



PannErgy Plc.

SEMI-ANNUAL REPORT

H1 2023 Report

15 September 2023

**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'S H1 2023 SEMI-ANNUAL REPORT

### Introduction and Table of Contents

#### Report on PannErgy Group's H1 2023 profit/loss and management

PannErgy Public Limited Liability Company (registered office: H-1112 Budapest, Boldizsár street 2, company registration number: 01-10-041618, tax number: 10558377-2-43, web: [www.pannergy.com](http://www.pannergy.com)) released its report on the first half of 2023 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 2023.

### Table of contents

1	Executive Summary .....	3
2	Projects and areas of operation .....	6
3	Analysis of the results of, and the financial situation in the reporting period .....	9
4	Consolidated financial statements (profit/loss, financial position, shareholders' equity, cash-flow) .....	14
5	Other financial statements, detailed information .....	19
6	Other supplementary information .....	25
7	The PannErgy Group's strategy, environmental objectives .....	29
8	Main risks faced by the Company, associated changes and uncertainties .....	31
9	Data sheets associated with financial reports, other detailed information .....	35
10	Data sheets relating to the share structure and the owners .....	38
11	Data sheets relating to the Issuer's organisation and operation .....	40
12	Data sheets related to extraordinary communication .....	41
13	Date of authorisation of disclosure .....	42
14	Declaration on the legal conformity of the semi-annual report .....	43



## 1 Executive Summary

### **Consolidated heat sales increased year-on-year, exceeding projected figures**

The global energy crisis resulting from the events of the base period, as well as the emergence of extremely high and volatile raw material and energy prices are clear evidence of the special importance, even indispensability, of green energy sources independent of fossil fuels, such as geothermal energy. This is particularly true for Hungary.

Accordingly, in 2023, as well, the Company continued to pursue financial management striving to utilise – as far and as cost-effectively as possible – the energy available in the geothermal resources explored, supporting these ambitions by investment projects aimed at the improvement of operational security and the efficiency of operations. As a result of its continuous investment activities and efficient and professional operation, the Company's projected earnings continue to represent organic predictability.

Thanks to its operation adapted to the prevailing weather conditions and capacities, **the consolidated heat sales of PannErgy Group amounted to 980 TJ in H1 2023, which exceeds the base period's consolidated heat sales figure of 952 TJ by 3%, and also surpasses the projected value of 949 TJ.** The weather during the period under review represented a Group-level heating potential comparable to the corresponding period in 2022 and to the average of recent years. 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 2023.

In view of the above H1 2023 actual heat sales figures detailed in Chapter 2 of the semi-annual report and the planned figures for H2, PannErgy Group **maintains its plan to sell 1,790 TJ cumulated heat during 2023**, as published in its projections submitted to its regular Annual General Meeting closing the business year of 2022.

### **Record-level consolidated EBITDA and net profit performance in H1**

In addition to the abovementioned 3% growth in consolidated heat sales, the **consolidated sales revenue of the Company was up 64% year-on-year in H1 2023, growing to HUF 6,051 million from HUF 3,686 million in the base period, which translates to an increment of HUF 2,365 million.** The increment primarily resulted from regulatory heat tariffs, which **acknowledge and are adjusted to reflect the significantly higher production and indirect costs** relative to the base period. **HUF 5,855** of the total sales revenue of HUF 6,051 million **originates from the heat sold**, representing a 89% increase year-on-year. Regulatory heat tariffs reflect the acknowledgement of the costs associated with heat sales, in accordance with the law.

The direct costs of sale closely linked to the sales revenue rose by 50% in the reporting period. The growth resulted primarily from the rise in electricity costs; in addition, it reflected the considerably stronger inflationary effects during the reporting period, while the increased depreciation booked for capacity increasing and operational safety improving projects commissioned during the previous period and in the reporting period also put an upward pressure on direct costs. As a combined result, the Company's gross margin amounted to HUF 1,991 million, representing an increase of over HUF 1 billion (HUF 1,008 million) relative to the



base period. Adjusted for depreciation, **gross cash-flow performance amounted to HUF 2,953 million in the reporting period, which translates into a 65% year-on-year improvement.**

At HUF 1,299 million, the Company's operating surplus (EBIT) shows an improving operating margin, surpassing the corresponding data of the base period by 40%. Against the backdrop of the prolonged unfavourable inflation environment that also characterised the reporting period, indirect costs of sales exhibited a 35% increase over the base period. The balance of other income and expenses was a loss of –322 million in the reporting period, of which the largest item was provisioning of HUF 329 million for the regulatory heat pricing linked to district heat production in coming periods. The deterioration in other income and expenses relative to the base period also reflects a HUF 178 million decline in one-off income.

As a combined effect of the above changes the Company's **EBITDA amounted to HUF 2,265 million during the reporting period, significantly higher – by HUF 530 million, or 31% – than the HUF 1,735 million posted for the corresponding period of the previous year. The Company achieved the improvement in EBITDA with an EBITDA ratio of 37% in the reporting period.**

The Company posted a financial loss of HUF –98 million in the reporting period. The P&L figure represents an improvement of HUF 96 million compared to the corresponding figure of the base period, thanks, in part, to the revaluations of net FX liabilities resulting from the significant strengthening of the forint against the euro.

**As a combined result of the above items, the Company made a consolidated net after-tax profit of HUF 1,159 million in H1 2023, significantly higher (58%) than the net P&L of HUF 732 million generated in the first half of the previous year.**

Main profit/loss data (HUF million)	H1 2023	H1 2022
<b>Revenue from sales</b>	<b>6,051</b>	<b>3,686</b>
Direct cost of sales	-4,060	-2,703
<b>Gross margin</b>	<b>1,991</b>	<b>983</b>
<b>Gross cash flow</b>	<b>2,953</b>	<b>1,790</b>
<b>Gross cash flow rate</b>	<b>49%</b>	<b>49%</b>
Indirect costs of sales	-370	-273
Other income and expenses	-322	218
<b>Operating profit (EBIT)</b>	<b>1,299</b>	<b>928</b>
<b>EBITDA</b>	<b>2,265</b>	<b>1,735</b>
<b>EBITDA rate</b>	<b>37%</b>	<b>47%</b>
Profit/loss on financial transactions	-98	-194
<i>Of which: Effect of period-end FX revaluation</i>	<i>140</i>	<i>-103</i>
<b>Profit before taxes</b>	<b>1,201</b>	<b>734</b>
<b>Consolidated net profit for the reporting period</b>	<b>1,159</b>	<b>732</b>
<i>Return on Equity (ROE)</i>	<i>10%</i>	<i>7%</i>
<i>Return on Sales (ROS)</i>	<i>19%</i>	<i>20%</i>
<b>Earnings per ordinary share (in HUF)</b>	<b>74</b>	<b>45</b>



### Confirmation of the EBITDA plan for 2023

Based on the HUF 2,265 million EBITDA value achieved in the first half of the year, the Company confirms that it expects to achieve the EBITDA range of HUF 3,950 – 4,150 million included in the Group's P&L projections for 2023 as a whole, as published on 13 January 2023. This is also consistent with the Company's P&L expectations published earlier on 14 April and 14 July 2023 in its production reports for Q1 and Q2.

### Treasury share transactions, repurchase programmes

On 30 June 2023, the Company held 4,311,728 PannErgy treasury shares, 270,028 more than the opening portfolio of 4,041,700 treasury shares held on 31 December 2022. The change resulted from purchases through trading on the exchange under the treasury share buyback programmes in effect in the reporting period at the Budapest Stock Exchange. Under the treasury share buyback programme launched in 2022 and concluded in the period under review, a total of 170,100 treasury shares were purchased between 1 January and 13 April 2023, at an average price of 1,237 HUF/share. A total of 531,238 treasury shares were purchased during the programme started in 2022 and closed in April 2023.

A total of 99,928 treasury shares were purchased in H1 2023 at the Budapest Stock Exchange at an average price of HUF 1,106 per share in relation to the treasury share buyback programme started during the reporting period under the scope of power of the General Meeting for the period between 2 May 2023 and 13 April 2024.

The stock exchange closing price of PannErgy ordinary shares at the end of the reporting period was HUF 1,125 per share, compared to HUF 1,315 and HUF 990 on 31 December 2022 and 30 June 2022, respectively.

### Distribution of dividends

At the Company's regular annual General Meeting held on 28 April 2023 closing the business year 2022, after the approval of the individual and consolidated reports the **Company** adopted a resolution to the effect that it **would not pay dividends for 2022**. This decision was based on the proposal of the Management Board, in consideration of the expected opportunities and needs in operation in 2023, the necessity of holding a certain level of free cash and cash equivalents required for safe and prudent operation and thus for maintaining a high level of financial and operational stability with adequate flexibility.

### Projects for the drilling of new production wells

The project aimed at the boring of a new production well in Miskolc can be implemented after the end of the 2023/2024 heating season and accordingly, PannErgy expects to integrate it into the system by 30 September 2024 (in line with the publicly announced rescheduling of the project).

On 25 August 2023, the Company informed market participants in an Extraordinary Communication that, dated 24 August 2023, the Ministry for Energy had issued the Grant

**Instrument required for taking recourse to the grant approved for the above project on 18 November 2022 in a maximum nominal amount of HUF 993 million.**

Until 30 June 2023, PannErgy Group incurred investment costs of HUF 306 million in connection with the preparations for the project involved in the ex-post financing (planning, spatial planning, pre-drilling works).

**As regards the Budapest project, consultations about the acquisition of the Grant Instrument are in progress; the technical and licensing criteria pertaining to the feasibility of the project and the exact scheduling can only be determined after the completion of the consultation process.**

## 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 2023 was as follows:

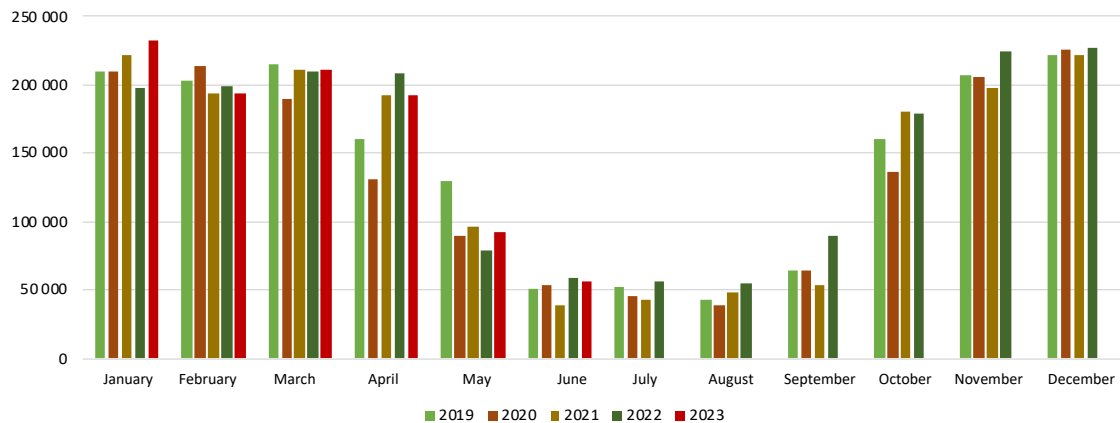


Figure 1: Consolidated quantities of heat sold, in GJ (The consolidated quantities of heat sold by the Miskolc, Győr, Szentlőrinc and Berekfürdő projects in a monthly breakdown)

	2017	2018	2019	2020	2021	2022	2023	2023 TARGET
January	172,758	205,199	209,999	209,678	221,966	197,923	232,696	
February	177,533	174,300	203,484	213,855	194,173	199,600	193,988	
March	194,634	199,090	215,693	189,195	211,762	209,267	211,365	
<b>Q1</b>	<b>544,925</b>	<b>578,589</b>	<b>629,176</b>	<b>612,728</b>	<b>627,901</b>	<b>606,790</b>	<b>638,049</b>	<b>627,259</b>
April	171,294	104,033	160,548	130,407	192,053	207,861	192,834	
May	79,700	56,758	129,300	89,190	96,333	78,637	92,125	
June	45,936	41,641	50,780	53,394	38,595	58,955	56,645	
<b>Q2</b>	<b>296,930</b>	<b>202,432</b>	<b>340,628</b>	<b>272,991</b>	<b>326,981</b>	<b>345,453</b>	<b>341,604</b>	<b>322,084</b>
July	44,865	51,247	52,406	45,297	42,919	56,299		
August	36,709	36,794	42,415	39,205	48,023	54,838		
September	61,502	53,650	63,731	64,096	53,870	90,033		
<b>Q3</b>	<b>143,076</b>	<b>141,691</b>	<b>158,552</b>	<b>148,598</b>	<b>144,812</b>	<b>201,170</b>		<b>193,174</b>
October	141,270	119,652	159,888	136,460	180,427	179,453		
November	204,045	180,263	206,686	205,417	197,872	224,871		
December	205,251	213,267	221,248	225,688	221,198	226,770		
<b>Q4</b>	<b>550,566</b>	<b>513,182</b>	<b>587,822</b>	<b>567,565</b>	<b>599,497</b>	<b>631,094</b>		<b>647,180</b>
<b>ANNUAL TOTAL</b>	<b>1,535,497</b>	<b>1,435,894</b>	<b>1,716,178</b>	<b>1,601,882</b>	<b>1,699,190</b>	<b>1,784,507</b>	<b>979,653</b>	<b>1,789,697</b>

Figure 2: Table of consolidated volume of heat sold (GJ) and relevant target data

Comparing the 979,653 GJ consolidated amount of heat sold by the Group in H1 2023 with the 952,243 GJ sold in the corresponding period of 2022 reveals that the heat sold in H1 2023 shows a 3% improvement at Group level.

The weather during the reporting period represented a Group-level heating potential relative to the corresponding period in 2022 and to the average of recent years.

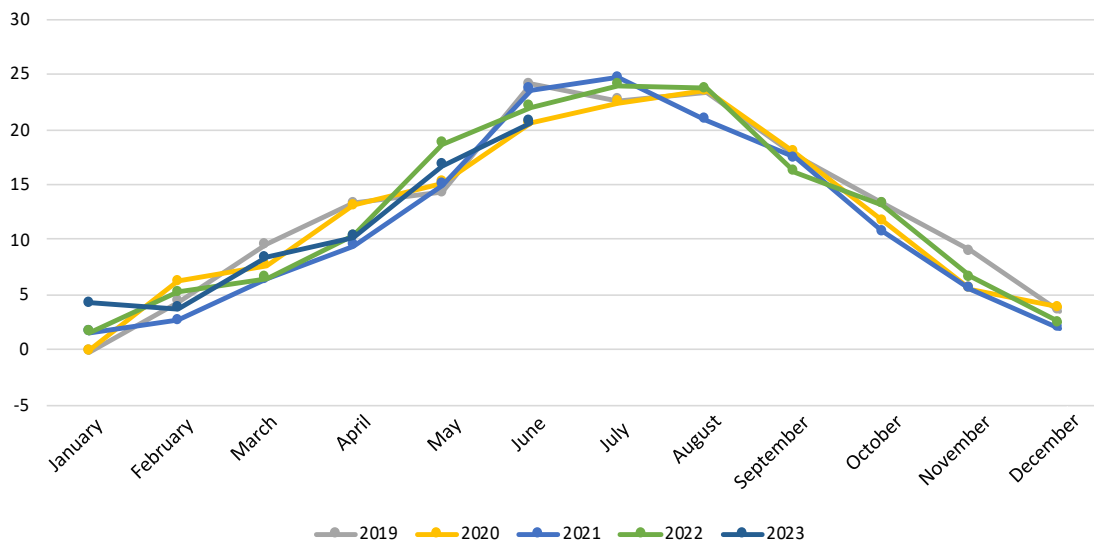


Figure 3: Average temperatures in 2017–2023

Based on a comparison of heat sales figures for Q1 and Q2 2023 with the average data for the corresponding periods of historic years it can be established that PannErgy realised record heat sales in Q1, exceeding the value of the base period by 5%. In Q2, in turn, its output was close to the record heat sales of the base period, falling only 1% short of the value posted for the base period.

In both periods, PannErgy outperformed quarterly projections; by 2% in Q1 and by around 6% in Q2. This outstanding performance was primarily due to favourable weather conditions and the Group's ongoing investments into increasing efficiency, operational safety and capacity expansion.

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

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

The Geothermal System of Miskolc sold a total of 269,345 GJ of thermal energy in Q1 2023, which is in line with the average of the corresponding period of previous years and is 11% higher than the heat sales achieved in the same period of 2022, mainly due to the needs for technical and operational interventions presented in the base period.

The Miskolc project companies sold a total of 138,873 GJ of thermal energy in Q2 2023, which is in line with the average values for the corresponding periods of previous years, but is 10% below the heat sales achieved in the same period of 2022, mainly due to temporary technical capacity constraints.



As a result, the Miskolc project sold heat in a total amount of 408,218 GJ during the first half of the year, 3% more than the 397,877 GJ sold during the base period.

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

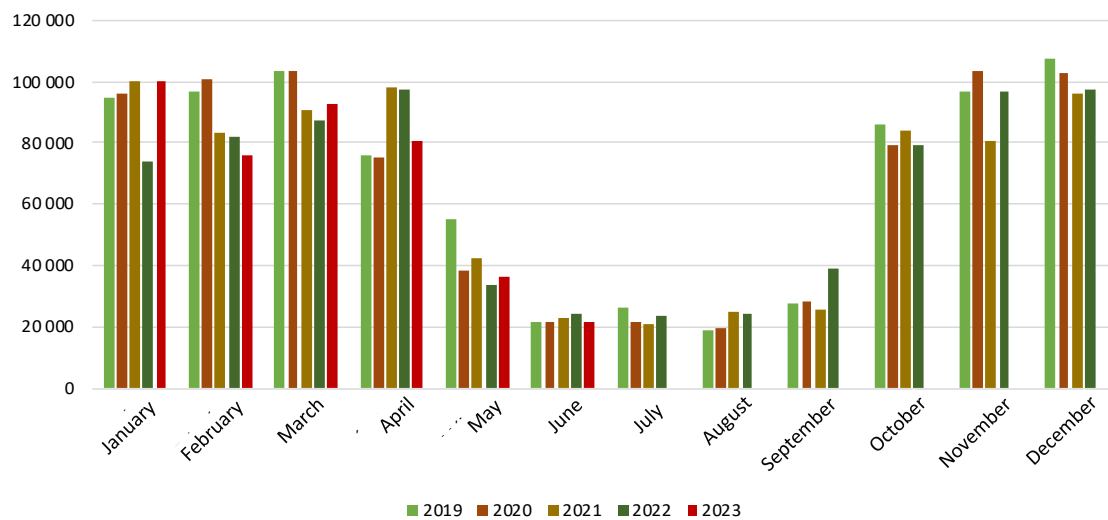


Figure 4: Quantity of heat sold in Miskolc (GJ)

### 2.2.2 Győr Geothermal Project (DD Energy Ltd., Arrabona Koncessziós Ltd.)

The Geothermal System of Győr sold a historic seasonal record 359,250 GJ thermal energy in Q1 2023, representing a 1% rise year-on-year. The Győr project companies sold 199,360 GJ thermal energy in Q2 2023, representing a year-on-year rise of 7%. This quarterly heat sale performance also represents a historic seasonal record. In both quarters, the increase can be primarily attributed to the investment activity in recent periods, favourable weather conditions and the Company's previously disclosed commercial agreement with GYŐR-SZOL CPlc. that ensures priority to geothermal energy.

Thanks to the above, the Győr project sold heat in a total amount of 558,610 GJ during the first half of the reporting period, up 3% on the 541,300 GJ recorded one year earlier.

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

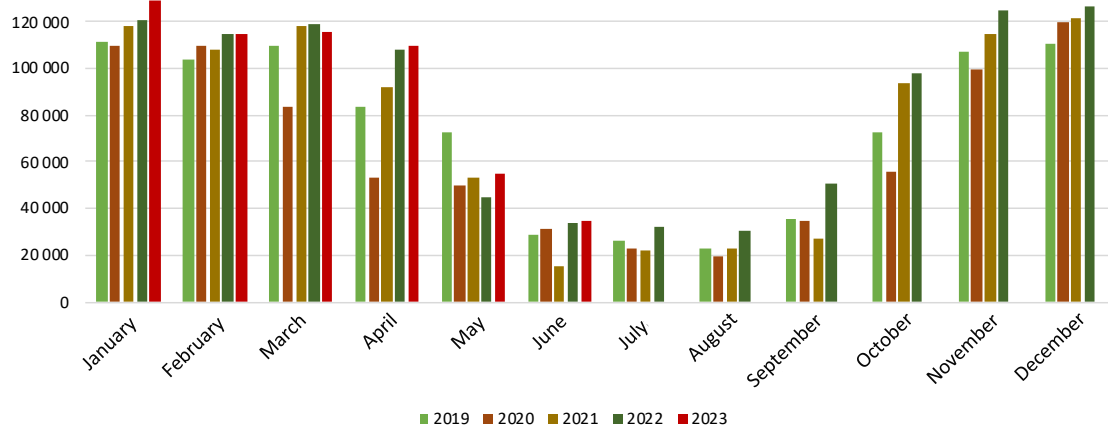


Figure 5: Quantity of heat sold in Győr (GJ)



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

#### 3.1 Results achieved in the reporting period, perspectives

In addition to the abovementioned 3% growth in consolidated heat sales, the **consolidated sales revenue of the Company was up 64% year-on-year in H1 2023, growing to HUF 6,051 million from HUF 3,686 million in the base period.** The increment primarily resulted from regulatory heat tariffs, which **acknowledge and are adjusted to reflect the significantly higher production (mainly electricity) and indirect costs** relative to the base period. HUF 5,855 million of the total sales revenue of HUF 6,051 came from heat sales, 89% higher than the HUF 3,093 million booked in the corresponding period of the previous year.

In terms of the sales revenue structure broken down by project, the **Geothermal Project of Győr contributed HUF 3,622 million to the sales revenue** of PannErgy Group in H1 2023, 81% more than the HUF 1,997 million recorded for the corresponding period of the previous year. Arrabona Koncessziós Ltd.'s sales to Győr-Szol CPlc. amounted to HUF 2,298 million of the above total figure, while DD Energy Ltd's sales to its automotive industry customer amounted to HUF 1,323 million (to be compared to the previous year's HUF 1,166 million and HUF 831 million figures, respectively). **Sales to heat-receiving partners realised within the framework of the Geothermal Project of Miskolc amounted to HUF 2,140 million in the reporting period,** of which HUF 2,092 million was sold to MIHŐ Miskolci Hőszolgáltató Ltd. These sales figures surpass the HUF 1,044 million revenue from the Miskolc project and the HUF 1,005 million revenue from MIHŐ Miskolci Hőszolgáltató Ltd. reported for H1 2022. At the level of the Miskolc project, this represents a 105% increase in the sales revenue year-on-year.

Of the two smaller projects of the Company, **the Szentlőrinc project managed to increase its sales revenue year-on-year.** The Szentlőrinc project generated HUF 76 million in sales revenue in the first half of 2023, 77% more than the HUF 43 million sales revenue booked in H1 2022. **The Berekfürdő project's sales revenue from the sale of heat and electricity amounted to HUF 158 million,** significantly surpassing the HUF 65 million sales revenue recorded for the corresponding period of the previous year, which can be attributed to a sharp price increase in the electricity market between the reporting period and the base period, and the positive effects of the efficiency improving projects.

In addition to heat sales, the Company earned HUF 148 million from selling electricity, which underperforms the HUF 510 million sales revenue recorded for the corresponding period of the previous year. However, it should be noted that, of the figure of the base period, HUF 451 million represented electricity charges connected to operating PannErgy Plc.'s real-estate properties in Debrecen, which were re-invoiced to third parties practically with no margin. Without these items, the Company's electricity sales linked to its Berekfürdő and Szentlőrinc projects amounted to HUF 59 million in the base period and, relative to that amount, the sales revenue of HUF 148 million realised in H1 2023 shows a significant improvement.

In relation to the utilisation of the abovementioned industrial real-estate properties in Debrecen, the Company realised revenues in HUF 16 million in the reporting period, of which HUF 13 million represented rental fee revenues. This item grew by 8% year-on-year.

Similarly to the previous period, three customers each exceeded 10% of the total amount of PannErgy Group's consolidated revenue from sales, making up a combined 94% percent of the total sales of PannErgy Group in the reporting period, exceeding the 81% concentration exposure recorded for the base period.

**In the first half of 2023, direct costs of sales rose by 50% to HUF 4,060 million from HUF 2,703 million recorded in the same period of the previous year. The growth can be primarily attributed to electricity costs, which were rising in line with the extremely volatile energy market movements.** In addition, it reflected the protracted unfavourable inflation environment that also characterised the reporting period, while the increased depreciation booked for capacity increasing and operational safety improving projects commissioned during the previous period and in the reporting period also put an upward pressure on direct costs.

**As a result, the Company's gross margin amounted to HUF 1,991 million during the reporting period, which represents a 103% increase of over HUF 1 billion compared to the gross margin of HUF 983 million posted in the base period.** The Company's gross margin rate was 33% during the reporting period (versus 27% in the base period).

**The Group stated a gross cash-flow figure of HUF 2,953 million in H1 2023 – 65% up from the HUF 1,790 million stated for the corresponding period of the previous year – with the same, 49% gross cash-flow ratio.**

**Administrative and overhead – i.e. indirect – costs amounted to HUF 370 million in the reporting period,** 35% over the indirect costs of HUF 273 million stated for the first half of the previous year against the backdrop of the protracted, unfavourable inflation environment that also characterised the reporting period. 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-capitalisable costs related to business development and new projects are stated by the Group under the heading of indirect costs, among other items.

Central costs increased in nearly all categories in the reporting period. For corporate social responsibility considerations, PannErgy Group continues to attach high importance in its budget 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 loss of HUF 322 million,** in contrast to the HUF 218 million profit recorded in the base period.

The most substantial (HUF 329 million) items within the HUF 470 million portfolio of other expenses are provisions, which are related to the regulatory heat pricing linked to district heat production in coming periods. In addition, the Company incurred HUF 98 million in local taxes, particularly, the local business tax paid to the local governments at the sites of geothermal projects. Within other expenses, another major item is the mining fee payable relating to geothermal heat production; under this heading the Company incurred expenditures of HUF 40 million in the reporting period.

Within the HUF 148 million other income, the most significant item recognised during the reporting period was other income from non-refundable investment grants received without a cash movement in the amount of HUF 127 million, which includes the write-back of grants received previously and recognised as deferred income adjusted for depreciation in the reporting year. The Company stated compensation type items based on defective performance, collected from supplier partners, in an amount of HUF 19 million. The deterioration in other income and expenses relative to the base period also reflects a HUF 178 million decline in one-off income incurred in the reporting year.

**As a result of these factors an amount of HUF 1,299 million profit is stated by the Company as operating surplus (EBIT) for the first half of 2023, exceeding the HUF 928 million surplus stated for the first half of 2022 by 40%.**

**The business cash-flow (EBITDA) was an influx of HUF 2,265 million, which is HUF 530 million more than the HUF 1,735 million EBITDA recognised for H1 2022.** HUF 965 million was recognised in H1 2023 as depreciation, 20% more than the HUF 807 depreciation recorded for H1 2022. In calculating the EBITDA, pursuant to its accounting policy, the Company takes account of the extraordinary depreciation recognised among intangible assets and tangible assets; HUF 1 million other expenditures were incurred on such grounds.

**Financial P&L amounted to HUF 98 million loss in the period under review, HUF 96 million less than the HUF 194 million loss in H1 2022 under the heading of financial loss.**

The improving financial P&L resulted primarily from a favourable change (caused by the strengthening of the HUF against the EUR relative to earlier periods) in the **non-realised foreign exchange result 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. The unrealised exchange rate difference was calculated at the end of the reporting period, based on a 400.25 EUR/HUF (31 December 2022) and a 371.13 EUR/HUF (30 June 2023) exchange rate, in contrast to the 369.00 EUR/HUF and 396.75 EUR/HUF of exchange rates one year earlier, respectively, with the former resulting in a substantial financial profit.

**Under this heading, the Company recognised a HUF 140 million profit for the reporting period.**

Despite the raised interest rate levels, the **net interest result** rose only moderately **by HUF 15 million to HUF 165 million** from the HUF 150 million expense reported for the base period. This subdued growth can be attributed to higher interest incomes, the fixed-rate credit schemes and the interest rate swap transactions (IRS) conducted previously by the Company for hedging purposes.

Accordingly, the PannErgy Group's H1 2023 profit before taxation amounts to HUF 1,201 million, exceeding the HUF 734 million profit posted for the corresponding period of the previous year by 64%.

The Company recognised HUF 42 million as tax payment obligation in the reporting period; **accordingly, HUF 1,159 million was stated as the Company's net profit for the period, HUF 427 million more (58%) than the HUF 732 million profit recognised in the same period of the previous year.**

### **3.2 Analysis of the statement of financial position pertaining to the reporting period**

The portfolio of fixed assets decreased by 1% during H1 2023 from the amount stated as at 31 December 2022. Within this, the value of intangible assets was up 1% and that of tangible assets fell by 2% year-on-year. These changes reflected the effect of capital projects in progress in the reporting period and in the previous 6 months surpassing or falling short of the value of depreciation; i.e. their increasing or decreasing effect on book value. The value of goodwill recognised by the Company did not change during the reporting period, as its amount continued to equal HUF 678 million.

The Company shows its industrial real estates located in Debrecen, which are not used in connection with its core operations, as investment property on 30 June 2023, in an amount of HUF 95 million.

Deferred tax receivables in the amount of HUF 162 million were recognised among assets, the value of which increased by 17% relative to the base period according to PannErgy Group's deferred tax recovery calculations.

As at 30 June 2023, PannErgy Group recognised liquid assets related to the concession agreement in an amount of HUF 1,010 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 Bóny, put in place in the framework of the concession project implemented in the region of Győr.

The volume of current assets fell by 7% year-on-year, primarily as a consequence of a substantial decline in trade receivables and other receivables during the reporting period (the expected business cyclicity during the year), which was partly offset by a **HUF 312 million and HUF 1,439 million increase in cash and liquid assets, respectively**, during the reporting period.

Among its inventories the Company stated maintenance supplies and goods related to the geothermal projects in the amount of HUF 156 million as at 30 June 2023.

The 56% decline in accounts receivables resulted from the higher base figure at the end of the year in line with the seasonal pattern of heat sales; the Company's clientèle remained unchanged.

**The value of securities rose to HUF 1,856 million from the 417 million reported in the base period, which typically reflects short-term bonds.**

Liquid assets (as a part of current assets) increased in parallel with the decline in trade receivables; **at the end of the period the Company's liquid assets amounted to HUF 941 million vs. HUF 629 million at the end of the base year.**

The share of freely disposable cash in hand within the growing stock of liquid assets also increased in comparison to the HUF 492 million recorded at the end of the previous year. **On 30 June 2023 the Company held disposable liquid assets in the amount of HUF 886 million (cash on deposit, cash in hand and term deposits that, however, may be released at any time)**, which accounts for 94% of the liquid assets.

The Company's shareholders' equity was up 8% year-on-year, primarily as a net profit increase during the reporting period.

**Equity per share** (counting with the number of shares minus the portfolio of treasury shares) **increased to HUF 723** from the HUF 660 recorded as at 31 December 2022.

The long-term loan portfolio dropped by 7% from the amount reported at the end of the previous financial year to HUF 8,464 million, primarily as a combined result of debt servicing during the reporting period and the revaluation of loans denominated in EUR on the basis of the exchange rate in place on the cut-off date.

Provisions in the reporting period were up HUF 185 million year-on-year. The main reason for the increasing of provisions is related to the regulatory heat pricing linked to district heat production in coming periods, which was reduced by the reclassification of the provisions formed in the base period into current liabilities.

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 3,332 million is stated in this regard in the Company's balance sheet among its long term liabilities, showing a 3% drop year-on-year, as a result of the reversal of deferred revenues in an amount of HUF 127 million during the period under review in proportion with the depreciation of the related assets.

Within current liabilities, the balance of trade payables was HUF 260 million, which was 67% lower than in the base period. The portfolio of short-term loans outstanding dropped by 55% to HUF 529 million from HUF 1,169 million at the end of the previous financial year. The short-term part of long-term credits amounted to HUF 1,273 million at the end of the reporting period, representing a 3% decline compared to the end of the previous financial year.

Other short-term liabilities amounted to HUF 881 million at the end of the reporting period, which is 47% higher than the HUF 597 million at the end of the previous period, in accordance with the particularly extreme energy market price movements during the reporting and base period and the reclassification of the provision from the base period.

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

### 4.1 IFRS consolidated profit and loss statement

IFRS consolidated profit and loss statement (HUF million)	H1 2023	H1 2022	Rate %
Revenue from sales	6,051	3,686	164.2
Direct cost of sales	-4,060	-2,703	150.2
<b>Gross margin</b>	<b>1,991</b>	<b>983</b>	<b>202.5</b>
<b>Gross margin ratio %</b>	<b>33%</b>	<b>27%</b>	
<i>of which direct depreciation write-off</i>	962	807	119.2
<b>Gross cash-flow</b>	<b>2,953</b>	<b>1,790</b>	<b>165.0</b>
<b>Gross cash-flow rate %</b>	<b>49%</b>	<b>49%</b>	
Indirect costs of sales	-370	-273	135.3
Other incomes	148	335	44.2
Other expenditures	-470	-117	401.7
<b>Operating profit (EBIT)</b>	<b>1,299</b>	<b>928</b>	<b>140.0</b>
Operating profit rate %	21%	25%	
<b>EBITDA</b>	<b>2,265</b>	<b>1,735</b>	<b>130.5</b>
<b>EBITDA rate %</b>	<b>37%</b>	<b>47%</b>	
Revenues from financial transactions	421	236	178.4
Expenditures on financial transactions	-519	-430	120.7
<b>Profit/loss of financial transactions</b>	<b>-98</b>	<b>-194</b>	<b>50.5</b>
<b>Profit before taxes</b>	<b>1,201</b>	<b>734</b>	<b>163.6</b>
Corporate income tax	-42	-2	2,100.0
<b>Profit after taxes (Net profit/loss for the reporting period)</b>	<b>1,159</b>	<b>732</b>	<b>158.3</b>
<i>of which: Net earnings attributed to the Company's shareholders during the reporting period</i>	<b>1,159</b>	<b>732</b>	<b>158.3</b>
<i>of which: Share of (external) minority shareholders from the earnings of the reporting period</i>	-	-	
<b>Earnings per ordinary share (HUF)</b>			
<b>Basic</b>	<b>74</b>	<b>45</b>	<b>164.4</b>
Diluted	74	45	164.4

## 4.2 IFRS consolidated statement of financial position

IFRS consolidated statement of the financial position (HUF million)	30/06/2023	31/12/2022	Rate %	30/06/2022
<b>Fixed assets</b>				
Intangible assets	1,680	1,661	101.1	1,641
Goodwill	678	678	100.0	678
Tangible assets	18,771	19,081	98.4	19,284
Investment property	95	101	94.1	107
Marketable properties	-	-	-	-
Other invested financial assets	-	-	-	102
Financial assets related to concession agreements	1,010	1,035	97.6	1,060
Receivables from deferred taxes	162	139	116.5	217
Long-term receivables	-	-	-	-
<b>Total fixed assets</b>	<b>22,396</b>	<b>22,695</b>	<b>98.7</b>	<b>23,089</b>
<b>Current assets</b>				
Inventories	156	25	624.0	12
Trade receivables	984	2,260	43.5	479
Other receivables	353	1,305	27.0	427
Prepaid income taxes	-	-	-	-
Securities	1,856	417	445.1	352
Liquid assets	941	629	149.6	1,786
<b>Total current assets</b>	<b>4,290</b>	<b>4,636</b>	<b>92.5</b>	<b>3,056</b>
<b>TOTAL ASSETS</b>	<b>26,686</b>	<b>27,331</b>	<b>97.6</b>	<b>26,145</b>
<b>Shareholders' equity and liabilities</b>				
Subscribed capital	400	400	100.0	421
Reserves net of profit/loss of reporting period	14,663	14,139	103.7	13,882
Net P&L for the year (attributable to the shareholders of the Company)	1,159	1,310	88.5	732
Reserve for repurchased treasury shares	-4,859	-5,315	91.4	-4,781
Minority interests	-	-	-	-
<b>Total shareholders' equity</b>	<b>11,363</b>	<b>10,534</b>	<b>107.9</b>	<b>10,254</b>
Long-term credits	8,464	9,086	93.2	9,679
Other long-term deferred revenues	3,332	3,439	96.9	3,578
Provisions	329	144	228.4	-
<b>Total long-term liabilities</b>	<b>12,125</b>	<b>12,669</b>	<b>95.7</b>	<b>13,257</b>
Trade payables	260	779	33.4	374
Short-term credits	529	1,169	45.3	111
Short-term part of long-term credits	1,273	1,308	97.3	1,243
Other long-term deferred income	255	275	92.7	273
Deferred tax liabilities	-	-	-	-
Other short-term liabilities	881	597	147.6	633
<b>Total short-term liabilities</b>	<b>3,198</b>	<b>4,128</b>	<b>77.5</b>	<b>2,634</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>26,686</b>	<b>27,331</b>	<b>97.6</b>	<b>26,145</b>

#### 4.3 IFRS consolidated overall profit and loss statement

IFRS consolidated overall profit and loss statement (HUF million)	H1 2023	H1 2022	Rate %
<b>Net P&amp;L for the reporting year</b>	<b>1,159</b>	<b>732</b>	<b>158.3</b>
<i>Other comprehensive income</i>			
Other comprehensive income in the period with tax implications	-	-	-
<b>Total other comprehensive income for the year</b>	<b>1,159</b>	<b>732</b>	<b>158.3</b>
<b>/ attributable to the shareholders of the Company</b>	<b>1,159</b>	<b>732</b>	<b>158.3</b>
Share of minority (external) shareholders in total other comprehensive income	-	-	-





#### 4.4 Consolidated statement on equity under the IFRS

Consolidated statement on equity (HUF million)	Subscrib ed capital	Reserves	Repurchased treasury share	Participati on of external members	Equity
<b>Balance as at 31 December 2021</b>	<b>421</b>	<b>14,404</b>	<b>-4,845</b>	<b>-</b>	<b>9,980</b>
H1 2022 result	-	732	-	-	732
Changes in the participation of external members	-	-	-	-	-
Difference arising from consolidation or transformation	-	-	-	-	-
Share option programme	-	-	-	-	-
Repurchased treasury shares	-	-	-164	-	-164
Decrease in treasury shares	-	-228	228	-	-
Distribution of dividends	-	-294	-	-	-294
<b>Balance as at 30 June 2022</b>	<b>421</b>	<b>14,614</b>	<b>-4,781</b>	<b>-</b>	<b>10,254</b>
<b>Balance as at 31 December 2022</b>	<b>400</b>	<b>15,449</b>	<b>-5,315</b>	<b>-</b>	<b>10,534</b>
H1 2023 result	-	1,159	-	-	1,159
Changes in the participation of external members	-	-	-	-	-
Difference arising from consolidation or transformation	-	-	-	-	-
Share option programme	-	-	-	-	-
Repurchased treasury shares	-	-	-330	-	-330
Decrease in treasury shares	-	-786	786	-	-
Distribution of dividends	-	-	-	-	-
<b>Balance as at 30 June 2023</b>	<b>400</b>	<b>15,822</b>	<b>-4,859</b>	<b>-</b>	<b>11,363</b>



## 4.5 IFRS consolidated cash flow statement

IFRS consolidated cash flow statement	H1 2023	H1 2022
<b>Liquid assets from operations</b>		
<b>Profit before taxes</b>	<b>1,201</b>	<b>734</b>
<i>Adjustments in relation to profit before taxes and the cash flow of business operations</i>		
Amortisation and depreciation of tangible and intangible assets	965	807
Effect of deferred taxes	-23	-34
Income tax expenditures	-42	-2
Exchange gain/loss on credits	-199	176
Allocation and release of provisions	185	-
Extra depreciation write-off on tangible assets	1	-
Impact of the share option programme valuation on changes in capital	-	-
Changes in minority participations	-	-
<i>Changes in working capital elements</i>		
Increase/decrease in prepaid income taxes	-	23
Increase/decrease of inventories	-131	-5
Increase/decrease in receivables	2,228	1,212
Increase/decrease in liabilities	-235	-311
<b>Net liquid assets originating from/used in operations</b>	<b>3,950</b>	<b>2,600</b>
<b>Investment activities</b>		
Acquisition of tangible and intangible assets	-644	-930
Sales of tangible and intangible assets	-	-
Increase/decrease in long-term receivables	-	-
Other long and short-term deferred revenues	-127	-138
<b>Liquid assets from/used in investment operations</b>	<b>-771</b>	<b>-1,068</b>
<b>Financial operations</b>		
Increase in/repayment of long-term loans	-458	-497
Increase/decrease in short-term loans	-640	-242
Exchange rate difference from consolidation		
Purchase, revaluation, of treasury shares	-330	-164
Sale of treasury shares, exercise of options under share option programme	-	-
Amount prescribed for dividend payment	-	-294
Increase/decrease in securities	-1,439	175
<b>Liquid assets from/used in financial transactions</b>	<b>-2,867</b>	<b>-1,022</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>312</b>	<b>510</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>629</b>	<b>1,276</b>
<b>Cash and cash equivalents as of 30 June</b>	<b>941</b>	<b>1,786</b>

## 5 Other financial statements, detailed information

### 5.1 Direct cost of sales

Direct cost of sales (HUF million)	H1 2023	H1 2022
Electricity charges	2,080	477
Direct depreciation	962	807
Maintenance, operation and facility management costs	959	866
Insurance fees (linked to heat generation)	26	30
Other direct costs	23	28
Costs of goods sold, mediated services	10	495
<b>Total indirect costs of sales</b>	<b>4,060</b>	<b>2,703</b>

### 5.2 Indirect costs of sales (indirect costs)

Indirect costs of sales (HUF million)	H1 2023	H1 2022
Indirect personnel-type costs	130	81
Office and operating costs	83	55
Expert fees, bookkeeping, audit fees	79	69
Costs related to public and stock exchange presence, and corporate	37	45
Banking costs	16	12
Insurance premiums	16	7
Other fees and duties payable to authorities	6	4
Indirect depreciation	3	-
<b>Total indirect costs of sales (indirect costs)</b>	<b>370</b>	<b>273</b>

### 5.3 Other income and expenses

Other income and expenses (HUF million)	H1 2023	H1 2022
Income from funds granted for development	127	138
Fines, penalties, compensations received	19	89
Profit on the sales of tangible assets	-	90
Income from previous years	-	18
Other items not detailed	2	-
<b>Total other income</b>	<b>148</b>	<b>335</b>
Provisioning during the reporting year	329	-
Local taxes	98	72
Mining fee	40	40
Fines, penalties, compensations paid	2	1
Extraordinary depreciation and scrapping of assets	1	-
Other items not detailed	-	4
<b>Total other expenses</b>	<b>470</b>	<b>117</b>
<b>Profit/loss on other activities</b>	<b>-322</b>	<b>218</b>

#### 5.4 Financial profit

<b>Profit/loss on financial transactions (HUF million)</b>	<b>H1 2023</b>	<b>H1 2022</b>
Exchange gain on credits and loans denominated in foreign	249	15
Exchange gain on interest earning securities	84	2
Exchange gain on liabilities denominated in foreign currencies	42	31
Interest and interest-type income	38	-
Exchange gain on receivables denominated in foreign	8	72
Exchange gain on foreign currency accounts	-	116
<b>Total income from financial transactions</b>	<b>421</b>	<b>236</b>
Interests paid	203	150
Loss on derivative transactions	143	18
Exchange loss on liabilities denominated in foreign currencies	69	48
Exchange loss on credits and loans denominated in foreign	50	191
Exchange loss on receivables denominated in foreign	40	23
Exchange loss related to FX accounts	12	-
Exchange loss on securities	2	-
<b>Total expenses on financial transactions</b>	<b>519</b>	<b>430</b>
<b>Profit/loss on financial transactions</b>	<b>-98</b>	<b>-194</b>
<b>Of which: from the revaluation of items denominated in foreign currencies at the end of the period (unrealised exchange gain/loss)</b>	<b>140</b>	<b>-103</b>

#### 5.5 Relevant exchange rate at the at the end of the period

<b>MNB medium exchange rate</b>	<b>30/06/2023</b>	<b>31/12/2022</b>	<b>30/06/2022</b>	<b>31/12/2021</b>
EUR/HUF rate	371.13	400.25	396.75	369.00

PannErgy Group recognises a loss of HUF 98 million for the reporting period as profit/loss on financial transactions. This includes a HUF 140 million foreign exchange gain from revaluations at the end of the period compared to a loss of HUF 103 million in the base period. In accordance with IFRS requirements, monetary items of the PannErgy Group carried in currencies other than the HUF – the functional currency – are translated to HUF at the exchange rate prevailing at the end of the period, and the (financially unrealised) exchange rate differences resulting from such translations are recognised in the statement of profit or loss under financial transactions.

The result of end-of-period revaluations on 30 June 2023 was a profit resulting from the strengthening of the HUF against the EUR relative to previous reporting periods.



## 5.6 Liquid assets

Liquid assets (HUF million)	30/06/2023	31/12/2022
Bank account and cash in hand	425	492
Separated, blocked cash	55	137
Fixed deposits	461	-
<b>Total liquid assets</b>	<b>941</b>	<b>629</b>

Cash and liquid assets whose use for any purpose other than the account holder's own core operation business activities requires the financing financial institution's consent are also included in the bank account and cash at hand category. 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 before full repayment.

## 5.7 Non-current borrowings

Non-current borrowings	30/06/2023	31/12/2022
HUF based loan secured with collateral	7,351	7,657
EUR based loan secured with collateral	2,386	2,737
Short-term part reclassified to short-term credits	-1,273	-1,308
<b>Total non-current borrowings, leases</b>	<b>8,464</b>	<b>9,086</b>

The main reason for the decline in non-current borrowings during the period under review was loan repayments made during the reporting period. In addition, the end-of-period recognition of the non-realised exchange rate difference on EUR-denominated loans also put a downward pressure on borrowings, resulting in a non-realised profit of HUF 199 million at the end of the period – i.e. a decline in liabilities – as a result of the significant strengthening of the forint against the euro in the reporting period.

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

The 6-month EURIBOR is the basis of the interest rates on the outstanding EUR loans of each of the relevant project companies. In view of this fact and the contractual interest margins, the weighted average interest rates on EUR-based loans secured by collateral – based on the loans outstanding as at 30 June 2023 – was 2.80%, slightly exceeding the 2.63% average interest rate recorded for the first half of the previous year, also in consideration of the interest fixing effect of interest rate swap transactions. Without the interest rate swap transactions the weighted average interest rate on EUR-based loans would have been 5.35% in the reporting period.

The interest rates on HUF loans secured by collateral are typically fixed at 2.40% or 2.50%.

Their weighted average interest rate – based on the loans outstanding as at 30 June 2023 – was 2.91% which, again, is only slightly more than the 2.40% average interest rate calculated for the first half of the previous year, also in consideration of the interest fixing effect of interest rate swap transactions.



Maturity dates of the credits and loans

In the case of long-term and short-term credits and loans, liabilities of HUF 7,345 million mature within five years and liabilities of HUF 2,921 million mature over 5 years from 30 June 2023. According to the contractual debt servicing schedule a total of HUF 1,802 million is due within one year (that is, by 30 June 2024), HUF 5,543 million will be due after one year and before the end of the 5th year and HUF 2,921 million will be due beyond 5 years.

**5.8 Current borrowings, leases**

<b>Current borrowings, leases (HUF million)</b>	<b>30/06/2023</b>	<b>31/12/2022</b>
Short-term part of long-term credits	1,273	1,308
Other current borrowings, leases	529	1,169
<b>Total current borrowings, leases</b>	<b>1,802</b>	<b>2,477</b>

**5.9 Deferred income from grants**

<b>Deferred income from grants (HUF million)</b>	<b>30/06/2023</b>	<b>31/12/2022</b>
Other long-term deferred income	3,332	3,439
Short-term part of long-term deferred income (within 1 year)	255	275
<b>Total deferred income from grants</b>	<b>3,587</b>	<b>3,714</b>

The Company states among other long-term incomes – in connection with its energy industry projects – the over-1-year part of the non-repayable grants won for its projects through application schemes, while the short-term part is stated among current 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.



## 5.10 Grants

data in HUF millions

Group entity	Project ID	Eligible investment cost	Aid granted	Aid drawn down	Deferred revenues from grants
Szentlőrinci Geotermia Ltd.	KEOP-4.2.0/B-09-2009-0026	883	442	427	305
Berekfürdő Energia Ltd.	KEOP 4.4.0/A/09-2009-0009	250	125	125	28
DoverDrill Mélyfúró Ltd.	GINOP-2.1.2-8-1-4-16-2017-00166	1,250	500	500	309
Miskolci Geotermia Ltd.	KEOP 4.7.0-2010-0001	632	316	286	207
Miskolci Geotermia Ltd.	KEOP 4.2.0/B-11-2011-0007	2,856	1,000	1,000	635
Miskolci Geotermia Ltd.	GOP-1.2.1/B-12-2012-0005	323	162	148	12
Kuala Ltd.	KEOP 4.7.0/11-2011-0003	619	309	309	239
Kuala Ltd.	KEOP-4.10.0/B-12-2013-0012	2,836	1,000	1,000	634
DD Energy Ltd.	KEOP-4.10/B-12-2013-0010	3,997	1,000	1,000	595
Arrabona Koncessziós Ltd.	KEOP-4.10/B-12-2013-0011	3,509	1,000	992	623
<b>Total amount of grants in the balance sheet as of 30 June 2023</b>					<b>3,587</b>

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 or system developments 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).

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

### 5.11 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)	H1 2023	H1 2022
Revenue from sales	2,035	1,018
Direct cost of sales	2,019	1,003
Indirect cost of sales	16	15
Other incomes	1	124
Other expenditures	1	1
Revenues from/expenditures on financial transactions	-	-

Changes in the intra-group consolidated / eliminated turnovers in the statement of financial position (HUF million)	30/06/2023	31/12/2022
Intangible assets	15	36
Tangible assets	1,804	1,715
Next period's items among other receivables	1,398	939
Long-term loans granted	3,837	3,837
Other receivables, short-term loans	12,806	8,949
Next period's items among other liabilities	1,398	939
Long term liabilities	3,837	3,837
Other short-term liabilities	12,806	8,949

### 5.12 Segment information

In these interim consolidated financial statements on H1 2023 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 year 2022, and H1 2022, 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 does not identify Asset Management (which used to be identified in earlier years) in this reporting period either 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 generation and sale of geothermal heat, which is the main business activity of the PannErgy Group, because they are industrial facilities which used to be used in plastic manufacturing by the legal predecessor Pannonplast Plc. The Company is committed to selling these industrial properties but in the meantime it provides for their



effective and efficient operation and utilisation. Such utilisation involves primarily the re-invoicing of electricity charges and other public utility costs to the co-owners of the properties constituting an undivided jointly owned real estate, 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 16 million in the first half of 2023 from the utilisation of the above real estate, with a profit content of HUF 13 million. The bulk – HUF 13 million – of this profit-generating, invoiced sales revenue derives from real estate leases, while the remaining HUF 3 million derives from the re-invoicing of costs associated with the real-estate properties. Accordingly, it can be established that the revenues and profits realised from the utilisation of real estate are negligible (less than 1%) compared to PannErgy Group's figures stated for the reporting period. The Company shows these real estates, located in the town of Debrecen, among its investment properties.

## 6 Other supplementary information

### 6.1 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. 2022 – consolidated financial statements, and in the last semi-annual financial statements, that is, the H1 2022 consolidated report. The standards and modifications in place since 1 January 2023 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.

### 6.2 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, and 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.

### **6.3 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 quality 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 the public.

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

#### 6.4 *Deferred tax*

The PannErgy Group shows a HUF 162 million receivable-type deferred tax position in its consolidated financial statements as at 30 June 2023. The deferred tax receivable of the HUF 162 million stated among fixed assets comprises the 9% corporate income tax payable 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 182 million – is based on the verified deferred tax recoveries of the subsidiaries concerned. This amount is reduced by the HUF 20 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 relevant IFRS.

#### 6.5 *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 statements of profit or loss of PannErgy Group members with the income tax rates applying to them, and the corporate income tax figures actually stated in the statements of profit or loss are calculated as follows:

Calculation of the effective income tax (HUF million)	H1 2023	H1 2022
<b>Profit before taxes (individual companies)</b>	<b>1,300</b>	<b>1,046</b>
The tax payable on each company's profit/loss at the applicable tax rate (9%) according to the relevant tax bracket	117	94
Effects of different tax rates (minimum profit tax)	13	3
Effects of changes in the tax rate		
Tax implications of non-deductible expenditures, effects of differences in depreciation and other tax-decreasing items	8	-7
Tax allowances	-71	-46
Deferred tax liabilities assessed in the reporting year for any negative tax base not stated earlier	-2	-12
<b>Tax liabilities for the reporting year</b>	<b>65</b>	<b>32</b>
<b>Write-off of tax receivables assessed earlier for negative tax bases, deferred tax receivable accrued during the reporting year</b>	<b>- 23</b>	<b>- 30</b>
<b>Income tax (as per the profit &amp; loss account)</b>	<b>42</b>	<b>2</b>

#### 6.6 *Approval in the reporting period of the previous financial year's report, dividend payment*

The Company's annual regular general meeting on 28 April 2023 approved – in view of the Management Board's report and the Audit Committee's and the auditor's comments, inter alia, – PannErgy Plc.'s individual (parent company) non-consolidated 2022 balance sheet, and profit and loss statement, prepared in accordance with the EU IFRSs, in line with the relevant proposal and the auditor's report, with HUF 10,520 million total assets and the same amount as total liabilities, and a HUF 147 million profit after taxes. General Meeting – taking into account the reports of the Management Board, the Audit Committee and the auditor's comments - also acknowledged and adopted the Company's consolidated report relating to PannErgy Plc.'s

business operations in 2022, prepared in accordance with the EU IFRS, with a total amount of HUF 27,331 million for both assets and liabilities (balance sheet total), HUF 1,310 million in the way of profit after taxes.

After the approval of the separate and the consolidated reports, the Company's annual, regular General Meeting adopted resolution No. 3/2023 (IV. 28.) to the effect that the Company will not pay dividends for the 2022 business year.

### **6.7 Changes in the capital, management and organisation of the Company**

On 30 June 2023 the Company's share capital (subscribed capital) amounted to HUF 400 million, equalling 20,000,000 ordinary shares. There was no change in the Company's share capital in the first half of the reporting period. 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 repurchased treasury shares.

Based on the share register, on 30 June 2023 the Company held 4,311,728 PannErgy Plc. treasury shares, 270,028 more than the 4,041,700 shares held on 31 December 2022. The increase during the reporting period resulted from the Company's treasury share buyback programme 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 buyback programmes concluded or launched in the reporting period are presented in Chapter 9.2. "*Changes in treasury shares (number of shares) in H1 2023 (RS2.)*" of this interim management report.

In the communication published on 1 July 2023 on the number of voting rights as at 30 June 2023, the Company stated 4,315,528 treasury shares, which shows a difference of 3,800 shares compared to the abovementioned 4,311,728 shares stated in the share register. The difference is due to the recognition of end-of-period treasury share purchases. The Company's management remained unchanged in H1 2023. The data of the senior officers and the details of the PannErgy Plc. ordinary shares they hold are to be found in Chapter 10.2 *Persons in managerial positions, (strategic) employees affecting the functioning of the Issuer (TSZ2)*.

### **6.8 Share-based payments**

The Company has no share option programme 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 2023 in relation to share-based payments.

### **6.9 Publicity, key events that occurred by the time of the publication of the H1 report**

The Company posts regular and extraordinary notices on its website at ([www.pannergy.com](http://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 2023 and 15 September 2023, shown in the table in section *12.1 Extraordinary and other notices published during the reporting period (ST1.)* of part 12. *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.

## **7 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. PannErgy Plc. uses clean and renewable energy solutions to build the future, giving every generation the opportunity to create value by applying the principles of environmental protection and sustainability. The Company has set itself the goal of becoming a market leader in the Central and Eastern European region through the use of geothermal energy, which provides significant economical and ecological value for now and in the future.

### **7.1 *The impact of the climate change and the European energy crisis on PannErgy's heat markets***

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

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

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

Radically increased hydrocarbon prices, supply uncertainties and significant carbon dioxide emission quota costs have further increased the competitiveness of geothermal energy, making its relevance undisputable.

The most important areas for potentially 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; and
- technical, energy and R&D projects aimed at the improvement of heat production efficiency.

In addition to combating climate change, PannErgy also makes a significant contribution to reducing Hungary's and Europe's fossil fuel dependency, which is even more exacerbated by the ongoing armed conflicts.

## **7.2 PannErgy Group's sustainability performance and emissions savings**

PannErgy Group believes that it is extremely important to determine the influence and impact its activities have on the environment and on society as a whole. To that end and in compliance with relevant legislation, in 2023, as well, it published its ESG report for 2022.

In its ESG report published on 28 April 2023 based on the *Global Reporting Initiative (GRI) Universal Standards 2021* as guidelines, the Company presented its sustainability and environmental strategy together with its sustainability management, environmental, social and corporate governance (ESG) performance for 2022.

As a renewable energy producer and a major contributor to carbon footprint reductions, the Company sees ESG as a significant opportunity for establishing a framework to identify non-financial aspects that may have a material impact on the performance of an investment, including the assessment and presentation of new non-financial risks.

The ESG report explained in detail that since PannErgy's core business is renewable geothermal energy production with minimal emissions, therefore **the Company's operation is characterised by emission saving, rather than emission.**

The Company has defined the total annual emissions savings and the savings rate as key indicators for its overall strategic environmental objectives. Total annual emissions savings is the amount of emissions (in tonnes) saved by the Company during the relevant business period from its direct and indirect heat-transfer partners, as a result of its core green energy production activity. The emissions savings rate is the ratio between the greenhouse gas emissions of the energy used in the production and sale of the geothermal energy produced and theoretical greenhouse gas emissions calculated for a hypothetical production using an alternative fossil fuel source typical of the region.

**PannErgy's consolidated greenhouse gas emissions savings rate was 78% in 2022, meaning that, in environmental terms, it saved during its operation approximately 4/5 units compared to fossil fuel emissions.** Based on the greenhouse gas emissions related to energy production, the Company emitted only 22% – that is, less than one-fifth – of the GHG environmental burden of the natural gas-based power generation of 90% efficiency considered for the purpose of offsetting emissions in 2022; i.e. **it offset (saved) approximately 80 thousand tons CO<sub>2</sub> equivalent GHG emissions.**

For 2023 as a whole, PannErgy Group expects to achieve a similar ESG performance and emission savings as in the previous year.

## 8 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 can be attributed to EUR-based long-term investment loans taken out for the implementation of geothermal projects; moreover, the Company also has foreign and domestic suppliers with which accounts are settled and invoices are issued 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 maximising the coverage of its EUR loan debt liabilities by the above mentioned EUR-based revenues. In 2022, in a fundamentally changed energy market environment, the Company continuously conducted FX forward transactions in order to mitigate the risk of exchange rate losses on the financial settlement of FX liabilities to be incurred in the near future. These transactions were not cash-flow hedge transactions; the P/L resulting from such transactions during the reporting year appears in the financial income and financial expenditures categories of the consolidated financial statements.

### Price risk

The Company runs no risks relating to exchange traded commodities or financial instruments. The electricity price changes listed among indirect costs are essentially automatically enforced – by legislation or trade contract – for the right period in the Company's main sales prices. It should be mentioned, however, that even though it is essentially a regulatory risk, the selling price of the bulk of the geothermal heat sold by PannErgy Group members that are engaged in generating and selling geothermal heat is a regulated price, which is reviewed and in some cases modified regularly – sometimes even on a quarterly basis – by the competent price-setting authority, i.e. the Hungarian Energy and Public Utility Regulation Authority (HEA). This may influence PannErgy Group's profitability through 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 lending rates on 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 risk due to its fixed-rate loans.

PannErgy Group's long-term and short-term FX loan portfolio was worth HUF 2,386 million (EUR 6,428 thousand) on 30 June 2023, while its portfolio of long-term and short-term forint loans



amounted to HUF 7,776 million, relative to the HUF 3,415 million (EUR 8,537 thousand) value of the FX loan portfolio and the HUF 8,006 million forint loan portfolio stated at the end of 2022. The lending rates on FX loans are typically based on the 6-month EURIBOR, while those on HUF loans are typically fixed at 2.50% and 2.40%. In addition to the above borrowings from financial institutions, at the end of the period the Company recognised HUF 104 million in short-term, foreign currency denominated lease liabilities as per the IFRS 16 Leases standard.

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. The Company calculates the effect of interest rate fluctuations on P/L based on these scenarios. 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 by fixed interest rates for the entire remaining term of each loan via interest rate swap (IRS) transactions, taking advantage of the previously favourable interest rate environment. The interest rates fixed under the above transactions will remain unchanged even if market rates 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 way of bank transfer. No credit limit was exceeded during the reporting period, and management does not expect losses from default on the part of the partners concerned. 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 life cycles 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 potential human and economic impacts of the COVID-19 virus that broke out in previous years and was declared a pandemic, and other future similar pandemics will have consequences affecting different areas and participants of society, as well as the economy. Their impacts cannot be fully estimated, therefore they can carry major risks. Given its very nature, the operation of the Company is not expected to be severely restricted by the pandemic's adverse consequences in the future either.



### War risk

As a result of the outbreak of the war between Russia and Ukraine in the previous year, in response the European Union and other international parties adopted wide-ranging, comprehensive economic and other legal sanctions in various areas against Russia and others. Both the war and the sanctions – those already in place and those adopted in future – have perceivable direct and indirect economic implications that may have an impact on the operating environment of PannErgy. At the time of the preparation of these consolidated financial statements, the impact of future consequences and effects cannot be estimated. Based on the information available, the potential adverse effects of the war are expected to have a limited impact on the operation of the Company because the Company has no exposure to Russian or Ukrainian buyers, suppliers or creditors, and the Russia–Ukraine war exerts no direct, significant impact on the Company’s revenues in the reporting period, on the measurement of its assets or on its investments.

**In addition, it should be noted that the geothermal heat production activity of the Company contributes directly to reducing the exposure of Hungary’s energy dependence to external market participants and circumstances.**

### Risk of the adverse effects of climate change

The activity of the Company is not affected directly and significantly by the adverse effects of climate change; they do not exert a material impact on revenues that may jeopardise the level of revenues presented in these financial statements. In addition, the activity of the Company is climate-neutral in the sense that the utility and value of the assets required for its core activity – geothermal heat generation – are not affected by the potential negative effects of the climate change. The Company does not need to resort to extra projects to eliminate the adverse effects of climate change, nor does it incur any extra costs (e.g. maintenance) in this regard.

Moreover, it should be noted that the core element of the strategy of PannErgy Group – as 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.

PannErgy Plc. uses clean and renewable energy solutions to build the future, giving every generation the opportunity to create value by applying the principles of environmental protection and sustainability. The Company has set itself the goal of becoming a market leader in the Central and Eastern European region through the use of geothermal energy, which provides significant economical and ecological value for now and in the future.

## 9 Data sheets associated with financial reports, other detailed information

Name of the company: PannErgy Plc.  
 Address of the company: H-1112 Budapest, Boldizsár street 2.  
 Sector: Energy  
 Period: H1 2023  
 Telephone/Fax: +36 1 323 23 83 / +36 1 323 23 73  
 E-mail address: [info@pannergy.com](mailto:info@pannergy.com)  
 Investor relations contact: Dénes Gyimóthy

### 9.1 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	<input type="checkbox"/> Hungarian	<input type="checkbox"/> IFRS	<input checked="" type="checkbox"/> Other

### 9.2 Companies included in the scope of consolidation (PK2.)

Name	Equity/ Share capital (HUF million)	Shareholding (%) <sup>2</sup>	Voting right <sup>1</sup> (%)	Consolidation ratio <sup>2</sup>	Type of consolidation
PannErgy Geothermal Power Plants cPlc.	2,072.70	100.00	100.00	100.00	Full
DoverDrill Mélyfúró Ltd.	86.00	100.00	100.00	100.00	Full
Arrabona Koncessziós Ltd.	6.10	100.00	100.00	100.00	Full
Miskolci Geotermia Ltd.	5.00	100.00	100.00	100.00	Full
Szentlőrinci Geotermia Ltd.	5.00	100.00	100.00	100.00	Full
DD Energy Ltd.	3.10	100.00	100.00	100.00	Full
Kuala Ltd.	3.00	100.00	100.00	100.00	Full
Berekfürdő Energia Ltd.	3.00	100.00	100.00	100.00	Full
Geo2Business Ltd.	3.00	100.00	100.00	100.00	Full

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

<sup>2</sup> The percentage rates relating to the share of ownership are to be construed indirectly. The ratios presented above show the respective shares of ownership and voting rights of PannErgy Plc. and in its fully owned PannErgy Geotermikus Erőművek CPlc. in the various subsidiaries. The consolidation ratios are the same as the respective shares of ownership as at 30/06/2023.

There were no transactions (transformations, acquisitions or sales) affecting the consolidated subsidiaries of the Company.

### 9.3 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.**

Through its member, Kuala Ltd., PannErgy Plc. submitted its application No. GEOTERM-2021.2-2021-00002 in response to the tender notice entitled 'Grants for the activities of geothermal-based heat production projects' announced under the Climate and Nature Protection Action Plan, and it was awarded a grant of **HUF 994 million** by the donor – the Ministry for Innovation and Technology – **in November 2022. The grant is related to the boring of the third geothermal production well of the Miskolc Geothermal Project.** The project is expected to increase the usable capacity of the system by up to 15%–20% and the growing number of production wells will improve its operational continuity significantly, whereby the spare capacity untypical of geothermal power plants will become available. After the geothermal system of Győr, this may become PannErgy's second system with spare capacity, providing the means to restart heat production in the event of a failure by way of a few hours' of reswitching instead of a well-pump replacement that may take 7 to 12 days. The completion of the project is expected before the commencement of the 2023/2024 district heating season.

In addition, the Ministry for Innovation and Technology, as donor, awarded a grant of HUF 1,623 million to application No. GEOTERM-2021.3-2022-00001 submitted by PannErgy Geotermikus Erőművek CPlc. in response to the tender notice entitled 'Grants for the activities of geothermal-based heat production projects' announced under the Climate and Nature Protection Action Plan. **The grant is related to the boring of a geothermal production well to be implemented near Budapest.** After a successful implementation, the project may become part of a complex geothermal heat supply system and participate in supplying the heating and hot water needs of potential heat-receiving partners in and around Budapest (district heating providers, industrial facilities, etc.). Boring the well is the first step of creating a possible geothermal system. A thorough analysis of the relevant data is required before the additional elements of the project may be designed. Drilling works may begin in 2024 provided that the seismic measurements preceding the drilling reconfirm the conclusions of months of preparatory efforts expended so far.

**The project aimed at the boring of a new production well in Miskolc can be implemented after the end of the 2023/2024 heating season and accordingly, PannErgy expects to integrate it into the system by 30 September 2024** (in line with the publicly announced rescheduling of the project).

On 25 August 2023, the Company informed market participants in an Extraordinary Communication that, **dated 24 August 2023**, the Ministry for Energy had **issued the Grant Instrument required for taking recourse to the grant approved for the above project** on 18 November 2022 **in a maximum nominal amount of HUF 993 million.**

Until 30 June 2023, PannErgy Group incurred investment costs of HUF 306 million in connection with the preparations for the project involved in the ex-post financing (planning, spatial planning, pre-drilling works).

As regards the Budapest project, consultations about the acquisition of the Grant Instrument are in progress; the technical and licensing criteria pertaining to the feasibility of the project and the exact scheduling can only be determined after the completion of the consultation process.

Primarily because of the dynamic changes in the timing, technical content and final budget of the projects and the still ongoing process of the acquisition of the Grant Instrument for the Budapest environs project, these ongoing projects are **not linked to a significant contractual investment commitment**.

#### 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

Collateral of various types was provided at the end of the reporting period to the creditor financial institutions under external financing agreements concluded by members of the PannErgy Group in amounts of HUF 7,776 million and EUR 6,428 thousand. The collaterals concerned include pledges on receivables, movables, other assets, and bank accounts, as well as collaterals and provided guarantees for funding financial institutions.

##### Contingent commitments relating to application schemes

The members of the PannErgy Group participating in application schemes, are relieved from the obligation to provide such guarantees in relation to applications regarding all of its applications now in the project maintenance phase, pursuant to Government Decree 358/2014 (XII. 29) and other related pieces of legislation.

##### 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.

## 10 Data sheets relating to the share structure and the owners

### 10.1 Ownership structure, shareholdings and voting rights as at 30 June 2023 (RS1)

Shareholders	Total share capital = Introduced series					
	30/06/2023			31/12/2022		
	% <sup>2</sup>	% <sup>3</sup>	number of shares	% <sup>2</sup>	% <sup>3</sup>	number of shares
Domestic institutions	30.71	39.16	6,142,813	30.86	38.66	6,171,682
Foreign institutions	8.21	10.46	1,641,460	8.42	10.56	1,685,668
Domestic private individuals	29.32	37.37	5,863,339	29.78	37.30	5,955,932
Foreign private individuals	0.26	0.33	52,147	0.30	0.38	60,153
Employees, senior officers	1.54	1.97	309,505	2.05	2.57	409,505
Own holding <sup>4</sup>	21.56		4,311,728	20.19	0.00	4,037,300
Owners that are part of the general government system <sup>1</sup>	8.38	10.68	1,675,745	8.38	10.50	1,675,745
International Development Institutions	-	-	-	-	-	-
Other <sup>5</sup>	0.02	0.03	3,263	0.02	0.03	4,015
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>20,000,000</b>	<b>100.00</b>	<b>100.00</b>	<b>20,000,000</b>

<sup>1</sup> Public administration body

<sup>2</sup> Shareholding

<sup>3</sup> Voting right enabling participation in decision making at the general meeting of the Issuer

<sup>4</sup> Own holding: Owned by the Company or by its fully owned subsidiary

<sup>5</sup> Not matched shareholders

### 10.2 Changes in the number of treasury shares held by PannErgy Plc. H1 2023 (RS2)

	30/06/2023 No. of shares	31/12/2022 No. of shares	30/06/2022 No. of shares	31/12/2021 No. of shares
At company level	3,376,525	3,106,497	3,890,214	3,723,441
Subsidiaries <sup>1</sup>	935,203	935,203	935,203	935,203
<b>Grand total<sup>2</sup></b>	<b>4,311,728</b>	<b>4,041,700</b>	<b>4,825,417</b>	<b>4,658,644</b>

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

<sup>2</sup> The difference between the Company's portfolio of 4,315,528 treasury shares as published on 1 July 2023 in the extraordinary communication on the number of voting rights and the portfolio of 4,311,728 treasury shares shown in the semi-annual report stems from the purchase and delivery of treasury shares that took place on the stock exchange at the end of the period.

#### The treasury share buyback programme concluded during the reporting period

PannErgy Plc.'s regular annual General Meeting closing the business year 2021 – held on 29 April 2022 – authorised the Management Board by its Resolution No. 8/2022 (IV. 29.) to purchase treasury shares up to an amount of HUF 600 million (that is, six hundred million forints) at a price of minimum HUF 1 and maximum HUF 1,400 per share, given that the ratio of the treasury share portfolio to the total number of shares issued does not exceed 25% at any time during the term of the authorisation. The authorisation covered the period starting from 2 May 2022 and ending on 13 April 2023 and was strictly limited to share purchases on the stock exchange. In the context of this treasury share buyback programme PannErgy Plc. aimed at purchasing up to 2,200 PannErgy Plc. ordinary shares per trading day and subsequently, up to 3,000 shares per trading day on the Budapest Stock Exchange until the withdrawal or the last day of the term of the General Meeting's authorisation. The purchase price equals to the current market price corresponding to the prevailing bid and ask prices, and must not exceed HUF 1,400 per share according to the resolution of the General Meeting. Under this current treasury share buyback programme, a total of 170,100 treasury shares were purchased at an average price of HUF 1,237

apiece in H1 2023, between 1 January and 13 April 2023. The Company purchased a total of 531,238 treasury shares under the programme closed on 13 April 2023.

The treasury share buyback programme commenced during the reporting period

PannErgy Plc.'s regular annual General Meeting closing the business year 2022 – held on 28 April 2023 – authorised the Management Board by its Resolution No. 8/2023 (IV. 28.) to purchase treasury shares up to an amount of HUF 900 million (that is, nine hundred million forints) at a price of minimum HUF 1 and maximum HUF 1,670 per share, provided that the ratio of the treasury share portfolio to the total number of shares issued does not exceed 25% at any time during the term of the authorisation. The authorisation covers the period starting from 2 May 2023 and ending on 13 April 2024 and is strictly limited to share purchases on the stock exchange. In the context of this treasury share buyback programme PannErgy Plc. aims to purchase up to 2,000 PannErgy Plc. ordinary shares per trading day and subsequently, up to 3,800 shares per trading day on the Budapest Stock Exchange until the withdrawal or the last day of the term of the General Meeting's authorisation. The purchase price equals to the current market price corresponding to the prevailing bid and ask prices, and must not exceed HUF 1,670 per share according to the resolution of the General Meeting.

A total of 99,928 treasury shares were purchased at an average price of HUF 1,106 per share in H1 2023, between 2 May 2023 and 30 June 2023, under this current treasury share buyback programme.

**Under the above two treasury share buyback programmes, a total of 270,028 treasury shares were repurchased in H1 2023.**

**10.3 The owners of shareholdings over 5%, as at 30 June 2023 (RS3)**

Name	Nationality <sup>1</sup>	Operation <sup>2</sup>	Number of shares	Shareholding (%) <sup>3</sup>	Voting rights (%) <sup>3,4</sup>	Note <sup>5</sup>
Benji Invest Ltd./ FCI Kompozit Ltd.	B	T	3,186,010	15.93	20.31	P
MVM Energetika CPlc.	B	Á	1,675,745	8.38	10.68	P
Soltút Ltd./Kálmán Rencsár	B	T	1,814,241	9.07	11.56	P

<sup>1</sup> Domestic (B), Foreign (K)

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

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

<sup>4</sup> Voting right enabling participation in decision making at the General Meeting of the Issuer

<sup>5</sup> Pl.: strategic investor, financial investor etc.

## 11 Data sheets relating to the Issuer's organisation and operation

### 11.1 Changes in the number of employees during the reporting period (TSZ1.)

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

	30/06/2023 (number of persons)	31/12/2022 (number of persons)	30/06/2022 (number of persons)
PannErgy Plc.	1	-	-
Affiliated undertakings	21	22	23
<b>Total:</b>	<b>22</b>	<b>22</b>	<b>23</b>

The above figures show the average statistical headcount of PannErgy Group employees. There were no material changes relative to the end-of-year and the half-year headcount data of the previous year.

On 30 June 2023, the Group's permanent employee headcount was 18 persons, versus 17 persons recorded on 30 June 2022. 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.

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

Nature <sup>1</sup>	Name	Position	Date of taking office	Mandated until	Number of shares held
IT	Dénes Gyimóthy	Member, Vice-Chairman Acting Chief Executive Officer	31/08/2007	12/12/2022	-
		Member, Chairman	13/12/2022	indefinite term	-
IT	Katalin Gyimóthy	Member	28/04/2016	indefinite term	-
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	-
	István Jaksa	Chief Executive Officer	13/12/2022	indefinite term	2,505
<b>TOTAL number of shares held:</b>					<b>309,505</b>

<sup>1</sup> Member of Management Board (IT), Employee in strategic position (SP)



## 12 Data sheets related to extraordinary communication

### 12.1 Extraordinary and Other notices released during the reporting period (ST1.)

Date	Type of news	Subject, brief content
10 September 2023	Extraordinary information	Treasury share transactions
3 September 2023	Extraordinary information	Treasury share transactions
31 August 2023	Extraordinary information	Number of voting rights at PannErgy Plc.
27 August 2023	Extraordinary information	Treasury share transactions
25 August 2023	Extraordinary information	The Grant Instrument for the third Miskolc geothermal production well has been issued
20 August 2023	Extraordinary information	Treasury share transactions
13 August 2023	Extraordinary information	Treasury share transactions
11 August 2023	Extraordinary information	Suspension of the purchase of treasury shares
6 August 2023	Extraordinary information	Treasury share transactions
31 July 2023	Extraordinary information	Voting rights, share capital
30 July 2023	Extraordinary information	Treasury share transactions
23 July 2023	Extraordinary information	Treasury share transactions
16 July 2023	Extraordinary information	Treasury share transactions
14 July 2023	Extraordinary information	Quarterly production report
9 July 2023	Extraordinary information	Treasury share transactions
1 July 2023	Extraordinary information	Number of voting rights at PannErgy Plc.
1 July 2023	Extraordinary information	Treasury share transactions
25 June 2023	Extraordinary information	Treasury share transactions
19 June 2023	Extraordinary information	Articles of Association
19 June 2023	Extraordinary information	Court of Registration order on PannErgy Plc.'s change of registered office
18 June 2023	Extraordinary information	Treasury share transactions
13 June 2023	Extraordinary information	Detailed description of the share buyback programme
13 June 2023	Extraordinary information	Rescheduling of the boring of the third Miskolc geothermal production well
11 June 2023	Extraordinary information	Treasury share transactions
4 June 2023	Extraordinary information	Treasury share transactions
2 June 2023	Extraordinary information	Articles of Association
1 June 2023	Extraordinary information	Number of voting rights at PannErgy Plc.
29 May 2023	Extraordinary information	Treasury share transactions
24 May 2023	Miscellaneous information	Relocation of PannErgy Plc.
19 May 2023	Extraordinary information	Treasury share transactions
14 May 2023	Extraordinary information	Treasury share transactions
7 May 2023	Extraordinary information	Treasury share transactions
3 May 2023	Extraordinary information	ESG Report
28 April 2023	Extraordinary information	Detailed description of the share buyback programme
28 April 2023	Extraordinary information	Voting rights, share capital
28 April 2023	Extraordinary information	Annual Report 2
28 April 2023	Extraordinary information	Annual Report 1
28 April 2023	Extraordinary information	FT Report
28 April 2023	Extraordinary information	Remuneration report



28 April 2023	Extraordinary information	General Meeting Resolutions
20 April 2023	Miscellaneous information	Record Amount of Heat Energy Produced in the Győr Geothermal System in 2022
14 April 2023	Extraordinary information	Quarterly production report
14 April 2023	Extraordinary information	Treasury share transactions
14 April 2023	Extraordinary information	Information on General Meeting
10 April 2023	Extraordinary information	Treasury share transactions
1 April 2023	Extraordinary information	Voting rights, share capital
1 April 2023	Extraordinary information	Treasury share transactions
26 March 2023	Extraordinary information	Treasury share transactions
23 March 2023	Extraordinary information	Interpretative information for the proposal of the Management Board to the General Meeting
22 March 2023	Extraordinary information	Voting rights, share capital
22 March 2023	Extraordinary information	Proposals to the General Meeting 2
22 March 2023	Extraordinary information	Proposals to the General Meeting 1
19 March 2023	Extraordinary information	Treasury share transactions
12 March 2023	Extraordinary information	Treasury share transactions
10 March 2023	Extraordinary information	Invitation to the General Meeting
10 March 2023	Miscellaneous information	Modification of PannErgy Plc.'s event calendar for 2023
9 March 2023	Extraordinary information	Detailed description of the share buyback programme
5 March 2023	Extraordinary information	Treasury share transactions
28 February 2023	Extraordinary information	Voting rights, share capital
26 February 2023	Extraordinary information	Treasury share transactions
17 February 2023	Extraordinary information	Treasury share transactions
17 February 2023	Obituary	Dr. Erzsébet Fehér, former CEO of Pannonplast Rt. passed away
10 February 2023	Extraordinary information	Treasury share transactions
3 February 2023	Extraordinary information	Treasury share transactions
31 January 2023	Extraordinary information	Voting rights, share capital
27 January 2023	Extraordinary information	Treasury share transactions
20 January 2023	Extraordinary information	Treasury share transactions
13 January 2023	Extraordinary information	Quarterly production report
13 January 2023	Extraordinary information	Treasury share transactions
8 January 2023	Extraordinary information	Treasury share transactions
2 January 2023	Extraordinary information	Voting rights, share capital
2 January 2023	Extraordinary information	Treasury share transactions

### 13 Date of authorisation of disclosure

The Company's Management Board authorised the disclosure of the Company's semi-annual report on 12 September 2023.

Budapest, 15 September 2023

Dénes Gyimóthy

On behalf of the Management Board



## 14 Declaration on the legal conformity of the semi-annual report

### DECLARATION

I, Dénes Gyimóthy, acting CEO, representative of the Management Board, hereby issue the following declaration in relation to the 2023 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 No. 24/2008 (VII. 15.) PM of the Minister of Finance:

The H1 2023 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 the financial situation of 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 2023 has not been not audited by an independent auditor.

Budapest, 15 September 2023

Dénes Gyimóthy

On behalf of 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.**