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PannErgy Plc

HALF-YEARLY REPORT

Report for the H1 period of 2017

1 September 2017

## Executive Summary

### Considerable increase in heat generation

In 2017, PannErgy Group has continued the accomplishment of the objectives set out in its geothermal energy production and utilization strategy, which during the half-yearly period under review meant the fine tuning of the conditions and operations of the geothermal projects at the four project locations of the Group (Miskolc, Győr, Szentlőrinc and Berekfüdő) for the further improvement of efficiency. Owing to its continuous operations successfully keeping the optimum level in focus, PannErgy Group's commercial activities in the first half of 2017 **achieved consolidated heat sales in a total volume of 844,915 GJ, representing 19% improvement in comparison to the 708,165 GJ heat sales in the corresponding period in the previous year.**

This growth is primarily due to the successful operation of the Geothermal System of Győr, as well as the positive outcomes of last year's investment program targeting the 960 m<sup>3</sup>/h maximum capacity in thermal water yield. During the period under review, a goal was to eliminate the operating difficulties that the system was struggling in the same period last year by identifying the particular properties, unforeseeable chemical and physical reactions in the well system of Győr. Beyond the effective operation of the Geothermal System of Győr, PannErgy Group succeeded in enhancing productivity and increasing heat sales at another major project, the Geothermal System of Miskolc in spite of the fact that the extremely cold weather in the first quarter of 2017 did not favour the volume of heat input.

Because of the unusually cold weather in May, the heating season of 2016/2017 came to its closing only in the middle of May 2017, after which the maintenance, reconditioning works to be completed during the summer could be started, while in Győr – in line with the concession agreement – geological research followed with the first phase seeing seismic measurements in June 2017.

### Considerable improvement in the consolidated gross margin, cash flow and EBITDA

Owing to the above factors and the now surfacing positive outcomes cost rationalization moves initiated earlier, **in the first half of 2017 PannErgy Group realized a considerable consolidated increase in sales, gross margin and gross cash flow, and furthermore its operating and taxed result also rose substantially.**

**In the period contemplated here, the Company's EBITDA amounted to 1095 million** with a 44% EBITDA rate, which approached the time-proportionate EBITDA level – i.e. HUF 1210 million –, targeted by PannErgy Group for the business year of 2017. This goal is in line with the estimated EBITDA for the business line, presented in the abstract of the business line evaluation report, and published by the Company on 30 May 2016 for the year of 2017 (HUF 2419 million).

### Transformations targeting the cleaning of portfolio elements

In this period, the Company continued its efforts for the rationalization of portfolio elements in order to meet the strategic goal to have the Company's resources focused on the already operating projects of PannErgy Group and their further development. In this context, CSRG Energy Ltd was demerged, and with the demerger the earlier minority participation was terminated with the effective date of 30 May 2017, PannErgy Geothermal Power Plants Ltd became the Company's sole owner. Furthermore, two subsidiaries, PannErgy Geothermal Power Plants Ltd and PMM Ltd were amalgamated, in the course of which PMM Ltd was merged into PannErgy Geothermal Power Plants Ltd with the effective date of 31 August 2017.

With the merger, PMM Ltd will become terminated, and PannErgy Geothermal Power Plants Ltd will act as its general legal successor.

### **Closing the transaction for the acquisition of the minority shareholding**

The period under review also saw the closing of the transaction between ONP Holdings SE and PannErgy Plc for the acquisition of ONP Holdings SE's 6.91% minority participation in PannErgy Geothermal Power Plants Ltd based on a share transfer agreement. From the HUF 750 million established as the purchase price of the 6.91% participation, HUF 500 million was paid down back in 2016, whereas the second installment, HUF 250 million to close the transaction was settled in April 2017. As a result of the transaction, PannErgy Plc's shareholding in PannErgy Geothermal Power Plants Ltd increased from 97.7% on 31 December 2016 to 100% on 5 May 2017.

### **General meeting closing the pervious business year**

The Company's repeated ordinary General Meeting closing the business year of 2016 was held on 28 April 2017, and formed a quorum. Apart from the regular decisions, the General Meeting decided on the initiation of a treasury share repurchasing program.

### **Treasury share purchasing programs**

During the first half of 2017, the Company purchased 147,200 shares at the Budapest Stock Exchange. The increase in the number of treasury shares was in line with Resolution 19/2016 (Apr 28) of the Company's General Meeting, under which PannErgy Plc launched a treasury share repurchasing program starting in May 2016 and ending in April 2017, in a total amount of HUF 300 million. The program was closed in April 2017.

Within the meaning of the decision of the Company's General Meeting held on 28 April 2017, PannErgy Plc launched yet another treasury share purchasing program with the starting date of 29 April 2017 and closing date of 27 April 2018. Within the framework of this program, PannErgy Plc is to purchase treasury shares in a maximum amount of HUF 1000 million at the stock exchange, at a rate ranging from HUF 1 and HUF 600. The first half of 2017 did not see any share purchased with the authorization given by the General Meeting, but the Company is planning to execute treasury share purchasing transactions with the details determined at the General Meeting.

### **Concession agreement**

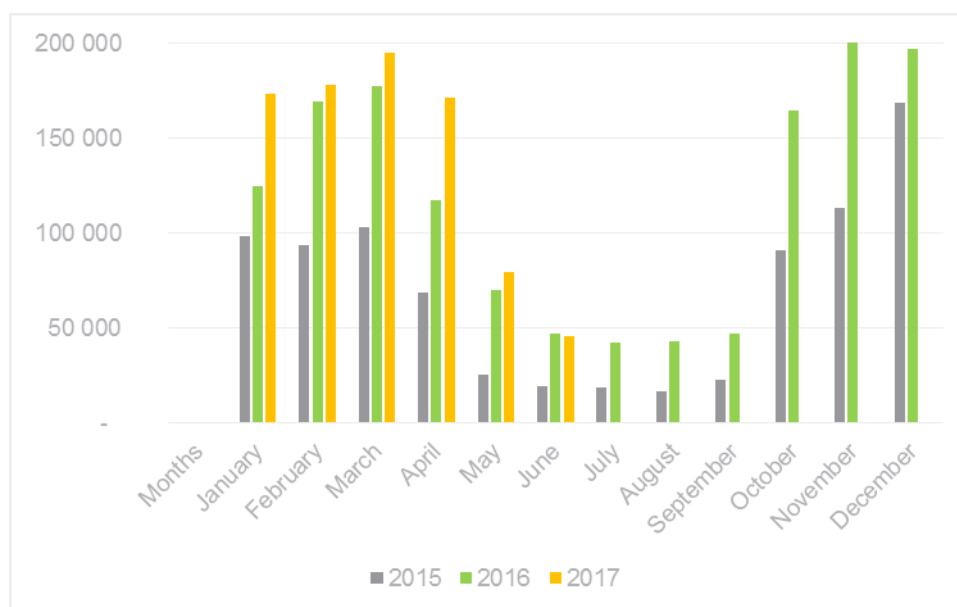
In February 2017, PannErgy Group's entity, PannErgy Geothermal Power Plants Ltd signed a concession agreement with the State of Hungary for a definite term of 35 years in relation to the area of Győr, towards the exploration, extraction and utilization of geothermal energy.

Following the conclusion of the concession agreement, on 17 February 2017 PannErgy Concession Ltd was founded, and with reliance on the rights acquired with the concession agreement the concession company set out to examine the concession-based geothermal endowments of the region potentially found under 2500 meters, and thereafter will decide on the investment opportunities for the potential, further, profitable broadening of heat capacities. In association with the concession project, the Technical Operating Plan for Researching Minerals became effective on 26 May 2017 to serve as the basis of the commencement of geological research in line with the concession agreement.

## 1. Projects and operating areas

### 1.1 Consolidated quantities of sold heat

In the first half of 2017, the consolidated quantities of sold heat:



The graph shows the heat quantities sold in the Miskolc, Győr, Szentlőrinc and Berekfürdő projects in a monthly breakdown, expressed in gigajoules.

### 1.2 Projects in operation

#### Geothermal Project of Miskolc

(Miskolc Geothermal Ltd, Kuala Ltd)

In the period under review, with respect to the service of the Geothermal System of Miskolc, the extreme cold weather did not have a positive impact on the volume of heat input, which made the realization of the planned heat sales more difficult. Due to the particular characteristics of heat supply, in extremely cold outdoor temperatures, the high outgoing water temperatures in the district heat supply system and the resulting higher temperatures of the returning heating media pose limitations on the utilizability of the geothermal heat energy.

In the first quarter of 2017, the Geothermal System of Miskolc sold 265,437 GJ heat energy on the aggregate, which was 9% under the level in the first quarter of 2016, in the first place because of the cold weather not seen for decades before, and in the second place due to a temporary technical issue. In January, the daily mean temperature was -6°C, which raised the monthly average temperature of the heating water recycled by the district heat supplier to 60°C. As a consequence, for instance, in January only 27–29 MW performance could be achieved with the geothermal system in comparison with the 36–38 MW average output associated with the mean +5°C outdoor temperature in November 2016 and the accompanying, 52°C monthly average temperature of the returning heating water.

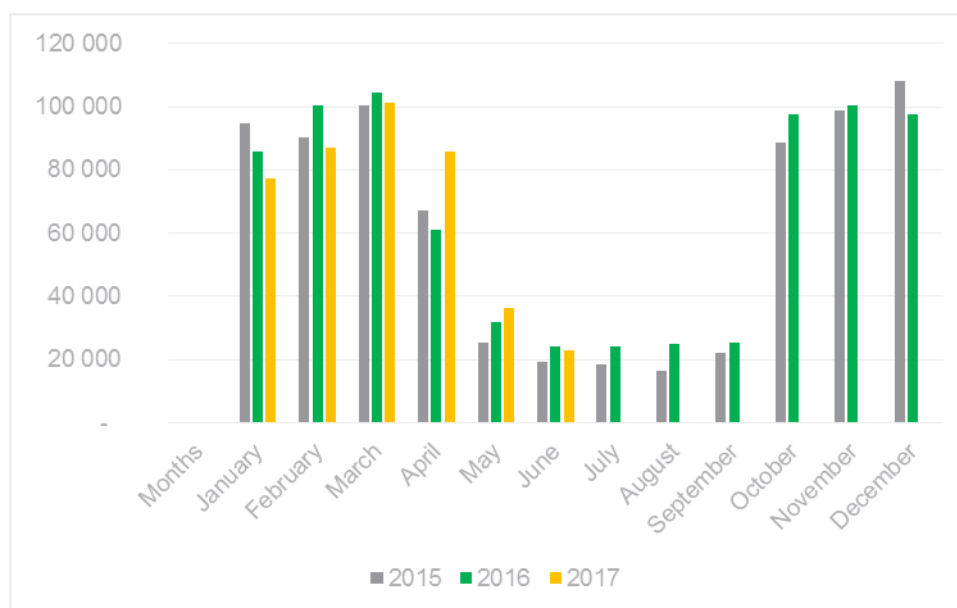
The lowest input value of the first quarter of the year was 1842 GJ on the coldest day, whereas the highest value came to be 3695 GJ.

During the period after the end of March, heat sales benefited from more favourable weather conditions than in the first quarter of the year, and therefore most of the second quarter in the period under review compensated for the turnover lost in the beginning of the year. As a result, district heating services had to be restarted on several occasions in the early weeks of May 2017, primarily because of the low temperatures at night. In the second quarter of the year, the smallest volume of heat fed into the system was 883 GJ on days when daily mean temperatures rose above the average, while the highest heat input was 3656 GJ due to the need to heat up the system during a quick spell of cold following a warmer day. Based on our experience in relation to the heating season of 2016/2017, it can be claimed that in between periods bringing about extreme temperature values winter daily mean temperatures went fluctuating, and the heating season prolonged. Eventually, 10 May 2017 indicated the end of the heating season of 2016/2017.

In the second quarter of 2017, the Geothermal System of Miskolc sold 145,066 GJ heat energy in total, which represented a 23.5% increase in comparison to the corresponding value in the second quarter of 2016.

**On the whole, in the commercial operations of the Geothermal System of Miskolc during the first half of 2017 the Company realized 410,503 GJ heat sales, which is nearly 1% improvement in comparison to the 408,312 GJ heat sold during the corresponding period of the previous year.**

**The quantities of heat sold during the period in Miskolc were (GJ):**



### Geothermal projects of Győr

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

In the period under review, the heat sales of the geothermal system considerably increased in comparison to the same period of 2016. The primary underlying reason was that in the base period operations were hindered with more difficulties, and therefore the unfavourable weather impacts described for the Miskolc system could be less observed in the course of the comparison, still it can be claimed that sales figures could have climbed even higher if more favourable outdoor mean temperature had been present for the permanent outgoing geothermal temperature. During the first quarter of the period under review, the outflow

temperature of the production wells ranged between 99.5°C and 101.5°C, whereas their aggregate yield went up to 955 m<sup>3</sup>/h.

In the first quarter of 2017, the Geothermal System of Győr sold 269,488 GJ heat energy in total, which indicated 59% rise in comparison with the previous period. Due to the extreme cold, in January the daily mean temperature was -4°C, which raised the monthly average temperature of the heating water recycled by the district heat supplier to 61°C.

As a consequence, for instance, in January only 31-33 MW performance could be achieved with the geothermal system in comparison with the 33-36 MW average output associated with the mean +5°C outdoor temperature in November 2016 and the accompanying, 56°C monthly average temperature of the returning heating water. The lowest input value of the first quarter was 2234 GJ on the hottest day bringing about 17 °C mean temperature on 2 March, whereas as the highest value was 3506 GJ on a day when the mean temperature was measured to be 8 °C with a very low level of temperature fluctuation during the day.

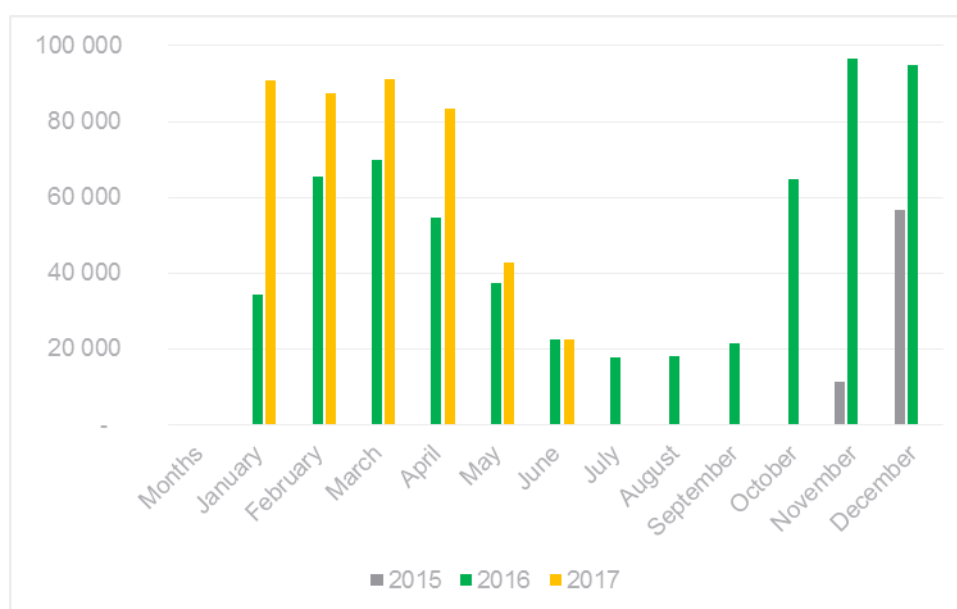
Similarly to the Geothermal System of Miskolc, following the weather conditions that were rather unfavourable for geothermal operations in the first quarter, Győr witnessed a positive turn from the end of March, which partly compensated for the depressed level of heat sales in the earlier period of the year.

The lowest input value of the second quarter was 413 GJ, whereas as the highest value for daily sales was 3336 GJ on a mostly ideal day when the mean temperature was measured to be 11°C. The heating season was closed on 17 May 2017.

In the second quarter of 2017, the Geothermal System of Győr sold 148,715 GJ heat energy in total, which indicated 30% rise compared to the heat volume of the base period.

**On the whole, in the commercial operations of the Geothermal System of Győr during the first half of 2017 the Company realized 418,203 GJ heat sales, which is 47% higher than the 284,156 GJ heat sold during the corresponding period of the previous year.**

**The quantities of heat sold during the period in Győr were (GJ):**



In relation to the capacity expansion investment for the Geothermal System of Győr in 2016, a concession agreement for the area of Győr was signed between PannErgy Geothermal Power Plants Ltd and the Hungarian State. Thereafter, on 17 February 2017 PannErgy Concession Ltd was founded. By relying on the rights acquired with the concession agreement, the concession

company set out to examine the concession-based geothermal endowments of the region potentially found under 2500 meters, and thereafter will decide on the investment opportunities for the potential broadening of heat capacities.

On 26 May 2017, the Technical Operating Plan for Researching Minerals, connected with PannErgy's concession project in Győr, became effective, and thus geological exploration could be launched in line with the provisions of the concession agreement, with the first step being the performance of the planned seismic measurements that took place in the second half of June 2017. Further research activities will be determined after the processing and evaluation of the measurements.

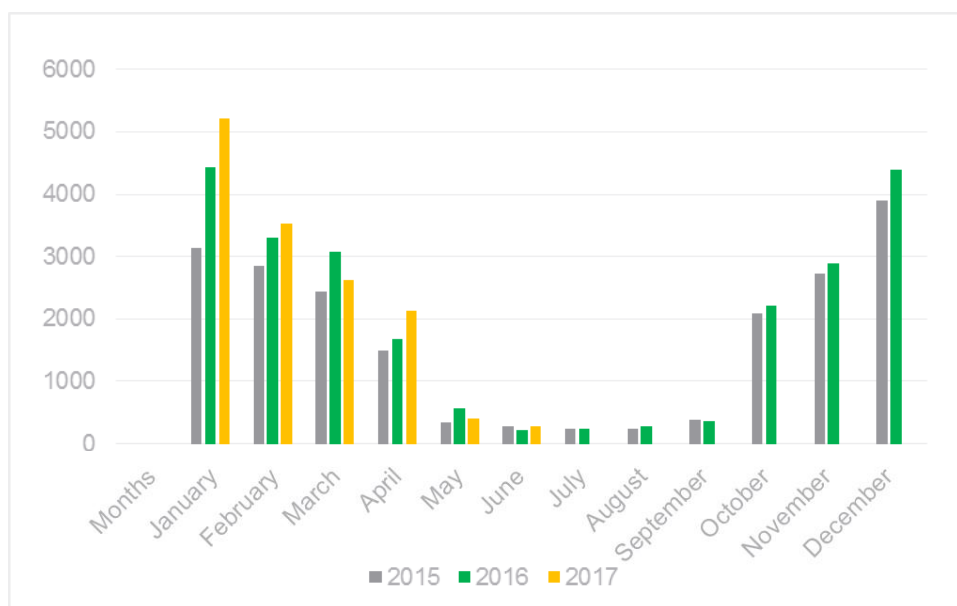
### Geothermal heating facility of Szentlőrinc

*(Szentlőrinc Geothermal Ltd)*

In the first half of 2017, the facility was operated without any problem, at early 100% availability. Even the particularly cold weather in January triggered no problems for the sooth heat supply. On the whole, in the first quarter of the period under review the heat volume sold was in line with the plans, and outpaced the same period of 2016 by 5%. Owing to the rather chilly April, in the second quarter heating services were stopped just on 30 April 2017, which have a nearly 20% boost to heat sales during the period.

Because of the foregoing, the volume of heat sold in the first half of 2017 was 14,174 GJ, in line with the planned quantities, exceeding the quantity in the same period of last year by 7%.

**The quantities of heat delivered in Szentlőrinc during the period were:**



### Geothermal methane utilization facility of Berekfüdő

*(Berekfüdő Energy Ltd)*

In the operating period during the first half of 2017, the gas-engine small power plant produced 1052 MWh and sold 992 MWh electric power with the utilization of the accompanying gas extracted from thermal water. Calculated on a calendar basis, the availability of the gas engines in Berekfüdő was 97.3% and 96.2% in the first and second quarter of the period reviewed, respectively. The quantity of heat sold was 2,035 GJ in the discussed period.

## 1.1 Goals and strategy

Dependence on fossil energies can be moderated and in some cases eliminated by utilizing other, alternative energy resources, such as geothermal heat. One of the most significant, still minimally exploited treasures in the Carpathian Basin, and specifically Hungary, is a network of geothermal resources lying under the ground, the utilization of which would make heat and even electric power readily available in an environmentally friendly manner. The growth of demands for energy seems to be unstoppable, while the volume of both domestic and global, conventional sources is limited.

The expert-like and effective geothermal energy production results in the exploitation of a huge pool of resources that have just minimally utilized so far, while being one of the cleanest and most environmentally friendly ways of power generation. Today, the European Union does not only welcome these new forms of energy production, but also tries to orient the member states, including Hungary, by establishing strict programs and targets.

PannErgy Group's strategy is centered around its aspiration to become the dominant business operator for geothermal heat utilization in the region, maintain this position, and at the same time deliver environmentally friendly supplies at high operating safety, without geopolitical risks. PannErgy Group is committed to the energy-related exploitation of one of Europe's largest active geothermal water resource. Geothermal heat can serve households and industrial users in the long run, and with PannErgy's environmentally sparing investments considerable reduction in energy expenses can be achieved.

Upon the commissioning of the Győr project opened in the autumn of 2015, PannErgy reevaluated its investments and project-based operations so far. This revaluation move had been partly commenced with portfolio screening and the transformation operations in the last quarter of 2015, and then was carried on in 2016 and then in the first half of 2017. The Company assessed its funding and investment options, as well as demands in the heat supply market, and found that there was strong demand for well-organized energy producers featuring massive competences and offering geothermal energy capacities.

The European Union directive pertaining to the EU members states sets a target where annually new energy savings corresponding to 1.5% of the ultimate energy consumption of the member states should be realized in the period until 2020 for reasons of competitiveness and supply safety. In comparison with the currently effective requirements, it poses more stringent expectations, as for the entire European Union the prescribed rate of savings has been increased to 20% instead of the earlier 9% target. In Hungary, the volume of energy from geothermal sources is to reach 12,000 terajoules by 2020. With its projects already in operation, PannErgy Group is planning to approach 15% soon.

PannErgy has not just become a company showing the broadest competence and experience in implementing geothermal investments, but at the same time has emerged as one of the largest groups involved in the generation and utilization of geothermal energy in recent times.

Among short-term future goals, the expansion of production capacities in both the Geothermal System of Győr and Geothermal System of Miskolc is handled as a priority alongside the further optimization of the system and the resulting maximization of the volume of sold heat.

The Company also wishes to make its still unutilized capacities and the associated saving benefits to new partners. Industrial utilization calls for such particular expertise and experience in project management that – in the Company's opinion – in the field of the use of geothermal energy is accessible only to PannErgy Group in Hungary at the highest level.





## 2. Financial analysis

### 2.1 Profit & loss account

**In the first half of 2017, PannErgy Group realized sales in a total consolidated amount of HUF 2519 million, which exceeded the HUF 2129 million value in H1 of 2016 by 18%** owing to the fact that in addition to the Miskolc system the system in Győr was also operated all through the period, and the quantity of sold heat from both systems could be increased. From the HUF 2519 million sales revenues, heat sales accounted for HUF 2200 million, in contrast with the HUF 1857 million proceeds in the corresponding period in the previous year, representing 18% increase. The majority of the remaining amount of sales revenues was related to mediated and invoiced services, primarily the supply of electric power.

The Geothermal Project of Győr contributed to PannErgy Group's business performance with HUF 1203 million sales in the first half of 2017, from which sales by Arrabona Geothermal Ltd towards Győr-Szol Ltd brought about HUF 612 million, whereas sales to DD Energy Ltd's automotive customer amounted to HUF 591 million. Sales transacted in the framework of the Geothermal Project of Miskolc towards heat-receiving partners added up to HUF 960 million, from which HUF 919 million was sold to MIHŐ Heat Distribution Ltd of Miskolc.

The Company's two smaller-volume projects in Szentlőrinc and Berekfürdő showed similar performance as in the previous period: Szentlőrinc realized HUF 42 million sales revenues in the first half of 2017, whereas in Berekfürdő HUF 20 million turnover could be stated from heat tariffs and electric power sales.

In comparison to the HUF 254 million amount recognized in the same period last year, during the period under review HUF 264 million sales were generated in association with the management of the real-estate properties owned by the Company in Csepel and Debrecen. Nevertheless, a major proportion of these sales came from the electric power consumption of tenants and other invoiced costs belonging to "mediated services", and only a smaller share represented rents. In the reviewed period, the amount of the profit in the invoicing was HUF 16 million, whereas rent proceeds accounted for HUF 5 million, based on which it can be clearly claimed that the net sales revenues and profit associated with the management of the above-mentioned properties was rather negligible in volume when they are compared to those of the core activities, geothermal heat generation and sales.

Similarly to the previous period, three customers went over 10% of the total amount of the Group's consolidated sales revenues, making up a combined 84% percent of all the sales in the reviewed period.

In the first half of 2017, the level of direct costs increased by 13% from HUF 1680 million to HUF 1899 million similarly to the corresponding period last year. The reason underlying this increase was in line with the increased heat sales, and therefore was caused by the associated rising costs. As the rate of the increase of sales revenues exceeded the pace of the increase of direct costs in comparison with the same period of the previous year, the **Company's gross margin improved from 21% to 25%**.

For the above reasons, **the Group stated HUF 620 million under the heading of gross margin in the first half of 2017**, which represents a **38% higher value** than the HUF 449 million amount in the same period last year. Direct depreciation as part of these direct costs increased, as the amounts of depreciation associated with the capacity-expanding investments of the Geothermal Project of Győr last year were added to this amount.



**Administration and general costs, i.e. indirect costs totaled up to HUF 297 million in the period under review, which came to be substantially, by 37% lower** than the HUF 475 million figure for the first half of 2016. The Group states such indirect costs as the depreciation of assets not associated with energy-related activities, personnel expenditures, general office and administration costs, expert charges, banking and insurance expenses as well as non-capitalizable costs belonging to business development and new projects under the heading of indirect costs. In comparison to the base period, the period under review witnessed a downward tendency for nearly all the indirect costs.

**Personnel expenditures underwent a substantial decrease in an amount of HUF 44 million** in comparison with the base period, which reflects the positive influence of headcount rationalization measures taken in the second half of the previous year. At the end of the reviewed period, the headcount of employees at the Group was considerably smaller than in the same period last year: As of 30 June 2017, the actual number of employees working at the Group was 20, in contrast with the 28 employees on 30 June 2016.

Beyond personnel expenditures, it was **expert and counseling fees that saw the most significant drop, in an amount of HUF 33 million** (corresponding to 38% increase) in comparison with the corresponding period of the previous year. The reason underlying this decrease was the high value recorded in the base period, caused by the preparation of the refinancing of the Győr project in the previous year, as well as the costs of experts incurred with the selling and acquisition of corporate participations.

Major changes took place in comparison with the same period last year **in office and operating costs that dropped by HUF 38 million, bringing about 38% decrease.**

The shrinking of these costs was owing to the rationalization of operating costs in the previous year, with the major item being the cost-saving realized on the lease contract for the smaller office space accommodating the registered seat, as well as the significant decrease of the Company's costs for car rentals. Beside the indirect cost elements listed above, further decrease took place in the period under review with respect to banking charges, insurance costs, duty-type expenses, as well as the costs of presence as a public company and at the stock exchange stated as indirect costs. In this latter context, it can be noted that PannErgy Group continues to attribute importance to supporting sports and other social initiatives in the cities and settlements where its operating projects are located, their broader regions, and ultimately the final consumers of geothermal energy as part of its social corporate responsibilities.

**The balance of other incomes and expenditures was HUF 120 million in the period under review**, which remained well under the HUF 133 million value in the base period. The key reason for the decrease is that in the base period there was a grant that was recognized as a disbursed amount after the closing of the grant application scheme in 2015, under the heading of other incomes due to its nature.

**In relation to other expenditures for the period under review, it can be claimed** that unlike in the same period of the previous year **there were no considerable non-recurrent items** (e.g. extraordinary depreciations, impairment losses in material amounts).

Among other incomes, HUF 85 million represents incomes relating to damage events, as compensations from insurance companies on recognized legal grounds, partly to be paid by insurance companies in the future, in association with the failure of machines and operating outages. In connection with these events to be compensated by insurance companies, during the reviewed period the Company lost sales revenues in an amount of HUF 53 million corresponding to 22,185 GJ of energy as a result of operating outages.

**HUF 443 million profit was stated to be the operating profit (EBIT) for the first half of 2017**, well over the HUF 107 million in the first half of 2016.

**The business cash flow (EBITDA) indicated HUF 1095 million inflow, which is HUF 361 million more favourable** than the HUF 734 million EBITDA in the same period of the previous year. In the first half of the year under review, HUF 636 million depreciation was accounted, and its value exceeded the HUF 577 million value in H1 of 2016 by 10% as a consequence of the increasing amount of depreciation in the period under review due to the capacity-expanding of investments for the Geothermal Project of Győr. When determining the EBITDA level, the Company takes the amount of extraordinary depreciation stated for intangible assets and tangible assets into account, which amounted to HUF 16 million in the period under review in association with the replacement of equipment, whereas in the previous year HUF 50 million was taken into consideration in relation to the depreciation of the Geothermal Project of Gödöllő for the establishment of the EBITDA.

**The financial profit amounted to HUF 62 million loss in the period under review which was by HUF 271 million more favourable** than the HUF 333 million loss in the same period of 2016 under the heading of financial profit.

It was primarily caused by the **lower level of expenditures from interests paid**, whereas from the second half of 2016 the refinancing in Győr had a perceivable influence in the period under review **with HUF 131 million less interests expenditures**.

Beyond the positive influence of refinancing reflected by the financial profit, favourable trends could be seen in the profit-related outcomes of the exchange rate differences of FX receivables and payables.

In association with the realized and unrealized foreign exchange gains, the amount of financial incomes increased by HUF 49 million, whereas the amount of exchange rate losses dropped by HUF 72 million within financial expenditures, and therefore **the impact of changes in foreign exchange rates adds up to a profit of HUF 121 million in the period under review**.

**Based on the foregoing, PannErgy Group's profit before taxes in the first half of 2017 was HUF 381 million, which far exceeds the HUF -226 million loss recorded in the same period last year.**

The Company recognized HUF 26 million as tax payment obligation, including the write-off of tax receivables in an amount of HUF 14 million having been raised in relation to negative tax bases earlier, based on the discounted deferred tax returns of the subsidiaries concerned.

**HUF 350 million profit was stated to be the Company's operating profit (EBIT) in the period under review**, which is by HUF 602 million larger than the HUF -252 million loss recognized in the same period last year in consequence of the reason detailed above.

## 2.2 Balance sheet

During the reviewed period, the volume of fixed assets increased by an insignificant 1%. In this context, the value of intangible assets decreased by 22% in comparison with the previous period, which was a result of the partial write-off of the intangible assets connected with geothermal explorations in the second half of the previous year. The value of tangible assets rose by 2%, i.e. HUF 472 million as a consequence of the capacity-expanding investments capitalized in the second half of last year for the Geothermal System of Győr.

Deferred tax receivables in an amount of HUF 372 million were recognized among assets, and thus their value decreased by 4%, i.e. HUF 14 million after the base period in view of PannErgy Group's calculations relating to discounted deferred income returns.

The volume of current assets decreased by 48% in comparison with the corresponding value of the previous year, which can be mostly explained with reference to the decreasing volumes of liquid assets, salable liquid assets and inventories.

In connection with the commissioning of the capacity-expanding investments of the Geothermal Project of Győr in the second half of 2016, inventories decreased.

After the previous year, the value of securities considerably dropped considerably; it was caused by the fact that the securities having been deposited by PannErgy Group an amount of HUF 500,000,000 in an investment fund after the completion of the investment in Győr were sold in the second half of 2016.

Within current assets, the volume of liquid assets similarly decreased, **at the end of the period the Company held liquid assets in a total amount of HUF 753 million.** This drop was primarily the consequence of the financial performance of the treasury share acquisitions transacted until April 2017 in the framework of the treasury share repurchasing program that was concluded in the period under review, as well as the payment of the HUF 750 million consideration of PEGE's minority participation bought from ONP Holdings SE.

Within the significant reduction of liquid assets, the ratio of freely utilizable liquid assets decreased to a smaller extent, when compared to the HUF 565 million value of free liquid assets in the previous period, and therefore **as of 30 June 2017 the Company held freely utilizable liquid assets in a total amount of HUF 513 million.**

**The Company witnessed an minor, 1% decrease from the base value of its equity capital,** primarily as a consequence of the increasing volume of repurchased treasury shares.

**The amount of equity capital per share (calculated from the number of shares less treasury shares) increased to HUF 509,** from the HUF 501 at the end of the base period.

The value of provisions was HUF 18 million as of 30 June 2017, which corresponded to the provisions raised for the managerial share option program of 2016–2019 based on the evaluation made with respect to H1 of 2017.

**The volume of long-term loans decreased considerably after the same period of the previous year, to HUF 8198 million,** which reflects the effects of repayments in the period under review. The heading of other long-term, deferred incomes presents the long-term tranches of the non-repayable grants awarded to the geothermal projects in grant application schemes. In this respect, an amount of HUF 4426 million is stated in the Company's balance sheet, which represents 6% decrease in comparison with the same period of the previous year, as a result of the write-backs stated in the reviewed period.

Within short-term liabilities, the balance of trade payables was HUF 773 million, which is 1% larger than in the corresponding figure in the base period. Together with the short-term installments of long-term loans, the overall value of short-term loans was HUF 1030 million at the end of the period under review, bringing about 7% growth after the base period. Other short-term liabilities amounted to HUF 202 million as of the end of the period under review, which represented 55% increase after the previous period, with the key underlying reasons being the decreasing amount of tax and social contribution payables, as well as the reduction of the corresponding items of the upcoming period.

### 3. Financial statements (balance sheet, profit & loss account, cash flow, other statements)

#### Consolidated balance sheet under IFRS (HUF million)

	30.06.2017	30.06.2016	Change %	31.12.2016
<b>Assets</b>				
<b>Fixed assets</b>				
Intangible assets	852	1 090	78.2	893
Goodwill	0	0		0
Tangible assets	20 229	19 757	102.4	20 430
Investment properties	274	293	93.5	281
Investments	173	273	63.4	273
Receivables from deferred taxes	372	386	96.4	386
Long-term receivables	15	19	78.9	15
<b>Total fixed assets</b>	<b>21 915</b>	<b>21 818</b>	<b>100.4</b>	<b>22 278</b>
<b>Current assets</b>				
Inventories	146	318	45.9	148
Trade receivables	860	890	96.6	1 671
Other receivables	206	178	115.7	381
Financial assets at FVTPL	47	31	151.6	40
Financial assets at FVTPL stated in the P&L account	0	0		0
Liquid assets for sales	0	502		0
Liquid assets	753	1 923	39.2	737
<b>Total current assets</b>	<b>2 012</b>	<b>3 842</b>	<b>52.4</b>	<b>2 977</b>
<b>TOTAL ASSETS</b>	<b>23 927</b>	<b>25 660</b>	<b>93.2</b>	<b>25 255</b>
<b>Equity and liabilities</b>				
<b>Own shares of the owners of the parent company in the capital</b>				
Subscribed capital	421	421	100.0	421
Treasury shares	-3 170	-2 152	147.3	-3 101
Capital reserve	10 516	10 516	100.0	10 516
Profit reserve and net profit	2 167	1 715	126.4	1 817
Share option reserve	0	0		0.
Other reserves	-947	-1 753	54.0.	-947.
<b>Equity of the parent company</b>	<b>8 987</b>	<b>8 747</b>	<b>102.7.</b>	<b>8 706.</b>
Minority participation (external ownership at the subsidiaries)	13	352	3.7	183
<b>Equity capital in total</b>	<b>9 000</b>	<b>9 099</b>	<b>98.9</b>	<b>8 889</b>
Long-term loans	8 198	9 338	87.8	8 858
Other long-term deferred incomes	4 426	4 707	94.0	4 565
Provisions	18	62	29.0	56
<b>Long-term liabilities in total</b>	<b>12 642</b>	<b>14 107</b>	<b>89.6</b>	<b>13 479</b>
Short-term liabilities				
Trade payables	773	764	101.2	1 170
Short-term loans	1030	963	107.0	1098
Other long-term deferred incomes concerning one year	280	280	100.0	281
Payable income taxes	0	2		0
Deferred tax liabilities	0	0		0

Other short-term liabilities	202	445	45.4	338
<b>Short-term liabilities in total</b>	<b>2,285</b>	<b>2,454</b>	<b>93.1</b>	<b>2,887</b>
<b>EQUITY AND LIABILITIES</b>	<b>23,927</b>	<b>25,660</b>	<b>93.2</b>	<b>25,255</b>

Consolidated capital movements (million HUF)	Subscribed capital	Equity for the parent company			Profit reserve	Share option reserve	Other reserve	Total	Minority participation	Equity total
		Treasury shares	Premium	Capital reserve						

### Statement of changes in equity in 2016

<b>Balance as of 31 December 2015</b>	<b>421</b>	<b>-3 009</b>	<b>6 266</b>	<b>4 250</b>	<b>1 967</b>	<b>39</b>	<b>-850</b>	<b>9 084</b>	<b>248</b>	<b>9 332</b>
2016. Profit after taxes of H1					-252			-252	4	-248
Changes in the participation of external members									100	100
Exchange rate difference from consolidation										
Share capital increase in subsidiaries										
Treasury shares repurchased		-74						-74		-74
Expenditures of the share option program						-39		-39		-39
Acquisition, selling of treasury shares		931					-903	28		28
<b>Balance as of 30 June 2016</b>	<b>421</b>	<b>-2 152</b>	<b>6 266</b>	<b>4 250</b>	<b>1 715</b>	<b>0</b>	<b>-1 753</b>	<b>8 747</b>	<b>352</b>	<b>9 099</b>

### Statement of changes in equity in 2017

<b>Balance as of 31 December 2016</b>	<b>421</b>	<b>-3 101</b>	<b>6 266</b>	<b>4 250</b>	<b>1 817</b>	<b>0</b>	<b>-947</b>	<b>8 706</b>	<b>183</b>	<b>8 889</b>
2017. Profit after taxes of H1					350			350	5	355
Changes in the participation of external members									-175	-175
Exchange rate difference from consolidation										
Share capital increase in subsidiaries										
Treasury shares repurchased		-69						-69		-69
Expenditures of the share option program										
Acquisition, selling of treasury shares										
<b>Balance as of 30 June 2017</b>	<b>421</b>	<b>-3 170</b>	<b>6 266</b>	<b>4 250</b>	<b>2 167</b>	<b>0</b>	<b>-947</b>	<b>8 987</b>	<b>13</b>	<b>9 000</b>



Statement of general incomes (in million HUF)	2017 H1	2016 H1	Change %
<b>Profit according to the balance sheet in the period under review</b>	<b>350</b>	<b>-252</b>	
<i>Other general incomes</i>			
Conversion difference			
Marketable financial instruments with deferred taxes			
Cash flow hedging transactions with deferred taxes			
Share from other general incomes of associated companies			
<b><i>Other general incomes in the period with tax implications</i></b>			
<b>Total general incomes in the period under review</b>	<b>350</b>	<b>-252</b>	



Consolidated profit & loss account under IFRS (HUF million)			
	2017 H1	2016 H1	Change %
Sales revenues	2 519	2 129	118.3
Direct costs of sales	-1 899	-1 680	113.0
<b>Gross profit</b>	<b>620</b>	<b>449</b>	<b>138.1</b>
<b>Gross profit rate %</b>	<b>24.6%</b>	<b>21.1%</b>	
<i>including direct depreciation</i>	<i>588</i>	<i>541</i>	<i>108.7</i>
<b>Gross cash flow</b>	<b>1 208</b>	<b>990</b>	<b>122.0</b>
<b>Gross cash flow rate %</b>	<b>48.0%</b>	<b>46.5%</b>	
Indirect costs of sales	-297	-475	62.5
Other incomes	238	329	72.3
Other expenditures	-118	-196	60.2
<b>Operating profit (EBIT)</b>	<b>443</b>	<b>107</b>	<b>414.0</b>
Operating profit rate (%)	17.6%	5.0%	
<b>EBITDA</b>	<b>1 095</b>	<b>734</b>	<b>149.2</b>
EBITDA rate (%)	43.5%	34.4%	
Financial incomes	108	37	291.9
Financial expenditures	-170	-370	45.9
<b>Financial profit</b>	<b>-62</b>	<b>-333</b>	<b>18.6</b>
<b>Profit before taxes</b>	<b>381</b>	<b>-226</b>	
Corporate income tax	-26	-22	118.2
<b>Profit after taxes</b>	<b>355</b>	<b>-248</b>	
<b>Minority participation (external at the subsidiaries)</b>	<b>5</b>	<b>-4</b>	
<b>Net profit of the period</b>	<b>350</b>	<b>-252</b>	
<b>From the profit after taxes:</b>			
To capital shareholders of the parent company	350	-252	
To minority (external at the subsidiaries) shareholders	5	-4	
<b>Profit per equity share (HUF)</b>			
Base	19,77	-13,78	
Diluted	19,77	-13,78	



**Changes in intra-group, consolidated / screened turnovers and volumes (HUF million)**

	<b>2017</b>	<b>2016</b>
	<b>H1</b>	<b>H1</b>
<b><u>Profit &amp; loss account</u></b>		
Sales revenues	962	869
Direct costs of sales	754	841
Indirect costs of sales	45	84
Other incomes	19	530
Other expenditures	28	534
Financial incomes/expenditures	122	30
<b><u>Screening of balance sheet items:</u></b>		
Intangible assets	21	96
Tangible assets	2 299	2 416
Inventories	0	0
Items for the upcoming period among other receivables	723	1 228
Long-term loans given	6 518	3 939
Other receivables	10 311	14 027
Items for the upcoming period among other payables	723	1 228
Long-term accounts payable	7 954	9 081
Other short-term liabilities	8 882	8 885

**Consolidated cash flow statement under IFRS (HUF million)**

	<b>2017</b>	<b>2016</b>
	<b>H1</b>	<b>H1</b>
<b>Liquid assets from operations</b>		
<b>Profit before taxes</b>	<b>381</b>	<b>-226</b>
<i>Adjustments in relation to the profit before taxes and operating cash flow</i>		
Depreciation of tangible and intangible assets	636	577
Effect of deferred taxes	14	49
Income tax expenditures	-26	-22
Exchange gains on credits	16	17
Impairment losses of participations	0	0
Extraordinary depreciation of tangible assets, goodwill	0	50
Impairment losses and shortage of inventories	0	0

Provisions raised	0	48
Increase in provisions for doubtful receivables	0	0
Interest (gain/ loss), net	141	271
Expenditures/write-backs of the share option program	-38	-39
Profit on the sales of tangible assets	0	-14
Profit on the sales of investments	0	0
Changes in minority participations	-170	0
<i>Changes in working capital elements</i>		
Income taxes paid	-12	-58
Increase/decrease of inventories	2	-6
Increase/decrease of receivables	987	1 284
Increase/decrease of liabilities	-526	-1 169
<hr/>		
Interests received	1	2
Interests paid	-142	-273
<b>Net liquid assets originating from / utilized in operations</b>	<b>1 264</b>	<b>491</b>
<b>Liquid assets from investments</b>		
Acquisition, foundation of investments	-3	0
Increase of existing investments	-175	0
Sales of investments	0	0
Acquisition of tangible and intangible assets	-200	-84
Sales of tangible and intangible assets	0	110
Increase/decrease of long-term receivables	0	0
Other long- and short-term deferred incomes	-13	-123
<hr/>		
<b>Liquid assets for investment activities</b>	<b>-517</b>	<b>-97</b>
<b>Financial operations</b>		
Utilization/repayment of long-term loans	-661	180
Increase/decrease of short-term loans	-68	176
Exchange difference from consolidation	66	0
Capital increase, exchange premium of minority participations	0	100
Acquisition of treasury shares	-68	-74
Sale of treasury shares	0	28
Increase in securities	0	-1
<hr/>		
<b>Liquid assets from financial operations</b>	<b>-731</b>	<b>409</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>16</b>	<b>803</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>737</b>	<b>1 120</b>
<b>Cash and cash equivalents as of 30 June</b>	<b>753</b>	<b>1 923</b>
<b>Overdraft facility</b>	<b>0</b>	<b>0</b>
<b>Total liquid assets according to the balance sheet</b>	<b>753</b>	<b>1 923</b>



**Administration and general costs (HUF million)**

	<b>2017</b>	<b>2016</b>
	<b>H1</b>	<b>H1</b>
Office and operating expenses	62	100
Direct personnel expenditures	57	101
Expert fees, accounting and auditing charges	55	88
Costs relating to public and stock exchange presence, as well as social commitments	50	72
Indirect depreciation (real-estate properties, machines, equipment)	48	36
Bank charges	16	61
Insurance fees	5	6
Other authority fees, duties	4	11
<b>Administration and general costs in total</b>	<b>297</b>	<b>475</b>

**Other incomes and other expenditures (HUF million)**

	<b>2017</b>	<b>2016</b>
	<b>H1</b>	<b>H1</b>
Incomes relating to grants	149	250
Incomes connected with damage incidents	86	0
Result on the sales of tangible assets	0	14
Imposed fines, contractual penalty, damage compensation	0	13
Incomes in relation to the previous years	0	9
Lump-sum collection costs, default interests released	0	31
Other, undetailed items	3	12
<b>Other incomes in total</b>	<b>238</b>	<b>329</b>
Local taxes	56	47
Mining annuities	37	30
Extraordinary depreciation, impairment loss, rejection	16	50
Innovation contribution	7	6
Expenditures relating to damage incidents	1	1
Fines, contractual penalties, default interest paid	0	3
Expenditures in relation to the previous years	0	8
Provisioning	0	48
Other, undetailed items	1	3
<b>Other expenditures in total</b>	<b>118</b>	<b>196</b>
<b>Profit/loss on other activities</b>	<b>120</b>	<b>133</b>

**Financial profit (HUF million)**

	<b>2017</b>	<b>2016</b>
	<b>H1</b>	<b>H1</b>
FX loans, exchange gains relating to loans	60	0
Write-backs relating to the share option program	38	12
Exchange gains in relation to FX payables	5	0
Exchange gains in relation to FX receivables	2	16
Interests received	1	2
Exchange gains in relation to FX accounts	1	3

Gains on derivative transactions	1	0
Profit on the selling of participations	0	2
Other financial incomes	0	2
<b>Financial incomes in total</b>	<b>108</b>	<b>37</b>
Interests paid	142	273
Exchange losses in relation to FX receivables	9	3
Exchange losses in relation to foreign currency credits, loans	9	25
Exchange losses in relation to FX accounts	4	0
Losses on derivative transactions	4	0
Exchange losses in relation to FX payables	2	68
Expenditures of the share option program	0	0
Other financial expenditures	0	1
<b>Financial expenditures in total</b>	<b>170</b>	<b>370</b>
<b>Gain/loss on financial operations</b>	<b>-62</b>	<b>-333</b>

#### Presentation of the most relevant data as of the end of the period (HUF/EUR)

	30.06.2017	01.01.2017	30.06.2016
	308.87	311.02	316.16

#### Liquid assets (HUF million)

	2017 H1	2016 H1
Bank and petty cash	231	565
Separate, blocked liquid assets	522	1 335
Tied-up deposits	0	23
Overdraft	0	0
<b>Liquid assets in total</b>	<b>753</b>	<b>1 923</b>

Separate, blocked liquid assets represent such amounts held in current accounts with financial institutions where utilization is conditioned on the approval of the funding financial institutions.

#### Long-term loans and bank deposits provided

	2017 H1	2016 H1
EUR-based credit secured with collateral	6 411	7 206
HUF-based credit secured with collateral	2 700	3 020
Financial lease obligations	58	74
Reclassified to other short-term liabilities, payable within the	-971	-962
<b>Long-term credits, loans, leases in total</b>	<b>8 198</b>	<b>9 338</b>

The decrease in long-term credits during the period under review reflects the outcomes of repayments.

Details of lease liabilities as part of long-term credits, in association with the individual asset groups concerned

**30.06.2017**

Description	EUR	HUF million	Expiry	Book value (HUF million)
Production equipment	188 002	58	2021	123

**30/06/2016**

Description	EUR	HUF million	Expiry	Book value (HUF million)
Production equipment	188 339	60	2021	137

**Short-term credits, loans, leases (HUF million)**

	H1 2017	H1 2016
Short-term bank loans	0	0
Short-term part of long-term credits	971	962
Overdraft facilities	0	0
Other short-term credits	59	1
<b>Short-term credits, leases in total</b>	<b>1 030</b>	<b>963</b>

Short-term (within the year) repayment installments of lease liabilities among short-term liabilities

Description	EUR	HUF million	Expiry
Production equipment	47 916	15	2021

Weighted average interest rates of credits, loans

The basis of the interest rates of all the EUR-denominated, outstanding credits at all the project companies concerned – as irrespective of the funding financial institution involved – is 3-monthly EURIBOR. With respect to this fact and the contracted interest premium, the weighted average interest rate of the collateralized, EUR-denominated credits as of 30 June 2017 was 2.47%, after 6.00% on 30 June 2016. The considerable change in comparison to the same period of the previous year reflects the positive effects of the refinancing of the Győr project last year.

The collateralized HUF-based credits either carry fixed 2.5% interests, or based on the 3-monthly BUBOR. Their weighted average interest rate is 2.64%, which indicates improvement in comparison to the 3.00% figure in the corresponding period of the previous year, due to the favourable interest environment.

Their weighted average interest rate of financial leases was 6.91% as of 30 June 2017.

Credit and loan maturities

From the HUF 8198 million amount of long-term credits, loans, leases, HUF 4750 million represents liabilities expiring in one to five years, whereas HUF 3448 million matures over five years.

## Statement of grants and deferred incomes associated with grants (HUF million)

	H1 2017	H1 2016
Other long-term deferred incomes	4 427	4 707
Short-term amount of long-term deferred incomes (short-term maturity)	280	280
<b>Deferred incomes associated with grants in total</b>	<b>4 707</b>	<b>4 987</b>

In relation to its energetic projects, under the heading of other long-term deferred incomes the Company states the long-term tranches of the non-repayable grants awarded to the geothermal projects in grant application schemes, while the short-term parts are recognized among short-term liabilities; these latter amounts are stated under other incomes in the P&L account with respect to the write-backs in proportion of the depreciation for assets concerned in the grant.

## Statement of grants and supports (HUF million)

Group entity	Project ID	Eligible investment costs	Grant awarded	Grant called off	Deferred incomes from grants
Szentlőrinc Geothermal Ltd	KEOP-4.2.0/B-09-2009-0026	883	442	427	369
Berekfűdő Energy Ltd	KEOP 4.4.0/A/09-2009-0009	250	125	125	75
DoverDrill Ltd	GOP-1.3.1-11/A-2011-0192	232	104	104	68
Miskolc Geothermal Ltd	KEOP 4.7.0-2010-0001	632	316	314	276
Miskolc Geothermal Ltd	KEOP 4.2.0/B-11-2011-0007	2 856	1 000	1 000	854
Miskolc Geothermal Ltd	GOP-1.2.1/B-12-2012-0005	323	162	148	91
Kuala Ltd	KEOP 4.7.0/11-2011-0003	619	309	309	286
Kuala Ltd	KEOP-4.10.0/B-12-2013-0012	2 836	1 000	1 000	876
DD Energy Ltd	KEOP-4.10/B-12-2013-0010	3 997	1 000	1 000	910
Arrabona Geothermal Ltd	KEOP-4.10/B-12-2013-0011	3 509	1 000	992	902
PannErgy Geothermal Power Plant Ltd	PIAC_13-1-2013-0006	889	442	442	0
<b>Total amount of grants stated in the balance sheet</b>					<b>4,707.</b>

By type, all the above projects target project implementation, whereas the project objectives for KEOP grant applications focus on the utilization of geothermal energy, whereas for GOP grants asset procurement or system development. The grant received in association with the PIAC\_13 grant application scheme was fully recognized as incomes in connection with the selling of the know how developed in relation to the grant, as well as the depreciation of the assets that were purchased in association with R&D activities until the closing of the project.





#### 4. Segment-specific information

##### Definition of the segments, review in the business year preceding the current year

In line with the relevant IFRS requirements, the Company is to present its operating segments, and in this context PannErgy Group described two operating segments in its consolidated report for the base period: the Energy and Assets Management segments. The Energy segment extends to the Company's core activities, that is the production and sales of geothermal heat, as well as the associated investment and other activities. In the base period, within the scope defined as the Assets Management segment PannErgy Group, as Pannonplast Plc's legal success presented the utilization of the real-estate properties, i.e. the industrial facilities and connected office premises formerly serving Pannonplast Plc's plastics manufacturing operations in District XXI of Budapest (Csepel) and Debrecen, where property utilization primarily means the re invoicing of electric power and other public utility fees, and to a smaller extent the collection of office rents; furthermore, it encompasses costs and expenses incurred with management and governance of the Group in the form of a financial holding company and issuer at the stock exchange.

For the IFRS consolidated financial statements for 2016, the Company examined the compliance of the two above-described standards with the *IFRS 8 Operating Segments* standard, as well as the presentation obligations relating to these segments. During the review of the definition of the operating segments, it was found that at **PannErgy Group, one operating segment, Energy can be identified**, whereas the segment that was formerly defined as Assets Management would not be identified as a separate segment by the Company in the future in conformance to the requirements of the *IFRS 8 Operating Segments* standard, and in particular the managerial approaches to segments, as well as the criteria relating to the presentation of the operating segments.

It is line line with the view that beyond the Energetics segment assets management activities designated as a separate segment in the earlier financial statement do not form a fully independent component any longer, but rather can be considered as an integrated complementary function.

##### Presentation of the operating segments, basis of the review

The fundamental principle of the *IFRS 8 Operating Segments* standard is that business entities are to disclose information in such depth that allows the users of the financial statements to evaluate the nature and financial impacts of the business operations pursued by the business entity, as well as the economic environment of its operations [IFRS8.1]. This standard is applicable to the consolidated financial statements of the group at any parent company, or the individual or independent financial statements of an operating unit whose debt or capital instruments are traded in the open market [IFRS8.2]. For this reason, PannErgy Plc is obliged to present the operating segments.

In practice, operating segments can be presented via the following five steps:

- Identification of the key operating decision-makers;
- Identification of the operating segments;
- Consolidation of the operating segments;
- Definition of the segments that can be presented;
- Disclosure of segment-specific information.



During the review of the definition of its segments, PannErgy Group examined the potential operating segments via these five steps. The operating segment is such a component of the business entity that pursues business activities involving sales revenues and expenditures (including the sales revenues and expenditures connected with the other components of the same business entity), where the operating results are regularly reviewed by the supreme body of operating decision-making belonging to the business entity in order to make decisions on the resources that can be allocated to the segment, and evaluate its performance in view of various criteria.

In the light of the the Company's consolidated financial statements, it can be claimed that Energy as an operating segment can be clearly identified in the case of PannErgy Group. With respect to PannErgy Group's operations, the Company's managers follow an approach wherein all the resources – in line with the expectations of the investors – should be focused on the most efficient operations of the Energy segment possible, and as the utilization of the real-estate properties owned by the Company represent an insignificant proportion of operations in all respects in the managers' approach it cannot be regarded as an operating segment.

#### Examination of the limit values associated with the review of the segments

Presented as a segment on its own in the year preceding the year under review, the Assets Management operating segment does not constitute a center element of the strategy framed by PannErgy Group, the performance assessment associated with the activities for the utilization of the above-mentioned real-estate properties is of negligible volume in the work of the Company's operating management and supreme bodies, the connected reporting system for internal control does not handle information relating to the utilization of properties with priority, as the associated transactions involve permanent sales revenues (re invoiced public utility fees and rents) and costs (public utility charges), the majority of the activities consists of "mediated" items.

In the attitude of PannErgy Group's managers and based on the criteria that apply to the description of the operating segments, there is one operating segment, i.e. the Energy segment that can be identified at the Company, and therefore the examination of the criteria relating to the segments that can be presented is not relevant, still the Company has studied the fulfillment of the corresponding limit values.

In terms of revenues, the turnover associated with the real-estate properties in District XXI of Budapest (Csepel) and Debrecen amounted to HUF 264 million in the first half of 2017, representing a HUF 10.48% ratio in the total amount of PannErgy Group's sales revenues in the period under review. As a major proportion of these revenues is mediated items, meaning that they are connected with the re-invoicing of the public utility fees (primarily electric power) relating to the real-estate properties, a more accurate view of the share of property utilization within PannErgy Group's sales revenues can be formulated if one looks at the profit realized on the re-invoicing of the public utility fees associated with real-estate property utilization, which amounted to HUF 16 million in the business year, which represented 0.62% within sales revenues. In the year under review, the sales revenues from the rents that are associated with the real-estate property utilization activities amounted to HUF 5 million, which is only 0.17% of the sales revenues of PannErgy Group during the reviewed year.

Based on the foregoing, it can be claimed that the Company does not reach the volume limit values relating to the segments described in the IFRS 8 standard, and – in the light of the future growth of the Energy segment – nor will it meet the limit even in the future.

In summary of the above details, it has been ascertained that one operating segment (Energy) can be identified at the company during the period under review in contrast with the two segments in the base period. For this reason, the Company is to satisfy the disclosure requirements in relation to the entire business entity.

In the case of the Company, it means that the data of the Energy segment for the year under review and the base figures correspond to the financial information relating to the entire business entity, and it is properly presented in these consolidated financial statements.

## 5. Other, complementary information

### 5.1 Accounting policy

In the compilation of these interim consolidated financial statements, the Company follows the same accounting policy that was used in the last annual consolidated financial statements for 2016.

The reports relating to PannErgy Group, such as the half-yearly report, have been denominated in Hungarian Forint, as rounded to million HUF.

### 5.2 Functional currency

The functional currency is the currency defined in the Standard *IAS 21 The Effects of Changes in Foreign Exchange Rates*, meaning that it is the currency of the primary economic environment where the business entity operates, and that may be different from the currency of presentation.

**The functional currency of the Company is Hungarian Forint**, which is the currency of the primary economic environment. The Company does not pursue business operations in any other environment that would justify the use of a functional currency other than Hungarian Forint. Accordingly, the effects of changes in the exchange rates are not discussed in the consolidated financial statements.

### 5.3 Deferred taxes

PannErgy Group has the following deferred tax positions as of 30 June 2017:

Receivables from deferred taxes: HUF 372 million

Based on the tax brackets prescribed in the changes in the relevant legal regulations from 1 January 2017, the HUF 372 million deferred tax receivables recognized among fixed assets covers the 10% corporate income tax relating to the negative tax base that remained unused in association with the subsidiaries belonging to PannErgy Group, as well as other deferred tax-modifying items under IFRS. The calculation of deferred tax receivables is based on the return of the controlled deferred taxes of the subsidiaries concerned, which add up to a HUF 411 million of deferred tax receivables. It decreases the amount of deferred tax liabilities associated with development reserves by HUF 39 million. As they are incurred against the same tax authority, these amounts of netted in conformance to the relevant IFRS requirements, and therefore the consolidated financial statements recognize HUF 372 million as deferred tax receivables.

#### 5.4 Calculation of the effective income tax

The calculation of the difference between the expected income tax established as the product of the specific profit before taxes recognized in the PannErgy Group's profit & loss account and the income tax rates that are applicable to the Company on the one hand, and on the other hand corporate income tax effectively stated in the profit & loss account are as follows:

Calculation of the effective income tax (HUF million)		
	2017	2016
	H1	H1
<b>Profit before taxes (as per the profit &amp; loss account)</b>	<b>248</b>	<b>-226</b>
Tax calculated on the basis of the tax rate with respect to the tax bracket that is applicable to the individual profits of the Group entities (9%)	33	10
Effect of different tax rates (minimum profit tax)	1	4
Effect of the changes in the tax rate		
Tax-related effect of non-deductible expenditures	6	5
Tax-free incomes	0	-1
Tax allowances	-18	-2
Deferred tax liabilities assessed in the year under review for any negative tax base not stated earlier	-10	-6
Write-off of tax receivables assessed earlier for negative tax bases	14	12
Negative corporate income tax base on the year under review for which deferred tax receivables have not been assessed	0	0
Changes in unstated, temporary differences	0	0
Tax-related effects of modifications in the previous years	0	0
<b>Income tax (as per the profit &amp; loss account)</b>	<b>26</b>	<b>22</b>

#### 5.5 Major risks of the Company, as well as the associated changes and uncertainties.

A particular feature of geothermal developments is the presence of remarkably high geological risks, which the Group aspires to mitigate by obtaining and integrating the broadest possible range of geological and other professional, scientific information.

The key risks that PannErgy Group faces are summed up below:

##### Exchange risk

The Company also performs activities settled in foreign currencies, and there are contracted customers to which EUR-denominated amounts are invoiced based on the agreements pertaining to invoicing. It similarly has EUR-denominated liabilities; they are basically EUR-based long-term investment loans demanded for the implementation of the geothermal projects, and furthermore with a number of foreign and domestic suppliers settlements and invoicing are carried out in EUR currency. The assets and liabilities denominated in foreign currencies carry the risk arising from the changes of foreign exchange rates, and in particular Euro rates, which PannErgy Group strives for mitigating on the broadest possible scale, primarily by hedging the largest possible proportion of the above-mentioned EUR-based revenues with credit liabilities also in Euro currency.

In 2017, the Company concluded several forward FX transactions to cover the risks of foreign exchange losses that may originate from the financial settlement of its trade payables to be incurred in the future in foreign currencies. These transactions were not cash flow hedging transactions, and therefore in the year under review the gains and losses realized on these transactions will be presented among the financial incomes and expenditures of the consolidated financial statements. The information relating to the evaluation of transactions that are still recognized as outstanding in the consolidated financial statements is presented among other receivables and other short-term liabilities.

#### Interest risk

PannErgy Group is exposed to interest risks primarily due to long-term loans taken out for investment purposes. The Company carries cash flow-rated interest risks as a result of loans with variable interest rates, which is just partly counterbalanced by liquid assets with also with variable interest rates. Because of the loans with variable interest rates, the Company is exposed to real value-related interest risks.

PannErgy Group dynamically analyzes its exposure to interest risks. In this process, it simulates various financial models with respect to refinancing, the renewal of the existing positions, opportunities to have access to alternative funding sources. The Company uses these scenarios to calculate the effects of the changes in the specific interest rates on the profit. In the individual models, the Company takes the same changes in interests rates into consideration for all the currencies concerned. The models are worked out only for the liabilities that represent that key interest-bearing positions.

#### Crediting risk

Credit risk is the risk of financial losses arising from the potential non-performance of any contracted obligation by the customer or partner. From the perspective of the Company, it primarily means the risk associated with the non-payment of customers. It is to be noted that the Company performs sales for a concentrated group of a small number of customers, which means a low level of diversification.

Crediting risks are managed on the group level. The entities of PannErgy Group are responsible for managing and analyzing the crediting risks that can be associated with new customers still before offering payment and delivery conditions within the framework of the normal course of operations.

At PannErgy Group, crediting risks originate from the credit-related exposures that are connected with liquid assets and cash equivalents, deposits held with banks and financial institutions, as well as sales to customers in the Energy and Assets Management segment, including outstanding receivables and transactions where the Company has made any commitment. When financial institutions are concerned, only partners with rating "A" from independent credit rating agencies are acceptable.

For the rating of customers, the Company does not involve any independent rating agency directly, but the creditworthiness and credit limits of the customers are determined by PannErgy Group's Finance and Treasury Team with respect to their respective financial positions, financial data, historic experience and other factors. The Company regularly monitors the utilization of credit limits, and the customers make all payments in consideration of their purchases via bank transfer. During the reporting period, there were no overdrafts in the credit limits, and according to the management no losses can be anticipated from these customer performances.



### Liquidity risk

Liquidity risk represents the risk that the Company becomes unable to fulfill its financial obligations in a timely manner. The purpose of liquidity management is that sufficient resources should be provided for the fulfillment of liabilities upon their respective due dates. The Company's approach to liquidity management is that as far as it is possible there should always be adequate liquidity provided for the fulfillment of liabilities at their due dates under both ordinary and stressed circumstances without suffering unacceptable losses or putting the Company's reputation at risk. Adequate liquidity can be realized by shaping the terms of funding sources in alignment with the lifecycle of the project. Cash flow forecasts are prepared by PannErgy Group's Finance and Treasury Team, and additionally the rolling forecasts relating to the fulfillment of the Group's liquidity requirements are monitored in order to ensure the availability of sufficient liquid assets for operations, while in connection with the credit limits that are not drawn down sufficient margin is intended to be maintained so that the Company should not surpass its credit limits from time to time, and could meet the debt service indicators that are undertaken vis-à-vis financial institutions. These cash flow forecasts based on the financial settlement of trade payables, credit repayments, as well as contracted and other incomes do take PannErgy Group's financial plans into account, alongside the the satisfaction of the contracted financial indicators, external regulatory and legal requirements.

### Regulatory risk

From among the general types of regulatory risks, a factor to be specifically highlighted in relation to the Company is that the selling price of a determining part of the heat energy sold by certain project companies involved in heat production and sales is subject to official price setting, and thus is regularly reviewed by the competent price setting organization, which can potentially modify or limit the Company's profitability. Consequently, considerable uncertainties arise with respect to the future selling prices.

### Technological risk

The exploitation of geothermal energy carries unforeseeable risks as a result of both the incalculable availability of the geothermal energy carrier medium and the potential tolerance of equipment involved in the management of this medium to the unusual operating environment.

## 5.6 Acceptance of the annual report, dividends

The Company held its ordinary annual general meeting on 28 April 2017, with its resolutions published via the official media of disclosure. The annual General Meeting approved the Company's consolidated annual report for 2016 prepared in conformance to the requirements of the International Financial Reporting Standards (IFRS) with the identical amount of assets and liabilities being HUF 19,717 million (balance sheet total) and profit according to the balance sheet being HUF -151 million (loss), as proposed by the Board of Directors. Concurrently with the acceptance of the consolidated annual report, the annual ordinary General Meeting did not approve dividend payments.



## 5.7 Employees

PannErgy Group's headcount as of the end of the reviewed and base period:

Own headcount	30.06.2016	30.06.2017	Change
PannErgy Plc	3	0	-3
Associated companies	34	29	-5
Total	37	29	-8

The above figures show the average statistical headcount of PannErgy Group's employees, reflecting a considerable decrease in comparison to the base period owing to the executed headcount rationalization measures taken in the second quarter of the previous year.

As of 30 June 2017, the actual number of employees working at the Group was 20, in contrast with the 28 employees on 30 June 2016. The differences between the average statistical headcount and the actual employee headcount as of the end of the period come from part-time employments at the individual group entities.

## 5.8 Changes in the Company's registered capital, management, organization

As of 31 December 2016, the amount of the registered capital was HUF 421,093,100, which did not change in the first half of 2017. The financial reports state the amount of the registered capital in view of all the shares issued, whereas the number of shares is calculated with the deduction of repurchased treasury shares.

As of 30 June 2017, the Company held 3,375,638 treasury shares belonging to PannErgy Plc, exceeding the treasury share holding on 30 December 2016 and as of 30 June 2016 by 147,200 and 478,300 shares, respectively.

The increase in the number of treasury shares during the period under review was in line with Resolution 19/2016 (Apr 28) of the Company's General Meeting, under which from May 2016 PannErgy Plc launched a treasury share repurchasing program for the period between May 2016 and April 2017.

In the framework of the treasury share repurchasing program commenced in the period under review, since the approval of the scheme on 28 April 2017 no treasury shares have been transacted, but the Company is planning to execute treasury share purchasing transactions during the upcoming periods of the program.

With respect to the treasury share transactions, detailed information is available in the Company's public disclosures.

Information associated with senior officers is provided in details in Form TSZ2 in Chapter 8.2.

## 5.9 Share-based payments

During the base period, by way of Resolution 17/2016 (Apr 28) of the General Meeting the Company closed its share option program for 2013–2016, and in this context had altogether HUF 29 million expenditures in the second half of 2016 in association with the HUF 27 million

amount of cash redemption and the HUF 2 million expended as the rate difference in redemption by means of shares.

At its annual ordinary General Meeting held on 28 April 2016, the Company approved the set of conditions for the new managerial share option program for 2016–2019 with its full details – beyond the provisions hereunder – being available at the Company's website.

Key conditions of the share option program:

The beneficiaries can acquire conditional call options for altogether 900,000 shares against the Company provided that the associated option agreements are concluded. They are American options, and can be exercised until 30 April 2019; the option rights become exercisable upon reaching certain stock exchange price levels, in different phases:

The option price corresponds to the turnover-weighted average price during the 60 trading days preceding the opening of the Option (1 May 2016), i.e. will be 349 HUF/share.

If in the period of the option program the stock exchange rate exceeds the the fixed 349 HUF/share price by 15%, i.e. it reaches the HUF 402 rate, then the call option will open for 300,000 shares,

If in the period of the option program the stock exchange rate exceeds the the fixed 349 HUF/share price by 30%, i.e. it reaches the HUF 454 rate, then the call option will open for another tranche of 300,000 shares, that is altogether for 600,000 shares.

If in the given period the stock exchange rate exceeds the the fixed 349 HUF/share price by 45%, i.e. it reaches the HUF 506 rate, then the call option will open for another tranche of 300,000 shares, that is altogether for 900,000 shares representing the total volume allocated to the share option program.

Evaluation of the share option program in the period under review:

For the determination of the real value of the share option program, all the three opening stages were taken into account. In line with the market conditions considered for the evaluation, with the use of the Black-Scholes model (closing share price as of 30 June 2017: HUF 400 per share, volatility (12 months): 21.4%, risk-free interest rate: 2.5%), the real value of the options for the total portfolio of 900,000 shares provided that the market conditions of the provision of the options are met is HUF 18 million on the aggregate. For this reason, financial incomes in a total amount of HUF 38 million were written back in the period under review.

## 5.10 Explanation of the reclassifications made after the financial statements for the base period

In its consolidated financial statements for the first half of 2016, PannErgy Group recognized all its real-estate properties under the heading of tangible assets. Since 1 January 2016, the Company has stated its own real-estate properties that are registered at the Csepel and Debrecen sites (building plots, buildings, constructed structures), and were acquired still in the period associated with plastics industry activities pursued as core activities before the group-level strategic change in the operating profile of PannErgy Group as investment properties, because now these real-estate properties are utilized by way of lease-out, which is not related to PannErgy Group's core activities, i.e. geothermal energy production and sales directly or indirectly, while based on the existing underlying contracts it is likely that future economic profits associated with these investment properties will be realized by the Company, and the historic costs of these investment properties can be reliably measured.



Effects of the reclassifications made in the reviewed period on the base period (HUF million)

	H1 of 2016 Original figure	H1 of 2016 Modified data
<b>Balance sheet</b>		
Tangible assets	20 050	19 757
Investment properties	-	293
<b>Modification/breakdown of data in total</b>	<b>20 050</b>	<b>20 050</b>

### 5.11 Environmental protection

The Company handles the high-standard management of environmental protection as a priority. In the field of geothermal energy, they work to introduce and broadly spread one of the most environmentally friendly way of energy production in Hungary.

The subsidiaries with geothermal operations undertake the impact assessments required by the relevant environmental regulations, as well as the performance of the necessary studies and compliance with the relevant legal regulations.

In line with the energy politics of Hungary and the European Union, the Company's objective is to enforce environmental aspects in economic development. The underlying condition is the utilization of renewable energies at the largest possible scale, the shaping of a harmonic relationship between society and nature, indirectly having a positive influence on the source structure of domestic energy carriers by facilitating progress from the direction of renewables. In parallel, considering both economic and technical aspects, the Company shoulders responsibility for the continuous improvement of the environmentally friendly characteristics of the project locations, as well as the environmentally friendly exploitation of natural resources. Research and development are part of PannErgy Group's environmental policy. PannErgy Group is fully committed to the continuous improvement of environmental and energy performance, compliance with sustainability as an attitude. The Company has a strong focus on the social impacts of its activities, and has the goal to arrive fully responsible and sustainable operations.

### 5.12 Key events after the balance sheet date (until 31 August 2017)

At its website ([www.pannergy.com](http://www.pannergy.com)), among others the Company makes regular and extraordinary disclosures. At the websites associated with its projects ([www.miskolci-geotermia.hu](http://www.miskolci-geotermia.hu), [www.gyori-geotermia.hu](http://www.gyori-geotermia.hu), [www.szentlorinc-geotermia.hu](http://www.szentlorinc-geotermia.hu)), PannErgy Group publishes professional information connected with the implementation of the projects. The publications, public information disclosed by PannErgy Plc can substantially assist the comprehension and evaluation of the Company's operation and economic situation, and therefore they are important amendments to the information shown in this report.

After the balance sheet date, the following key events presented in the table included in the *9.1 Extraordinary and other information published in the period under review (ST1)* chapter of the 9. *Datasheets relating to extraordinary information* of this interim management report took place with dates falling between 1 January 2017 and 31 August 2017. Based on the given references, comprehensive information is available at the Company's official places of publication.

## 6. Data sheets related to financial statements

Name of the Company: PannErgy Public Company Limited by Shares  
 Address of the Company: H–1117 Budapest, Budafoki út 56.  
 Sectoral classification: Energetics, Asset management  
 Period: H1 period of 2017  
 Telephone: +36 1 323 23 83  
 Fax: +36 1 323 23 73  
 E-mail address: [info@pannergy.com](mailto:info@pannergy.com)  
 Investor relations: Valéria Szabó

### 6.1 General information on the financial figures

	Yes	No
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Accounting principle	Hungarian	<input type="checkbox"/>	IFRS	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
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### 6.2 Business entities under consolidation

Name	Capital net worth/ Share capital (HUF M)	Share (%) <sup>3</sup>	Voting rights <sup>1</sup> (%)	Ratio of consolidation <sup>4</sup>	Classification <sup>2</sup>
PMM Ltd <sup>5</sup> .	100.00	100.00	100.00	100.00	F
Kuala Ltd	3.00	90.00	90.00	90.00	F
PannErgy Geothermal Power Plants Ltd	1 972.70	100.00	100.00	100.00	F
CSRG Energy Ltd	5.00	100.00	100.00	100.00	F
TT Geothermal Ltd	5.00	100.00	100.00	100.00	F
Szentlőrinc Geothermal Ltd	5.00	99.80	99.80	99.80	F
Miskolc Geothermal Ltd	5.00	90.00	90.00	90.00	F
Berekfűrdő Energy Ltd	24.10	100.00	100.00	100.00	F
DoverDrill Ltd	86.00	100.00	100.00	100.00	F
PannErgy Concession Ltd <sup>6</sup> .	3.00	100.00	100.00	100.00	F
DD Energy Ltd	3.10	100.00	100.00	100.00	F
Arrabona Geothermal Ltd	3.10	100.00	100.00	100.00	F

<sup>1</sup> Voting rights allowing participation in decision-making at the general meeting of any business entity under consolidation

<sup>2</sup> Full (F); Joint management (J); Associated (A)

<sup>3</sup> % values to be interpreted indirectly

<sup>4</sup> The ratios of ownership and voting rights show the ratios of direct ownership and voting rights in PannErgy Plc and PannErgy Geothermal Power Plants Ltd. The ratio of consolidation and the ownership share are identical as of the date of 30 June 2017, because the former minority participation in PannErgy Geothermal Power Plants Ltd has been acquired by PannErgy Ltd.

<sup>5</sup> During the amalgamation of PMM Ltd and PannErgy Geothermal Power Plants Ltd, PMM Ltd will be merged into PannErgy Geothermal Power Plants Ltd with the effective date of 31 August 2017. With the merger, PMM Ltd will become terminated, and PannErgy Geothermal Power Plants Ltd will act as its general legal successor.

<sup>6</sup> The company was formed on 9 February 2017, the date of the registration of the company was 17 February 2017.

<sup>7</sup> The former minority shareholding in CSRG Energy Ltd ceased to exist upon the demerger of 30 May 2017.

### 6.3 Material off-balance-sheet items, pending liabilities:

#### Contract-based and investment-related commitments

Based on the concession agreement signed on 30 June 2017 in relation to the area of Győr, the Company has contract-based, investment related commitments, covered by the preliminary budget plan defined in the application for the concession. Based on Act CXCVI of 2011 on national assets, Act XVI of 1991 on concessions and Act XLVIII of 1993 on mining, and on behalf of the State of Hungary the Minister for National Development, as the minister in charge of mining affairs, announced an open tender for certain specific, closed areas in Hungary towards the exploration, extraction and utilization of geothermal energy in the framework of concession agreements. The concession tender relating to the area of Győr was awarded to PannErgy Plc's subsidiary, PannErgy Geothermal Power Plants Ltd. In line with the foregoing, PannErgy Geothermal Power Plants Ltd signed a concession agreement with the State of Hungary for a definite term of 35 years (with a non-recurrent renewal option for another term of 17 and half years) in relation to the area of Győr, towards the exploration, extraction and utilization of geothermal energy. By relying on the rights acquired with the concession agreement, PannErgy Geothermal Power Plants Ltd and its concession company to be founded later will examine the concession-based geothermal endowments of the region potentially found under 2500 meters, and thereafter will decide on the investment opportunities.

The amount of the investments implemented in association with the concession agreement during the first half of 2017 was HUF 5 million, covering the costs incurred with the implementation of the preparative phase of the investment.

#### Forward and swap transactions

As of the accounting date of 30 June 2017, the Company had no open positions in forward transactions, but had swapped its bank loans carrying variable interests with fixed interest-bearing ones in order to manage the risks associated with the rise of the EURIBOR and BUBOR interest basis.

#### Obligations undertaken in relation to asset management transactions

During such asset management transactions (selling and purchasing participations, other assets), the company assumes guarantees for the economic purport of the transaction. From these assumed guarantees, the Company's management – in view of their expectations formulated to the best of their knowledge – does not see the occurrence of substantial performance obligations to be likely.

#### Other pending liabilities

As of the reporting date, PannErgy Plc and its subsidiaries had the following pending liabilities towards external parties:

Restrictions of title over machinery, equipment, devices, pledges, mortgage schemes in relation to finding furnished by financial institutions:

For external financing agreements that were made by associated companies during the period, various types of guarantees (pledge, suretyship) were undertaken in an amount of HUF 2475 million and EUR 24,227,000 towards the funding financial institutions. The outstanding principal amounts of these financing agreements consistently decreased as a result of the repayments made in the meantime, and therefore the amount of the connected pending commitments were under the presented contracted values.

Commitments made in relation to tenders:

Pursuant to Government Decree 358/2014 (Dec 29) and the associated legal regulations, in relation to grants provided from the European Regional Development Fund, the European Social Fund and Cohesion Fund from 1 January 2015 beneficiaries are not obliged to furnish guarantees if they have at least one closed full business year, and are registered in the database of the National Tax Administration (NAV) as taxpayers without public debts. Therefore, with one single exception, PannErgy Group is exempt from the provision of such guarantees in connection with tenders and applications. For the amount of grant provided to the PIAC\_13 Market-oriented research and development activities, PannErgy Geothermal Power Plants Ltd made a commitment in relation to the grant scheme in an amount of HUF 442 million.

Other pending obligations undertaken (joint and several suretyship)

PannErgy Geothermal Power Plants Ltd has joint and several suretyship obligations in connection with the Geothermal Project of Miskolc towards one of the heat-receiving customers with respect to potential future damage incidents; the limit amount is HUF 100 million for Miskolc Geothermal Ltd, and has no limit value for Kuala Ltd.

In association with the selling of the reinjection well in 2015 and the transfer of the contracted rights relating to reinjection services, PannErgy Geothermal Power Plants Ltd has undertaken joint and several suretyship towards the customer for the payment of the expected revenues of reinjection services and the payment of any revenue lost in case the volume of reinjection services fails to reach the quantities undertaken in the contract.

## 7. Data sheets on the share structure and owners

### 7.1 Ownership structure, shareholdings and voting rights (RS1)

Classification of shareholders	Share capital total = Introduced series					
	01.01.2017			30.06.2017		
	% <sup>2</sup>	% <sup>3</sup>	unit(s)	% <sup>2</sup>	% <sup>3</sup>	unit(s)
Domestic institutions	23.63	27.90	4 973 616	23.55	28.04	4 957 655
Foreign institutions	20.53	24.25	4 322 237	20.45	24.35	4 304 911
Domestic private persons	31.75	37.50	6 684 428	31.21	37.18	6 572 102
Foreign private persons	0.20	0.24	42 938	0.20	0.23	41 351
Employees, senior officers	0.60	0.71	127 253	0.60	0.72	127 253
Own holding <sup>4</sup>	15.33	-	3 228 438	16.03	-	3 375 638
Shareholder belonging to the central budget <sup>1</sup>	7.96	9.40	1 675 745	7.96	9.48	1 675 745
International Development Institutions <sup>3</sup>	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>21 054 655</b>	<b>100.00</b>	<b>100.00</b>	<b>21 054 655</b>

<sup>1</sup> Administrative body

<sup>2</sup> Ownership rate

<sup>3</sup> Voting rights allowing participation in decision-making at the general meeting of the issuing entity

<sup>4</sup> Own property: The property of the Company or its 100 % subsidiary

## 7.2 Changes in the number of shares (pcs) in own holding in the year under review (RS2)

	1 January 2017	30.06.2017
At company level	2 293 235	2 440 435
Subsidiaries *	935 203	935 203
Total	3 228 438	3 375 638

\* The volume of PMM Ltd treasury shares in the 100% ownership of the Company

### Treasury share repurchasing program completed in the period under review

The 147,200-unit increase in the number of treasury shares during the period under review was in line with Resolution 19/2016 (Apr 28) of the Company's General Meeting, under which from May 2016 PannErgy Plc launched a treasury share repurchasing program. The first month of the program shall be May 2016, whereas its last month is April 2017. In the framework of the program, PannErgy Plc purchases PannErgy shares via the Budapest Stock Exchange in an amount of at least HUF 20 million in each month, and maximally for HUF 300 million in total with the additional, restrictive condition that in the course of the scheduled share repurchasing program the individual purchase price of the shares may not exceed HUF 500. The period under review did not witness any decrease in the treasury share holding.

### Treasury share repurchasing program started in the period under review

Within the meaning of Resolution 8/2017 (Apr 28) of the Company's General Meeting held on 28 April 2017, PannErgy Plc launched a treasury share purchasing program from 29 April 2017, with the starting date of 29 April 2017 and closing date of 27 April 2018. Within the framework of this program, PannErgy Plc may purchase treasury shares in a maximum amount of HUF 1000 million, at a rate ranging from HUF 1 and HUF 600, while these shares are allowed to be acquired only at the stock exchange. However, the General Meeting did not pass any further resolution for the scheduling of the repurchasing program.

In the framework of this treasury share repurchasing program, the first half of 2017 did not see any share, but the Company is planning to execute treasury share purchasing transactions during the upcoming periods of the program.

## 7.3 List and particulars of Shareholders with stakes over 5% (at the end of the period) (RS3)

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Number (pcs)	Stake (%) <sup>3</sup>	Voting right (%) <sub>3,4</sub>	Remark <sup>5</sup>
Benji Invest Ltd	D	I	2 424 010	11.51	13.71	P
ONP Holdings SE	K	I	1 359 103	6.46	7.69	P
Hungarian National Asset Management Ltd. (Magyar Nemzeti Vagyonkezelő Zrt.)	D	B	1 675 745	7.96	9.48	P

<sup>1</sup> Domestic (D), Foreign (F)

<sup>2</sup> Trustee (T), Budget (B), International Development Institution (ID), Institutional (I), Business Entity (BE), Private (P), Employee, Senior Officer (E)

<sup>3</sup> To be specified as rounded to two decimals

<sup>4</sup> Voting rights allowing participation in decision-making at the general meeting of the issuing entity

<sup>5</sup> E.g.: professional investor, financial investor, etc.

## 8. Data sheets on the organization and operations of the issuing entity

### 8.1 Changes in the headcount of full-time employees (pers.) (TSZ1.)

	30.06.2016	31.12.2016	30.06.2017
PannErgy Plc	3	3	0
Group companies	34	30	29
<b>Total:</b>	<b>37</b>	<b>33</b>	<b>29</b>

The above figures show the average statistical headcount of PannErgy Group's employees, reflecting a considerable decrease in comparison to the base period owing to the executed headcount rationalization measures.

As of 30 June 2017, the Group's actual employee headcount of was 20 people after 21 people on 31 December 2016 and 28 employees on 30 June 2016. The differences between the average statistical headcount and the actual employee headcount as of the end of the period come from part-time employments at the individual group entities.

### 8.2 Senior officers and (strategic) employees controlling operations of the issuing entity (TSZ2)

Type <sup>1</sup>	Name	Position	Starting date of the appointment	End/termination date of the commission	Shareholding (pcs)
BD	Balázs Bokorovics	Member, Chairman	31.08.2007	for an undefined period of time	-
BD	Dénes Gyimóthy	Member, Vice-Chairman, CEO in charge	31.08.2007	for an undefined period of time	-
BD	Gábor Briglovics <sup>2</sup>	Member	31.08.2007	for an undefined period of time	13 600
BD	Katalin Gyimóthy	Member	28.04.2016	for an undefined period of time	-
BD	Lilla Martonfalvai	Member	28.04.2016	for an undefined period of time	100 000
BD	Csaba Major	Member	30.04.2013	for an undefined period of time	-
BD	Attila Juhász	Member	31.08.2007	for an undefined period of time	-
BD	István Töröcskei	Member	31.08.2007	for an undefined period of time	-
Shareholding (pcs) TOTAL:					113 600

<sup>1</sup> Employee in strategic position (SP), Member of the Board of Directors (BD)

<sup>2</sup> Gábor Briglovics resigned from its membership in the Board of Directors on 10 July 2017.

## 9. Datasheets relating to extraordinary information

### 9.1 Extraordinary and other information published in the period under review (ST1) (until 31 August 2017)

Date	Type of news	Subject-matter, brief contents
10 August 2017	Extraordinary information	Decision of the company registry court concerning the merger of PannErgy Plc's subsidiaries
1 August 2017	Other information	Number of voting rights at PannErgy Plc
18 July 2017	Extraordinary information	Quarterly Production Report
12 July 2017	Other information	Charter
30 July 2017	Extraordinary information	Change in PannErgy Plc's Board of Directors
2 July 2017	Other information	Number of voting rights at PannErgy Plc
1 June 2017	Other information	CSRG Energy Ltd sales transaction closed by PannErgy Geothermal Power Plants Ltd
1 June 2017	Other information	Number of voting rights at PannErgy Plc
11 May 2017	Other information	Summary Report
4 May 2017	Other information	Number of voting rights at PannErgy Plc
28 April 2017	Extraordinary information	Annual report
28 April 2017	Extraordinary information	Responsible Corporate Management Report
28 April 2017	Extraordinary information	Merger of PMM Commercial Ltd into PannErgy Geothermal Power Plants Ltd.
28 April 2017	Extraordinary information	PannErgy Plc has raised its share in PEGE Ltd to 100%
28 April 2017	Extraordinary information	Resolutions of the General Meeting
18 April 2017	Extraordinary information	Quarterly Production Report
13 April 2017	Extraordinary information	General Assembly
3 April 2017	Extraordinary information	Treasury share transaction and update in relation the share repurchasing program
31 May 2017	Other information	Number of voting rights at PannErgy Plc
31 May 2017	Extraordinary information	Treasury share transactions
29 March 2017	Extraordinary information	Treasury share transactions
27 March 2017	Extraordinary information	Treasury share transactions
23 March 2017	Extraordinary information	Proposed resolutions to the General Meeting
23 March 2017	Other information	Number of voting rights at PannErgy Plc
23 March 2017	Extraordinary information	Treasury share transactions
21 March 2017	Extraordinary information	Treasury share transactions
21 March 2017	Extraordinary information	Amendment to the agenda of PannErgy's annual ordinary General Meeting



18 March 2017	Extraordinary information	Treasury share transactions
15 March 2017	Extraordinary information	Treasury share transactions
10 March 2017	Extraordinary information	Treasury share transactions
9 March 2017	Extraordinary information	Letter of invitation to the General Meeting
8 March 2017	Extraordinary information	Treasury share transactions
6 March 2017	Extraordinary information	Treasury share transactions
2 March 2017	Extraordinary information	Treasury share transactions
28 February 2017	Extraordinary information	Treasury share transactions
28 February 2017	Other information	Number of voting rights at PannErgy Plc
24 February 2017	Extraordinary information	Treasury share transactions
23 February 2017	Extraordinary information	Treasury share transactions
20 February 2017	Extraordinary information	Treasury share transactions
17 February 2017	Extraordinary information	PannErgy Concession Ltd has been formed
16 February 2017	Extraordinary information	Treasury share transactions
14 February 2017	Extraordinary information	Treasury share transactions
10 February 2017	Extraordinary information	Treasury share transactions
8 February 2017	Extraordinary information	Treasury share transactions
7 February 2017	Other information	Even greener future for Audi's heat
6 February 2017	Extraordinary information	Treasury share transactions
6 February 2017	Extraordinary information	PannErgy Plc's subsidiary has signed a concession agreement for the area of Győr
2 February 2017	Extraordinary information	Treasury share transactions
31 January 2017	Other information	Information relating to the performance of CSRG Energy Ltd's sales contract
31 January 2017	Other information	Number of voting rights at PannErgy Plc
31 January 2017	Extraordinary information	Treasury share transactions
27 January 2017	Extraordinary information	Treasury share transactions
25 January 2017	Extraordinary information	Treasury share transactions
23 January 2017	Extraordinary information	Treasury share transactions
19 January 2017	Extraordinary information	Treasury share transactions
17 January 2017	Extraordinary information	Treasury share transactions
16 January 2017	Extraordinary	Quarterly Production Report

	information	
13 January 2017	Extraordinary information	Treasury share transactions
11 January 2017	Extraordinary information	Treasury share transactions
10 January 2017	Extraordinary information	Treasury share transactions
5 January 2017	Extraordinary information	Treasury share transactions
3 January 2017	Extraordinary information	Treasury share transactions
1 January 2017	Other information	Number of voting rights at PannErgy Plc

Budapest, 1 September 2017

*PannErgy Plc  
Board of Directors*

## DECLARATION

In association with PannErgy Group's consolidated financial statements for H1 of 2017 prepared in conformance to IFRS, pursuant to the statutory requirements set forth in Section 3.3.2 and 3.4 of Appendix 2 to Decree 24/2008 (July 15) of the Ministry of Finance pertaining to half-yearly reports, I, the undersigned Dénes Gyimóthy, acting chief executive officer hereby declare in representation of the Board of Directors that

prepared on the basis of the applicable accounting requirements and to the best of our knowledge, the consolidated financial statements for H1 of 2017 prepared in conformance to IFRS with respect to PannErgy Plc (consolidated annual report) offers a realistic and reliable view of

- the assets, liabilities, financial standings, as well as profits and losses of PannErgy Plc as a public issuer of securities and the business entities involved in the scope of consolidation,
- the situation, development and performance of PannErgy Plc as a public issuer of securities and the business entities involved in the scope of consolidation, and discloses the key risks and uncertainties in association with the remaining sixth months of the financial year.

The consolidated financial statements for the first half of 2017 have not been reviewed by an independent auditor.

Dénes Gyimóthy  
representing the Board of Directors

**This announcement is published in Hungarian and English languages. In case of any contradiction between these two versions, the Hungarian version shall prevail.**