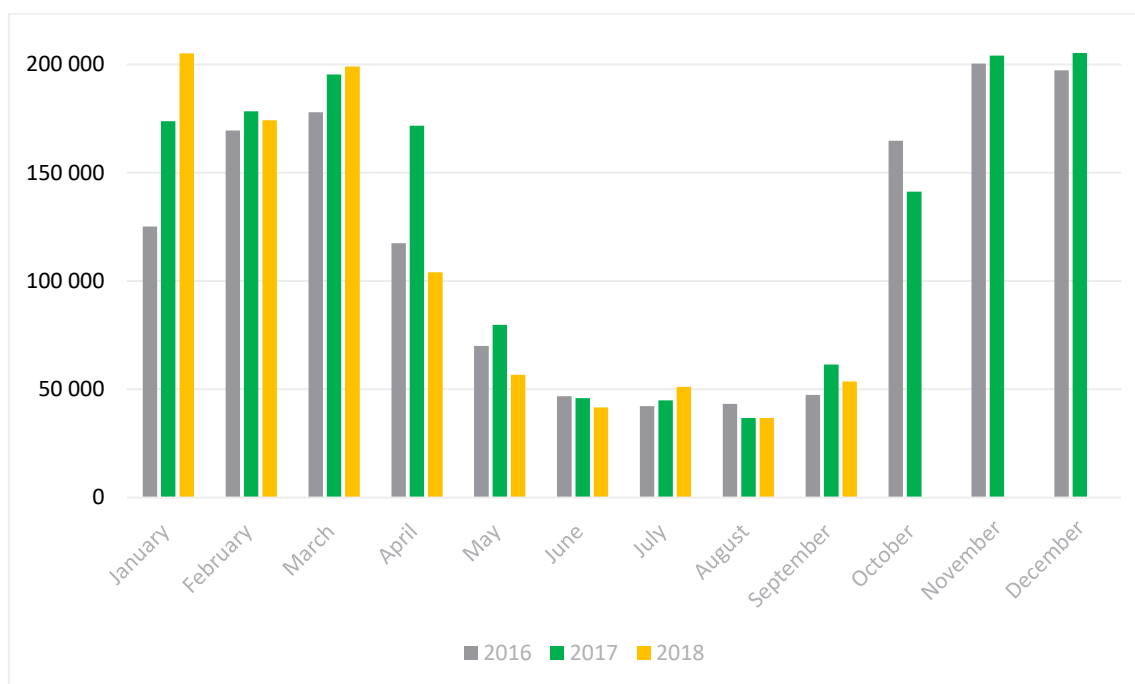


Figure 1.

Consolidated quantities of sold heat, expressed in GJ

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

	2016	2017	2018
January	125 117	173 765	205 199
February	169 471	178 442	174 300
March	177 950	195 387	199 090
April	117 526	171 685	104 033
May	69 990	79 700	56 758
June	46 815	45 936	41 633
July	42 193	44 865	51 115
August	43 294	36 709	36 677
September	47 347	61 502	53 650
October	164 818	141 270	
November	200 396	204 045	
December	197 237	205 251	

Figure 2.

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

When the figures of heat sales in the third quarter of the year are compared to the data of the same period in 2017, mostly the impacts of different weather conditions are seen.

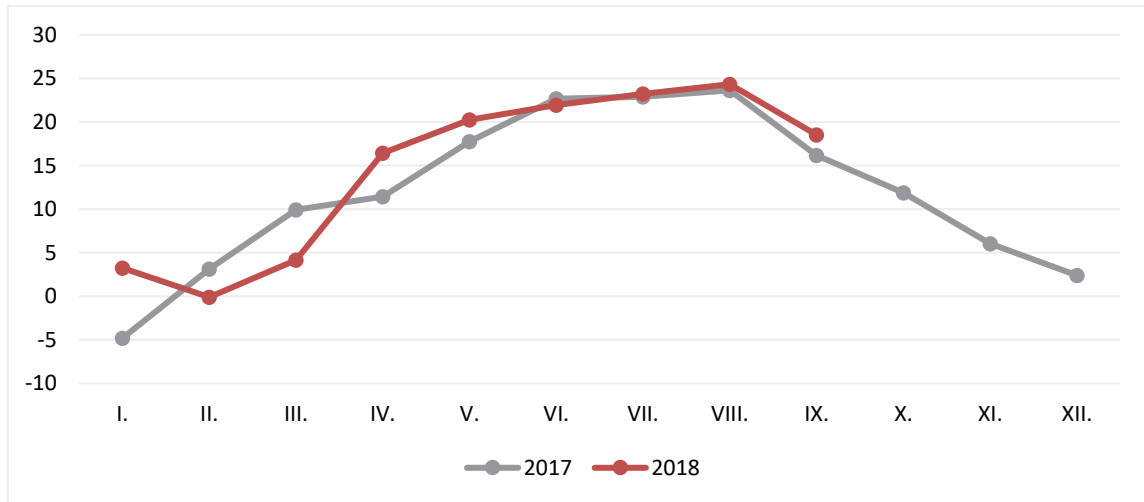


Figure 3.

Trends in average temperature data in 2017–2018

Figure 3 shows that in September of the autumn period of the third quarter higher average temperature was characteristic in comparison with the same period last year, resulting in smaller heat demand in all the heat generation sites of PannErgy. The resulting negative gap in heat feeding was mostly counterbalanced by the growth in the heat market of Győr realized in July, consequently the volume of heat feeding during the quarter came to nearly identical to that of the base period.

Geothermal Project of Miskolc

(Miskolci Geotermia Ltd, Kuala Ltd)

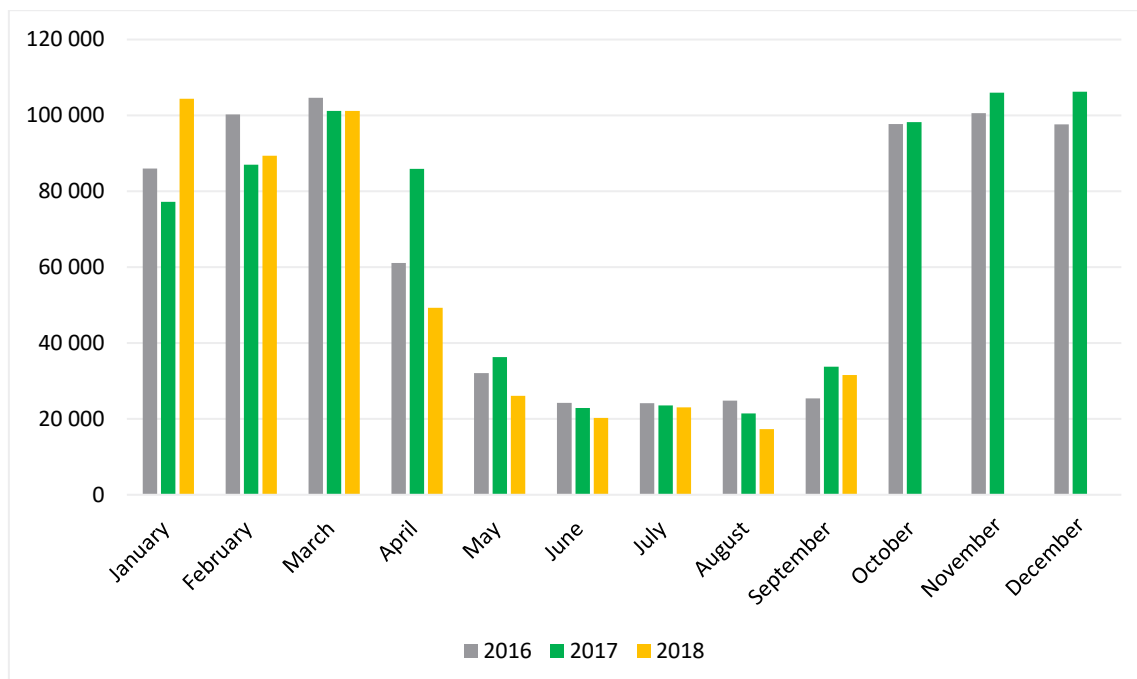


Figure 4.
Quantities of sold heat in Miskolc, expressed in GJ

In the third quarter of 2018, the Geothermal System of Miskolc sold 71,886 GJ heat energy in total, which was 9% smaller than the value achieved in the corresponding period of 2017.

Concurrently with the maintenance works performed beyond the heating season, works to enhance pump performance were carried out, and as a result during the heating season the rate of heat delivery in the system will be approximately 20 m³/h, i.e. nearly 2% (12 TJ p.a.) larger than in the previous heating season.

On 25 September, MIHŐ Heat Distribution Ltd of Miskolc initiated district heating services for the heating season of 2018/19.

Issue 146 of 2018 of the Hungarian Official Gazette (Magyar Közlöny) published Decree 19/2018 (Sept 27) of the Ministry for Innovation and Technology to announce the official district heating rates in effect from 1 October 2018. The so established selling price of heat for Kuala Ltd and Miskolc Geothermal Ltd is 2515 HUF/GJ instead of 2382 HUF/GJ so far.

Geothermal projects of Győr

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

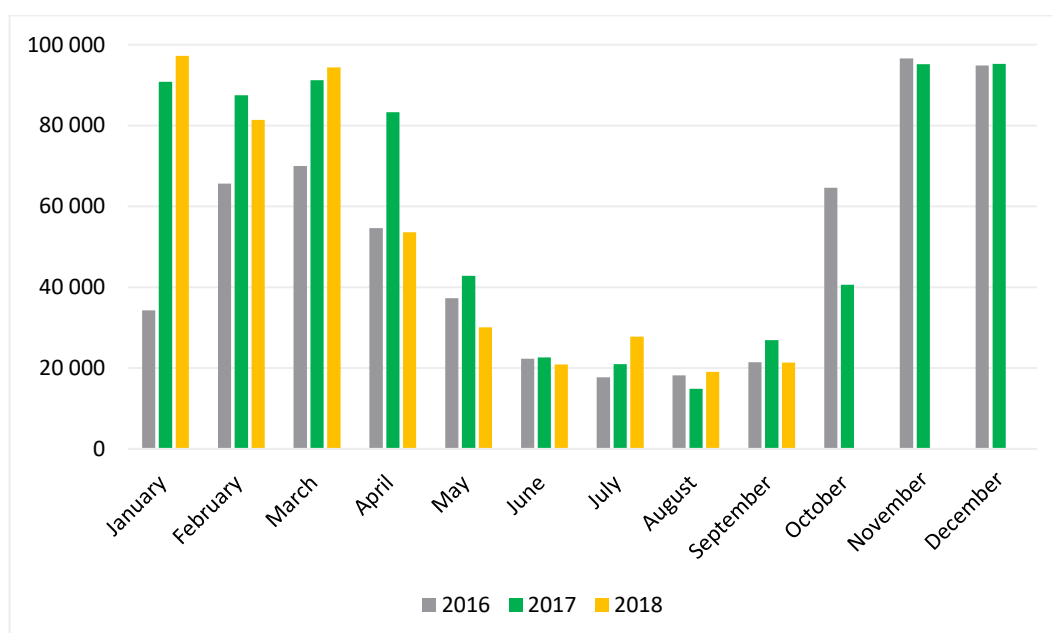


Figure 5.

Quantities of sold heat in Győr, expressed in GJ

In the third quarter of 2018, the Geothermal System of Győr sold altogether 68,153 GJ heat energy, which was 9% higher than in the third quarter of 2017.

In the Concession Project of Győr, the deepening of the BON-PE-03 drilling operations was completed in line with the time schedule of concession exploration for the period under review, and the execution of the finishing works, evaluations and analyses needed for the conclusion of the study is in progress. With the combined operation of the three wells, the expected yield approaches 1100 m³/h. Accurate information for the yields can be established during the heating season, in the course of long-term operations. With the additional heat volumes coming from the increased capacities, PannErgy will be able to sell further green energy to existing customers.

In Győr, district heating services for nearly 24,000 apartments and other institutions were started on 27 September, 6 days later than last year.

Issue 146 of 2018 of the Hungarian Official Gazette published Decree 19/2018 (Sept 27) of the Ministry for Innovation and Technology to announce the official district heating rates in effect from 1 October 2018. The so established selling price of heat for Arrabona Geothermal Ltd is 3,108 HUF/GJ instead of 2,939 HUF/GJ so far.

Geothermal heating facility of Szentlőrinc

(Szentlőrinc Geothermal Ltd)

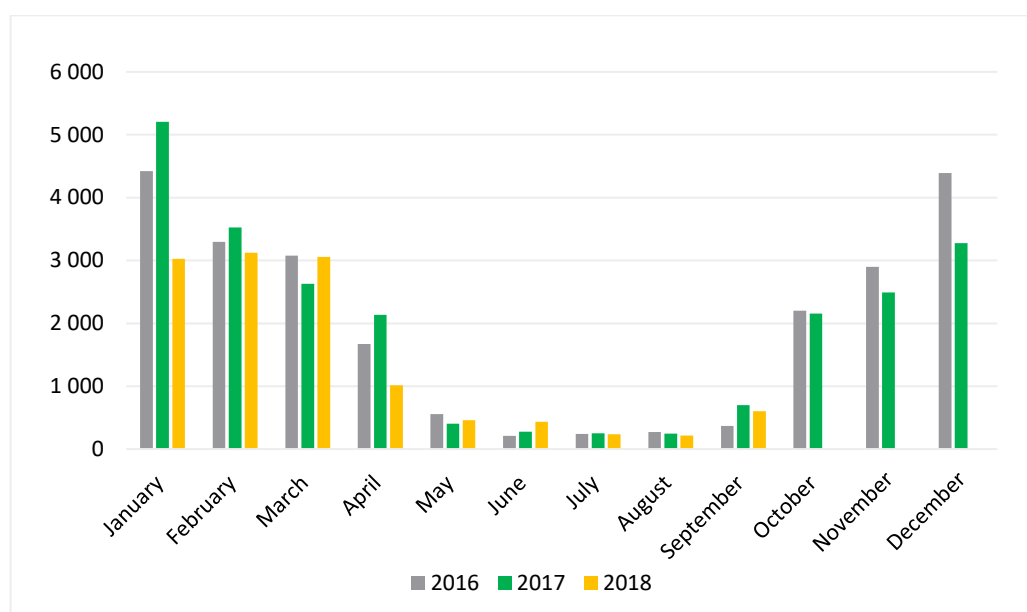


Figure 6.

Quantities of sold heat in Szentlőrinc, expressed in GJ

Heat sales by the Geothermal Facility of Szentlőrinc remained under the selling volume in the same period last year by 12%. In the period under review, the Company sold 1058 GJ heat. As part of the summer maintenance, August witnessed the replacement of the pump of the production well to reduce specific energy consumption and make the operation of the geothermal system more efficient. In Szentlőrinc, the heating season of 2018/19 started on 27 September.

Issue 146 of 2018 of the Hungarian Official Gazette published Decree 19/2018 (Sept 27) of the Ministry for Innovation and Technology to announce the official district heating rates in effect from 1 October 2018. The so established selling price of heat for Szentlőrinc Geothermal Ltd is 3654 HUF/GJ, which is identical to the so far effective heat price.

Geothermal methane utilization facility of Berekfürdő

(Berekfürdő Energy Ltd)

In the given period, the Geothermal Methane Utilization Facility of Berekfürdő sold 481,152 kWh electric power. Calculated on a calendar basis, the availability of the gas engines was 92.6%. 345 GJ heat was sold during the period under review.

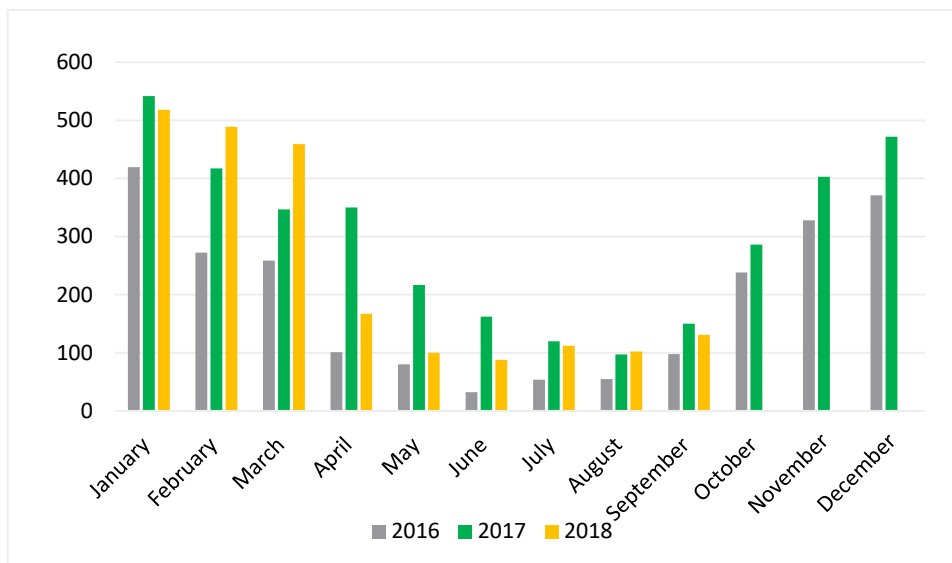


Figure 7.

Quantities of sold heat in Berekfürdő, expressed in GJ

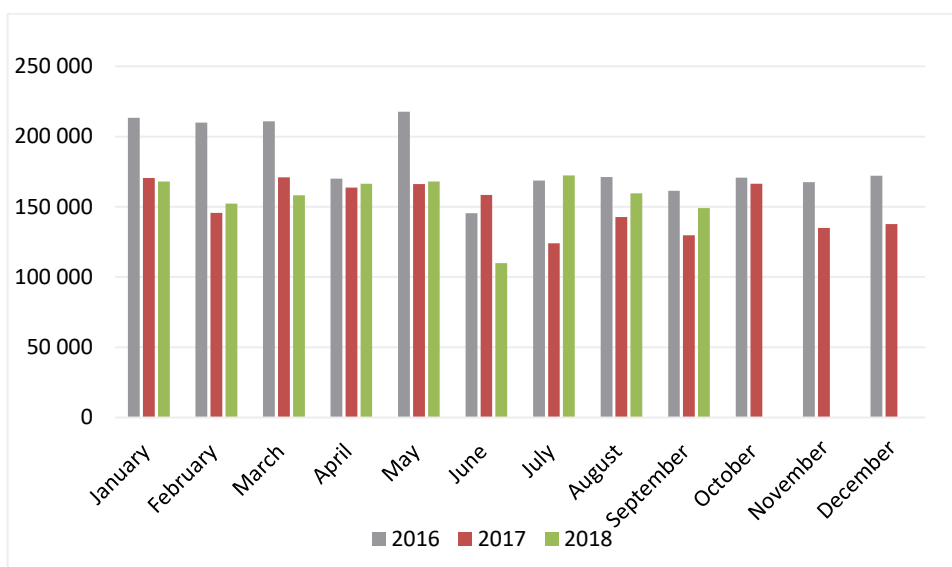


Figure 8.

Quantities of electric power sold in Berekfürdő, expressed in kWh

Environmental protection

During the discussed period, 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 8205 tons.

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