

## IMPORTANT DISCLAIMER

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PannErgy Plc

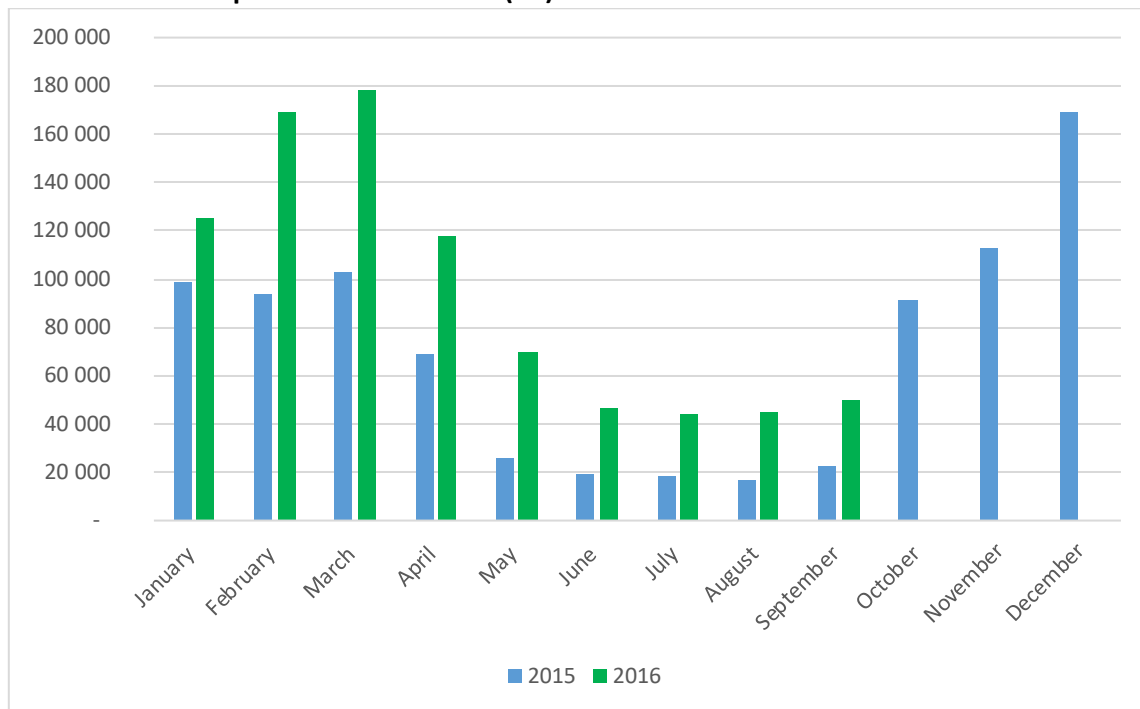
QUARTERLY PRODUCTION REPORT

for the period of Q3 of 2016

14 October 2016

In line with the changes in the capital market regulations in 2016, PannErgy Plc will publish annual and half-yearly reports, as well as "Quarterly production reports" for the interim quarterly periods in the future.

#### The consolidated quantities of sold heat (GJ):



The graph shows the heat quantities sold in the framework of the Miskolc, Győr, Szentlőrinc and Berekfürdő project in a monthly breakdown.

#### Geothermal Project of Miskolc

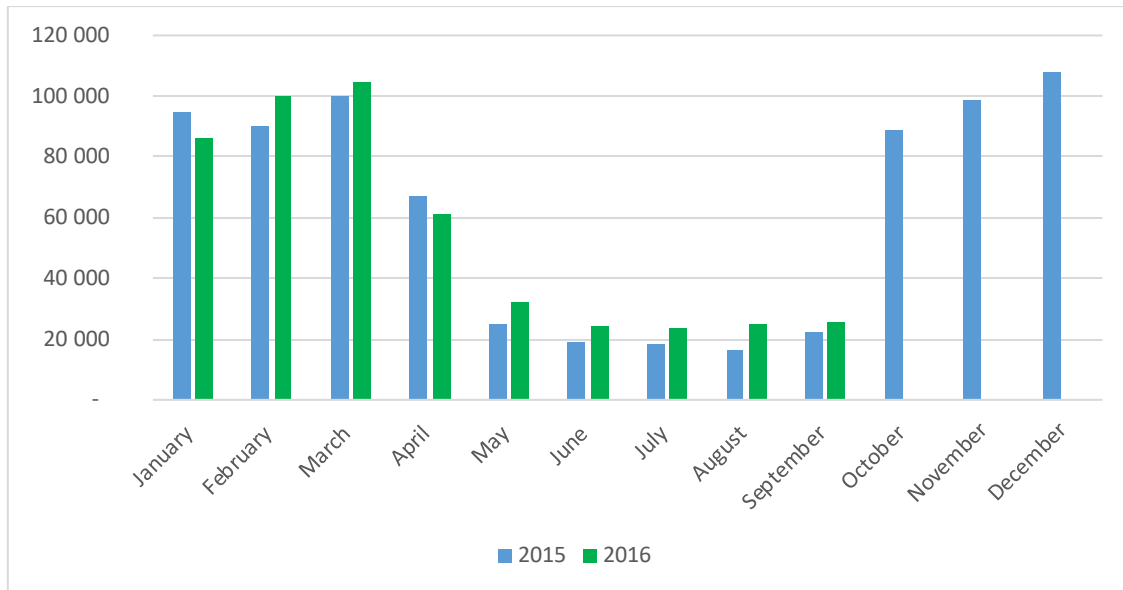
*(Miskolc Geothermal Ltd, Kuala Ltd)*

During the third quarter of the year, the system was operated in summer mode, under reduced loading, without operating problems. In the period contemplated herein and is regarded as the most passive quarter of the year in terms of heating demands, the Company executed the summer maintenance works. There was one redundant pump installed in the MAL-PE-01 well, from which the Company expects 50–70 m<sup>3</sup>/h higher production capacity in winter operations. The connections of the downtown heat exchangers were also modified so that even with the operation of the downtown gas engines higher levels of geothermal heat could be fed. Connected to the system as a secondary consumer, the heat energy supply of Takata Safety Systems Hungary Ltd was undisturbed.

Technical preparations for the 2016–2017 heating season took place in the Tatár Street Heat Center supplying geothermal heat to the downtown part of Miskolc, the Avas Hydraulic Station used for the geothermal heat supply of the Avas area of Miskolc, as well as in the Kistokaj Heat Center.

In issue 149 of 2016 of the Hungarian Official Gazette (Magyar Közlöny), the Minister for National Development published Decree 40/2016 (Sept 30) of the Ministry for National Economy to announce the official district heating rates in effect from 1 October 2016. The so established selling price of the for Miskolc Geothermal Ltd is 2400 HUF/GJ, whereas for KUALA Ltd it similarly amounts to 2400 HUF/GJ instead of 2450 HUF/GJ so far.

In the third quarter of the year, PannErgy Group sold a total volume of 73,697 GJ heat energy in Miskolc.

**The quantities of sold heat (GJ):****Geothermal projects of Győr***(DD Energy Ltd, Arrabona Geothermal Ltd)*

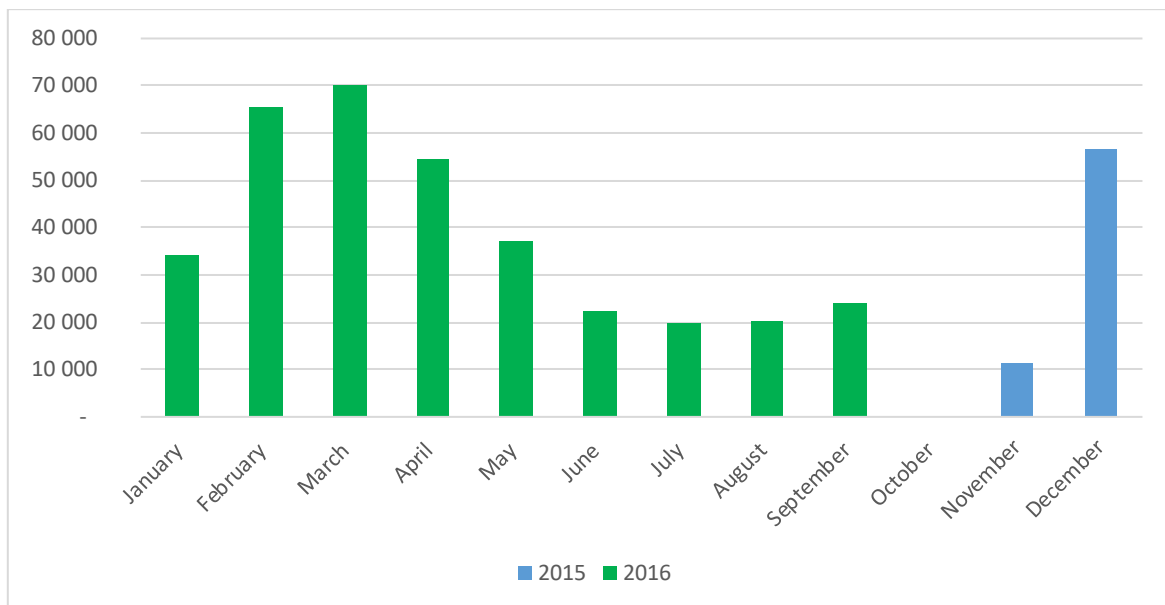
In parallel to the summer maintenance works, the activities of the capacity-expanding investment program for the system were also in progress. After nearly 4 months of strenuous preparative activities – including, for instance, the verification of the capacities of reinjection wells, the review of the performance of the blow-off and deaerating valves, pressure maintenance and regulation in the degassing tank, the review and testing of the entire existing control engineering and electrical system, the installation of the electric power supply cables, manufacturing of special well heads –, in line with the earlier plans, in the reviewed period the Company also made preparations for the installation of the professional pumping technology that was designed specifically for geothermal conditions, which would therefore become one of the key components of the system. In the context of the capacity-expanding investment program, a pump of Baker Hughes make featuring outstanding performance will be installed in Bőny, at a depth of 1150 meters in the BON-PE-02 production well, with 1.2 megawatt output, equaling to 1600 horsepower. With this flow rate achieved in a single well, the Geothermal Project of Győr will operate the largest geothermal pump installation in Europe (the second largest equipment having considerably, 20% lower flow parameters is in Germany, in Oberhaching, Traunreut and Durnhaar). During the installation, a specific challenge will be that Europe has never witnessed the installation of pumping technology at such a large depth with the given, outstanding technical parameters and scaling-resistant design. Owing to the pump to be installed, there will be a significant enhancement in the operating safety of the Geothermal Project of Győr, and at the same time the current 350 m<sup>3</sup>/h production capacity of the extracted geothermal fluid has the potential to increase to 700 m<sup>3</sup>/h yield. Consequently, the capacity of the two production wells is expected to increase to over 1000 m<sup>3</sup>/h. With the increased yield, the current 98 °C temperature of the fluid coming from the BON-PE-02 production well can rise to the range of 100–101 °C.

In the reviewed period, the system realized 64,185 GJ heat sales.

Decree 40/2016 (Sept 30) of the Ministry for National Economy in issue 149 of 2016 of the Hungarian Official Gazette (Magyar Közlöny) published the official district heating rates in effect from 1 October 2016, and set the price collectible by the project company of the Geothermal

Project of Győr, Arrabona Geothermal Ltd to be 2650 HUF/GJ identically to the rate of the previous regulatory period.

#### The quantities of sold heat (GJ):



#### Geothermal heating facility of Szentlőrinc

*(Szentlőrinc Geothermal Ltd)*

In the third quarter of 2016, the facility was operated without any problem, at 100% availability. The volume of heat sold was 880 GJ, in line with the planned quantities, slightly exceeding the sales realized in the same period of last year.

Decree 40/2016 (Sept 30) of the Ministry for National Economy in issue 149 of 2016 of the Hungarian Official Gazette (Magyar Közlöny) published the official district heating rates in effect from 1 October 2016, and set the price collectible by the project company of Szentlőrinc Geothermal Ltd to be 3654 HUF/GJ identically to the rate of the previous regulatory period.

#### Geothermal methane utilization facility of Berekfüdő

*(Berekfüdő Energy Ltd)*

In the third quarter of the year, electric power production generated 540,032 kWh power with 507,312 kWh being the sold quantity. Calculated on a calendar basis, the availability of the gas engines was 98.2%. In the discussed period, the gas-engine small power plant sold 207 GJ heat power by utilizing the accompanying gas extracted from the thermal water.

### **PannErgy Plc**