



PannErgy Plc.

SEMI-ANNUAL REPORT

H1 2021 Report

3 September 2021

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

PANNERGY GROUP, Semi-annual report - H1 2021

Introduction and Table of Contents

Report on the PannErgy Group's profit/loss and operations in H1 2021

PannErgy Public Limited Liability Company (registered office: 1117 Budapest, Budafoki út 56., company registration number: 01-10-041618, tax number: 10558377-2-43, web: www.pannergy.com) released its report on the first half of 2021 today. This report contains the consolidated financial statements, and other related non-financial statements, not audited by an auditor, prepared by the Company's management in accordance with the International Financial Reporting Standards (IFRSs) for the period ending on 30 June 2021.

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1 Executive Summary

Amount of heat sold, and EBITDA, exceeding the plan

Volume of heat sold, exceeding plans and base period figures, with optimum operations

In the business year of 2021 the PannErgy Group continued the implementation of its previously announced strategy on utilising geothermal energy resources. In this context the Company managed to fulfil its plan regarding the sale of thermal energy in the first half of 2021. Its EBITDA, exceeding the figure posted in the corresponding period of the previous year, also exceeded the planned figure.

The Company managed to utilise its capacities at its project sites depending on the weather conditions efficiently in the first half of the year of 2021. The improvement in the sale of heat in the first and second quarters of the year relative to the corresponding previous quarters resulted from the favourable weather conditions of the first half and the capacity increasing and efficiency improving projects during the previous projects. Through operating adapted to the prevailing weather conditions and capacities the **PannErgy Group sold, in H1 2021, a consolidated amount of heat of 955 TJ exceeded the planned amount of 951 TJ, providing a reliable foundation for the delivery of its plan of selling 1,733 TJ in 2021.**

The consolidated heat sale of 955 TJ during the period concerned exceeds the 886 TJ sold in the first half of the preceding year by 8%. In the first half of the year of 2021 the Company carried on with the implementation of the capacity increasing, operation reliability enhancing and efficiency improving activities in the Miskolc and Győr, which are projects increasing the Company' EBITDA through increasing the volume of the sale of heat predominantly from the 2021/2022 heating season.

In view of the H1 2021 heat sales figures detailed in Chapter 2 of the above semi-annual report the PannErgy Group maintains its plan to sell an accumulated amount of heat of 1,733 TJ during 2021, a figure published in its projections submitted to its regular Annual General Meeting closing the business year of 2020.

Improving consolidated EBITDA, confirmation of the EBITDA plan for 2021

In H1 2021 **the consolidated sales revenues of the Company grew by 8% to HUF 3,444 million year on year, representing an increment of HUF 247 million.** HUF 2,958 of the total sales revenue of HUF 3,444 million originates from the sale of heat, up 10% year-on-year.

The direct costs of sales – costs closely associated with the sales revenue generating activity – increased by 4% so the amount of the Company's gross margin exceeded HUF 1 billion. The HUF 1,028 million amount constitutes a 18% improvement and a HUF 156 million gross margin increment.

The Company's gross cash-flow and operating profit also reflect the reporting period's increasing profitability, up 6% and 33% year-on-year, respectively. Besides increasing the amount of heat sold the Company also made efforts to keep its operating costs at the previous period's level. The Company's indirect costs of sales also increased by a modest 4% over the amount posted for the base period, similarly to the above mentioned slight increase in direct costs.

As a combined effect of the above changes the Company's EBITDA amounted to HUF 1,560 million during the reporting period, HUF 99 million (7%) more than the HUF 1,461 million posted for the corresponding period of the previous year. The Company reached the improvement in EBITDA in the reporting period with an EBITDA ratio of 45%, largely equal to that of the base period.

The HUF 1,560 million EBITDA exceeds, pro rata temporis, the Company's HUF 2,800–2,880 million annual EBITDA plan published for 2020, confirming the Company's EBITDA plan published as part of the proposals submitted to the Company's regular Annual General Meeting closing the business year of 2020.

The PannErgy Group expects that the heat sale and profit increments resulting from the planned investments can be gradually integrated in the Company's operation as a result of its continuous investment and development activities presented at the latest regular Annual General Meeting and summarized in subsection 2.2.4 of the semi-annual report, enabling the EBITDA generating capacity by a total of HUF 340-380 million. This can make it possible to set an approx. HUF 3,000-3,100 million consolidated annual EBITDA figure as a target for 2022 and thereafter an approx. HUF 3,150-3,250 million consolidated annual EBITDA figure as a target for 2023. The latter will depend primarily on the new well planned to be bored in Miskolc; without that project the Company's 2023 EBITDA plan should equal the figure stipulated for 2022.

The Company recorded a HUF -85 financial loss and, after the recognition of a HUF 63 million in corporate income tax, it recorded a HUF 664 million consolidated net profit in H1 2021. The significant decrease in the loss on financial transactions relative to the preceding reporting period was a result of the unrealised exchange rate gain stemming from a significant strengthening of the HUF relative to the EUR in relation to the revaluation of foreign exchange items at the end of the period.

Main profit/loss data (HUF million)	H1 2021	H1 2020
Revenue from sales	3,444	3,197
Direct costs of sales	-2,416	-2,325
Gross margin	1,028	872
Gross cash-flow	1,775	1,670
Gross cash flow rate	51.6%	52.2%
Indirect costs of sales	-258	-247
Other revenues and expenditures	42	-13
Operating profit (EBIT)	812	612
EBITDA	1,560	1,461
EBITDA rate	45.3%	45.7%
Profit/loss of financial transactions	-85	-506
<i>Of which: Effect of period-end FX revaluation</i>	71	-375
Profit before taxes	727	106
Consolidated net profit for the reporting period	664	93
Return on Equity (ROE) %	6.7%	0.9%
Return on Sales (ROS) %	19.3%	2.8%
Earnings per ordinary share	37.17	5.01

Treasury share transactions, repurchase programmes

As at 30 June 2021, the Company held 4,378,283 treasury shares belonging to PannErgy Plc., 188,313 above the 4,189,970 treasury shares held on 31 December 2020. The change resulted from purchases under the treasury share repurchasing programmes in effect in the reporting period, at the Budapest Stock Exchange, through trading on the exchange. Moreover, under the treasury share repurchasing programme launched in 2020 and concluded in the review period, a total of 9,813 treasury shares were purchased between 1 January and 16 April 2021. A total of 595,350 treasury shares were purchased during the programme started in 2020 and closed in April 2021.

A total of 178,500 treasury shares were purchased during the reporting period at the Budapest Stock Exchange for an average of HUF 822 per share in relation to the treasury share buyback program started under the scope of power of the General Meeting for the period between 17 April 2021 and 14 April 2022.

The stock exchange closing price of PannErgy ordinary shares at the end of the reporting period was HUF 820 per share, compared to HUF 760 and HUF 620 on 31 December 2020 and 30 June 2020, respectively.

Distribution of dividends

Acting under the authority of the General Meeting, the Company's Management Board adopted, on 16 April 2021 – after the approval of the consolidated annual and individual (parent company) report of PannErgy Plc. – the Management Board's dividend payment proposal regarding the payment of a dividend of HUF 15 per ordinary share, not more than HUF 252,823,080 in total, to shareholders entitled to dividend payment under Sections 56.3 and 58 of the Company's Articles of Association, from the reporting year's profit after taxes and the positive retained earnings from previous periods' profitable operations. The total amount of profit after tax for the year under review will be utilised for the payment of dividends on the basis of the proposal, with 14 July 2021 stipulated as the first day of dividend payment and 30 June 2021 specified as the cut-off date of shareholder verification.

The Company disclosed details on the payment of dividends in its communication on the regime of dividend payment for business year 2020, published on 23 June 2021. Thereafter, on 29 June 2021 it disclosed the amount of the actual dividend. Accordingly, **the Company pays a gross amount of HUF 15.15 to shareholders in the way of dividend for 2020, amounting to a total of HUF 252,768,235.80. Dividends will be paid from 14 July 2021.**

Corporate merger within the group of subsidiaries.

According to the relevant rulings of the Court of Registration of the Miskolc Court of Justice, the PannErgy Group's subsidi Well Research Ltd. merged with another group member, Miskolci Geotermia CPlc., with effect from 30 June 2021, through merger by absorption as per Section 3:44(1) of the Civil Code, where Well Research Ltd., as absorbed company, will merge into "Miskolci Geotermia" CPlc., the absorbing entity. Well Research Ltd. ceased to exist, with its general legal successor being the absorbing entity, Miskolci Geotermia CPlc., which has, since 30

June 2021, been continuing the business of the legal predecessor absorbed entity together with its own activities under its name unchanged. The merger did not affect the scope of consolidation of PannErgy Plc., given that 100% of the shares of both the absorbed and the absorbing companies is indirectly owned by PannErgy Plc. The Company informed the public about the merger on 23 June 2021.

2 Projects and areas of operation

2.1 Consolidated quantity of heat sold

The total consolidated amount (expressed in GJ) of heat sold in H1 2021 was as follows:

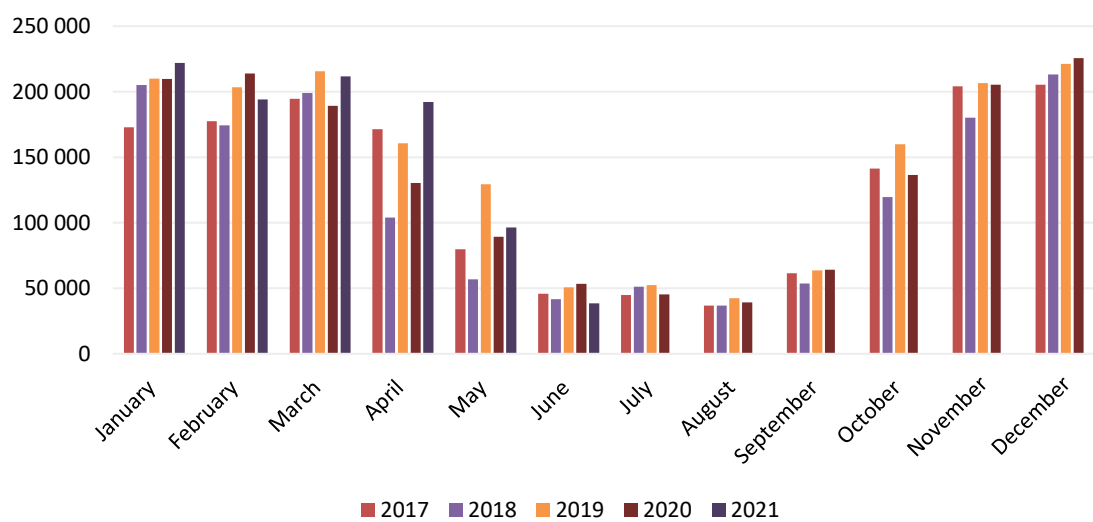


Figure 1: Consolidated quantities of heat sold, in GJ (Including the consolidated quantities of heat sold by the Miskolc, Győr, Szentlőrinc and Berekfürdő projects in a monthly breakdown)

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

Figure 2: Consolidated quantities of heat sold, in GJ, in a table format

The 954,882 GJ consolidated heat sold in H1 2021 was up 8% on the 885,719 GJ sold during the corresponding period of 2020. The improvement in the sale of heat in the first and second quarters of the year relative to the corresponding previous quarters resulted from the weather conditions (regarded as favourable from the aspect of heat sales) during the first half and the capacity increasing and efficiency improving projects during the previous projects.

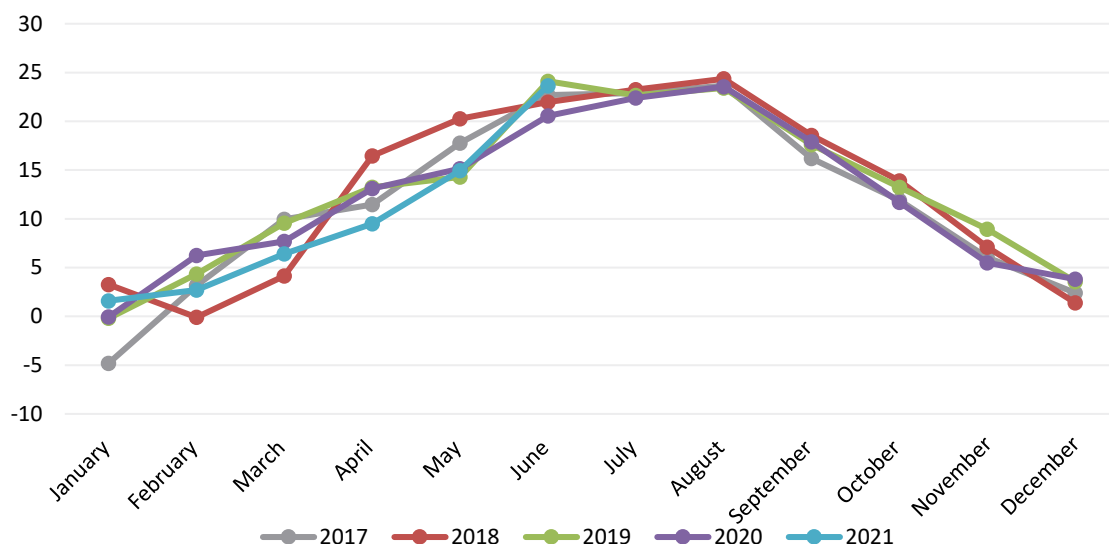


Figure 3
Average temperatures in 2017–2021

The 2–8°C ambient temperature range is ideal for daily geothermal heat sales during the heating season, especially when the difference between the daily minimum and maximum temperatures is as small as possible.

In the period under review the weather offered a more favourable heating potential at Group level compared to the same period in 2020, mainly due to cooler spring weather than in previous years.

A comparison of the 2021 Q1 consolidated heat sales figures with average values of the same period in historical years indicates that the Company realised outstanding heat sales in the first quarter of the reporting period. The amount of heat sold in Q1 2021 exceeded the corresponding figure recorded in Q1 2020 as base period by 3%, but fell short of the quarterly target by 5%, primarily owing to the short-term weather anomalies described above, especially in the Miskolc region.

A similar conclusion can be drawn based on similarly comparing the heat sold in the second quarter of the year. The volume of heat sold in Q2 2021 exceeded the amount sold in Q2 2020 by 20% and outstripped the quarterly target by around 13%, mainly due to the favourable weather conditions detailed above and the investments made in recent periods to increase capacity and improve efficiency.

2.2 The operation of the PannErgy Group's geothermal projects in the reporting period

2.2.1 Miskolc Geothermal Project (Miskolci Geotermia CPlc., Kuala Ltd.)

The Geothermal System of Miskolc sold a total of 273,892 GJ of thermal energy in 2021 Q1, down by 9% compared to the heat sales data of the same period in 2020, mainly because of the weather conditions detailed above.

A total of 162,958 GJ thermal energy was sold in the second quarter, up 20% year-on-year, also as a result of the circumstances presented in subsection 2.1.

As a result, the Miskolc project sold heat in a total amount of 436,850 GJ during the first half of the reporting period, up 1% on the basis period.

The amounts of heat sold in Miskolc were as follows during the reporting period (GJ):

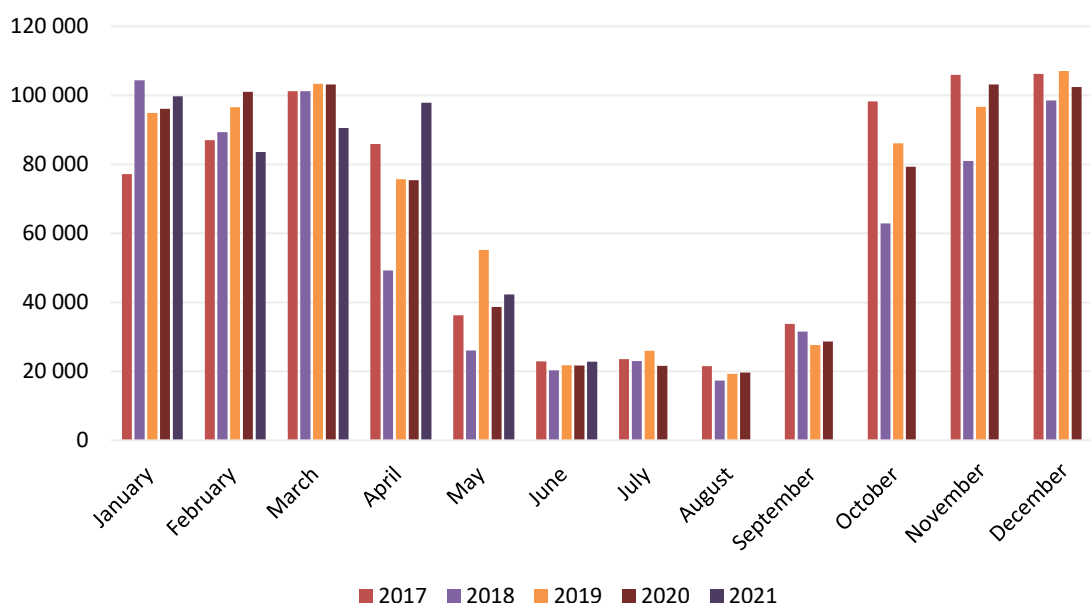


Figure 4: Quantity of heat sold in Miskolc (GJ)

2.2.2 Győri Geotermikus Projekt (DD Energy Ltd., Arrabona Concession Ltd.)

The Geothermal System of Győr sold a total of 344,891 GJ of thermal energy during 2021 Q1, up by 14% year-on-year. In respect of first-quarter heat sales in Győr, this is the highest periodical value achieved since the project was put into operation. The growth is attributed primarily to the now perceivable positive effect of the capacity and efficiency improvement projects described at the end of 2020 and also detailed in subsection 2.2.4 of this semi-annual report.

Heat of a total of 161,121 GJ was sold in the second quarter of the reporting period, up 20% year-on-year, thanks to the weather conditions discussed in subsection 2.1 hereof.

As a result, the Győr project sold heat in a total amount of 506,012 GJ during the first half of the reporting period, up 16% on the 437,450 GJ recorded one year before.

The amounts of heat sold in Győr were as follows during the reporting period (GJ):

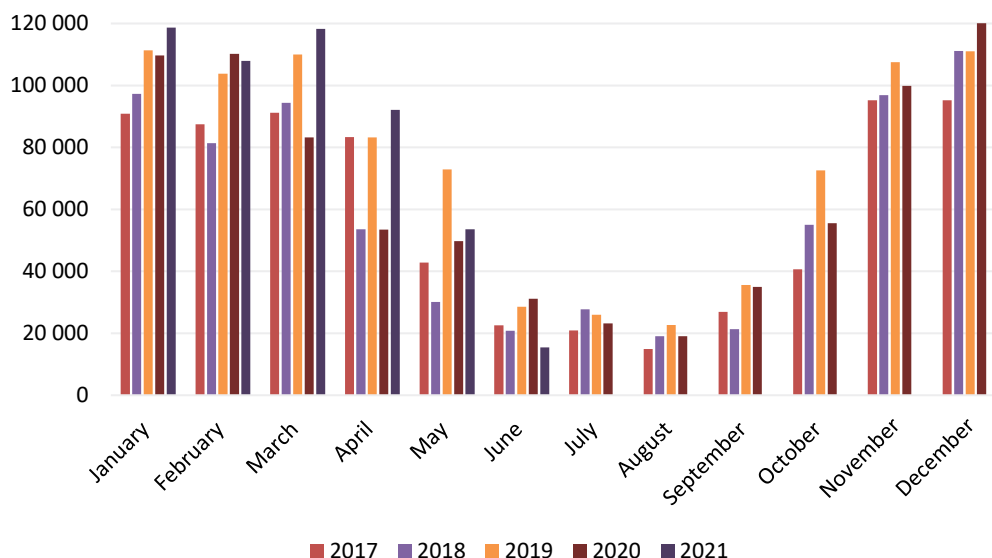


Figure 5: Quantity of heat sold in Győr (GJ)

2.2.3 The geothermal heating facility of Szentlőrinc (Szentlőrinci Geotermia CPlc.)

In Szentlőrinc, the amount of heat sold during the first quarter of the reporting period was 8,500 GJ, essentially the same as in the base period. The Geothermal Facility of Szentlőrinc can fully meet the heat demand of the local district heating system on its own; thus the weather sensitivity of the geothermal heat input may be significantly higher than that of district heating systems with complex heat resources. Weather conditions did not fluctuate as widely in southern Hungary during the first quarter of the reporting period as in the western areas, mitigating the above mentioned weather sensitivity of the heat input. The amount of heat – 2,786 GJ – sold in the second quarter of 2021 was 12% higher year-on-year, thanks to the favourable weather conditions from the aspect of heat input, observed during the second quarter. As an aggregate result of the above, the Szentlőrinc facility sold a total of 11,286 GJ heat in the first half of the reporting period, 3% more than the 965 GJ in the basis period.

The amounts of heat transferred in Szentlőrinc were as follows during the reporting period (GJ):

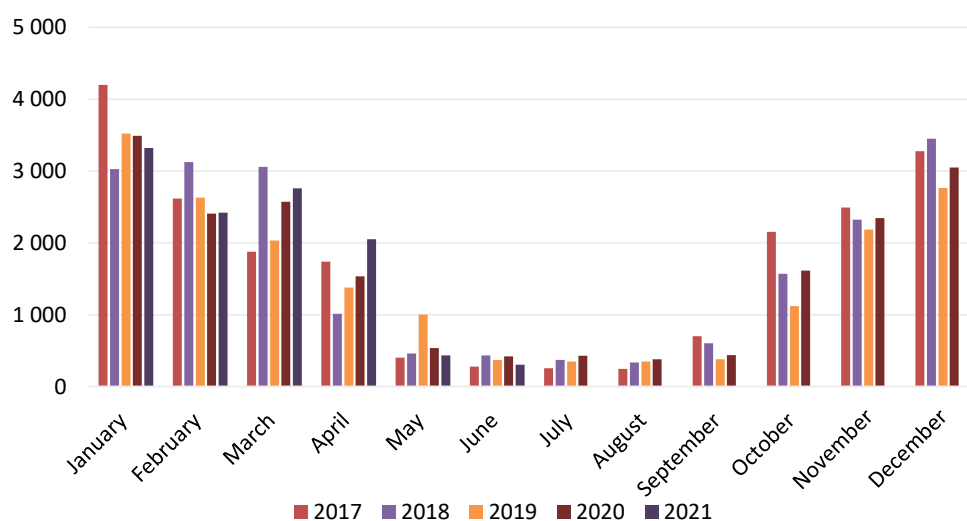


Figure 6: Quantity of heat sold in Szentlőrinc (GJ)

2.2.4 Capacity enhancing and efficiency improving projects affecting the reporting period

The positive impact of the 2020 investment projects on profitability in 2021

The capacity enhancing and efficiency improving investments implemented in 2020 at the Győr Geothermal Project and the Miskolc Geothermal Project already had their positive impacts on the results of H1 2021. The most important of those investments included the following ones, already discussed in previous production reports:

- In Győr, a heat exchanger park with a higher throughput-capacity towards the district heating service provider and the related engineering development were carried out, which enabled an increase in the annual heat input by 13–16 TJ. The increased capacity was put into service in September 2020.
- also in Győr, a production well with a well-pump was implemented in November 2020. In relation to this the output temperatures of both wells were increased (by 1 C and by 2 C, respectively) (enthalpy increase project), planned to be completed in the third quarter of 2021. These enable the output of an additional 6-10 TJ of heat at an annual level, in the entire Győr system.
- In the case of the Miskolc project the transformation of the engineering system of the production wells enabled a decrease in the specific electricity consumption primarily outside the heating system; the development was put into service in January 2020.
- The transformation of the heat exchanger of one of the production wells in Miskolc resulted in a temperature drop, enabling the transmission of additional thermal energy of 5-8 TJ at an annual level. The improved facility was put into service in October 2020.

Further capacity enhancing and efficiency increasing investments for continued development and increased operational safety

The Company attached top priority during the period concerned to the implementation in 2021 of the capacity, efficiency and operational safety enhancing and improving projects launched in 2020, and to the planning of projects to be implemented during the next year. The projects continue to be aimed at increasing the rate, making more and more economically efficient and safe, the utilization of energy in the geothermal resources explored and to enable that maintenance and emergency management and repair interventions are carried out as efficiently and safely as possible.

The PannErgy Group's other capacity, efficiency and operational safety enhancement and improvement projects to be implemented in 2021 and 2022 at the Miskolc Geothermal Project:

- The Company is still contemplating the boring of a new production well, which would replace the lower well-head temperature of one of the production wells in place with one of a 16-17 C higher temperature, generating an at least 70 TJ additional annual heat sale potential increment. In addition to the higher well-head temperature the well is planned to be self-discharging outside the heating season, enabling the saving of electricity worth HUF 10 million or more. The boring of the well is accompanied by major engineering, system transformation and electrical developments. The Company's

- management will make its decision on the boring of the well and the associated developments. The investment program may be implemented in 2022 at the earliest.
- The Company plans to implement heat exchanger and engineering changes in 2021. The heat transfer capacity of the heat center of the Miskolc project was increased by the procurement of new heat exchangers and by the transformation of the existing ones. Owing to the sizes of the pieces of equipment concerned these heat exchanger transformations also require structural changes to be made to the heat center which will significantly reduce the time required for maintenance and repairs in the future, further improving the facility's operational safety.
 - The Company is expanding its pipeline network to enable direct secondary heat sales to additional industrial consumers and to increase capacities for supplying green field greenhouse projects in the future. The project will enable the sale of about 10 TJ more heat each year even in the short run.

The PannErgy Group's other capacity, efficiency and operational safety enhancement and improvement projects to be implemented in 2021 and 2022 at the Győr Geothermal Project:

- 2021 will see an increase in the capacities of the secondary system as a result of an enhancement of the pump park through which the rate of the utilisation of the available extra primary capacity can be boosted by enhancing the current amount of the circulated water.
- As in the case of the Miskolc Project, the existing heat exchanger facilities will also be further developed, and transformed, to increase efficiency and operational safety in Győr as well, in 2021 and 2022.
- The Company is also planning to implement further operational safety improving developments. As part of the project the Company is planning to purchase a well pump in 2022 to make it possible to minimise the downtime by a quick replacement in the case of a service failure and thereby avoid any major negative change in the Company's sales revenue generating capacity.
- Also to enhance operational safety the Company is planning to implement out technological developments in connection with the installation of well pump installation projects carried out once every 2-3 years to substantially reduce the time and cost input required for well operations.

The additional quantities of heat and additional income to be generated by the above projects to be implemented in Miskolc and Győr will be gradually added to the Company's operation, probably from the 2021/2022 heating season. On the whole, the annualised EBITDA generation capacity may increase by about HUF 340-380 million enabling the targeting of an approx. HUF 3,000-3,100 million consolidated annual EBITDA plan for 2022 and an approx. HUF 3,150-3,250 million consolidated annual EBITDA plan for 2023. If the plans regarding the boring of a new well in Miskolc the 2023 EBITDA plan should be similar to that planned for 2022.

The Company wishes to finance 70-75% of the projects from long term bank loans. Special corporate loan programmes with favourable interest rates will be given preference in the selection of the loan facilities. To supplement, or replace, loan financing the Company always looks for possible investment non-repayable grants or subsidies, typically funded by the EU or the Hungarian state, for which it can submit applications to fund its investment projects.



The Company hopes to enhance the services provided for its existing customers and to provide new customers with geothermal energy. The Company is continuously seeking for and assessing such opportunities.

3 Analysis of the results of, and the financial situation in the reporting period

3.1 Results achieved in the reporting period, perspectives

In the first half of 2021, PannErgy Group realised HUF 3,444 million consolidated sales revenues, which exceeds the HUF 3,197 million realised in H1 2020 by 8%. HUF 2,958 million of the total sales revenue of the HUF 3,444 came from the sale of heat, up 10% in comparison to the HUF 2,697 million booked in the corresponding period of 2020.

In terms of the structure of the sales revenue by project, the **Geothermal Project of Győr contributed HUF 1,791 million to the sales revenue** of the PannErgy Group in H1 2021, 20% more than the HUF 1,495 million recorded for the corresponding period of the previous year. Arrabona Koncessziós Ltd's sales to Győr-Szol CPlc. amounted to HUF 922 million of the above total figure, while DD Energy Ltd's sales to its automotive industry customer amounted to HUF 869 million (to be compared to the previous year's HUF 842 million and HUF 653 million figures, respectively). **Sales realised within the framework of the Geothermal Project of Miskolc towards heat-receiving partners added up to HUF 1,124 million in the reporting period**, of which HUF 1,096 million was sold to MIHŐ Heat Distribution Ltd. of Miskolc. These sales figures are slightly below the H1 2020 revenue of HUF 1,159 million from the Miskolc project, and the HUF 1,133 million revenue from MIHŐ Heat Distribution Ltd. At the level of the Miskolc project, this represents a 3% drop in the year-on-year sales revenue.

Of the two smaller projects of the Company, **the Szentlőrinc project delivered the same sales revenue as in the preceding reporting period.** The Szentlőrinc project generated HUF 41 million in sales revenue in the first half of 2021, equalling the HUF 40 million sales revenue booked in H1 2020. The Berekfürdő project's sales revenue from the sale of heat and electricity amounted to HUF 22 million, significantly over the HUF million sales revenue recorded for the corresponding period of the previous year, as a combined effect of the lower basis and the capacity increasing investments.

In addition to the sales of heat the Company earned HUF 424 million from selling electricity, more than the HUF 422 million chalked up for H1 2020, of which HUF 408 million was accounted for by the amount invoiced for electricity to third parties in relation to the operation of PannErgy Plc's properties in Debrecen. The Company's Berekfürdő and Szentlőrinc projects sold electricity for HUF 16 million during the period concerned.

Other re-invoiced utility services relating to the utilisation of the industrial real estates in Debrecen generated HUF 47 million during the period under review. The profit earned on re-invoiced services amounted to HUF 6 million, while the profit realised on the rental amounted to HUF 12 million during the same period, similarly to the figures recorded for the corresponding period of the previous year.



Similarly to the previous period, three customers exceeded 10% of the total amount of the Group's consolidated revenue from sales, making up a combined 84% percent of the total sales of PannErgy Group in the reporting period, slightly exceeding the 82% recorded for the basis period.

In the first half of 2021, direct costs of sales rose by 4% to HUF 2,416 million from HUF 2,325 million recorded in the same period of the previous year, The increase related primarily to the increase in maintenance and operating costs, as well as facility management costs.

The **Company's gross margin increased from HUF 872 million to HUF 1028 million** despite the increase in its sales revenues, while at the same time the gross margin rate was 30% during the period under review (27% in the base period).

Consequently, **the Group stated a gross cash-flow figure of HUF 1,775 million in H1 2021 – 6% up from the HUF 1,670 million stated for the corresponding period of the previous year – with a gross cash-flow ratio of 52%, a higher value than that recorded in the previous period.**

Administrative and overhead – i.e. indirect – costs amounted to HUF 258 million in the period under review, 4% over the HUF 247 million stated for the first half of 2020. Depreciation on assets not directly linked with energy industry activities, indirect personnel expenditures, general office and administration costs, expert fees, banking and insurance expenses, as well as non-capitalizable costs related to business development and new projects are stated by the Group under the heading of indirect costs, among other items.

Personnel expenses and the costs relating to public presence and presence on the exchange increased primarily among the central costs during the period concerned.

As to the costs of public and stock exchange presence recognised among indirect costs it should be noted that, for social responsibility considerations, PannErgy Group continues to attach high importance to supporting the cities and regions where existing projects are located, in the areas of sports activities and other social initiatives, thereby offering support to the end users of geothermal energy.

The balance of other revenues and expenditures during the reporting period is a profit of HUF 42 million, in contrast to the HUF 13 million loss recorded in the base period.

The most substantial (HUF 71 million) item of the HUF 148 million other expenses consists of local taxes, most notably the local business tax paid to the local governments at the sites of geothermal projects. In addition, the mining royalties related to geothermal heat production constitute another significant expenditure item; the Company paid HUF 41 million in the review period in this regard, slightly up on the previous year's amount, similarly to the local business tax. The Company generated specific provisions for expected liabilities in an amount of HUF 30 million during the period concerned.

Other revenues recognised during the reporting period in relation to grants and subsidies received was the most significant item of the HUF 190 million other revenues. The HUF 138 million revenue stated as a grant for development during the reporting period included the reversal – in proportion with depreciation during the reporting year – of grants received



earlier and recognised as deferred income in the form of other income during the reporting period. Moreover, the Company stated compensation type items based on defective performance, collected from supplier partners, in an amount of HUF 34 million.

As a result of these factors an amount of HUF 812 million profit is stated as operating profit (EBIT) of the Company for the first half of 2021, exceeding the HUF 612 million profit of the first half of 2020 by 33%.

The business cash-flow (EBITDA) was an influx of HUF 1,560 million, HUF 99 million higher than the HUF 1,461 million EBITDA in H1 2020. In the first half of the year under review, HUF 747 million depreciation was booked, 6% less than the HUF 798 million depreciation recorded in first half of 2020. In calculating the EBITDA, pursuant to its accounting policy, the Company takes account of the extraordinary depreciation recognised among intangible assets and tangible assets; however, no other expenditures were incurred on such grounds.

Financial P&L amounted to HUF 85 million loss in the period under review, HUF 421 million less than the HUF 506 million loss in 2020 H1 under the heading of financial loss.

The improvement in financial profit resulted primarily from a favourable change (caused by the strengthening of the HUF against the EUR in comparison with earlier periods) in the **non-realised foreign exchange loss at the end of the period, recognised** in connection with a market-based revaluation of foreign currency receivables and liabilities in the consolidated financial statements. In contrast to the 351.90 HUF/EUR rate as of 30 June 2021, the unrealised exchange rate difference was calculated at the end of the corresponding period of the previous year, on 30 June 2020 at a 356.57 HUF/EUR rate. The changes that took place in the nominal structure of the loans as a result of refinancing transactions implemented during the basis period had a positive impact on the non-realised exchange rate difference at the end of the period.

The Company **recognised HUF 71 million non-realised foreign exchange gain among financial transactions, compared to the HUF 375 million exchange loss in the base period.** Regardless of the “temporary” unrealised effect of the aforementioned revaluation at the end of the period, the Company is not actually exposed to any significant long term exchange rate risk in its operations, as it has generated a partial hedging position and therefore its revenues that are denominated in foreign currency almost completely cover its expenditures denominated in foreign currency, including its currency-based debt servicing obligation.

Interests paid in the period under review amounted to HUF 144 million in the reporting period, 3 million – or 2% – higher than in the first half of 2020.

Accordingly, the PannErgy Group’s H1 2021 profit (loss) before taxation is a positive amount of HUF 727 million, dramatically exceeding the HUF 106 million profit posted for the corresponding period of the previous year.

The Company recognised HUF 63 million as tax payment obligation in the review period; **accordingly, HUF 664 million profit was stated to be the Company's net profit for the period**, up HUF 571 million from the HUF 93 million profit recognised in the same period of the previous year.



3.2 Analysis of the statement of financial position during the reporting period

During the currently reported half-year period, the volume of fixed assets decreased by as little as 4% from the figure stated as of 31 December 2020. Within this, the value of intangible assets and that of tangible assets fell by 4% and 1%, respectively, year-on-year. The relevant decreases in book values reflect the effects of the depreciation write-off during the reporting period. At HUF 678 million, the value of goodwill recognised by the Company did not change during the reporting period.

The Company states its industrial real estates located in Debrecen, which are not used in connection with its core operations, as investment property on 30 June 2021, just like a year earlier.

Deferred tax receivables in the amount of HUF 198 million were recognised among assets, the value of which decreased by 18%, after the base period in view of PannErgy Group's calculations relating to deferred tax recovery.

As at 30 June 2021, PannErgy Group recognised liquid assets related to the concession agreement in an amount of HUF 1,111 million in its consolidated financial statements, separated in its accounts from fixed assets as per the requirements of the IFRIC 12 interpretation. These assets are related to the production well BON-PE-03 in Bőny, put in place in the framework of the concession project and the 2% decrease in their value year-on-year is a result of depreciation recognised during the year.

The PannErgy Group's consolidated financial statements as of 30 June 2021 show long-term receivables in a total amount of HUF 2 million. These receivables, stated in terms of amortised cost, are linked to sale and purchase transactions where the Company agreed with the buyer on a long-term – over-year – payment schedule for part of the purchase price.

The Company shows HUF 249 million in the other invested financial assets line among the fixed assets, instead of the HUF 575 million stated one year earlier. The Company invested part of its separated liquid assets the use of which is subject to authorization by the funding financial institution in government securities, which continue to be blocked by the funding financial institution in the way of security deposit. The reason for the decrease during the period under review is that the Company reallocated some of the securities between the short term and long term assets.

The volume of current assets increased by 2% from the corresponding value of the previous year, which can be predominantly attributed to a significant increase liquid assets and securities in the reporting period, which was only partly offset by a decrease in trade receivables.

Among its inventories the Company stated maintenance supplies related to the geothermal projects in the amount of HUF 30 million as at 30 June 2021.

The 67% decrease in trade receivables resulted from the higher base figure as of the end of the year in line with the seasonal pattern of heat sales; the Company's customer base remained unchanged.

The portfolio of securities increased from the HUF 260 million of the basis period to HUF 584 million, as a result of the reallocation during the reporting period among financial investments;

the company invested a larger proportion of the amounts earned on its matured long term securities in short term government securities.

Liquid assets (as a part of current assets) increased in parallel with the decrease in trade receivables; **at the end of the period the Company's liquid assets amounted to HUF 1,498 million** vs. HUF 666 million at the end of the year.

The share of freely disposable cash in hand within the growing stock of liquid assets also increased in comparison to the HUF 496 million recorded at the end of the previous year. **On 30 June 2021 the Company held disposable liquid assets in the amount of HUF 1,196 million**, – equalling 80% of the liquid assets – at the same time the financing financial institution's prior consent is necessary for using these assets for any specific purposes.

The Company's shareholders' equity increased 3% year-on-year, primarily as a net profit increase during the period concerned, partly offset by the consequence of the increase during the period under review of the repurchased treasury shares and the dividends approved to be paid during the period under review for 2020.

The **equity per share** (counting with the number of shares less the portfolio of treasury shares) **increased to HUF 600 million** from the HUF 578 million recorded as at 31 December 2020.

The Company shows provisions in an amount of HUF 30 million as at 30 June 2021 for potential future liabilities, as a result of provisioning reporting period.

The long term loan portfolio dropped by 6% from the figure posted at the end of the preceding financial year to HUF 9,803 million, primarily as a consequence of debt servicing during the reporting period.

The over-year part of the amounts of the non-repayable grants won, and disbursed earlier within the framework of application schemes for geothermal projects, that have not yet been recognised among revenues, is shown in the other long-term deferred revenues line. An amount of HUF 3,808 million is stated in this regard in the Company's balance sheet among its long term liabilities, showing a 4% drop year-on-year, as a result of the reversal of deferred revenues in an amount of HUF 138 million during the period under review in proportion with the depreciation of the related assets.

Within short-term liabilities, the balance of trade payables was HUF 512 million, which was 37% lower than in the base period. The portfolio of short term credits amounted to HUF 106 million, nearly equalling the HUF 107 million as at the end of the preceding financial year, while the short term part of long-term credits amounted to HUF 1,137 million at the end of the reporting period, also close to the figure stated at the end of the previous financial year.

Other short term liabilities amounted to HUF 357 million at the end of the reporting period, showing a significant 42% increase relative to the HUF 251 million of the preceding period, resulting primarily from the HUF 253 dividend liability prescribed at PannErgy Plc. whose financial settlement will take place after the end of the period under review.



4 Consolidated financial statements (profit/loss, financial situation, shareholders' equity, cash-flow)

4.1 IFRS consolidated profit and loss statement

IFRS consolidated profit and loss statement (HUF million)	2021 H1	2020 H1	Change %
Revenue from sales	3,444	3,197	107.7
Direct cost of sales	-2,416	-2,325	103.9
Gross margin	1,028	872	117.9
Gross margin ratio %	29.9%	27.3%	
<i>of which direct depreciation write-off</i>	747	798	93.6
Gross cash-flow	1,775	1,670	106.3
Gross cash-flow rate %	51.6%	52.2%	
Indirect costs of sales	-258	-247	104.4
Other revenues	190	152	124.7
Other expenditures	-148	-165	89.6
Operating profit (EBIT)	812	612	132.7
Operating profit rate %	23.6%	19.1%	
EBITDA	1,560	1,461	106.8
EBITDA rate %	45.3%	45.7%	
Revenues from financial transactions	162	83	195.2
Expenditures on financial transactions	-247	-589	41.9
Profit/loss of financial transactions	-85	-506	16.8
Profit before taxes	727	106	685.4
Corporate income tax	-63	-13	484.6
Profit after taxes (Net profit/loss for the reporting period)	664	93	714.0
<i>of which: Net earnings attributed to the Company's shareholders during the reporting period</i>	664	90	
<i>of which: Share of (external) minority shareholders from the earnings of the reporting period</i>	-	3	
Earnings per ordinary share (HUF)			
Basic	37.17	5.01	
Diluted	37.17	5.01	



4.2 IFRS consolidated statement of the financial position

IFRS consolidated statement of the financial position (HUF million)	30.06.2021	31.12.2020	Change %	30.06.2020
Fixed assets				
Intangible assets	1,711	1,790	95.6	1,848
Goodwill	678	678	100.0	518
Tangible assets	18,787	19,054	98.6	18,552
Investment properties	153	159	96.3	114
Marketable properties	-	-	-	3
Other invested financial assets	249	575	43.3	73
Financial assets related to concession agreements	1,111	1,136	97.8	1,179
Receivables from deferred taxes	198	240	82.4	244
Long-term receivables	2	2	100.0	5
Total fixed assets	22,889	23,634	96.9	22,536
Current assets				
Inventories	30	29	103.8	30
Trade receivables	564	1,717	32.9	1,146
Other receivables	464	417	111.3	166
Prepaid income taxes	8	10	74.3	5
Securities	584	260	224.7	
Liquid assets	1,498	666	225.0	1,761
Total current assets	3,148	3,099	101.6	3,108
TOTAL ASSETS	26,037	26,733	97.4	25,644
Shareholders' equity and liabilities				
Subscribed capital	421	421	100.0	421
Reserves net of profit/loss of reporting period	12,508	12,274	101.9	11,724
Net earnings of the reporting year (attributable to the shareholders of the Company)	664	236	281.4	90
Reserve for repurchased treasury shares	-3,590	-3,184	112.7	-2,235
Minority shareholdings	-	-	-	35
Total shareholders' equity	10,003	9,747	102.6	10,035
Long-term credits	9,803	10,453	93.8	8,702
Other long-term deferred revenues	3,808	3,987	95.5	4,147
Provisions	30	-	-	-
Total long-term liabilities	13,641	14,440	94.5	12,849
Trade payables	512	815	62.9	857
Short-term credits	106	107	99.2	478
Short-term part of long-term credits	1,137	1,133	100.3	1,065
Other long-term deferred revenues	281	240	117.0	202
Deferred tax liabilities	-	-	-	-
Other short-term liabilities	357	251	142.4	158
Total short-term liabilities	2,393	2,546	94.0	2,760
SHAREHOLDERS' EQUITY AND LIABILITIES	26,037	26,733	97.4	25,644

4.3 Consolidated IFRS statement in equity

Consolidated statement of changes in equity (HUF million)	Subscribed capital	Treasury shares	Parent company's share of the equity				Total	Minority interests	Total shareholders' equity
			Exchange premium (agio)	Capital reserve	Profit reserve	Other reserve			
Changes in shareholders' equity, H1 2020									
Balance as of 31 December 2019	421	-2,355	6,266	4,250	2,556	-956	10,182	32	10,214
Profit/loss before taxes, H1 2020					90		90	3	93
Changes in the participation of external members									
Exchange rate difference from consolidation									
Share capital increase, subsidiaries									
Amount prescribed for dividend payment									
Expenditures of the share option programme									
Treasury share purchase, sale, options exercised, revaluation		120			-392		-272		-272
Balance as of 30 June 2020	421	-2,235	6,266	4,250	2,254	-956	10,000	35	10,035
Changes in shareholders' equity, H1 2021									
Balance as of 31 December 2020	421	-3,184	6,266	4,250	2,950	-956	9,747	-	9,747
Profit/loss before taxes, H1 2021					664		664		664
Changes in the participation of external members									
Exchange rate difference from consolidation									
Share capital increase, subsidiaries									
Amount prescribed for dividend payment					-253		-253		-253
Expenditures of the share option programme									
Treasury share purchase, sale, options exercised, revaluation		-406			251		-155		-155
Balance as of 30 June 2021	421	-3,590	6,266	4,250	3,612	-956	10,003	-	10,003



4.4 IFRS consolidated overall profit and loss statement

Consolidated comprehensive income (HUF million)	H1 2021	H1 2020	Change %
Profit/loss after taxes (net profit/loss) during reporting period	664	93	100.0
<i>Other comprehensive income</i>			
Exchange difference from the HUF conversion of the reports of foreign subsidiaries			
Exchange difference from the HUF conversion of affiliated companies and companies under common management			
Marketable financial assets with deferred taxes			
Cash flow hedging transactions with deferred taxes			
Share from the comprehensive income of affiliated companies			
<i>Other comprehensive incomes in the period with tax implications</i>			
Total comprehensive income for the reporting period	664	93	100.0
of which: Total comprehensive income attributable to the shareholders of the Company	664	90	100.0
of which: Share of minority (external) shareholders in the total comprehensive income	-	3	



4.5 IFRS consolidated cash flow statement

IFRS consolidated cash flow statement	2021 H1	2020 H1
Liquid assets from operations		
Profit before taxes	727	106
<i>Adjustments in relation to the profit before taxes and the cash-flow of business operations</i>		
Amortization and depreciation of tangible and intangible assets	748	798
Effect of deferred taxes	42	-1
Income tax expenditures	-63	-13
Exchange gain/loss on credits	-128	416
Allocation and release of provisions	30	-
Extra depreciation write-off on tangible assets	-	51
Interests (gain) loss, net	144	140
Impact of the share option programme valuation on changes in capital	-	-
Changes in minority participations	-	3
<i>Changes in working capital elements</i>		
Increase/decrease in prepaid income taxes	3	-5
Increase/decrease of inventories	-1	-2
Increase/decrease in receivables	1,105	111
Increase/decrease in liabilities	-197	-409
Interests received	-	-
Interests paid	-143	-140
Net liquid assets originating from/used in operations	2,267	1,055
Investment activities		
Acquisition of tangible and intangible assets	-371	-209
Sales of tangible and intangible assets	-	-
Increase/decrease in long-term receivables	-	-
Other long and short-term deferred revenues	-138	98
Liquid assets from/used in investment operations	-509	-111
Financial operations		
Increase in/repayment of long-term loans	-523	407
Increase/decrease in short-term loans	3	-663
Exchange rate difference from consolidation	-	-
Purchase of treasury shares	-155	-272
Sale of treasury shares, exercise of options under share option programme	-	-
Amount prescribed for dividend payment	-253	-
Increase/decrease in securities	2	-
Liquid assets from/used in financial transactions	-926	-528
Net increase/decrease in cash and cash equivalents	832	416
Cash and cash equivalents as of 1 January	666	1,345
Cash and cash equivalents as of 30 June	1,498	1,761

4.6 *Other financial statements, detailed information*4.7 *Direct costs of sales*

Direct cost of sales (HUF million)	2021 H1	2020 H1
Maintenance, operation and facility management costs	750	631
Direct depreciation	747	798
Electricity charges	459	418
Costs of goods sold, mediated services	431	453
Insurance fees (linked to heat generation)	21	17
Other direct costs	8	8
Total indirect costs of sales	2,416	2,325

4.8 *Indirect costs of sales (indirect costs)*

Indirect costs of sales (HUF million)	2021 H1	2020 H1
Indirect personnel-type costs	66	61
Consultancy fees, bookkeeping, audit fees	61	68
Office and operating costs	53	52
Costs related to public and stock exchange presence and social responsibility	52	44
Banking costs	16	15
Insurance premiums	7	6
Other fees and duties payable to authorities	3	1
Indirect depreciation (property, plant and equipment)	-	-
Total indirect costs of sales (indirect costs)	258	247

4.9 *Other revenues and other expenditures*

Other revenues and expenditures (HUF million)	2021 H1	2020 H1
Revenues related to funds granted for development	138	152
Fines, penalties, compensations received	34	-
Revenues related to previous years	11	-
Profit on the sales of tangible assets	1	-
Other items not detailed	6	-
Total other revenues	190	152
Local taxes	71	70
Mining fee	41	39
Provisioning during the reporting year	30	-
Fines, penalties, compensations paid	2	1
Extra depreciation on tangible assets	-	51
Other items not detailed	4	4
Total other expenditures	148	165
Profit/loss on other activities	42	-13

4.10 Profit/loss of financial transactions

Profit/loss on financial transactions (HUF million)	2021 H1	2020 H1
Exchange gain on credits and loans denominated in foreign currencies	128	-
Exchange gain on liabilities denominated in foreign currencies	16	8
Exchange gain on receivables denominated in foreign currencies	13	33
Exchange gain on interest earning securities	3	-
Gains on derivative transactions	2	2
Exchange gain on foreign currency accounts	-	40
Total revenues from financial transactions	162	83
Interests paid	144	141
Exchange loss on receivables denominated in foreign currencies	67	8
FX loss related to FX accounts	27	-
Exchange loss on liabilities denominated in foreign currencies	8	23
Exchange loss on credits and loans denominated in foreign currencies	1	416
Loss on derivative transactions	-	1
Total expenditures on financial transactions	247	589
Profit/loss on financial transactions	-85	-506
Of which: from the revaluation of items denominated in foreign currencies at the end of the period (unrealised exchange gain/loss)	71	-375

4.11 The relevant exchange rate at the at the end of the period

MNB medium exchange rate	30.06.2021	31.12.2020	30.06.2020
EUR/HUF rate	351.90	365.13	356.57

The PannErgy Group recognises a loss of HUF 85 million for the reporting period as profit/loss on financial transactions. This included HUF 71 million foreign exchange gain from the revaluation at the end of the period compared to a loss of HUF 375 million in the base period. In accordance with IFRS requirements, monetary items of the PannErgy Group stated in currencies other than the forint – the functional currency – are converted into forints at the exchange rate prevailing at the end of the period, and the (financially unrealised) exchange rate differences resulting from such conversions are recognised in the profit and loss account under financial transactions. The gain resulting from the end-of-period revaluation is far more favourable compared to the same period of the previous year, thanks to the change in (significant strengthening of) the forint exchange rate against the euro relative to previous periods).

Notwithstanding the momentary, unrealised effect of the aforementioned revaluation, the Company is not subject to any material exchange rate risk in the course of its operation because

it has a natural hedge position in view of the fact that on an annual level its income realised in foreign currencies almost entirely covers its costs (typically electricity charges) incurred in other currencies as well as its contractual debt servicing obligations, denominated in foreign currency, towards financial institutions having extended investment loans. The currency of FX items referred to above may be other than EUR.

4.12 Liquid assets

Liquid assets (HUF million)	30.06.2021	31.12.2020
Bank account and cash at hand	1,196	496
Separated, blocked liquid assets	302	170
Total liquid assets	1,498	666

Certain amounts in regard to which the use for purposes other than the account holder's own business operations is subject to the financing institution's consent are stated in the bank account and cash at hand. Those stated among the separated blocked cash items are amounts on accounts managed by financial institutions, blocked as collaterals for loan repayment, and not accessible by the borrowers.

4.13 Long-term credits and loans

Long-term credits and loans	30.06.2021	31.12.2020
HUF based loan secured with collateral	8,454	8,879
EUR based loan secured with collateral	2,486	2,703
Financial lease liabilities	-	4
Short-term part reclassified to short-term credits	-1,137	-1,132
Total long-term credits, loans and leases	9,803	10,454

The main reason for the decreased in long-term loans during the period under review was loan repayments made during the period under review. The unrealised exchange difference on EUR loans was positive this time at the end of the period, resulting in a HUF 127 million financial gain as a result of the significant strengthening of the HUF relative to the EUR during the reporting period.

In relation to long-term loans it should be noted that the Company did not make use of the loan repayment moratorium facilitated by new legislation introduced to alleviate the impacts of the coronavirus pandemic on the national economy. Accordingly, principal repayments and interest payments took place during the period concerned in accordance with the terms and conditions stipulated in the respective contracts.

Weighted average interest rates on credits and loans (as at the cut-off date)

The interest rates applied to the outstanding EUR loans related to all of the project companies concerned, are based on the 6M EURIBOR, regardless of which financial institution provided the required funding. In view of this fact and the contractual interest margins the weighted average

interest rates on the collateral-covered EUR-based loans was 2.56% in view of the loan amounts as at 30 June 2021, the same as the rate recorded as of 31 December of the previous year, also taking into account the interest rate fixing effect of the interest swap transactions.

The interest rates on the HUF loans covered with collaterals are typically fixed, 2.40% or 2.50%, along a some facilities with fixed 2.00% or 1 M BUBOR rate. Their combined weighted average interest rate was 2.39% on the loan amounts as of 30 June 2021, factoring in the interest fixing effects of interest swap transactions, just as it was on 31 December of the previous year.

Maturity dates of the credits and loans

In the case of long-term loans and credits, liabilities of HUF 6,119 million mature within five years and liabilities of HUF 4,921 million mature over 5 years from 30 June 2021. Including the contractual debt servicing schedule a total of HUF 1250 million is due within one year (that is, by 30 June 2022), HUF 4,869 million will be due after one year and before the end of the 5th year and HUF 4921 million will be due beyond 5 years.

4.14 Short-term credits, loans and leases

Short-term credits/loans and leases (HUF million)	30.06.2021	31.12.2020
Short-term part of long-term credits	1,137	1,133
Other short-term credits and loans	106	107
Total short-term credits, loans and leases	1,243	1,240

4.15 Deferred revenues related to grants

Deferred revenues related to grants (HUF million)	30.06.2021	31.12.2020
Other long-term deferred revenues	3,808	3,987
Short term part of deferred long term revenues (short term)	281	240
Total deferred revenues related to grants	4,089	4,227

The Company states among other long-term incomes – in connection with its energy industry projects – the over-year part of the non-repayable grants won for its projects through application schemes, while the short-term part is stated among short-term liabilities; the latter is recognised in the profit & loss account among other incomes, as a result of the reversal (in proportion with depreciation) of assets associated with application schemes.

4.16 Grants

data in HUF million

Group entity	Project ID	Eligible investment cost	Aid granted	Aid drawn down	Deferred revenues from grants
Szentlőrinci Geotermia CPlc.	EEOP-4.2.0/B-09-2009-0026	883	442	427	325
Berekfürdő Energia Ltd.	EEOP 4.4.0/A/09-2009-0009	250	125	125	39
DoverDrill Mélyfúró Ltd.	EDIOP-2.1.2-8-1-4-16-2017-00166	1,250	500	450	382
Miskolci Geotermia CPlc.	EEOP 4.7.0-2010-0001	632	316	314	225
Miskolci Geotermia CPlc.	EEOP 4.2.0/B-11-2011-0007	2,856	1,000	1,000	705
Miskolci Geotermia CPlc.	EDOP-1.2.1/B-12-2012-0005	323	162	148	29
Kuala Ltd.	EEOP 4.7.0/11-2011-0003	619	309	309	260
Kuala Ltd.	EEOP-4.10.0/B-12-2013-0012	2,836	1,000	1,000	708
DD Energy Ltd.	EEOP-4.10/B-12-2013-0010	3,997	1,000	1,000	703
Arrabona Koncessziós Ltd.	EEOP-4.10/B-12-2013-0011	3,509	1,000	992	713
Total amount of grants in the balance sheet as of 30 June 2021					4,089

Each of the above projects fall into the category of project implementation. The project objective is geothermal energy utilisation in the case of the KEOP (Environment and Energy Operational Programme, EEOP) application schemes, the procurement of assets in the case of GOP (Economic Development Operational Programme, EDOP) tenders, and research & development in the case of GINOP (Economic Development and Innovation Operational Programme, EDIOP) and PIAC tenders.

At the end of the period PannErgy Group has no liabilities regarding advance grant funds received, related to applications.

4.17 Changes in intra-group, consolidated / eliminated results and turnovers

Changes in intra-group, consolidated / eliminated results and turnovers in the Profit and Loss Statement (HUF million)	2021 H1	2020 H1
Profit and loss statement		
Revenue from sales	1,359	1,379
Direct cost of sales	1,249	1,112
Indirect cost of sales	18	48
Other revenues	1	1
Other expenditures	1	1
Revenues from/expenditures on financial transactions	162	183

Changes in the intra-group consolidated / eliminated turnovers in the statement of financial position (HUF million)	30.06.2021	31.12.2020
Intangible assets	54	91
Tangible assets	2,097	2,121
Next period's items among other receivables	687	1,023
Long-term loans granted	6,960	9,899
Other receivables, short-term loans	8,313	9,110
Next period's items among other liabilities	687	1,023
Long term liabilities	6,960	9,110
Other short-term liabilities	8,313	9,899

4.18 Segment information

In these interim consolidated financial statements on H1 2021 the segments are described on the basis of the same accounting policy and presentation principle – in line with *IFRS 8 Operating segments* – as those followed in drafting the previous 2020, and H1 2020, consolidated financial statements. It is therefore concluded that **a single operating segment, that is, Energy, is identified as the operating segment of the PannErgy Group** on the basis of the operating segment definition principle which was also observed regarding the comparable periods. The Company still does not identify Asset Management (which used to be identified in earlier years) as one of its operating segments based on the requirements of IFRS 8 Operating Segments, particularly, the management approaches to segments and the criteria for the presentation of operating segments. Owing to the identification of a single operating segment the Company needs to meet the disclosure criteria applicable to the entire entity. This means that the figures of the Energy segment in the reporting year and in the base year reconcile with the financial information pertaining to the Company as an entire entity, which was appropriately presented in these interim consolidated financial statements.

Notwithstanding the above, the Company publishes, as additional information, notices on the real estate utilisation of the industrial facilities and related offices held for sale and investment.

These properties are not related to the core activity – geothermal heat production and sale – of PannErgy Group; the Company is committed to selling the industrial facilities and related offices formerly serving Pannonplast Plc's plastics manufacturing operation. At the same time, until the sale is realised, the Company continues to operate the facilities, and its real estate utilisation primarily covers the re-invoicing of electricity charges and other public utility costs to the co-owners of the undivided property in proportion to their consumption and, to a lesser degree, the invoicing of the related service fees and rental fees.

PannErgy Plc. generated sales revenue in the amount of HUF 436 million in the first half of 2021 from the utilisation of the above real estates. The overwhelming majority of this invoiced sales revenue – HUF 424 million – comes from the re-invoicing of utility fees (primarily electricity, along with gas, water etc.) to co-owners and tenants,. The management fee relating to the re-invoicing of utility fees and the rental type of revenues together amounted to HUF 12 million. Accordingly, the sales revenue without the re-invoicing type of items is negligible in comparison with the PannErgy Group's total sales revenue during the reporting period, while the net profit of real estate utilisation is HUF 17 million, a mere 2% of the operating profit generated during the same period. These data, reflecting the profit/loss of real estate utilisation apply to the utilisation of the Company's industrial real estates in Debrecen; the Company shows the Debrecen real estates among its investment properties.

5 Other supplementary information

5.1 Accounting Policy

The accounting policies applied for the purposes of the current interim consolidated financial statements are consistent with those used for the latest – i.e. 2020 – consolidated financial statements, and in the last semi-annual financial statements, that is, the H1 2020 consolidated report. The standards and modifications in place since 1 January 2021 have no material impacts on the Company's consolidated profit/loss, financial position or disclosure obligations.

The figures appearing in the reports on PannErgy Group and its operations – including this semi-annual report – are presented in HUF, rounded to millions of forints.

5.2 Functional currency

The functional currency is the currency defined in the *IAS 21 The Effects of Changes in Foreign Exchange Rates*, i.e. the currency of the primary operational environment where the entity operates, which may be different from the currency of presentation.

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

5.3 *Quantitative and qualitative ratios and indicators used in measuring performance (alternative performance measures)*

Similarly to the previous periods, the Company uses the following main quantitative and qualitative indicators, as well as alternative performance measures in measuring its operating performance:

Consolidated quantity of heat sold (GJ), Gross cash-flow, EBITDA

Of these indicators the Company identifies the consolidated quantity of heat sold as both a quantitative and a key quantitative indicator, since the quality of geothermal heat generation and the subsequent operational processes preparing the sale of heat are effectively represented by the consolidated quantity of heat sold. No other performance quality indicator is presented by the Company.

The gross cash-flow and the EBITDA categories presented in the consolidated financial statements are defined by the Company as follows:

The gross cash-flow is the sum of the gross margin – equalling the difference between the sales revenue and direct costs of sales – and the amount of depreciation that entails no cash flows, stated among the direct costs of sale. The Company uses this alternative performance indicator because it adequately represents the cash flow generated directly in relation to the sales revenue generating activity and, as such, it is representative of the Company's operation, a useful piece of information for investors.

EBITDA (earnings before interests, taxes, depreciation and amortisation) is the sum of the operating, indirect depreciation (among Indirect costs of sales), the sum of direct depreciation (among Direct costs of sales), and the extraordinary write-off and impairment of tangible asset and intangible assets (among Other expenditures).

The Company uses this alternative performance indicator because by eliminating the differences stemming from different taxation, financing background (interest payment) and investments it provides an adequate view of the Company's cash generating capacity and goodwill, and it enables its operation to be comparable with other entities in the energy sector. Accordingly, the EBITDA is a highly representative metric for the public concerning the Company's operation.

No hypotheses or assumptions were used in the calculation of the gross cash-flow or the EBITDA as alternative performance measures; no element of the measures is related to actual or expected performance in any past or future period, or contain any estimate or extrapolation pertaining to the future.

In applying the above alternative performance measures (APM) the Company fully complies with the relevant recommendation (5/2017. (V. 24.)) of the Magyar Nemzeti Bank providing for conformity to the guideline of the ESMA (European Securities Market Authority) on APMs (ESMA/2015/1415).

5.4 Deferred tax

The PannErgy Group has a receivable type deferred tax position in the amount of HUF 198 million as at 30 June 2021. The deferred tax receivable of the HUF 198 million stated among fixed assets comprises the 9% corporate income tax payable in the relevant tax bracket under the prevailing legal regulations, for the unused negative tax bases of the subsidiaries belonging to the PannErgy Group on the one hand, and on the other hand, for other deferred taxes modifying items under the IFRS rules. The calculation of deferred tax receivables – of HUF 231 million – is based on the verified deferred tax recoveries of the subsidiaries concerned. This amount is reduced by the HUF 33 million amount of the deferred tax liabilities in the reporting year in relation to development reserves. Since these items are to be settled with the same tax authority, their amounts are netted as prescribed by the IFRS, leaving HUF 198 million among deferred tax receivables in the consolidated financial statements.

5.5 Calculation of the effective income tax

The difference between the expected income tax figures calculated by multiplying the individual pre-tax profit figures stated in the profit & loss accounts of the members of the PannErgy Group with the income tax rates applying to them, and the corporate income tax figures actually stated in the profit & loss accounts, is calculated as follows:

Calculation of the effective income tax (HUF million)	2021 H1	2020 H1
Profit before taxes (individual companies)	599	140
The tax payable on each company's profit/loss at the applicable tax rate (9%) according to the relevant tax bracket	54	13
Effects of different tax rates (minimum profit tax)	16	18
Effects of changes in the tax rate		
Tax implications of non-deductible expenditures, effects of differences in depreciation and other tax-decreasing items	-4	12
Tax allowances	-39	-24
Deferred tax liabilities assessed in the reporting year for any negative tax base not stated earlier	-6	-5
Tax liabilities for the reporting year	21	14
Write-off of tax receivables assessed earlier for negative tax bases, deferred tax receivable accrued during the reporting year	42	-1
Income tax (as per the profit & loss account)	63	13

5.6 Approval during the reporting period of the previous year's financial report, dividend payment

It was on 16 April 2021 that the Company notified the investors about the resolutions taken by the Management Board on 16 April 2016 in the scope of power of the Company's General Meeting, pursuant to the authorisation stipulated in Section 9 (2) of Government Decree No 502/2021 (XI.16.) on the repeated implementation of derogating provisions governing the operation of partnerships and joint-stock companies during the state of emergency. Of those resolutions the management Board, by its PannErgy Plc. Management Board resolution No. 2021.04.16./1 the Management Board—acting in the capacity of the General Meeting in accordance with Section 9 (2) of Government Decree No 502/2020 (XI.16.) on the repeated implementation of derogating provisions governing the operation of partnerships and joint-stock companies during the state of emergency and in consideration of the report of the Management Board together with the opinion of the Audit Committee and the auditor—adopted the Company's 2020 individual (parent company) non-consolidated balance sheet and profit/loss statement as per the EU IFRSs with a HUF 11,458,381 thousand matching amount of assets and liabilities and a HUF 3,315 thousand profit/loss after taxes, that is, profit, as specified in the proposal and the auditor's report as well. The Management Board – acting under the authority of the General Meeting and considering the report of the Management Board, the opinion of the Audit Committee and the auditor – acknowledged and adopted the Company's consolidated report relating to PannErgy Plc's business operations in 2020, as prepared in conformance to the EU IFRS, with an identical total value of HUF 26,733,015 thousand for assets and liabilities (balance sheet total), and profit/loss (profit) in an amount of HUF 236,720 thousand. Acting under the authority of the General Meeting, the Management Board adopted the Management Board's proposal for the payment of a dividend of HUF 15 per ordinary share, but not more than a total of HUF 252,823,080, to shareholders entitled to dividend payment under Sections 56.3 and 58 of the Company's Articles of Association, from the reporting year's profit after taxes and the positive retained earnings from previous periods' profitable operations. The total amount of profit after tax for the year under review will be utilised for the payment of dividends. The first dividend amount will be paid on 14 July 2021. For the purposes of dividend payment, the accounting date for shareholder verification is 30 June 2021.

The Company disclosed details on the payment of dividends in its public communication dated 23 June 2021 on the regime of dividend payment for business year 2020. Thereafter, on 29 June 2021 it disclosed the amount of the actual dividend. Accordingly, the Company pays a gross amount of HUF 15.15 to shareholders in the way of dividend for 2020, amounting to a total of HUF 252,768,236. Dividends will be paid from 14 July 2021.

5.7 Employees

The PannErgy Group's headcount at the end of the reporting period and the basis period:

Own staff	30.06.2021	31.12.2020	Change	30.06.2020
PannErgy Plc.	-	-	-	-
Affiliated entities	23	27	-4	27
Total	23	27	-4	27

The above figures show the average statistical headcount of PannErgy Group employees, which indicate a decline compared to the end-of-year and the half-year data of the previous year.

On 30 June 2021, the Group's actual employee headcount was 19 persons, one more than the actual headcount of 18 on 31 December 2020 and 30 June 2020. The difference between the average statistical headcount and the actual number of employees at the end of the period is attributable to part-time employment across group members.

5.8 Changes in the capital, management and organisation of the Company

On 31 December 2020 the Company's subscribed capital amounted to HUF 421 million, and remained unchanged in the first half of 2021. The subscribed capital is stated in the financial reports in its total amount as issued, while the number of shares is presented net of the amount of treasury shares.

On 30 June 2021, the Company held 4,378,283 PannErgy Plc. treasury shares, 188,313 more than the 4,189,970 held on 31 December 2020. The 188,313-share increase during the reporting period in the Company's treasury share portfolio resulted from the Company's treasury share buyback program in effect during the reporting period; the Company's treasury share portfolio did not diminish during the reporting period.

With respect to the treasury share transactions, more detailed information is available in the Company's public disclosures; moreover, the details of the treasury share repurchasing programmes concluded or launched in the reporting period are presented in Chapter 9.2. "Changes in treasury shares (number of shares) in the current period (RS2.)" of this interim management report.

Detailed information on the Company's treasury shares owned by its senior officers are to be found in section 10.2, in the TS22 form.

5.9 Share-based payments

The Company has no share option program in place; therefore, no change took place in the Company's portfolio of treasury shares, and no cost was incurred, in relation such programmes or any other share-based payments. The Company shows no liability in its financial statements on the first half of 2021 in relation to share-based payments.

5.10 Publicity, key events that occurred by the presentation (on 3 September 2021) of the semi-annual report

The Company posts regular and extraordinary notices on its website at (www.pannergy.com), among other things. The publications and public information released by PannErgy Plc. may make it considerably easier to understand and judge the Company's operations and economic position, therefore they are important supplements to the information disclosed herein.

Significant events marked with dates falling between 1 July 2021 and 3 September 2021, shown in the table in section 11.1 *Extraordinary and other notices published during the reporting period (ST1.)* of part 11. *Data sheets associated with extraordinary notices* occurred after the cut-off

date of the semi-annual report. Based on the references the complete information is accessible at the Company's official places of disclosure.

6 The PannErgy Group's strategy, environmental objectives

The core element of the strategy of the PannErgy Group, the region's dominant company utilising geothermal heat, is to play a key role in countering climate change by its environmentally friendly services of high operational reliability, and to enable major reductions in energy related expenditures by implementing environment preserving capital projects.

6.1 *Impact of climate change on PannErgy's heat markets*

One of the tangible effects of climate change in Hungary manifests itself in the form of frequent volatile and extreme changes in weather conditions, including ambient temperatures, and a rise in the average temperature of winter months from the historically cold, steadily sub-zero range to markedly above the freezing point. These changes are not expected to have an adverse impact on the output of geothermal heat generation; in fact, the perspectives of input into district heating systems are favourable on average over a horizon of several years. The reason for this—as noted in this report—is the fact that daily geothermal heat sales are ideal in the 2–8°C ambient temperature range during the heating season. At the same time, the potential decrease in the demand for heat during the transitional seasons may be offset or even surpassed by the growth in the potential of the increasingly mild winter periods.

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

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

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

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

6.2 *PannErgy for the prevention of climate change*

In line with global efforts, Hungary intends to take resolute action against climate change. The key energy sector action plan for these efforts is the new National Energy Strategy (NES) published in January 2020, which replaced a similar strategy published in 2011. The NES presents the future of the Hungarian energy sector for the period until 2030 and, at the same time, it provides an outlook for the decade after that. The NES takes into consideration the requirement



of the European Union that the economies of EU Member States must become climate-neutral, overall, by 2050.

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

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

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

The projects of the PannErgy Group have contributed to the efforts to preserve a more liveable environment and combat climate change with the CO₂ emission cuts shown in Figure 7. Its estimated amount was about 55 thousand tonnes during the first half of 2021, of which 36 thousand tonnes were released in the first quarter and 19 thousand in the second quarter of the period. The total aggregate volume of greenhouse gas emission saved by the PannErgy Group so far is estimated at around 599,000 tons.

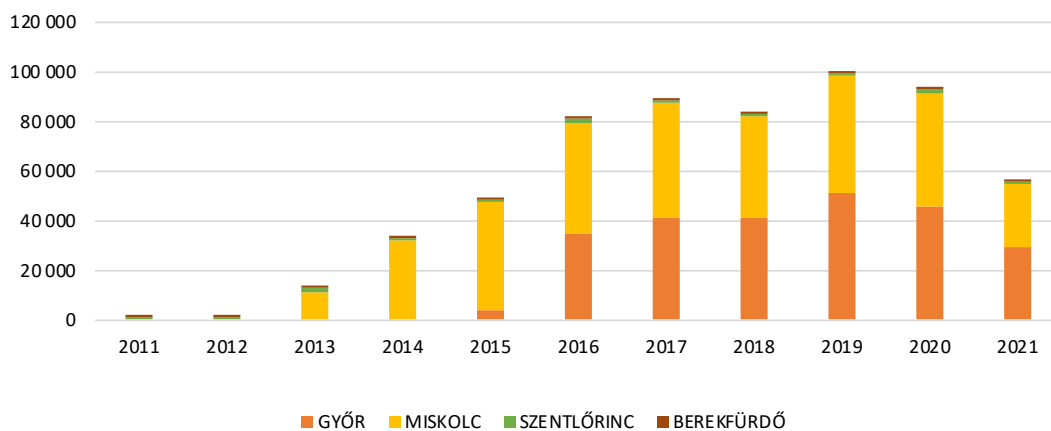


Figure 7

Volume of greenhouse CO₂ not released into the atmosphere thanks to the PannErgy Group's projects

6.3 To achieve carbon-neutrality from 2021

From 2021 on the Company's operations qualify as fully carbon-neutral. As a green energy producer, PannErgy has long been one of the major players at the forefront of zero-emission energy production in the domestic energy industry. The Company is proud that, since the implementation of its geothermal strategy, it has been able to replace the emission of more than half a million tons of carbon dioxide with green heat production. The Company would like to actively contribute to the achievement of the objectives defined in the Paris Agreement on Climate Change by joining voluntary projects in which small emissions resulting from current operations are compensated for in the form of Guarantees of Origin (GOs) and carbon credits.

In practice, this can be achieved by acquiring Scope 1 and Scope 2 emission levels of the Greenhouse Gas Protocol.

At the start of 2021, PannErgy decided not to keep the current track of its operational development focusing on environmental protection and sustainability but to aim for the highest level, a fully carbon-neutral operation.

In order to achieve total carbon neutrality, from the start of business year 2021, PannErgy Group is not only analysing its own situation, but also actively reacts to all material divergence from the carbon-neutral position. Accordingly, the Company supplies the electricity necessary for the operation of its machines and equipment, such as well pumps and other surface equipment, from renewable energy sources, and also aims to neutralise the carbon emission of the vehicles used by the Group.

PannErgy compensates for its Scope 1 emission levels by acquiring 57 VCUs (Verified Carbon Units), and for its Scope 2 emissions, by acquiring a Guarantee of Origin representing 23,000 MWh of electricity produced. VCUs have obtained internationally recognised “Verified Carbon Standard” certification.

6.4 Information on the sustainability report

In accordance with the applicable legal regulations the PannErgy Group will issue a sustainability report in the near future on the basis of the ESG principles, showing the Group’s sustainability and environmental plans and achievements in addition to the Company’s financial results.

7 Main risks faced by the Company, associated changes and uncertainties

A particularly high geological risk is a specific feature of all geothermal projects, which the Group members mitigate by the gathering and integrated processing of the widest possible range of geological and other technical/professional and scientific information.

The main risks to which the PannErgy Group is exposed are summed up below:

Exchange rate risk

Some of the Company’s operations involve foreign currencies and it issues its invoices in EUR as stipulated in the relevant agreements. Part of the Company’s liabilities are denominated in EUR, most of them stemming from EUR-based long term investment loans taken out for the implementation of geothermal projects, and many of its foreign and domestic suppliers also issue invoices in EUR. Such assets and liabilities involving settlements in foreign currencies entail risks resulting from fluctuations in currency rates – particularly, the EUR rates – which the PannErgy Group uses its best efforts to mitigate, primarily by maximizing the coverage of its EUR loan debt liabilities by the above mentioned EUR-based revenues.

The Company occasionally concluded FX forward transactions in the reporting period, mitigating the risk of exchange rate losses on the settlement of its future payables to be incurred in foreign currencies. These transactions were not cash-flow hedge transactions; the gains and losses on such transactions during the reporting year appear in the financial incomes and financial expenditures categories in its consolidated financial statements of the semi-annual report.

Price risk

The Company runs no risks relating to exchange traded commodities or financial instruments. Mention should be made here, however, despite it being essentially a regulatory risk, of the fact that the selling price of the bulk of the geothermal heat sold by the PannErgy Group's members engaged in generating and selling geothermal heat is a regulated price, which is reviewed and in some cases modified annually by the competent authority, that is, the Hungarian Energy and Public Utility Regulation Authority (HEA). This may influence the PannErgy Group's profitability through the future selling prices. The Company mitigates this risk by continuously monitoring the factors having an impact on regulatory pricing.

Interest rate risk

The interest rate risk facing the PannErgy Group results primarily from its long-term investment loans. Owing to the variable interest rates applying to its loans the Company is exposed to a cash-flow interest rate risk which is only partly offset by variable-rate financial assets, therefore the Company faces a fair value interest rate risk stemming from its fixed-rate loans.

The Company's long-term FX loan portfolio was worth HUF 2,486 million (EUR 7,063 thousand) at the end of 2021, while its HUF loan portfolio amounted to HUF 8,454 million. The interest rates applying to the FX loans are typically based on the 6M EURIBOR, while those on the HUF loans are typically fixed 2.50% and 2.40% rates, the average weighted interest rates on short term HUF loans, and on long term EUR-based loans, were 2.39% and 2.56%, respectively.

The PannErgy Group applies a dynamic analysis to its exchange rate risk exposure, through simulating a series of different financial models, factoring in refinancing, the renewal of existing positions and the involvement of alternative funding sources. It is these scenarios on the basis of which the Company calculates the effect of the interest rate fluctuations on the profit and loss figures. The Company uses the same fluctuations in the interest rates applying to each of the relevant currencies in its various models. Models are only developed for the liabilities involving the main interest bearing positions.

To mitigate the interest rate risk entailed by its investment loans the Company has replaced the interest bases applying to its 6M EURIBOR-based variable-rate loans with fixed interest rates for the entire remaining term of each loan via interest rate swap (IRS) transactions, taking advantage of the current favourable interest rate environment. The interest rates fixed under the above transactions will remain unchanged even if market rates should increase in the future, therefore no such risk will be borne by the Company. The results of the interest rate swap transactions during the reporting period are shown in the financial incomes or the financial expenditures, as the case may be.

Lending risk

The lending risk is a financial risk of loss from potential non-performance of any contractual obligation by any of the Company's buyers, primarily in the form of failure to settle invoices. It should be noted in particular that the Company sells its products and services to a handful of customers, resulting in a limited degree of diversification.



Lending risk management is a group function. It is a responsibility for the members of the PannErgy Group to analyse and manage lending risks relating to their new customers before working out and offering terms and conditions of payment and delivery as befits their normal of business operations.

The lending risks faced by the PannErgy Group stem from liquid assets and cash equivalents, the bank deposits and security deposits placed with financial institutions as well as the exposure to buyers through the sale of energy, including receivables and transactions under which the Company assumes commitments. The Company manages its lending risks by detailed continuous buyer rating and effective receivable monitoring. Customers are rated on the basis of their creditworthiness and their credit limits are determined on the basis of their financial positions, financial data, historical performance and other factors, by the PannErgy Group's Finance and Treasury group.

The Company monitors draw-downs from the credit limits. Its customers always pay for their purchases by bank transfers. No credit line was exceeded during the reporting period, and management does not expect losses from default on the part of the relevant partners. Buyers' debts (trade receivables) are assessed and actions are taken, as necessary, regarding each buyer individually, at the end of the year.

Liquidity risk

Liquidity risk is the risk of the company's incapacity to settle its financial liabilities upon their respective due dates. The purpose of liquidity management is to ensure that sufficient funds are available to settle liabilities when they fall due. The Company's approach to liquidity management is aimed at providing sufficient liquidity, to the extent possible, for the settlement of liabilities on their respective due dates under both regular and tight conditions without incurring unacceptable losses or putting its reputation at risk. Adequate liquidity is maintained by adjusting the terms of the funding sources to the lifecycles of its projects. Cash-flow forecasts are worked out by the PannErgy Group's Finance and Treasury group, besides the monitoring of rolling forecasts regarding the satisfaction of the Group's liquidity requirements, in order to maintain a portfolio of liquid assets as required for the Group's operations, while keeping up sufficient manoeuvring room concerning the available credit limits to ensure that the Company does not exceed any of its limits and can deliver the debt required servicing ratios to the financial institutions concerned. The cash-flow forecasts that are based on the financial settlement of trade payables, loan repayments as well as contractual and other revenues are developed in view of the PannErgy Group's financial plans, the need to maintain the ratios stipulated in contracts as well as all relevant regulatory and statutory regulations.

Regulatory risk

In discussing the general regulatory risks it needs to be noted in particular that the selling price of the bulk of the heat sold by certain project companies engaged in heat generation and sale is subject to regulatory pricing, which is regularly reviewed and even adjusted by the pricing authority, thereby limiting the Company's profitability, resulting in considerable uncertainty concerning future sales prices, which the Company is managing by efficient and effective operative and strategic controlling over its operational activities.



Technology risk

Geothermal energy production entails unforeseeable risks, stemming from the unpredictable availability of the geothermal energy resources as well as the tolerance of the equipment used, to the unconventional operational environment. To mitigate this risk the Company prepares every one of its geothermal projects in a prudent way, the collection and detailed assessment and evaluation of all accessible data and information that may affect its implementation.

Epidemic risk

The expected human and economic impacts of the COVID-19 epidemic that broke out in 2019 and that was declared a pandemic in 2020 will affect a wide variety of segments and areas at both society and economy, as well as economic participants; their effects can only be roughly estimated and, as such, carry substantial risks. Given its very nature, the operation of the Company are not expected to be severely restricted by the pandemic's adverse consequences in the future either, as confirmed by the actual data on 2020 and first half of 2021.



8 Data sheets associated with financial reports

Name of the company: PannErgy Public Limited Liability Company
 Address of the company: H-1117 Budapest, Budafoki út 56.
 Sector: Energy, Asset management
 Period: H1 2021
 Telephone: +36 1 323 23 83
 Fax: +36 1 323 23 73
 E-mail address: info@pannergy.com
 Investor relations contact: Dénes Gyimóthy

8.1 General information on financial data (PK1.)

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

Accounting principle	Hungarian	IFRS	X	Other
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8.2 Companies included in the scope of consolidation (PK2.)

Name	Equity/ Share capital (HUF million)	Shareholding (%) ³	Voting rights ¹ (%)	Consolidation ratio ⁴	Categorisation ²
PannErgy Geothermal Power Plants Ltd.	2,072.70	100.00	100.00	100.00	L
DoverDrill Mélyfúró Ltd.	86.00	100.00	100.00	100.00	L
Berekfürdő Energia Ltd.	24.10	100.00	100.00	100.00	L
Well Research Ltd. ⁵	10.00	100.00	100.00	100.00	L
Arrabona Koncessziós Ltd.	6.10	100.00	100.00	100.00	L
TT Geotermia CPlc.	6.00	100.00	100.00	100.00	L
Miskolci Geotermia CPlc.	5.00	100.00	100.00	100.00	L
Szentlőrinci Geotermia CPlc.	5.00	100.00	100.00	100.00	L
DD Energy Ltd.	3.10	100.00	100.00	100.00	L
Kuala Ltd.	3.00	100.00	100.00	100.00	L

¹ Voting right enabling participation in decision making at the general meeting of a company included in the scope of consolidation;

² Full (L); Jointly controlled (K); Affiliated (T);

³ % values to be interpreted indirectly;

⁴ The ratios presented above show the respective shares of ownership and voting rights of PannErgy Plc. and PannErgy Geothermal Power Plants Ltd. in the various subsidiaries. The ratio of involvement in the consolidation is the same as the ownership ratio as at 30.06.2020, since PannErgy Plc. is the sole owner of PannErgy Geotermikus Erőművek CPlc.

⁵ Well Research Ltd. merged into Miskolci Geotermia CPlc. with effect from 30.06.2021, whereby it was terminated and Miskolci Geotermia CPlc. became its general legal successor.

8.3 *Main off-balance sheet items, liabilities (PK6)*

Contractual and investment obligations

The PannErgy Group has no material contractual investment commitment as at the end of the reporting period.

Commitments relating to asset management transactions

In concluding asset management transactions (sale and purchase of shares and other assets) the Company provides reasonable guarantees to secure the economic contents of the transactions. To the best of its knowledge the Company's management expects no obligation to perform significant tasks under the guarantees provided.

Other contingent liabilities

PannErgy Plc. and its subsidiaries have the following contingent commitments towards external parties on the cut-off date:

Restrictions of titles in assets relating to funding by financial institutions

A wide range of collaterals of various types, as is customary in such transactions, were provided at the end of the reporting period for the funding financial institutions under external financing agreements concluded by members of the PannErgy Group in amounts of HUF 8,554 million and EUR 2,486 thousand. The collaterals concerned include, among other ones, pledges on receivables, movables, other assets and collaterals on bank accounts, as well as guarantees to funding financial institutions.

Contingent commitments relating to application schemes

Pursuant to Government Decree 358/2014 (XII. 29) and other related legislation since 1 January 2015 beneficiaries with at least one full closed business year, listed in the NTCA's register of taxpayers free of tax debt obligations are no longer obliged to provide guarantees in relation to funds received from the European Regional Development Fund or the European Social Fund. Accordingly, the PannErgy Group is relieved from the obligation to provide such guarantees in relation to applications regarding all of its applications now in the project maintenance phase.

Other contingent commitments (joint and several guarantee)

PannErgy Geothermal Power Plants Ltd. has a joint and several guarantee in place in connection with the Miskolc Geothermal Project towards one of the heat receiving customers for commitments stemming from potential future loss events, in the amount up to HUF 100 million in the case of Miskolci Geotermia CPlc. and without a value limit for Kuala Ltd. No future cash outflow is expected in relation to this contingent commitment, therefore no specific provision needs to be formed.

9 Data sheets relating to the share structure and the owners

9.1 Ownership structure, shareholdings and voting rights (RS1.)

Shareholders	Total share capital = Introduced series					
	01.01.2021			30.06.2021		
	% ²	% ³	number of shares	% ²	% ³	number of shares
Domestic institutions	34.70	43.32	7,306,202	31.10	39.26	6,547,184
Foreign institutions	8.11	10.13	1,708,161	8.07	10.19	1,698,983
Domestic private individuals	27.00	33.70	5,684,997	29.80	37.62	6,282,388
Foreign private individuals	0.41	0.51	85,580	0.27	0.34	56,125
Employees, senior officers	1.93	2.41	407,000	1.94	2.46	409,505
Own holding ⁴	19.89	-	4,189,970	20.79	-	4,378,283
Owners that are part of the general government system ¹	7.96	9.93	1,675,745	7.96	10.05	1,675,745
International Development Institutions ³	-	-	-	-	-	-
Other ⁵	-	-	-	0.07	0.09	,14,442
Total	100.00	100.00	21,054,655	100.00	100.00	21,054,655

¹ Public administration body

² Shareholding

³ Voting right enabling participation in decision making at the general meeting of the Issuer

⁴ Own holding: Owned by the Company or by its fully owned subsidiary

⁵ Not matched shareholders

9.2 Changes in the number of treasury shares held by PannErgy Plc. in the reporting year (RS2.)

	01.01.2020	30.06.2020	31.12.2020	30.06.2021
At company level	2,256,230	2,669,230	3,254,767	3,443,080
Subsidiaries ¹	935,203	935,203	935,203	935,203
Grand total²	3,191,433	3,604,433	4,189,970	4,378,283

¹ Treasury shares held by PannErgy Geothermal Power Plants Ltd., the Company's 100% subsidiary

² The difference between the Company's portfolio of treasury shares of 4,374,283 as published on 30 June 2021 and the portfolio of 4,378,283 shown in the semi-annual report stems from the purchase and delivery of own shares that took place at the end of the period.

The treasury share buyback program concluded during the reporting period

By its resolution No. 2020.04.30./5. of 30 April 2020 the Management Board—acting in the capacity of the General Meeting in accordance with Section 9(2) of Government Decree 102/2020 (April 10) on derogating provisions governing the operation of partnerships and joint-stock companies during the state of danger—authorized the Management Board to purchase own shares up to an amount not exceeding one billion Hungarian forints at a share price amounting to at least HUF 1 and up to HUF 750 as the maximum. Under the program so adopted the Management Board is authorised to purchase as many shares as will make sure that the portfolio of treasury shares does not, at any time during the period covered by the authorisation, exceed 25% of the total portfolio of shares the Company has issued. The authorization was valid during the period starting on 1 May 2020 and ending on 29 April 2021, providing that treasury

shares may only be purchased on the exchange. By its resolution 3./2020 (VIII.7.) the General Meeting held on 7 August 2020 approved – Pursuant to Sections 113 (4)-(6) of Act LVIII of 2020 on the Transitional Rules and Epidemiological Preparedness related to the Cessation of the State of Danger – resolution 2020.04.30./5. adopted by the Management Board in its scope of competence as general meeting concerning the purchase of treasury shares based on Management Board’s authorisation.

A total of 9,813 treasury shares were purchased at an average price of HUF 750 apiece in the first half of 2021, between 1 January 2021 and 29 April 2021, under this treasury share buyback program. The Company purchased a total of 595,350 treasury shares under the programme closed on 27 April 2021.

The treasury share buyback program commenced during the reporting period

Acting in the capacity of the General Meeting in accordance with Section 9(2) of Government Decree 502/2020 (XI.16.) on the repeated implementation of derogating provisions governing the operation of partnerships and joint-stock companies during the state of emergency, the Management Board authorized the Management Board by its decision of 16 April 2021 to purchase treasury shares up to an amount of HUF 600 million at a share rate corresponding to at least HUF 1 and up to HUF 950 as the maximum. To the extent permitted by law and considering the provisions laid down in Section 3:222(1) of the Hungarian Civil Code, the Management Board is authorized to purchase ordinary shares of a HUF 20 nominal value up to a quantity with which the portfolio of own shares does not exceed, at any time during the term of the authorization, 25% of the total portfolio of shares issued. The treasury share buyback program covers the period starting on 17 April 2021 and ending on 14 April 2022. The shares may be purchased solely in trading at the stock exchange.

A total of 178,500 treasury shares were purchased at an average price of HUF 822 apiece in the first half of 2021, between 17 April 2021 and 30 June 2021, under this treasury share buyback program.

9.3 List of shareholders with shareholdings over 5% (at the end of the period) (RS3.)

Name	Nationality ¹	Operation ²	Number of shares	Shareholding (%) ³	Voting rights (%) ^{3,4}	Note ⁵
Benji Invest Ltd./ FCI Kompozit Ltd.	B	T	3,174,010	15.08	19.03	P
MVM Hungarian Electricity Ltd.	B	T	1,675,745	7.96	10.05	P
Soltút Ltd./ Kálmán Rencsár	B	T/M	1,151,240	5.47	6.90	P

¹ Domestic (B), Foreign (K)

² Custodian (L), General government system (Á), International Development Institute (F), Institutional (I), Business Association (T), Private (M), Employee, senior officer (D)

³ To be rounded to two decimals

⁴ Voting right enabling participation in decision making at the General Meeting of the Issuer

⁵ Pl.: strategic investor, financial investor etc.

10 Data sheets relating to the Issuer's organisation and operation

10.1 Changes in the number of full time employees (persons) (TSZ1.)

	30.06.2020	31.12.2020	30.06.2021
PannErgy Plc.	-	-	-
Affiliated undertakings	27	27	23
Total:	27	27	23

The above figures show the average statistical headcount of PannErgy Group employees, somewhat lower than the headcounts registered at the end of 2020 and at the end of the first half of 2020.

On 30 June 2021, the Group's actual employee headcount was 19 persons, one more than the headcount of 18 on 31 December 2019 and 30 June 2020. The difference between the average statistical headcount and the actual number of employees at the end of the period is attributable to part-time employment across group members.

10.2 Persons in managerial positions, (strategic) employees affecting the functioning of the Issuer (TSZ2.)

Nature ¹	Name	Position	Mandated from	Mandated until	Number of shares held
IT	Balázs Bokorovics	Member, Chairman	31.08.2007	indefinite term	-
IT	Dénes Gyimóthy	Member, Vice-Chairman Acting Chief Executive Officer	31.08.2007 (05.05.2015)	indefinite term	-
IT	Katalin Gyimóthy	Member	28/04/2016	indefinite term	-
IT	Lilla Martonfalvay	Member	28/04/2016	indefinite term	100,000
IT	Attila Juhász	Member	31.08.2007	indefinite term	-
IT	Kálmán Rencsár	Member	30/04/2020	indefinite term	307,000
IT	Gábor Briglovics	Member	16.04.2021	indefinite term	-
TOTAL number of shares held:					407,000

¹ Member of Management Board (IT), Employee in strategic position (SP)

11 Data sheets related to extraordinary information

11.1 Extraordinary and Other notices released during the reporting period (ST1.) (until 3 September 2021)

Date	Type of news	Subject, brief content
31 August 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
25 August 2021	Extraordinary information	Treasury share transactions
22 August 2021	Extraordinary information	Treasury share transactions
15 August 2021	Extraordinary information	Treasury share transactions
8 August 2021	Extraordinary information	Treasury share transactions
1 August 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
1 August 2021	Extraordinary information	Treasury share transactions
25 July 2021	Extraordinary information	Treasury share transactions
23 July 2021	Other information	Change in investor's contact person
18 July 2021	Extraordinary information	Treasury share transactions
15 July 2021	Extraordinary information	Quarterly production report
11 July 2021	Extraordinary information	Treasury share transactions
4 July 2021	Extraordinary information	Treasury share transactions
30 June 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
29 June 2021	Extraordinary information	Distribution of dividends
27 June 2021	Extraordinary information	Treasury share transactions
23 June 2021	Extraordinary information	Distribution of dividends
23 June 2021	Extraordinary information	Corporate merger within the group of subsidiaries
20 June 2021	Extraordinary information	Treasury share transactions
14 June 2021	Extraordinary information	Articles of Association
13 June 2021	Extraordinary information	Treasury share transactions
5 June 2021	Extraordinary information	Treasury share transactions
31 May 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
30 May 2021	Extraordinary information	Treasury share transactions
24 May 2021	Extraordinary information	Treasury share transactions
14 May 2021	Extraordinary information	Treasury share transactions
14 May 2021	Extraordinary information	Detailed description of the share repurchasing programme
9 May 2021	Extraordinary information	Treasury share transactions
2 May 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
1 May 2021	Extraordinary information	Treasury share transactions
23 April 2021	Extraordinary information	Treasury share transactions exceeding the 20% voting right threshold
16 April 2021	Extraordinary information	Detailed description of the share repurchasing programme
16 April 2021	Extraordinary information	Statement on remuneration
16 April 2021	Extraordinary information	Responsible Corporate Governance Report
16 April 2021	Extraordinary information	Annual Report
16 April 2021	Extraordinary information	General Meeting Resolutions
15 April 2021	Extraordinary information	Quarterly production report

31 March 2021	Other information	Voting rights, share capital
26 March 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
26 March 2021	Extraordinary information	Proposals to the General Meeting
18 March 2021	Other information	Fully carbon-neutral operation at PannErgy
15 March 2021	Extraordinary information	Supplementation of the agenda of PannErgy's annual regular general meeting
5 March 2021	Extraordinary information	Invitation to the General Meeting
28 February 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
31 January 2021	Extraordinary information	Number of voting rights at PannErgy Plc.
15 January 2021	Extraordinary information	Quarterly production report, 2021 EBITDA plan
11 January 2021	Extraordinary information	Treasury share transaction
4 January 2021	Other information	Change in investor's contact person
1 January 2021	Other information	Voting rights, share capital

12 Date of authorization of disclosure

The Company' Management Board authorised the disclosure of the Company's semi-annual report on 31 August 2021.

Budapest, 3 September 2021

Dénes Gyimóthy

Representing the Management Board

13 Declaration on the legal conformity of the semi-annual report

DECLARATION

I, Dénes Gyimóthy, acting CEO, representative of the Board of Directors, issue the following declaration in relation to the 2021 IFRS consolidated report of the PannErgy Group, pursuant to the statutory requirement laid down in sections 3.3.2 and 3.4 of Appendix 2 on Semi-annual reports to Decree 24/2008 of the Minister of Finance:

The H1 2021 consolidated financial statements (consolidated semi-annual statement) of PannErgy Plc., prepared on the basis of the applicable accounting regulations to the best of our knowledge, in accordance with the IFRS rules, provides a true and reliable picture;

- of the assets, liabilities, financial position, profit and loss of PannErgy Plc. as a public securities issuer, and the consolidated entities,
- of the position, development and performance of PannErgy Plc. as a public securities issuer, and the consolidated entities,
- describing the major events and transactions that took place during the reporting period and their impacts on PannErgy Plc. and the consolidated entities,
- also indicating the main risks and uncertainties of relevance to the remaining six months of the current financial year.

PannErgy Plc., as issuer, is regulated by Article 4 of Regulation 1606/2002/EC of 19 July 2002 on the application of the International Accounting Standards, as a public shareholding company whose securities are authorised to be traded on the regulated market of a member state, therefore, it has compiled its consolidated semi-annual report in accordance with the international accounting standards published in the Official Journal of the European Union in the form of a regulation.

The consolidated report on H1 2021 has not been not audited by an independent auditor.

Budapest, 3 September 2021

Dénes Gyimóthy
Representing the Management Board

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