



**PannErgy Plc.
Annual Report and Business Report
(prepared in accordance with the
International Financial Reporting
Standards as adopted by the EU)
2023**

**Including the Independent Auditor's
Report**

THIS ANNOUNCEMENT IS PUBLISHED IN HUNGARIAN (MANDATORY, OFFICIAL) AND ENGLISH LANGUAGES. IN CASE OF ANY CONTRADICTION BETWEEN THESE TWO VERSIONS, THE OFFICIAL HUNGARIAN VERSION SHALL PREVAIL.

The attached pdf report is not the official individual report of the Company; the official individual report will be attached to the Consolidated Financial Statement published in ZIP (specifically XHTML-XBRL) format, as required by applicable legislation. The contents of the attached pdf report are fully identical with those of the individual report attached to the Consolidated Financial Statement published in ZIP (specifically XHTML-XBRL) format.

TABLE OF CONTENTS

I.	Annual Report prepared in accordance with the International Financial Reporting Standards	3
	Statement of financial position	4
	Statement of profit or loss	5
	Statement of other comprehensive income	6
	Statement of changes in the equity	7
	Statement of cash flows	8
	Notes to the financial statements	9
II.	Business report of PannErgy Plc.	72
III.	Statement of the Company under Sections 2.4. and 3.4 of Annex 1 to Decree No. 24/2008 (VIII. 15.) of the Ministry of Finance	90





PannErgy Plc.

**Annual Report
for the 2023 business year
compiled in accordance with the IFRS
standards adopted by the EU**

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Budapest, 27 March 2024

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STATEMENT OF FINANCIAL POSITION

	Note no.	31 December 2023	31 December 2022
		HUF Th	HUF Th
Intangible assets	15	803	1,180
Tangible assets	16	52,912	10,984
Investment properties	16	89,204	101,176
Marketable properties	16	-	-
Long-term investments	17	4,604,949	4,607,949
Receivables from deferred taxes	32	-	-
Long-term receivables	18	-	-
Total fixed assets		4,747,868	4,721,289
Inventories	20	-	4,223
Trade receivables	21	9,782	9,410
Loans provided	22	4,965,191	5,387,191
Other receivables	23	244,343	177,403
Securities	24	23	21
Liquid assets	34	140,499	220,199
Total current assets		5,359,838	5,798,447
TOTAL ASSETS		10,107,706	10,519,736
Subscribed capital	25	400,000	400,000
Reserves	27	13,528,785	13,565,635
Net P/L of the reporting year		344,723	146,556
Reserve for repurchased treasury shares	26	-4,711,161	-4,085,044
Total shareholders' equity		9,562,347	10,027,147
Long-term loans, leases	28	16,686	-
Deferred tax liabilities	28	741	741
Provisions	29	-	-
Total long-term liabilities		17,427	741
Trade payables	35	49,803	40,989
Current borrowings	30	375,358	339,421
Short-term part of long-term credits and leases	30	8,710	9,694
Income taxes payable	31	23,368	10,480
Other short-term liabilities	31	70,693	91,264
Total short-term liabilities		527,932	491,848
TOTAL LIABILITIES AND EQUITY		10,107,706	10,519,736



STATEMENT OF PROFIT OR LOSS

	Note no.	2023	2022
		HUF Th	HUF Th
Revenue from sales	6	67,052	90,971
Direct cost of sales	8	-55,719	-79,928
Gross margin		11,333	11,043
Gross profit ratio %		16.9%	12.1%
Gross cash flow		23,305	23,015
Gross cash flow rate %		34.8%	25.3%
Indirect costs of sales	7	-239,511	-180,757
Other revenues	11	2,737	1,121
Other expenditures	10	-20,190	-163,047
Operating profit		-245,631	-331,640
Operating profit ratio %		-366.3%	-364.6%
EBITDA		-211,309	-307,878
EBITDA rate %		-315.1%	-338.4%
Financial profit	12-14	624,940	508,814
Profit before taxes		379,309	177,174
Income tax	32.1	-34,586	-30,618
Net profit for the year		344,723	146,556
Other comprehensive income		-	-
Total comprehensive income for the reporting period		344,723	146,556
Earnings per ordinary share (HUF)			
Basic	33	21.24	8.68
Diluted	33	21.24	8.68



STATEMENT OF OTHER COMPREHENSIVE INCOME

	2023	2022
	HUF Th	HUF Th
Net profit for the year	344,723	146,556
<i>Other comprehensive income</i>		
<i>Other comprehensive incomes in the period with tax implications</i>	-	-
Total comprehensive income for the year	344,723	146,556
of which: Total comprehensive income attributable to the shareholders of the Company	344,723	146,556



STATEMENT OF CHANGES IN EQUITY

Description	Subscribed capital	Reserves	Repurchased treasury shares	Equity
Balance as at 1 January 2022	421,093	14,084,560	-3,872,379	10,633,274
P/L for 2022	-	146,556	-	146,556
Capital issue	-	-	-	-
Distribution of dividends	-	-294,033	-	-294,033
Capital reduction	-21,093	-1,023,015	1,044,108	-
Repurchased treasury shares	-	798,123	-1,256,773	-458,650
Decrease in treasury shares	-	-	-	-
Changes in the Accounting Policy	-	-	-	-
Balance as at 31 December 2022	400,000	13,712,191	-4,085,044	10,027,147
P/L for 2023	-	344,723	-	344,723
Capital issue	-	-	-	-
Distribution of dividends	-	-	-	-
Capital reduction	-	-	-	-
Repurchased treasury shares	-	-183,406	-626,117	-809,523
Decrease in treasury shares	-	-	-	-
Changes in the Accounting Policy	-	-	-	-
Balance as at 31 December 2023	400,000	13,873,508	-4,711,161	9,562,347



STATEMENT OF CASH FLOWS

	Note no.	2023	2022
Liquid assets from operations		HUF Th	HUF Th
Profit before taxes		379,309	177,174
<i>Adjustments in relation to the profit before taxes and the cash flow of business operations</i>			
Amortisation and depreciation of tangible and intangible assets	15-16.	31,251	23,762
Effect of deferred taxes	32	-	8,872
Income tax expenditures	32	-34,586	-30,618
Exchange gain/loss on credits	14	-	-
Impairment of tangible assets, goodwill	10, 16	3,071	-
Changes in the fair value of properties	16	-	-
P/L on the sale of tangible assets	16	-1,230	-593
Expenditures of the share option programme	37	-	-
<i>Változás a működő tőke elemekben</i>			
Dividends paid	27	-	-294,033
Increase/decrease in inventories	20	4,223	-4,223
Increase/decrease in receivables	21-23	-67,314	-57,250
Increase/decrease in payables	30, 31, 35	3,945	22,348
Increase/decrease in prepaid income taxes	23	12,888	21,745
Net liquid assets originating/used from operations		351,557	-132,816
Liquid assets from investments			
Acquisition of investments in private companies	17	-	-3,000
Increase/decrease in existing investments	17	3,000	-
Acquisition of tangible and intangible assets	15, 16	-62,671	-410
Sales of tangible and intangible assets	15, 16	-	-
Loans to related parties	43.3	-11,500	-68,000
Repayment of loans from related parties	43.3	433,500	475,952
Loans from related parties	43.3	346,937	39,421
Repayment of loans to related parties	43.3	-11,000	-
Liquid assets from investment operations		698,266	443,963
Financial operations			
Increase/decrease in long-term loans	28	-	-
Increase in short-term loans	30	-	300,000
Decrease in short-term loans	30	-300,000	-230,000
Purchase of treasury shares	26	-809,523	-458,650
Securities purchased	24	-	-
Securities sold	24	-	-
Liquid assets used for financial operations		-1,109,523	-388,650
Net increase/decrease in cash and cash equivalents		-79,700	-77,503
Cash and cash equivalents as at 1 January		220,199	297,702
Cash and cash equivalents as at 31 December		140,499	220,199



Table of contents

1. GENERAL BACKGROUND AND DESCRIPTION OF ACTIVITIES	12
2. BASIS OF THE COMPILATION OF THE FINANCIAL STATEMENTS	12
3. INFORMATION ON THE PREPARATION OF THE ESEF REPORT	13
4. SUMMARY OF THE KEY ELEMENTS OF THE ACCOUNTING POLICIES	13
4.1. General description	13
4.2. Effects of the amended rules of the IFRS standards to be implemented on 1 January 2023 and of the introduction of new standards on the financial statements	13
4.3. Functional currency, presentation currency (SIGNIFICANT POLICY)	15
4.4. Translation of foreign currencies, foreign exchange transactions and balances (SIGNIFICANT POLICY)	15
4.5. Fair value measurement (SIGNIFICANT POLICY)	15
4.6. Intangible assets	16
4.7. Impairment of non-financial assets	16
4.8. Recognition of research and development	17
4.9. Property, plant and equipment (SIGNIFICANT POLICY)	17
4.10. Investments	21
4.11. Goodwill	21
4.12. Inventories	22
4.13. Financial instruments (SIGNIFICANT POLICY)	22
4.14. Cash and cash equivalents (SIGNIFICANT POLICY)	27
4.15. Equity, subscribed capital (SIGNIFICANT POLICY)	27
4.16. Repurchased treasury share (SIGNIFICANT POLICY)	28
4.17. Earnings per share (SIGNIFICANT POLICY)	28
4.18. Current and deferred income tax (SIGNIFICANT POLICY)	28
4.19. Provisioning	30
4.20. Share option programme, share-based payments	31
4.21. Accounting for revenue from sales (SIGNIFICANT POLICY)	32
4.22. Interest income and dividend income (SIGNIFICANT POLICY)	34
4.23. Leases (SIGNIFICANT POLICY)	34
4.24. Dividend payment (SIGNIFICANT POLICY)	35
4.25. State aid	35
4.26. Comparative information across periods (SIGNIFICANT POLICY)	35
4.27. Segment reporting	36
4.28. Gross cash flow and EBITDA definition (SIGNIFICANT POLICY)	36
5. MATERIAL/CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES IN THE APPLICATION OF THE ACCOUNTING POLICY (SIGNIFICANT POLICY)	37
5.1. Events after the reporting date	37
5.2. Material error	37
5.3. Critical accounting estimates and assumptions	38
6. REVENUE FROM SALES	39
6.1. Breakdown of sales revenues by core activity	39
6.2. Breakdown of sales revenues by geographical location	39
6.3. Breakdown of sales revenues by activity or service	39
6.4. Geographical breakdown of fixed assets related to sales revenues	40
6.5. Concentration of sales revenue, information regarding key customers	40
7. INDIRECT COSTS OF SALES	40
8. DIRECT COSTS OF SALES	41
9. HEADCOUNT AND WAGE COSTS	41
10. OTHER EXPENDITURES	42
11. OTHER INCOMES	42

12. FINANCIAL INCOMES	43
13. FINANCIAL EXPENDITURES	43
14. OTHER INFORMATION RELATING TO FINANCIAL TRANSACTIONS	43
15. INTANGIBLE ASSETS	44
16. TANGIBLE ASSETS	45
17. INVESTMENTS	46
18. LONG-TERM RECEIVABLES	46
19. LEASE RECEIVABLES	46
20. INVENTORIES	47
21. TRADE RECEIVABLES	47
22. LOANS PROVIDED	49
23. OTHER RECEIVABLES	49
24. SECURITIES HELD FOR SALE	49
25. SUBSCRIBED CAPITAL	50
26. REPURCHASED TREASURY SHARE	50
27. RESERVES	51
28. LONG-TERM LIABILITIES	53
29. PROVISIONS	53
30. SHORT-TERM CREDITS, SHORT-TERM PART OF LONG-TERM CREDITS	53
31. OTHER SHORT-TERM LIABILITIES	54
32. TAXATION, INCOME TAX	55
32.1. Income tax payable for the reporting year	55
32.2. Deferred tax	55
32.3. Calculation of the effective income tax	56
33. EARNINGS PER SHARE	56
34. CASH AND CASH EQUIVALENTS	57
35. TRADE PAYABLES	57
36. FINANCIAL INSTRUMENTS	57
37. SHARE-BASED BENEFITS	58
38. OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS	58
38.1. Contractual obligations and commitments for investment	58
38.2. Commitments relating to asset management transactions	59
38.3. Other contingent liabilities	59
39. FINANCIAL RISK MANAGEMENT	60
39.1. Financial risk factors	60
39.2. Market risk	60
39.3. Lending risk	60
39.4. Liquidity risk	61
39.5. Capital management	61
39.6. Offsetting of financial assets and financial liabilities	61
39.7. Epidemic risk and war risk	62
39.8. Risk of the adverse effects of climate change	63
40. PARTICIPATIONS (DIRECT AND INDIRECT)	65
40.1. Consolidated subsidiaries	65
40.2. Changes affecting investments and participations during the reporting year	65
41. SEGMENTS REPORT	66
42. EXPLANATION FOR RECLASSIFICATIONS RELATIVE TO BASIS PERIOD REPORT	66
43. TRANSACTIONS WITH AFFILIATED PARTIES	66
43.1. Transactions with members of the Company's management	66
43.2. Transactions with affiliated parties	66

43.3.	Loans to and borrowings from related parties	67
43.4.	Remuneration of key executives	67
44.	ADDITIONAL INFORMATION	68
44.1.	Proposal on the use of P/L of the reporting year and on the approval of dividend payment	68
44.2.	Audit information	68
44.3.	Person responsible for the preparation of the report	69
44.4.	Members of the Company with controlling influence	69
44.5.	Persons authorised to act on behalf of the Company	69
44.6.	Other disclosure obligations of the Company	69
44.7.	Registered office, website and contact information of the Company	70
45.	EVENTS AFTER THE REPORTING DATE	70
46.	DATE OF AUTHORISATION OF DISCLOSURE	71
1.	Executive Summary (regarding the PannErgy Group)	73
2.	Profit or loss of PannErgy Plc. as an individual company in 2023, key indicators of business operations	78
3.	Introduction to the Company	81
3.1.	Core activity of PannErgy Plc.	81
3.2.	Real property utilisation	81
4.	Achievement of PannErgy Plc.'s main targets for 2023 and the associated risks	81
5.	The company's strategy, environmental goals	82
5.1.	ESG Management, ESG report	82
5.2.	PannErgy for the prevention of climate change, carbon saving operation	83
6.	Subsidiaries of PannErgy Plc.	84
6.1.	The PannErgy Plc.'s subsidiaries, shares of ownership and consolidation ratios	84
6.2.	Key data of consolidated subsidiaries in the reporting period (HUF millions)	84
7.	The Company's ownership structure, Senior officers	85
7.1.	The Company's ownership structure as at 31 December 2023	85
7.2.	Shareholders with a stake of over 5% in the Company as at 31 December 2023	85
7.3.	Changes in the number of treasury shares held by Company in the year under review	85
7.4.	Executive officers of the Company	85
8.	Headcount information	86
9.	Dividend payment, Treasury share purchase	87
10.	Main risks faced by the Company, associated uncertainties	88
11.	Publicity	88
12.	Key events after the reporting date	88
13.	Date of authorisation of disclosure	89

1. GENERAL BACKGROUND AND DESCRIPTION OF ACTIVITIES

PannErgy Plc. (hereinafter: PannErgy Plc., PannErgy or the Company), as the legal successor of Pannonplast Plc., a company established more than 100 years ago, has a history of almost one hundred years but is operating efficiently and sustainably in accordance with today's requirements, whose mission is to build the future by providing clean and renewable energy solutions while providing the means – through the utilisation of geothermal energy as a renewable energy source – for sustainable development and value creation.

On 31 May 1991, the Company was transformed into a public company limited by shares, in line with Act XII of 1989 on the transformation of economic organisations. In 2007, PannErgy set the goal to generate substantial volumes of thermal or even electric power by exploiting the long-known geothermal resources of Hungary, thereby creating value for the population and institutions of the country as well as for PannErgy's shareholders. In line with this shift in its strategy, since 2007 its core activities have been redirected from plastic manufacturing to the utilisation of renewable, and in particular geothermal energy resources. As at 31 December 2023, PannErgy Plc.'s subsidiaries operated projects for the utilisation of geothermal resources in Miskolc, Győr, Szentlőrinc and Berekfürdő.

The subsidiaries are listed in Chapter 40.

PannErgy Plc. is an entity listed on the Budapest Stock Exchange, included in the BUX basket, and is a premium share issuer. The free-float proportion for PannErgy Plc, that is, the proportion of shares held by shareholders with individual shareholdings below 5% was 48% as at 31 December 2023.

The core business of PannErgy Plc. as an individual company is to govern the PannErgy Group holding and carry out the related asset management as well as the utilisation of real properties relating to plastic manufacturing from the period before the strategy shift, particularly in the form of sale and, before such sale, by rental.

The registered address of the Company is: Hungary, 1112 Budapest, Boldizsár u 2. The Company moved headquarters during the reporting period from the previous address of 1117 Budapest, Budafoki út 56. to the above location.

2. BASIS OF THE COMPILATION OF THE FINANCIAL STATEMENTS

The accounting and other records of the members of PannErgy Plc. are maintained in line with the effective Hungarian laws and accounting regulations.

From 1 January 2017 PannErgy Plc., as a company listed in a regulated market of the European Economic Area, has a statutory obligation to apply the International Financial Reporting Standards adopted by the European Union ('EU IFRS') for the purposes of individual reporting. **Pursuant to this regulation, PannErgy Plc. as an individual company has compiled both its IFRS consolidated financial statements and its individual financial statements in accordance with the requirements of the IFRS since 1 January 2017.**

The annual report of PannErgy Plc. was compiled on a cost basis except for financial instruments, certain financial assets, liabilities and assets classified as held for sale, which are presented in the

balance sheet at fair value. PannErgy Plc. states figures in its annual report in Hungarian forints rounded up to HUF thousand, with exceptions specifically indicated.

The annual report of PannErgy Plc. presents the Company's financial position and the results of its operations and cash flows as well as changes in equity.

3. INFORMATION ON THE PREPARATION OF THE ESEF REPORT

The European Securities and Markets Authority (ESMA) issued rules for the European Single Electronic Format (ESEF) effective as of the financial year starting on 1 January 2020 for companies listed on exchanges regulated by the European Union, including PannErgy Plc. The new, consolidated financial statements need to be officially produced in XHTML format since then, which facilitates the use of inline XBRL (iXBRL), where data consolidated in conformity with the IFRS must be recorded. In accordance with the relevant legislation, as in the previous year, PannErgy compiles, and submits to the regulatory authorities, its official, consolidated financial statements for 2023 in XHTML format, which contains iXBRLs, in ZIP format in line with the relevant rules, wherever required.

The Company will not prepare its individual report in ESEF format, in accordance with the relevant legislation.

4. SUMMARY OF THE KEY ELEMENTS OF THE ACCOUNTING POLICIES

4.1. General description

The key accounting policies used in the course of the compilation of the IFRS annual report are described below. PannErgy Plc. consistently applies the accounting principles described and detailed herein in relation to all business years presented. Concurrently with their first application as of 1 January 2023, the Company presents prior year figures in the annual report also in accordance with the IFRS for the sake of comparability.

These accounting policies are in conformity with the key accounting policies used in the course of the compilation of the consolidated financial statements for 2023.

The financial statements are prepared on the basis of the going concern principle.

4.2. *Effects of the amended rules of the IFRS standards to be implemented on 1 January 2023 and of the introduction of new standards on the financial statements*

New and amended standards and interpretations entering into force in the current reporting period as published by the IASB and endorsed by the EU:

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Annual improvements (to be applied for reporting periods beginning on or after 1 January 2023).

The Group holds that the adoption of these standards and the amendment of existing ones will have no material effect on the financial statements of the Group.



New and amended standards and interpretations issued by the IASB, endorsed by the EU but not yet effective:

IFRS 17 Insurance Contracts, including the amendments to IFRS 17 (to be applied for reporting periods beginning on or after 1 January 2023);

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (applicable to reporting periods beginning on or after 1 January 2023);

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies (to be applied to reporting periods beginning on or after 1 January 2023);

Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (to be applied for reporting periods beginning on or after 1 January 2023);

Amendments to IFRS 17 Insurance Contracts – Initial application of IFRS 17 and IFRS 9 – Comparative Information (to be applied to reporting periods beginning on or after 1 January 2023).

Standards and interpretations issued by the IASB, but not endorsed by the EU:

Currently the IFRS endorsed by the EU are not substantively different from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, the amendments of existing standards and new interpretations, which had not been endorsed by the EU as of the date of publication of the financial statements:

Amendments to IAS 1 Presentation of financial statements – Classification of Liabilities as Current or Non-current (to be applied to reporting periods beginning on or after 1 January 2023);

Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback (to be applied to reporting periods beginning on or after 1 January 2024);

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed for an indefinite time until the research project arrives at a conclusion regarding the equity method);

IFRS 14 Regulatory Deferral Accounts (to be applied for reporting periods beginning on or after 1 January 2016) – The European Commission adopted a decision that it would not apply the endorsement process to this interim standard and that it would wait for the final version of the standard instead.

The implementation of these amendments, new standards and interpretations would have no material impact on the Group's separate financial statements.

Highlighting the most important accounting policies:

In accordance with IAS 1 "Presentation of Financial Statements" accounting policies that are not significant from the aspect of the Company's operations need not to be disclosed. Should the

Company make such a disclosure nonetheless, it must clearly indicate that the accounting policy concerned is not significant.

Accounting policies that had significant impacts on transactions during the period, which were material in terms of their amounts or which materially influenced decisions made by management, are considered by the Company as significant accounting policies.

Accounting policies that related during the reporting period to non-material amounts and/or transactions, or that are standardised policies with little specificities that are characteristic of the Company, are considered by the Company as insignificant accounting policies.

Accordingly, in the case of significant accounting policies in the individual report, the Company adds the note "Significant policy" to the title of the chapter concerned.

4.3. Functional currency, presentation currency (SIGNIFICANT POLICY)

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, its currency of presentation is also the Hungarian forint. Accordingly, the effects of changes in exchange rates are not discussed in the report.

4.4. Translation of foreign currencies, foreign exchange transactions and balances (SIGNIFICANT POLICY)

Foreign exchange transactions are converted into HUF at the exchange rate effective on the day of the transaction or – in the case of revaluation – valuation. The exchange gains and losses originating from the year-end re-measurement of the financial assets and liabilities that arise from such transactions or recorded in foreign currencies are recognised in the statement of profit or loss. Exchange gains and losses are shown in the "Financial incomes" or "Financial expenditures" line of the statement of profit or loss.

The Company converts its FX revenues at the MNB exchange rate and uses such rate to measure them at the end of the period.

4.5. Fair value measurement (SIGNIFICANT POLICY)

The Company uses fair value measurement in the case of "Held to collect" items. For the establishment of fair value, the following hierarchy is applied:

- level 1: price listed on a regulated market,
- level 2: calculated price based on input data available on essentially regulated markets,
- level 3: calculated price based on input data not available on major regulated markets

The Company's financial statements include only "level 1" type securities.

The Company recognises changes in the fair value among financial expenditures/revenues in the case of financial assets valued through profit or loss (FVTPL), and as part of the other comprehensive income in the case of financial assets available for sale (AFS).

4.6. *Intangible assets*

Based on the definition of assets within the conceptual framework principles of financial reporting and *IAS 38 Intangible assets*, the Company recognises as intangible assets those resources coming under the Company's control as a result of past events that are expected to generate economic profits for the Company in the future, and whose costs can be reliably measured and that originate from identifiable sources (based on contracts or other rights, or that can be separated), and are not monetary assets with respect to their physical appearance.

In the report, intangible assets are recognised at cost by the Company (with the exception of goodwill) because, due to the special nature of these assets, the notion of an active market is not applicable. These costs are reduced by accumulated amortisation and, where applicable, impairment, stated in line with the useful life of the asset.

The intangible assets of the Company consist of software used for operations and valuable rights associated with geothermal activities.

Software comprises software developed by third parties; the Company is not involved in any software development activities.

Purchased software is capitalised at cost calculated based on the costs incurred in the course of acquisition and installation. These costs are written off over an estimated useful life of 3–5 years, as appropriate for the type of the software in question.

Trademarks, licenses and purchased know-how have definite useful lives and are recognised at cost less accumulated depreciation. The cost of trademarks and licenses is amortised with the straight-line method over an estimated useful life of 15–25 years.

Certain intangible assets may be stated in the Company's books at zero value at the end of their useful lives and should be written off, yet they are continued to be used by the Company owing to changes in the fundamental assumptions regarding their useful life. To avoid such situations, the Company re-estimates useful life and depreciations annually, at the end of the reporting period. If the asset's useful life is modified after the re-estimation, the difference between the amortisation charged until the end of the reporting period and the amortisation appropriate for the recalculated useful life is charged to the profit or loss or the equity depending on whether the re-estimation affects depreciation in the reporting period or in the preceding period.

This re-estimation of useful life is not relevant to the purchasing of intangible assets with purchasing values under HUF 100 thousand as purchases below that ceiling are not considered to be material by the Company; therefore, purchases below that amount are not capitalised. The values of such purchases are recognised in the statement of profit or loss for the reporting year in the form of depreciation, and the Company maintains separate records of them, taking into consideration the consideration of asset management.

4.7. *Impairment of non-financial assets*

The Company does not charge any amortisation to intangible assets with an indefinite useful life or not yet suitable for use, but reviews them annually to identify potential impairment.



Assets in respect of which the Company recognises amortisation are also subjected to review for impairment in each case when events or altered circumstances imply that the book value may not be fully recovered.

If the Company sees indication that the realisable value of tangible assets or intangible assets may fall below the book value, impairment losses is reconsidered. If the realisable value falls below the book value, impairment must be recognised against the profit or loss with respect to assets carried at cost. The realisable value is the higher of the value in use and market value of the asset. The market value is the amount that can be received for an asset in a transaction between unrelated parties, while the value in use is the net present value of the cash flows derived from the continuous use of the asset and its sale at the end of its useful life.

4.8. Recognition of research and development

When looking at the recognition of self-produced intangible assets, the Company divides the process of production into research and development phases. In the course of a project for the production of any own intangible asset the Company is unable to distinguish the research phase from the development phase, the expenditures of the project are treated as if they were incurred solely in the research phase. Intangible assets originating from research (or the research phase of any internal project) cannot be recognised; therefore the Company recognises the expenditures associated with the research as expenditures when they are incurred.

Intangible assets originating from development or from the development phase of an internal project are recognised by the Company among fixed assets provided that the Company can demonstrate the following:

- the technical feasibility of the production of the intangible asset so that it is suitable for use or sale;
- the intent of the unit to complete, use or sell the intangible asset;
- the ability of the unit to use or sell the intangible asset;
- the way the intangible asset will generate future benefits;
- among other things, the unit is required to prove the existence of the product originating from the intangible asset or the market for the intangible asset, or in case it is used internally, the usefulness of the intangible asset;
- availability of sufficient technical, financial and other resources for the completion of the development or the use or sale of the intangible asset;
- the ability of the unit to reliably measure the expenditures that can be attributed to the asset in the course of the development of the intangible asset.

4.9. Property, plant and equipment (SIGNIFICANT POLICY)

In its report, the Company has no property that would need to be presented under the requirements of IAS 16; however, it does have office buildings held for sale not related to its core activity (and used as investment until sold) and industrial/commercial facilities suitable for production and providing services.

In respect of the rating of tangible assets, the Company clearly distinguishes fixed assets classified as intended/held for sale, investment properties, and other properties, machinery and equipment not falling into these special categories but covered by IAS 16.



4.9.1 Investment property (SIGNIFICANT POLICY)

Based on *IAS 40*, land, buildings (or parts thereof) and structures qualify as properties. The Company treats and carries all properties held for rental to others or speculating on a value increase, which are not held for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, as investment properties.

Each one of the investment properties owned by the Company is a purchased investment property, whose cost value comprises the purchase price together with expenses associated with and attributable to the purchase of the property.

The Company evaluates the investment properties on the basis of the *IAS 16* cost model. Accordingly, depreciation based on the asset's useful life – and when there is evidence of impairment, it – is recognised in accordance with *IAS 16*. The fair value has to be stated anyway, regardless of the Company's decision to use the cost model.

Investment properties are stated on a separate line in the IFRS financial statements. Upon its sale, or final termination of its use, the investment property concerned is derecognised from the IFRS financial statement, in accordance with the fact that no future gains are expected from it. Upon derecognition the difference between the carrying value and the net sales revenue of the property is shown, based on netting, either as a revenue item in the sales revenue line or as an expenditure item in the cost of sales line of the profit and loss statement.

4.9.2 Fixed assets held for sale

The Company classifies any fixed assets as held for sale if its book value is expected to be recovered by way of sale rather than in the course of its continuous use. In line with the requirements of IFRS 5, the asset has to be in a condition based on which it can be declared that it is ready for being sold, and the probability of selling needs to be high. The Company deems the probability of selling to be high and therefore it considers the following as fundamental conditions for recognising the asset as marketable:

- if the Company's supreme body/management has confirmed its commitment to the planned sale, and based on this commitment it is confirmed that there exists a plan for the identification of a specific buyer;
- if, after its documented commitment, the Company carries out active marketing activities for selling at a realistic price that is in line with the value of the asset over the shortest period of time and under the most favourable terms possible;
- if it is unlikely that there will be substantial changes to the selling plan and it is unlikely to be withdrawn;
- if based on the plans, the sale is expected to occur within one year of the date of classification. In certain cases the period of sale may be extended to a period exceeding one year. That is the case when events or circumstances beyond the control of the Company delay the conclusion of sale, and there is sufficient evidence that the entity continues to be committed to the plan to sell the asset.

If, based on the foregoing, the Company classifies an asset to be an asset held for sale, at the moment of such reclassification the depreciation of the asset is stopped, and re-measurement is performed



on the basis of the measurement at the time of the classification, at fair value less the cost of selling; this principle is also applicable to any subsequent valuations.

In its IFRS financial statements, the Company presents its fixed assets classified as held for sale separately from other assets. The Company separately presents the amounts of accumulated revenues or expenses charged against other comprehensive income which are related to reclassification or subsequent measurement.

4.9.3 *Tangible assets under IAS 16 Property, plant and equipment (SIGNIFICANT POLICY)*

The Company treats all long-term assets that do not fall into the category of investment properties or fixed assets held for sale in accordance with the requirements of *IAS 16 Property, Plant and Equipment*. These are long-term tangible assets (used over more than one business period) which came under the Company's control as a result of past events and are expected to generate future economic benefits for the Company, the costs of which can be measured reliably and which are used by the Company for production or the supply of services or administration.

Property, plant and equipment are recognised at historical cost less depreciation. The cost of tangible assets depend on the mode of their production or acquisition. In the case of individual acquisitions, the cost of purchase is the cost itself; in the case of an acquisition through a business combination, it is the fair value, while in the case of self-manufactured assets, it is the expense that arose in the development phase.

Historical cost includes the costs directly incurred in connection with the acquisition of the items. After initial capitalisation, subsequent costs are recognised as items increasing the book value of the asset or as separate assets only if the Company is likely to have a share of the future economic benefits originating from the item, and if the cost of the item can be measured reliably. The book value of the replaced components of the items are de-recognised. The costs incurred after the installation of the tangible asset, such as costs of repair and maintenance, are charged to the profit or loss in the period when they are incurred.

In the case of tangible assets measured with the cost method, depreciation and residual value are determined on the basis of cost and useful life; based on this, the cost less the residual value is depreciated over the useful life, which is recognised in the IFRS statement of profit or loss for the reporting year. The Company takes into account the amount realised at the end of the asset's useful life, after the deduction of the expected costs of disposal, as the residual value.

The annual review and, where necessary, re-estimation of the residual value and useful life (and thus, of the depreciation rate) is required for all tangible assets

A tangible asset may be included in the Company's financial statements at zero value at the end of its useful life and therefore it should be-recognised; however, the Company may continue using it due to changes in the fundamental assumptions of the estimation of the asset's useful life. To avoid such situations, the Company re-estimates useful life and depreciations annually, at the end of the reporting period. If the asset's useful life is modified after re-estimation, the difference between the depreciation charged until the end of the reporting period and the depreciation corresponding to the recalculated useful life is charged to profit or loss or equity, depending on whether the re-estimation affects the reporting period or a preceding depreciation charge.

This re-estimation of useful life is not relevant to the purchasing of tangible assets with purchasing values under HUF 100 thousand as purchases below that ceiling are not considered to be material by the Company; therefore, purchases below that amount are not capitalised. The values of such purchases are recognised in the statement of profit or loss for the reporting year in the form of depreciation, and the Company maintains separate records of them, taking into consideration the consideration of asset management.

The Company does not recognise depreciation for land.

The Company calculates the depreciation of properties, machinery and equipment using the straight-line method, whereby the cost or revalued amount of assets is reduced to the residual value over the following estimated useful lives:

Properties	20–50 years
Production machinery	3–25 years
Other equipment	2–8 years
Vehicles	5 years

The book value of an asset is immediately depreciated to the recoverable amount if the book value is greater than the estimated recoverable amount.

The Company depreciates tangible assets acquired in the framework of a finance lease in the same manner as applied to its own tangible assets over their expected useful life, provided that there is reasonable certainty that ownership will be transferred at the end of the term.

The profit or loss generated or incurred at the time of selling the assets is determined based on the book value and sale price and recognised among other expenditures and incomes.

The Company does not charge any amortisation to tangible assets with an indefinite useful life or not yet suitable for use but tests them annually for impairment. Tangible assets for which the Company recognises depreciation are also subjected to review for impairment in all cases when events or changed circumstances indicate that the book value may not be fully recovered. If the recoverable value is less than the respective book value, impairment has to be charged to the profit or loss in respect of assets treated at cost. The recoverable value is the higher of the asset's value in use and its fair value less costs to sell. The fair value less costs to sell is the amount that can be obtained for an asset in a transaction between unrelated parties, less the costs of disposal, while the value in use is the net present value of the cash flows derived from the continuous use of the asset and its sale at the end of its useful life. The recoverable value is determined individually for each asset, or if this is not possible, for each cash-generating unit.

At the end of each reporting period, the Company examines whether the reasons for the impairment losses recognised earlier still prevail. Any impairment loss can be reversed only if there has been a change in the circumstances that were taken into consideration at the time of the establishment of the last impairment. Impairment can be reversed only to the level where the book value of the asset does not exceed the recoverable value or – if it is lower – its book value less depreciation that would have applied had the impairment not been recognised.



4.9.4 Investments

In the financial statement, the value of tangible assets includes the value of investments, which encompass the current costs of development projects and improvements in progress, where depreciation is recognised after the commissioning of the project.

The Company takes the requirements of *IAS 11 Investment* into account for projects affecting more than one reporting period, and contractual schedules are determined so that they should be in line with the occurrence of the costs of implementation and the schedule of invoicing.

4.9.5 Application of component accounting

The Company does not apply the elements of *IAS 16* relating to component accounting as it has no such assets. According to the relevant requirements of the standard, if the main components of assets of significant value feature considerably different economic characteristics, then the main components should be recorded separately, with separate depreciation periods.

4.10. Investments

From among the methods set out in *IAS 27* for the measurement of investments, the Company uses the cost method for all its participations.

Impairment testing at specified intervals is an important element of the measurement of participations; the Company performs impairment tests on its participations according to the requirements of *IAS 36* when compiling its IFRS annual report. If there is any indication that a participation has suffered impairment, its recoverable amount has to be determined. The recoverable amount is the higher of value in use (typically the value determined with the discounted cash flow method based on the Company's detailed future financial plans) and fair value less costs of disposal (if it can be determined accurately based on benchmark market information). If the recoverable amount is lower than the asset's cost, impairment has to be recognised and presented in the other expenses line of the statement of profit or loss for the reporting year.

Impairment has to be recognised for participations in line with the foregoing if, at the end of the IFRS reporting period, the book value exceeds the expected recoverable amount. The Company considers it an indication of impairment if it has any information pointing to the financial difficulties of a subsidiary, the termination of customer contracts serving as the basis of its income-generating ability, the restructuring of the subsidiary that is disadvantageous for the Company, the transformation of the external financing structure that is disadvantageous for the subsidiary or any threat of bankruptcy.

4.11. Goodwill

The Company carries as goodwill the intangible assets that are associated with the purchasing of asset by paying for goodwill in the light of its expectations in relation to the future economic benefits from the purchased asset, and that cannot be individually identified, i.e. they cannot be unambiguously or directly connected to any of the existing tangible or intangible assets affected by the asset purchase.

The cost of the goodwill corresponds to the positive difference between the sum paid for the business combination and the part of the fair value of the identifiable assets, liabilities and pending liabilities that is attributable to the Company as the acquiring party.

Annually, the value of the goodwill has to be subjected to an impairment test, whereby the Company examines the recovery of the value of the goodwill, comparing the part of the future discounted cash flows at the Group's cash-generating units affected by the given goodwill and having a share from synergies that arise from the combinations ensured by the goodwill in excess of the assets that are linked to the cash-generating units in questions, and the value of the goodwill.

4.12. Inventories

Inventories are stated at cost or at net realisable value, whichever is lower. The cost of inventories consists of the cost of acquisition, the cost of conversion as well as costs incurred in moving the inventories to their present location and bringing them to their present condition. Cost may not include expenses relating to warehousing, promotion and marketing or sale. The cost of acquisition consists of the costs incurred by the acquirer to purchase the inventories. The Company includes in this category the consideration paid for the inventories, charges related to imports, non-refundable taxes, the expenses of transportation and handling, and any other payments directly related to the item concerned. Discounts and rebates received are to be deducted from the cost of acquisition. The Company defines net realisable value as the expected selling price under normal business terms, minus the expenses relating to completion and sale expected to be incurred before the sale. Net realisable value must be re-estimated at the end of each reporting period and the amount of the write-off needs to be recalculated annually. If changes occurred in the net realisable value of an inventory item that necessitate the write-back of a previously recognised impairment, the Company may do so up to the amount of the previously recognised impairment. Both write-offs and write-backs need to be stated among other expenditures. The write-off (write-back) must be recognised in the period when it was determined.

From among the options listed in *IAS 2 Inventories*, the Company uses the weighted average cost method for the measurement of inventories.

4.13. Financial instruments (SIGNIFICANT POLICY)

IFRS 9 Financial Instruments addresses the classification, measurement and presentation of financial assets and financial liabilities, and it replaced the sections of the former *IAS 39* standard applicable to the classification and measurement of financial instruments. *IFRS 9* requires the classification of financial assets into categories measured at their fair values and depreciated cost, respectively. Financial assets need to be classified into these categories at the time of their initial recognition.

Financial instruments include loans provided, loans received, debt securities purchased, debt securities issued, participations in other entities, trade receivables, trade payables, forward and swap transactions, as presented in the Company's separate IFRS financial statements.

Financial instruments (including compound financial instruments) become an asset, a liability or an equity element based on the real content of the underlying contractual obligations; initially they are recognised by the Company at fair value. The fair value of a financial instrument is the price that

the Company could realise on the sale of the asset, or would pay upon the transfer of the related obligation, assuming arm's length conditions and a transaction in the normal course of business, at the time of the measurement.

Fair value can be determined on the basis of exact market prices or, in the absence thereof, using measurement models. In the course of the selection and design of models, models appropriate for the characteristics of the instrument need to be applied and the general principles of fair value determination must be used.

The introduction of *IFRS 9* on 1 January 2018 has not caused any material change in the principles of classification applied by the Company; the financial instruments that have been recognised in the Company's financial statements at fair value continue to be presented in the same manner, and the same applies to the financial instruments that are recorded at amortised cost. The Company has set up the 'amortised cost' category for the assets classified into the 'held to maturity' category, essentially because its business model does not entail any receivables held for sale. The 'Available for sale' category essentially pertains only to securities, and the 'Held for trading' category to derivative transactions.

4.13.1 Initial recognition at fair value (SIGNIFICANT POLICY)

Pursuant to *IFRS 9*, the Company recognises all financial instruments at fair value initially, at the time of the transaction, that is, on the day when the Company commits itself to the purchasing or selling of the instrument. The company includes in this value the transaction costs that are directly related to the acquisition or issuance of the financial instrument. Financial assets evaluated at fair value against the profit or loss are initially presented at fair value, while transaction costs are stated in the statement of profit or loss.

The classification of financial instruments is based on the purpose of the acquisition of the financial assets, the characteristics of the financial instruments and the definitions of the categories of financial instruments under *IFRS 9*. The Company decides on the classification of financial assets at the time of their initial recognition. For subsequent presentation, financial instruments can be classified in the following categories:

4.13.2 Receivables (SIGNIFICANT POLICY)

For the recognition of impairment, PannErgy Plc. – as an individual company – applies an *IFRS 9* compatible model based on expected credit losses.

Trade receivables comprise the amounts due from customers for goods sold or services rendered during the ordinary course of business. If these amounts are expected to be collected within one year, they are classified into current assets, otherwise they are recognised among non-current assets, in conformity with their maturities.

The Company's trade receivables consist almost exclusively of receivables from domestic undertakings based on long-term contractual relations. Upon determining the ratings for the 2023 business year, we found that there was no need to establish a standard collection process for the trade receivables of the Company as its trade debtors always paid on time, observing the due dates of payment. Nevertheless, in the reporting period the Company has determined impairment losses expected to occur based on the "expected credit loss" model, meaning that an impairment provision

matrix that is designed relying on past events and also considers forward-looking information is used, broken down by type of debtor based on the nature of the relationship with the partner (term of the contract, strategic nature of the contract). For the calculation of impairment losses the Company opted for the Staging method, whereby stage ratings (1–3) are clearly defined relying on portfolio impairment loss considerations and with clear reasons to justify the classification. Furthermore, the Company's size and small number of customers facilitates the use of individual rating rules.

The Company has no retail operations that would call for the use of segment-based SPPI tests. In practice, the Company does not engage in factoring; should such a situation arise, these receivables would be presented at fair value.

4.13.3 Loans provided (SIGNIFICANT POLICY)

The Company grants loans to other enterprises only on a case-by-case basis, almost without exception to entities belonging to the scope of consolidation. Due to the affiliation and as the repayment of these loans depends on the group-level cash flow planning, the Company recognises no impairment for these loans. These financial assets to be held to maturity are valued in the statements at amortised cost. The Company has performed and documented the so-called SPPI classification tests/benchmark tests with regard to loans provided to non-affiliated parties that do not belong to the scope of consolidation, taking into consideration the variable interest rates applying to such loans. The test revealed that the amortised cost of the loans was adequate; therefore, it became necessary to determine fair value.

Based on the expected lending loss model, the Company classifies loans provided and recorded at amortised cost into categories 1 to 3, and impairment is calculated accordingly. When testing impairment, the Company does not take into account particular exposures individually; they are treated in aggregate because the effect of the separate treatment of exposures on measurement is irrelevant in the case of loans to affiliates. Because of the obligation of full-scope documentation, SPPI tests were also run for affiliated undertakings in the scope of consolidation; however, due to the affiliation, they were placed in Category 1 without any further examination or impact assessment and no impairment was recognised.

The commitment fees of the credit line are recognised as a transaction cost (and thus they are to be taken into account in the calculation of the amortised cost and effective interest rates of credit) if it is likely that the given portion of the available credit will be drawn down. In this case, any fee that has already paid is accrued until draw-down. In contrast, if it is unlikely that the given portion of the available credit will be drawn down, the fee is charged to the profit or loss for the year during the commitment period of the credit line.

The general and specific costs of the use of credits that are directly connected with the acquisition, construction or production of classified assets are capitalised where considerable time is required before the asset is suitable for its intended use or sale. Such borrowing costs are added to the cost of the asset until it becomes suitable for its intended use or sale. Any income originating from the temporary investment of individual credits as yet unused in relation to the classified asset is deducted from the borrowing costs to be capitalised.

Any other borrowing cost is recognised in the profit or loss of the period when it is incurred.

4.13.4 Hedging and derivative transactions (SIGNIFICANT POLICY)

The Company applies the rules set out in *IFRS 9* regarding hedging and derivative transactions, recognising them at fair value, with separate documentation and administration.

In the course of the preparation of its IFRS financial statements, the Company relies on hedge accounting. On a one-off basis, the Company can conclude a foreign exchange forward transaction that is of hedging character, as there is a direct connection between the forward transaction and the future FX purchase of the company. The Company resorts to such one-off transactions in case of high-value foreign currency purchases, applying the specific payment deadline set out in the relevant asset purchase agreement. The Company engages in no non-hedging forward transactions. For such transactions, the Company applies hedge accounting as defined in IFRS 9, that is, on 31 December, the end of the reporting period, the fair value of the expected gain/loss on outstanding forward transactions is determined and charged against the financial instruments (assets) as other financial income/expenditure. When the transaction is closed in the following year, the difference between the actual gain/loss realised and the amount recognised on 31 December is posted taking into account the amount established at the end of the reporting period.

4.13.5 Liquid assets (SIGNIFICANT POLICY)

As liquid assets comply with the criteria of recognition at amortised cost, therefore, based on the 'expected credit loss' model, the Company does not recognise any impairment because, as a general rule, it keeps its liquid assets exclusively in risk-free financial institutions with high credit ratings.

4.13.6 'Held to collect' financial assets (SIGNIFICANT POLICY)

The Company recognises its participations and securities in companies listed or not listed at stock exchanges as 'Held to collect' financial assets, and they are stated in the financial statements at fair value. For the measurement of participations in companies not listed at any stock exchange, the Company relies on independent experts to determine fair value.

The Company presents differences arising from changes of fair value in the statement of profit or loss.

4.13.7 Loans (SIGNIFICANT POLICY)

The credits are classified as short-term liabilities if they are due for repayment within a year. Otherwise, they are presented among long-term liabilities. Credits are initially recognised at fair value, while subsequently they are measured at amortised cost determined using the effective interest rate method.

4.13.8 Trade payables (SIGNIFICANT POLICY)

Trade payables include the amounts payable for goods and services received from suppliers in the ordinary course of business. Trade payables are classified as short-term liabilities if their settlement is due within one year. Otherwise, they are presented among long-term liabilities. Initially, trade payables are recognised at fair value, while subsequently they are measured at amortised cost that are defined with the effective interest method.



4.13.9 Other financial liabilities (SIGNIFICANT POLICY)

All other financial liabilities not carried at fair value through profit or loss are recorded under other financial liabilities. In its IFRS financial statements, the Company presents the value of other financial liabilities at amortised cost. The change in fair value has to be presented only in the notes to the financial statements. In the case of financial instruments of 'other financial liabilities' nature, the Company applies the effective interest rate method.

Interest, dividends, gains and losses related to financial instruments classified under liabilities are recognised as expenses on financial transactions in the statement of profit or loss as they are incurred. In the case of compound financial instruments, the liability component is measured first, and the equity component is defined as the residual value.

4.13.10 Deferred income

State aid relating to the purchasing of assets are presented by the Company as deferred income, and recognised in equal instalments against the profit or loss over the useful life of the asset.

Any state aid that has become repayable needs to be recognised as an adjustment to the accounting estimate.

Accordingly, the long-term deferred income disclosed in a separate line in the consolidated statement of financial position of the Company encompass the over-one-year part of grants awarded in application schemes for the geothermal projects. The short-term, under-one-year part of deferred income is stated among short-term liabilities, also in a separate line.

The end of the maintenance period applicable to the projects funded from application schemes and related grants does not affect the rate of write-back of grants recorded as deferred income because they are linked to the useful life of the subsidised assets; the write-back of the deferred income in the subject period among other income in the consolidated statement of profit or loss occurs during the asset's useful life based on the depreciation of the subsidised assets in the reporting period and on aid intensity.

4.13.11 Determination of effective interest rates (SIGNIFICANT POLICY)

The Company regards as the effective interest rate, to be used for discounting future expected cash flows, the contractual HUF- and EUR-denominated fixed interest rates for which its affiliates swapped their variable interest rates using interest rate swap transactions. Any material change in the effective interest rate results in the change of cost; no such changes have occurred. Much like in the base period, the effective interest rate applied by the Company in the reporting period is 4.5%, which is identical with the effective interest rate applied – and justified in detail – in the consolidated financial statements. The Company uses such effective interest rate as the discount rate where it performs discounted cash flow calculations, e.g. for the measurement of intangible asset, tangible assets or goodwill. The Company has no assets that would warrant discounting. In the case of long-term loans, the effective interest rate corresponds to the interest rate specified in the contract, thus no discounting is required. The long-term deferred income relating to grants need not be discounted because they had all been financially settled, and they are presented as liabilities only because of the requirement to spread the assets affected by the grant throughout the useful life of the assets.

4.13.12 Netting of financial instruments

Financial assets and liabilities are netted mandatorily and recognised in the consolidated financial statements as a net amount if the net settlement of the recognised amounts is legally permitted and the Company intends to settle the amounts on a net basis, or intends to simultaneously realise the asset and settle the liability.

4.14. Cash and cash equivalents (SIGNIFICANT POLICY)

In the Company's consolidated IFRS financial statements, cash and cash equivalents comprise the amount of financial assets held at the end of the reporting period as the Company's HUF and FX petty cash assets, freely disposable bank account balances that are available in the Company's electronic accounts held with financial institutions, bank account balances for limited use that are available in the Company's earmarked accounts held with financial institutions, balances in the deposit accounts with agreed maturity held with financial institutions, as well as sight bank deposits. In the consolidated financial statements made in accordance with IFRS, negative balances of current accounts held with financial institutions, i.e. overdraft facilities, are presented among short-term liabilities, in the line of short-term credit, provided that they are linked to current account loan agreements. without which they are stated among liquid assets in accordance with the contents of the relevant contracts.

4.15. Equity, subscribed capital (SIGNIFICANT POLICY)

The equity in the Company's IFRS financial statements is the difference between total assets and total liabilities. The IFRS subscribed capital equals the subscribed capital specified in the deed of foundation as long as it qualifies to be a capital instrument. The legal form of the Company is a public company limited by shares; PannErgy's ordinary shares listed at the Budapest Stock Exchange are recognised as subscribed capital within the meaning of the IFRS. Incremental costs directly attributable to the issuance of new ordinary shares are reported as an item decreasing the equity.

Capital reserve is the sum of all elements of equity which do not meet the definition of subscribed capital, subscribed capital not yet paid, profit reserve, revaluation reserve, after-tax profit or tied-up reserve under the IFRS.

Profit reserve is the accumulated after-tax profit of former years recognised in the IFRS annual report and not yet distributed to the shareholders, including amounts charged to accumulated profit under IFRS, which may not contain other comprehensive income defined in *IAS 1 Presentation of financial statements*, except for reclassification modifications. The amount of paid-up supplementary payments recognised as assets under the IFRS and the amount of unused development reserve less the related deferred tax calculated based on *IAS 12 Income taxes* must be deducted from the resulting amount.

Revaluation reserve comprises the accumulated other comprehensive income and other comprehensive income for the reporting year indicated in the statement of other comprehensive income, as defined in *IAS 1 Presentation of Financial Statements*.

After-tax profit is the aggregate amount of the net after-tax profit presented for continuing and discontinued operations and included in the profit or loss section of the statement of other



comprehensive income, as defined in *IAS 1 Presentation of Financial Statements*, or in the separate statement of profit or loss.

Tied-up reserve is the amount of received supplementary payments recognised as liabilities under the IFRS plus the amount of unused development reserve less the pertaining deferred tax calculated based on *IAS 12 Income taxes*.

4.16. Repurchased treasury share (SIGNIFICANT POLICY)

The Company may repurchase its treasury shares at the stock exchange pursuant to the authorisation of the General Meeting; these shares are presented in the IFRS annual report separately as items decreasing the equity.

The gain/loss on the sale of repurchased treasury shares and the effect of their fair measurement at the end of the reporting period is recognised directly through equity, on the 'Reserve for repurchased treasury shares' line.

The above procedure ensures that no gain or loss is recognised with regard to treasury shares in the profit or loss of the Company when any change occurs to own shares (purchase, sale, issue or cancellation).

4.17. Earnings per share (SIGNIFICANT POLICY)

To determine earnings per share, the Company used the quotient of the P/L for the given period and the average number of shares in the given period less the number of repurchased treasury shares.

For the determination of diluted earnings per share, all diluting factors are taken into consideration. The Company reports the number of shares issued by the Company as the diluted number of shares, plus warrants (options issued by the Company), management options and convertible bonds, with the number of shares inherent in them.

Furthermore, when determining the diluted earnings per share the Company also takes into account the number of shares involved in the share option programme running in the reporting period as an item decreasing the volume of own shares provided that the conditions set out in the share option programme for the call-down of options are satisfied at the time of the preparation of the report and that the own shares concerned had not yet been called down.

Through that adjustment, the diluted earnings per share figure takes into account the anticipated dilution of the number of shares as evidenced by documentation, thereby decreasing the assets per share to be allocated to individual shareholders.

4.18. Current and deferred income tax (SIGNIFICANT POLICY)

Pursuant to *IAS 12 Income Taxes*, income taxes consist of current and deferred taxes. The income tax expenditure disclosed in the report is the sum of the current tax liability and the deferred tax expenditure. Accordingly, in the Company's IFRS annual report, the amount of the corporate income tax payable annually is based on the tax payment obligations stipulated in the relevant Hungarian legal regulations, which is adjusted for the amount of deferred tax expenditures.

Current tax is the income tax payable (recoverable) with regard to the taxable profit (negative tax base) for the period. Income taxes include all domestic and foreign taxes that are levied on taxable

profits. The Company measures current tax liabilities (tax assets) for the current period and previous periods at the level expected to be payable to the tax authority (or expected to be reimbursed by the tax authority) using the tax rates and tax regulations that had been incorporated in legal regulations by the end of the reporting period.

Current tax (asset/liability) equals the tax payable/deductible. The actual amounts of the taxes payable/deductible may be different from the amounts stated among current taxes. These modifications reflect the changes in estimated payable/deductible taxes. Unless there is an indication that the modification arises from an error, these current tax changes are to be treated as changes in accounting estimates. These modifications are recognised under tax expenses/revenues in the period when the modification occurs.

Current tax is recognised in profit or loss or other comprehensive income (equity) depending on where the underlying transaction/event is recognised.

Pursuant to the relevant tax regulations, the Company is also required to pay local business tax and innovation contribution, which has a material impact on the Company's profit or loss.

Based on the interpretation of the definition of taxable profit as per IAS 12, the Company does not treat local business tax and innovation contribution as income taxes but rather as operating expenses, recognising them under other expenses. In the case of PannErgy, there was only a limited number of items that reduced the revenues used for the calculation of the tax base for the local business tax and the innovation contribution; therefore, these taxes are more like revenue-type taxes and as such, they are not subject to IAS 12 and are presented under operating expenses.

In line with the requirements of IAS 12, the Company recognises income taxes payable/recoverable in respect of future periods, the recovery of which is certain and which arose in connection with past transactions and events. The tax base of an asset is the amount attributed to that asset for tax purposes, which is deductible upon the recovery of the asset. If the economic benefits are not taxable, the tax base of the asset is equal to its carrying amount.

The tax base of a liability is the amount attributed to that liability for tax purposes i.e. the liability's carrying amount less any amount deducted subsequently for the purposes of taxes. The tax base for any deferred income equals the carrying value less non-taxable future incomes. Pursuant to IAS 12, a temporary difference is the difference between the carrying amount and the tax base which is either taxable or deductible after recovery/settlement. If the temporary difference is taxable, it is a deferred tax liability, while if it is deductible, it is a deferred tax asset.

Sources for deferred tax receivables can potentially include deductible temporary differences, unused negative tax bases and unused tax credits. Future taxable profit and taxable temporary differences may be the sources of recovery of deferred tax.

Deferred tax is required to be fully recognised in the case of deferred tax liabilities. In contrast, in the case of deferred tax assets, recognition is only possible if a future taxable profit against which the deductible temporary differences can be offset is available. Deferred tax is recognised at the same place as the underlying transaction or event.



Offsetting deferred tax assets and deferred tax liabilities against each other is mandatory if the Company has an enforceable right to offset the current tax assets and liabilities and if the income taxes relate to the same tax authority.

Based on the above, deferred taxes arise if there is a timing difference between the booking of an item for accounting and tax purposes. Deferred tax assets and liabilities are determined using the tax rates for the taxable income of the years when the differences derived from the timing differences are expected to be reversed. Deferred tax liabilities and assets reflect the tax implications of assets and liabilities as of the end of the reporting period, as determined by the Company. Deferred tax assets can only be included in the consolidated statement of financial position if it is probable that during its future activities, the Company will generate a profit that will form part of the tax base, against which the deferred tax asset will be offset.

As of the end of the reporting period, the Company takes into consideration its non-recovered deferred tax assets and liabilities and checks the recovery of these with a discounted cash flow calculation relevant for its future profits. In line with the requirements of *IAS 12*, the Company does not rely on discounting in the calculation of deferred taxes.

4.19. Provisioning

The Company recognises liabilities of uncertain timing or amount as provisions if:

- the related obligation arose from past events;
- they exist on the last day of the reporting period;
- they constitute legal or constructive obligations;
- their settlement is expected to result in an outflow of resources giving rise to economic benefits;
- the amount of the obligation can be estimated reliably.

The Company recognises a contingent liability if:

- there is an obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company;
- there is an obligation that arises from past events but is not recognised because it is improbable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Existence as of the end of the reporting period and connection to past events are important aspects; no provision can be allocated for costs that arise in the interest of future operations.

A past event gives rise to a constructive obligation for the Company if there is no other realistic alternative but to settle it. In the case of a legal obligation this entails the assumption that the obligation is derived from a contract, a legal regulation or other legal transactions. A constructive obligation is an obligation that derives from the Company's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities and as a result, it has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



In order to decide whether the settlement of the event or obligation forming the potential basis of a provision may induce the outflow of resources embodying economic benefits, the Company examines the probability of occurrence. The Company considers the event where the probability of occurrence is higher than that of non-occurrence (i.e. it exceeds 50 %) as probable. If it is unlikely that the event occurs, the Company carries the given obligation as a contingent liability and discloses it as such in its financial statements but does not recognise it in the statement of financial position.

Provisions are recognised by the Company in the amount necessary to settle all the related obligations. This amount is the best estimate of all of the necessary expenses made based on the information available as of the end of the reporting period taking into account all risks and uncertainties which may arise in connection with the obligation.

If the time value of money significantly influences the amount that is required for the settlement of the related obligation, the provisions are recognised to the extent of the present value of the expenses necessary to settle the obligation. Through the discounting method that indicates the passing of time, the balance sheet value of the provision increases each year with the impact of the discounting and the increase is charged to the current profit or loss as an interest expense under other expenses.

The expense necessary for the settlement of the provision, or a portion of it, may be recovered. In this light, the recovery may only be recognised if it is virtually certain that amount of recovery will be received if the Company settles the obligation affected by the provision. The recovered amount may not exceed the amount of the provision. The recovered amount must be treated as a separate asset; in the statement of profit or loss, the expense related to the provision may be presented net of the amount recognised for the recovery.

The Company has no revegetation or environmental obligations; no provisions have been set up in this context.

4.20. Share option programme, share-based payments

The Company does not have a share option programme for the reporting period.

The Company applies the provisions of *IFRS 2 Share-based Payment* to the recognition of actual share-based payments when measuring potential future share option programmes. If share-based payments are made in equity instruments, any costs arising in connection with such payments are charged to equity while in the case of settlement in liquid assets, they are charged to financial liabilities as staff costs.

The Company also applies *IFRS 2 Share-based Payment* to share-based payments outside the scope of the share option programme, even though they are not common practice at the Company either, and no such share-based payment occurred in the period covered by these consolidated financial statements. Accordingly, if the Company is free to choose the mode of settlement, then when an obligation arises for settlement in liquid assets at the time of conclusion of the contract, it should be treated as a transaction to be settled in liquid assets. If, however, at the time of the conclusion of the contract no obligations to settle in liquid assets arises, the agreement is to be treated as a transaction to be settled in equity instruments.

If the choice is given for the other party (typically, an employee of the Company), then the Company issues a compound financial instrument, which should be separated into a part to be settled in equity instruments and another part to be settled in liquid assets, and it should be recognised in the consolidated statement of profit or loss and the statement of financial position accordingly. Share-based benefits offered to employees do not give rise to an obligation for the Company immediately; instead, the right to claim the benefits becomes effective if the vesting and potential non-vesting conditions are fulfilled during a specified period (the so-called vesting period). The vesting period is usually a period of several years; accordingly, the expected costs have to be charged over the vesting period on a time-proportionate basis.

The value of share-based payments can be defined using a direct or an indirect method. If the direct method is used, the amount of the share-based payment is defined based on the fair value of the product acquired or service used by the Company. When the indirect method is applied, the fair value of the equity instrument may serve as a basis for the definition of the amount of the payment. In the case of share-based payments settled in equity instruments, the fair value of the equity instrument as of the date when the share-based benefit is provided is used for the entire vesting period, while changes in fair value are charged to the equity. In the case of share-based payments settled in liquid assets, the fair value of the equity instrument as of the date when the share-based benefit is provided is re-measured at the end of each reporting period, while changes in fair value are charged to profit or loss.

The costs of share-based payments are always charged to the profit or loss of the company that is the employer of the employees entitled to such benefits. The Company may conclude contracts for share-based benefits with partners who are not employees of the Company. In this case, the principles of recognition and measurement are identical with those applied in the case of share-based employee benefits.

4.21. Accounting for revenue from sales (SIGNIFICANT POLICY)

Pursuant to the framework principles governing the preparation and presentation of the financial statements, revenue is the growth of economic benefits during the reporting period resulting from either the inflow or increase in assets or the decrease in liabilities, which will result in a rise in the equity for reasons other than contributions from shareholders, is generated in the ordinary course of business (sale of goods or services, other use of assets) of the entity, the inflow of future economic benefits is probable, revenues can be measured reliably, and costs (incurred or expected) can be reliably identified and measured.

Under IFRS 15 Revenue from Contracts with Customers, revenue from sales is recognised as control over the goods or services is passed to the customer; in other words, the customer is able to control their use or obtain the benefits from the goods or services.

Under the standard, revenue from sales is recognised as control over the goods or services is passed to the customer, i.e., the customer is able to direct their use or obtain the benefits from the goods or services.

Pursuant to the standard, the Company has devised a five-step model for the recognition of revenues:

- Identification of the sales contract



- Identification of the performance obligations
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenues

IFRS 15 gives more detailed guidance on the distinction of goods or services: a good or service is distinct if it generates benefits on its own and if it is separately identifiable from other items. Instead of fair value measurement, consideration is defined as the amount to which an entity expects to be entitled. The Company takes the effects of variable consideration into account when determining the transaction price. If the revenue has a significant financing component, the time value of money is also taken into consideration.

Instead of a risk/reward based revenue recognition model, revenues are recognised when control over the service/good is passed to the customer. Control is passed over time if the relevant criteria are met or at a point in time if they are not.

The Company does not recognise as revenue income from the sales of tangible assets and other incomes that are not realised in the course of its ordinary activities.

In the period covered by the present financial statements, the Company has no customer contracts to which *IFRS 15* should be applied, for the following reasons:

- 1) there are no customer contracts the conclusion of which would give rise to significant costs that would justify the capitalisation and subsequent depreciation of such assets;
- 2) each customer contract meets the requirement set out in the standard that the seller may recognise the revenue only when the good or service is transferred to the customer, at an amount it considers legitimate for such good or service. The invoicing of customers is based on long-term contracts, which clearly define the price, nature, place of delivery of the goods/services. In the past five years no major delay was encountered with regard to these contracts; with the exception of a single business relationship that generated negligible sales revenues, no impairment loss needed to be recognised.
- 3) the recognition of sales revenues complies with the 5-step model, that is, all contracts with customers are in writing, have commercial content (provide for economic benefits for the Company), clearly set out enforceable rights and obligations, the parties have accepted the contract and committed themselves to its performance, and there is a high probability that the Company would collect the consideration for the good/service transferred;
- 4) the Company treats obligations relating to the performance of contracts separately, treating any discounts (determined ex ante or ex post) as separate obligations. The performance obligation is always clearly set out in the contract, and revenues thus invoiced can be recognised;
- 5) in the customer contracts of the Company the price of the transaction is clearly set out and allocated to specific performance periods/dates, consequently the recognition of revenues is evenly spread out. In certain heat supply contracts the Company uses performance incentives regarding the commitment of the customer to increase its heat purchases; in this case, the discount related to the period is in each case deducted from the sales revenue of the period affected by the discount. The sales revenue of all transactions is identical with the invoiced amount; no discrepancies have been found. In the case of the above discount, based on the calculation formula set out in the contract between the parties, the amount of the discount to be deducted from the revenue of the period

concerned and therefore recognised in that period (or subsequently, when a correcting invoice is issued) is clearly defined, consequently no estimates or probability calculations are necessary;

- 6) the customer contracts of the Company clearly match the price of a transaction and the transaction; there is no partial performance within transactions that would necessitate the allocation of prices. If the Company were to provide general discounts ex post, it would allocate it to the deliveries and transactions of the period covered by the discount, in accordance with the requirements of *IFRS 15*;
- 7) the members of the Company recognise revenues from sales when control over the asset or service sold is passed to the customer, and the customer is able to govern the use of and collect the benefits from such asset;
- 8) the Company sells no products with the right of repurchase, offers no related warranties, uses no buyer options or agency commissions.

4.22. Interest income and dividend income (SIGNIFICANT POLICY)

The Company may realize interest income on the loans granted in connection with the operation and management of the holding, or dividend income on its shareholder investments. Relating to the core activity of holding management, these are not considered income from ordinary course of business during the reporting period, in line with the requirements in IFRS 15 Revenue from Contracts with Customers. Accordingly, **the interest and dividend income received from related parties are presented – both in the reporting period and the base period – under income from financial transactions.**

The Company does not regard such interest and dividend income as income from ordinary course of business – i.e. it does not treat them as sales revenues – but recognises them under income from financial transactions.

Interest income is recognised using the effective interest rate method. In the event of the impairment of loans and receivables, the Company reduces the book value to the recoverable amount which is the present value of the estimated future cash flows discounted with the instrument's original effective interest rate. Thereafter, the difference arising from the reversal of the discount is shown as interest income. Interest income from impaired loans and receivables is recognised with the application of the effective interest rate used for the calculation of impairment, computed for the net value of the financial asset.

Dividend income is recognised when the Company becomes entitled to the dividend.

4.23. Leases (SIGNIFICANT POLICY)

The Company is not engaged in activities considered as leasing for the purposes of IFRS 16 as it has no contracts for long term letting or leasing, covering the useful lives of the assets concerned, or coming under the scope of the standard according to some other criteria. Accordingly, the provisions laid down in IFRS 16 must only be used by the Company as a lessee. The use of *IFRS 16* removes the difference between the treatment of operating lease transactions and that of finance leases for the Company as lessee; in the statement of financial position lessees have to show an asset embodying the right of use under the transaction and a leasing liability, that is, the obligation to make the lease payments. *IFRS 16* provides that a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The costs relating to the use of the asset are shown, under the new *IFRS 16* lease standard, as depreciation of the right-of-use asset and as the interest-type expenditure of the lease liability. Moreover, upon the occurrence of certain events (e.g. the lease term is modified, the amounts payable in the way of lease fees are modified as a result of changes in indices or interest rates affecting lease fee payments) the lessee must reevaluate the lease liability. The amount by which the lease liability is modified must be presented by the lessee as a change in the right-of-use asset. The standard stipulates exceptions for presentation regarding short term leases and ones with low-value underlying assets.

At the time of the adoption of the new regime the Company has no sublease or re-lease transactions. Nor does it have right-of-use assets regarded investment property.

4.24. Dividend payment (SIGNIFICANT POLICY)

Dividends distributable to the shareholders of the Company are recognised in the financial statements as liabilities in the period when the owners approved the dividend. Distributable dividends are accounted for as a direct decrease in equity.

4.25. State aid

State aid is recognised at fair value if the Company is reasonably certain to receive such aid because it will satisfy the relevant criteria. Based on the income approach accounting, the Company recognises aid as income in the periods, based on the principle of matching, in which the related expenses were incurred. The only exception is when the aid is based on subsequent settlement, that is, the purpose of the aid is to compensate for expenditures or losses incurred as well as immediate future financial grants given without any related costs. The Company recognises such aid as income when it opens for draw-down.

State aid relating to the purchasing of assets are presented by the Company as deferred income, and recognised in equal instalments against the profit or loss over the useful life of the asset. Any state aid that has become repayable needs to be recognised as an adjustment to the accounting estimate.

4.26. Comparative information across periods (SIGNIFICANT POLICY)

Data for the base year and reporting year were subjected to measurement in the financial statements in the same manner, except for the reclassifications in the base data explained in Note 40. In order for the Company's IFRS annual report to comply with *IAS 1*, all of the financial statements of the Company include a comparative period.

For the purposes of the annual report for a business year, by comparative period the Company means the reporting period of the annual report prepared for the business year preceding the business year concerned.

These comparisons have to be disclosed in sufficient detail so that the users of the annual report are able to interpret significant modifications affecting the statement of financial position and the statement of profit or loss.



4.27. Segment reporting

In line with the relevant IFRS requirements, the Company is to present its operating segments; however, the review **identified no operating segments**. The core business of the Company is asset management and governance of the holding. In this regard, PannErgy Plc. as the legal successor of Pannonplast Plc. presented the utilisation of the real-estate properties, i.e. the industrial facilities and connected office premises formerly serving Pannonplast Plc.'s plastics manufacturing operations in Debrecen, where property utilisation primarily means the re-invoicing of electric power and other public utility fees, and to a smaller extent the collection of office rents; furthermore, it encompasses costs and expenses incurred with management and governance of the Group in the form of a financial holding company and issuer at the stock exchange.

Beyond the unnecessary of operational segmentation, the Company pursues its activities solely in the territory of Hungary, in a uniform legal, technical, economic and demographic environment; consequently, territorial segmentation is not relevant.

4.28. Gross cash flow and EBITDA definition (SIGNIFICANT POLICY)

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 qualitative indicator, since the quality of geothermal heat generation and the subsequent operational processes preparing the sale of heat are effectively represented by the consolidated quantity of heat sold. No other performance quality indicator is presented by the Company.

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

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

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

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

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

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

5. MATERIAL/CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES IN THE APPLICATION OF THE ACCOUNTING POLICY (SIGNIFICANT POLICY)

In line with the IFRS requirements, the preparation of the Company's IFRS annual report calls for the application of certain estimates and assumptions, which affect the amounts presented in the financial statements. The Company continually evaluates estimates and judgments based on past experience and other factors, such as expectations related to future events considered as reasonable under the circumstances.

The Company applies the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and *IAS 10 Events After the Reporting Period* as appropriate to any material errors of prior periods, the modification of accounting estimates and the treatment of events after the end of the reporting period.

5.1. Events after the reporting date

In respect of the events between the reporting date and the date of the approval of the report, the Company reviews whether the event in question confirms the circumstances that prevailed at the reporting date and if yes, the modification of the annual report is required. If the event implies circumstances that arose after the end of the reporting date, the only requirement is a disclosure, and only in material cases.

5.2. Material error

During the preparation of the annual report, an error may arise from mathematical errors made when applying the accounting policy, from the ignoring of facts or from incorrect interpretation. The Company has adopted the principle that as long as it is possible and not technically impracticable, material errors from former periods need to be corrected retrospectively in the first financial statements or annual report compiled and approved for disclosure after the detection of the error. For the Company, impracticable means that it is impossible to apply even if the Company does everything that can reasonably be expected to ensure application.

The Company defines a material error as follows: the omissions or misstatements of items are material if separately or aggregately they are able to affect the users' decisions made based on the annual report. Materiality depends on the assessment of the extent and nature of omissions or misstatements under the given circumstances. The size and nature of an item, or a combination of the two, are the decisive factors in that assessment; as a general principle, the Company defines errors material if they exceed 1% of the total of the IFRS statement of financial position.



5.3. *Critical accounting estimates and assumptions*

In the course of implementation of the IFRS accounting policy, the Company relied on certain estimates and assumptions. Although the resulting accounting estimates are based on the Company's best knowledge of the current events, by definition they are rarely identical with the final results and the actual figures may be different. Estimates and assumptions that may change the value of assets and liabilities in the financial statements significantly will be presented in the subsequent financial year, as shown below. These assumptions are explained in detail in the relevant notes; however, the most important ones relate to the following:

- Tax allowances in the future or the realisation of a future profit that constitutes adequate taxable income against which the deferred tax assets can be set off;
- The outcome of certain pending liabilities;
- Measurement of the fair value of financial instruments;
- Determination of the useful life and impairment of tangible assets and the impairment of goodwill;
- Determination of the value of provisions.

The methodology of making accounting estimates may change; in the Company's interpretation a change of accounting estimates occurs when the carrying amount of an asset or liability or the amount of the asset's use in the period needs to be modified. Accounting estimates may be changed based on the evaluation of the current position of the assets and liabilities and the assessment of the expected future benefits and obligations related to them. Changes in accounting estimates result from new information or new developments; accordingly, they do not qualify as the correction of an error.



6. REVENUE FROM SALES**6.1. Breakdown of sales revenues by core activity**

	2023	2022
	HUF Th	HUF Th
Asset management	31,012	32,602
Property management	36,040	58,369
Total	67,052	90,971

6.2. Breakdown of sales revenues by geographical location

	2023	2022
	HUF Th	HUF Th
Revenue from domestic sales	65,732	88,780
Revenue from sales to the EU	1,320	2,191
Revenue from sales outside the EU	-	-
Total	67,052	90,971

6.3. Breakdown of sales revenues by activity or service

	2023	2022
	HUF Th	HUF Th
Intercompany services	29,692	30,411
Mediated and other services	9,587	34,050
Rent for buildings and tangible assets	26,888	25,267
Sale of products	885	1,243
Total	67,052	90,971

The 26% decline in revenues during the reporting period reflects the lower level of mediated and re-invoiced services, as well as changes related to exchange rate in rental income invoiced in foreign currencies.



6.4. Geographical breakdown of fixed assets related to sales revenues

	2023	2022
	HUF Th	HUF Th
Assets used in domestic production	4,747,868	4,721,289
Assets used in production within the EU	-	-
Assets used in production outside the EU	-	-
Total	4,747,868	4,721,289

6.5. Concentration of sales revenue, information regarding key customers

The Company has two key customers generating at least 10% of the Company's total sales revenues:

	2023	as a % of total	2022	as a % of total
		sales in 2023		sales in 2022
Total sales revenue from key customers	42,137	62.84%	52,194	57.37%
Revenue from sales	67,052	100.00%	90,971	100.00%

The Company's sales revenues primarily derive from the mediated services and lease services related to the Debrecen site.

7. INDIRECT COSTS OF SALES

	2023	2022
	HUF Th	HUF Th
Consultancy and audit fees	122,234	81,749
Indirect personnel-type costs	31,555	17,529
Insurance premiums	26,764	18,204
Indirect depreciation	19,279	11,790
Costs related to public and stock exchange presence	16,574	25,350
Office and operating costs	14,105	20,185
Banking costs	8,995	5,945
Other fees and duties payable to authorities	5	5
Total	239,511	180,757

The indirect operating costs of PannErgy Plc. increased during the reporting period by 32% year-on-year. This increase for the individual line items is in line with the steep rise seen in the price indices in the reporting period affecting both purchases and services. The increase in personnel-type costs is due to the change in headcount during the reporting period, as detailed in *Note no. 9*

Headcount and wage costs, while the increase in depreciation is due to changes in the stock of leased assets during the reporting period.

8. DIRECT COSTS OF SALES

	2023	2022
	HUF Th	HUF Th
Costs of goods sold, mediated services	40,142	63,204
Direct depreciation (real property)	11,972	11,972
Facility maintenance costs, rental	2,988	3,554
Cost of maintenance materials	301	1,073
Electricity charges	225	109
Other indirect costs	91	16
Total	55,719	79,928

Direct costs of sales at PannErgy Plc. include primarily the re-invoiced utilisation costs of properties located in Debrecen. The contraction seen in the reporting period can be attributed to the lower level of mediated and re-invoiced costs; the Company gradually phases out its property utilisation activity and hence, this 'pass-through' item.

9. HEADCOUNT AND WAGE COSTS

	2023	2022
Average statistical headcount (persons)	1	-
Wage cost (HUF Th)	24,775	13,860
Other personnel-type payments (HUF Th)	3,164	1,652
Taxes and contributions on wages (HUF Th)	3,616	2,017
Total	31,555	17,529

In terms of the average statistical headcount, PannErgy Plc. had 1 employee in the reporting period, as the CEO performs his duties as an employee during the reporting period.

Other personnel expenses include wages and remuneration paid to the CEO and the members of the Management Board, as well as the amount of related taxes and contributions.

10. OTHER EXPENDITURES

	2023	2022
	HUF Th	HUF Th
Aids granted to offset costs	12,900	2,700
Cost relating to insurance events	2,212	1,997
Local taxes, duties, fines	1,657	1,616
Waiver of shareholder's loans to subsidiaries	244	156,000
Fines, penalties, default interest, compensations paid	75	116
Impairment losses of receivables	-	617
Other miscellaneous expenditures	3,102	1
Total	20,190	163,047

Within the HUF 20,190 thousand value of other expenditures in the reporting year, the most significant items included various grants in the amount of HUF 12,900 thousand, other miscellaneous expenditures including derecognising tangible assets related to the lease termination in the amount of HUF 3,071 thousand, as well as HUF 2,212 thousand of payments related to claims (accident claims).

11. OTHER INCOMES

	2023	2022
	HUF Th	HUF Th
Profit on the sale of tangible assets	-	-
Income from insurance events	-	-
Incomes of another nature	2,737	1,121
Total	2,737	1,121

The Company's most important other income in the reporting period was the settlement of the lease-related liability through early termination of the lease, which resulted in HUF 2,734 thousand in miscellaneous income.



12. FINANCIAL INCOMES

	2023	2022
	HUF Th	HUF Th
Interest received from related parties	885,193	580,816
Realised and unrealised FX gains	2,756	21,705
Gains on derivative transactions	2,147	597
Exchange gains on securities held for trading	3	3
Other financial incomes	-	-
Total	890,099	603,121

13. FINANCIAL EXPENDITURES

	2023	2022
	HUF Th	HUF Th
Loss on derivative transactions	199,803	73,611
Interest and interest-type expenses	62,599	11,962
Realised and unrealised FX losses	2,757	8,734
Other financial expenditures	-	-
Total	265,159	94,307

14. OTHER INFORMATION RELATING TO FINANCIAL TRANSACTIONS

	2023	2022
Opening EUR/HUF exchange rate	400.25	369.00
EUR/HUF exchange rate on 31 December	382.78	400.25
Annual change in the EUR/HUF exchange rate	-17.47	31.25

The total amount of financially unrealised exchange rate differences related to FX revaluations at year-end is a total loss of HUF 1,546 thousand, related to the Company's EUR-based receivables and payables.



15. INTANGIBLE ASSETS

	HUF Th				
<u>Gross value</u>	Goodwill	Valuable rights	Intellectual property	Other	Total
1 January 2022	-	523	1,475	-	1,998
Purchase	-	-	410	-	410
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2022	-	523	1,885	-	2,408
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2023	-	523	1,885	-	2,408
<u>Accumulated depreciation</u>	Goodwill	Valuable rights	Intellectual property	Other	Total
1 January 2022	-	515	349	-	864
Increase	-	8	356	-	364
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2022	-	523	705	-	1,228
Increase	-	-	377	-	377
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2023	-	523	1,082	-	1,605
<u>Net value</u>					
1 January 2023	-	-	1,180	-	1,180
31 December 2023	-	-	803	-	803

16. TANGIBLE ASSETS

	HUF Th				
<u>Gross value</u>	Marketable properties	Properties for investment purposes	Machinery and vehicles	Leased assets	Total
1 January 2022	-	132,728	30,048	28,506	162,776
Purchase	-	-	-	-	-
Capitalisation	-	-	-	-	-
Revenue from sales, contribution in kind	-	-	-	-	-
Reclassification, scrapping	-	-	-	-	-
IFRS 16 Lease Remeasurement	-	-	593	593	593
Reclassification	-	-	-	-	-
31 December 2022	-	132,728	30,641	29,099	163,369
Purchase	-	-	-	-	-
Capitalisation	-	-	62,670	62,670	62,670
Revenue from sales, contribution in kind	-	-	-	-	-
Derecognition, write-off	-	-	-30,329	-30,329	-30,329
IFRS 16 Lease Remeasurement	-	-	1,230	1,230	1,230
Reclassification	-	26,581	-	-	26,581
31 December 2023	-	159,309	64 212	62,670	223,521
<u>Accumulated depreciation</u>	Marketable properties	Properties for investment purposes	Machinery and vehicles	Leased assets	Total
1 January 2022	-	19,580	8,231	6,978	27,811
Increase	-	11,972	11,426	11,225	23,398
Sale	-	-	-	-	-
Reclassification, scrapping	-	-	-	-	-
31 December 2022	-	31,552	19,657	18,203	51,209
Increase	-	11,972	18,902	18,814	30,874
Sale	-	-	-27,259	-27,259	-27,259
Reclassification, scrapping	-	26,581	-	-	26,581

31 December 2023	-	70,105	11,300	9,758	81,405
Net value					
1 January 2023	-	101,176	10,984	10,896	112,160
31 December 2023	-	89,204	52,912	52,912	142,116

PannErgy Plc. shows its industrial properties located in Debrecen in the category of investment properties; rather than making efforts to sell them, the Company utilises them essentially through leasing to tenants. The HUF 11,972 thousand decline in the reporting period reflects scheduled amortisation.

The reclassification includes the difference in the IFRS valuations made in recent years. Overall, this technical change does change the net value of the assets in question.

The majority of the HUF 52,912 thousand value of machinery and vehicles at the end of the reporting period relates to long-term leases of motor vehicles, where the Company applies the rules governing the recognition of lease items (assets and liabilities) in the financial statements pursuant to its accounting policy based on IFRS 16. Owing to the change in the effective interest rate compared to the previous period, lease liabilities were remeasured. After the remeasurement of the historical cost of the assets, the historical cost of the assets concerned rose by HUF 1,230 thousand. The data for the leased assets are shown in a separate column for both the base period and the reporting period.

With regard to tangible assets, there are no pledges on title and no mortgages; furthermore, no impairment was recognised at year-end.

17. INVESTMENTS

	2023	2022
	HUF Th	HUF Th
PannErgy Geothermal Power Plants Ltd.	4,604,949	4,604,949
Geo2Business Ltd.	-	3,000
Total	4,604,949	4,607,949

PannErgy Plc. sold its 100% stake in Geo2Business Ltd – which was established in the previous year – to PannErgy Geothermal Power Plants Ltd. at book value in the reporting year.

18. LONG-TERM RECEIVABLES

As at 31 December 2023, PannErgy Plc. showed no long-term receivables in its annual report.

19. LEASE RECEIVABLES

In the reporting period and the base period, PannErgy Plc. had no lease payments receivable.

20. INVENTORIES

	2023 HUF Th	2022 HUF Th
Inventories (mediated services)	-	4,223
Total	-	4,223

The Company's additional costs related to the use of the properties in Debrecen have been accounted for in the reporting year, meaning that the items listed as inventory in the previous period have already been accounted for.

21. TRADE RECEIVABLES

	2023 HUF Th	2022 HUF Th
Trade receivables	9,782	9,410
Total	9,782	9,410

PannErgy Group sells its products and services to a small number of buyers, mostly on the basis of long-term contractual arrangements. The trade receivables are non-interest earning items, generally with a 30-day term. Trade receivables were up 4% year-on-year.

In the reporting period, the Company has written down foreign receivables, recognising a 100% impairment of HUF 617 thousand during the previous period.

The Company's statement of its 2022 impairment provision matrix underlying the impairment charges applied in the reporting period:

	HUF Th								
Impairment provision matrix	Balances outstanding at the beginning of 2023	Balances outstanding at the end of 2023	Loss from default 2023	Default rate 2023	Expected default rate 2023	Expected credit loss 2023	Stage 1 impairment ¹	Stage 2 impairment ¹	Stage 3 impairment ¹
Marketable financial assets (Available for Sale, AFS)	-	-	-			-	-	-	-
Investments available for sale	-	-	-	0%	0%	-	-	-	-
Long-term investments	-	-	-	0%	0%	-	-	-	-
Other financial investments (long-term securities)	-	-	-	0%	0%	-	-	-	-
Securities (short term)	-	-	-	0%	0%	-	-	-	-
Loans and receivables (Loans and Receivables, LAR)	-	-	-			-	-	-	-
Loans provided	-	-	-	0%	0%	-	-	-	-
Trade receivables	-	-	-	0%	0%	-	-	-	-
Other current receivables	-	-	-	0%	0%	-	-	-	-
Held to maturity financial assets (HTM)	-	-	-			-	-	-	-

Long term financial receivables	-	-	-	0%0	0%	-	-	-	-
Liquid assets	-	-	--	0%	0%	-	-	-	-
Total	-	-	-			-	-	-	-

¹ Loss rates applied: Stage 1: 0%, Stage 2: 25%, Stage 3: 100%



22. LOANS PROVIDED

	2023	2022
	HUF Th	HUF Th
Shareholder's loans to subsidiaries	4,965,191	5,387,191
Total	4,965,191	5,387,191

PannErgy Plc. provided shareholder's loans in the reporting period and in the previous year to PannErgy Geotermikus Erőművek CPlc., the company that performs the professional and technical management of the Group and exercises direct ownership control over the geothermal project companies.

23. OTHER RECEIVABLES

	2023	2022
	HUF Th	HUF Th
Next period's items	208,075	158,481
Other tax receivables	21,610	8,373
Receivable relating to derivative transaction	2,147	-
Security deposits given	-	4,827
Other receivables	12,511	5,722
Total	244,343	177,403

HUF 193,903 thousand of the items of the next period is associated with revenues, mostly interest revenues, while HUF 14,172 thousand relates to costs. Among other tax receivables, the most significant item is the VAT receivable of HUF 18,857 thousand. Other receivables are related to own share purchases at the end of the period.

24. SECURITIES HELD FOR SALE

	2023	2022
	HUF Th	HUF Th
Securities held for sale	23	21

The Company did not alter its securities stock in the reporting period; the difference relative to the previous year is from fair value difference.



25. SUBSCRIBED CAPITAL

	2023	2022
	HUF Th	HUF Th
Subscribed capital	400,000	400,000

The Company's subscribed capital as at 31 December 2023 is HUF 400,000 thousand. There were no changes during the reporting period.

The subscribed capital stated in the Company's consolidated financial statements as per the IFRS and the subscribed capital registered by the competent Court of Registration are fully identical, there is no difference between the two figures.

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.

After the capital reduction conducted during the previous period, subscribed capital comprises a total of 20,000,000 voting shares, of a nominal value of HUF 20 each. The ISIN identifier of the shares listed on the Budapest Stock Exchange: HU0000089867.

Before 21 November 2007 the Company (then called Pannonplast Múanyagipari Plc.) held common shares (HU0000073440 ISIN) of a nominal value of HUF 100 each; the nominal value splitting procedure took place thereafter.

26. REPURCHASED TREASURY SHARE

	2023	2022
Number of repurchased treasury shares	3,768,929	3,106,497
Nominal value (HUF Th)	75,379	62,130
Fair value (HUF Th)	4,711,161	4,085,044

On 31 December 2023 the Company held a total of 3,768,929 PannErgy Plc. treasury shares, 662,432 more than the stock of treasury shares held on 31 December 2022.

The change resulted from the purchase of 662,432 treasury shares in the framework of the treasury share buyback program taking place during the reporting period. A total of 277,628, and 384,804 treasury shares were repurchased in 2023 H1 and 2023 H2, respectively, under the programmes.

The stock exchange closing price of PannErgy shares was HUF 1,250 per share at the end of the reporting period, compared to HUF 1,315 on 31 December 2022.

The cost of share purchases in the reporting period was HUF 809,524 thousand, the effect of the revaluation at the end of the period was HUF 183,047 thousand. The combined effect was a change of HUF 626,117 thousand in the value of the repurchased treasury shares.

The details of the treasury share buyback programmes effective in the reporting period are explained in Chapter 9 *Dividend payment, Treasury share purchase* of the Business Report. The public disclosures contain more information on the Company's treasury share transactions.

27. RESERVES

The details of reserves in PannErgy Plc.'s financial statements are as follows:

	2023	2022
	HUF Th	HUF Th
Capital reserve	6,614,332	6,797,738
Retained earnings	6,914,453	6,767,897
Total	13,528,785	13,565,635

The PannErgy Plc.'s IFRS statement of financial position shows the aggregated amount of the reserve created for treasury shares and the general reserves in separate lines. The form of accounting and presentation complies with the requirements described in the *IAS 32 Financial Instruments: Presentation and in IAS 33 Earnings per Share Standards*.

The capital reserve is associated with two historical events: firstly, the subscribed capital reduction upon the Company's transformation into a company limited by shares and secondly, the exchange gain resulting from the share issue. The amount of the profit reserve equals the total amount of the profits accumulated by the PannErgy Group in the previous years, net of the dividends paid to shareholders.

In the reporting period, the General Meeting of the Company decided that it would not pay dividends for the year 2022.

More detailed information is provided regarding the dividend in the public disclosures. Details of dividend payments made during the reporting period are presented in *Chapter 9. Dividend payment* of the Business and Management Report that was drawn up based on these consolidated financial statements.



In accordance with the provisions of Section 114/B of Act C of 2000 on Accounting, the Company has drawn up the Equity Correlation Table of PannErgy Plc. – as a company on its own – as at 31 December 2023, which serves as the basis for calculating dividends for 2023 as a dividend payment limitation.

Equity figures based on the IFRS Financial Statements	31/12/2023 (HUF Th)
Subscribed capital	400,000
Reserves	13,528,785
– of which Capital reserves	6,614,332
– of which Retained earnings	6,914,453
Reserve for repurchased treasury shares	-4,711,161
Net P/L of the reporting year	344,723
Total shareholders' equity	9,562,347
Dividend payment limitation under Section 114/B of Act C of 2000 on Accounting	31/12/2023 (HUF Th)
Capital registered by the Court of Registration	400,000
Subscribed, unpaid capital	-
Capital reserve	6,614,332
Tied-up reserve (repurchased treasury shares)	-4,711,161
Tied-up reserve (other tied-up reserves / development reserves)	17,000
Revaluation reserve	-
Retained earnings	6,897,453
Net P/L for the year / Profit after tax	344,723
Total shareholders' equity	9,562,347
Of which Capital registered by the Court of Registration (= IFRS subscribed capital)	400,000
Dividend payment limitation, retained earnings available for dividend payment	2,548,015



28. LONG-TERM LIABILITIES

At the end of the reporting period, the Company recognised the following long-term liabilities:

	2023	2022
	HUF Th	HUF Th
Deferred tax liabilities	741	741
Non-current lease liabilities	16,686	-
Total	17,427	741

At the end of the reporting period, PannErgy Plc. stated a deferred tax liability of HUF 741 thousand. It is related to corporate tax credit of a development reserve nature, stated in the corporate tax returns of previous years but not yet used for projects.

At the end of the reporting period, the Company retains a long-term liability of HUF 16,686 thousand related to long-term car leases, which the Company recognises as a liability based on its accounting policy, which is in line with the IFRS 16 standard. The portion of lease liabilities under lease contracts which are to mature within one year are recognised as short-term liabilities.

29. PROVISIONS

In the reporting period the Company had no economic events relating to provisioning. In its consolidated financial statements for the reporting year and the previous year, the PannErgy Plc. discloses no provisions for environmental or re-vegetation liabilities, and it does not allocate provisions for the costs associated with redundancy programmes or employee pensions. It has no such obligations other than the contributions paid to the public pension system.

30. SHORT-TERM CREDITS, SHORT-TERM PART OF LONG-TERM CREDITS

On 31 December 2023, the Company stated the following liabilities from short-term credits:

	2023	2022
	HUF Th	HUF Th
Short-term bank loans	-	300,000
Short-term loans to subsidiaries	375,358	39,421
Short-term part of long-term credits and leases	8,710	9,694
Closing balance on 31 December	384,068	349,115

The Company does not include any bank loans in its statement at the end of the reporting period, because external funds disbursed by a creditor financial institution was repaid as a short-term loan within the reporting period.

At the end of the reporting period, the Company also stated shareholder's loans to related parties, subsidiaries as a short-term liability.

Lease fees to be incurred within one year of the cut-off date of its annual report in relation to the Company's long-term vehicle lease contracts categorised as lease liabilities – based on its IFRS 16-conform accounting policy as referred to in Chapter 28 – amounted to HUF 8,710 thousand on 31 December 2023, recognised under short-term liabilities.

31. OTHER SHORT-TERM LIABILITIES

	2023 HUF Th	2022 HUF Th
Next period's items	41,204	19,010
Tax and contribution liabilities	23,824	10,834
Liabilities relating to the purchase of treasury shares	12,510	5,718
Liabilities relating to derivative transactions	9,934	60,176
Liabilities relating to shares	4,419	4,419
Wages and social security	2,044	1,461
Liabilities relating to dividends	126	126
Total short-term liabilities	94,061	101,744
Income taxes payable (deducted and shown as a separate line item)	23,368	10,480
Other short-term liabilities, total	70,693	91,264

The most significant item within other short-term liabilities is items of the next period, at HUF 41,204 thousand; these include HUF 31,100 thousand in interest on a loan from an affiliated entity, the rest being other non-interest costs relating to the reporting period.

At the end of the period, the Company states short-term liabilities of HUF 12,510 thousand because of the repurchase of treasury shares; this liability relates to the settlement of purchases made on the cut-off date.

HUF 4,419 thousand of the other short-term liabilities is recognised by the Company in liabilities stemming from the earlier conversion of shares into dematerialised securities.

At the end of the reporting period, the Company has liabilities related to dividends of HUF 126 thousand, which did not change during the reporting period. The components include as yet unpaid dividends for 2020 and for 2021: HUF 96 thousand and HUF 30 thousand, respectively.

The most important item of tax liabilities is the HUF 23,886 thousand stated in relation to the corporate income tax, but this is listed in a separate line as Income taxes payable.

32. TAXATION, INCOME TAX**32.1. Income tax payable for the reporting year**

	2023 HUF Th	2022 HUF Th
Tax liabilities for the reporting year	34,586	21,745
Effect of deferred taxes	-	8,873
Total	34,586	30,618

The corporate tax liability for the reporting year is calculated on the basis of the rules governing taxable income set out in the relevant Hungarian rules. As in the previous period, a 9% corporate income tax rate is applied in the reporting period.

The local business tax payable to the municipal governments and the innovation contribution payable on the basis of the local business tax base is stated by the Company – in accordance with its accounting policy – as part of its other expenditures rather than among income taxes.

32.2. Deferred tax

Upon the measurement of deferred tax receivables and liabilities, the deferred tax stated under fixed assets or long-term liabilities showed no changes compared to the previous year:

	2023 HUF Th	2022 HUF Th
Amounts recovered from deferred losses	-	-
The difference between the amount of the depreciation under the Accounting Act and the corresponding amount under the Tax Act	789	789
<i>Receivables from deferred taxes (gross)</i>	<i>789</i>	<i>789</i>
Development reserve provision	1,530	1,530
<i>Deferred tax liabilities (gross)</i>	<i>1,530</i>	<i>1,530</i>
Deferred tax to be recognised (net)	-741	-741
Deferred tax recognised in previous year	-741	8,131
Deferred tax recognised/reversed	-	-8,873
Receivables from deferred taxes on 31 December	-	-
Deferred tax liabilities on 31 December	741	741

The deferred tax receivable stemming from accrued and deferred losses is based on the recovery of deferred taxes. The Company decided to apply a five-year period regarding accrued and deferred losses, in accordance with the IAS 12 recommendations.

Gross deferred tax liabilities related to the temporary tax benefit related to the allocation of the development reserve amounted to HUF 741 thousand. After netting, deferred tax liabilities of HUF 741 thousand are stated in the annual report under long-term liabilities.

32.3. 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 statement of comprehensive income of PannErgy Plc. with the applicable income tax rates, and the corporate income tax figures actually stated in the statement of comprehensive income, is calculated as follows:

	2023	2022
	HUF Th	HUF Th
Profit before taxes	379,309	177,174
The tax payable on the company's profit/loss at the applicable tax rate (9%)	34,138	15,946
Tax implications of non-deductible expenditures, effects of tax base modifying items	448	14,672
During the reporting period, use of the negative tax base carried over from previous years	-	-8,873
Tax liabilities for the reporting year	34,586	21,745
Write-off of tax receivables assessed earlier	-	8,873
Income tax (as per the profit & loss account)	34,586	30,618

33. EARNINGS PER SHARE

	2023	2022
Profit after taxes (HUF th)	344,723	146,556
Number of shares issued less the number of treasury shares	16,231,071	16,893,503
Profit/loss per share (HUF)	21.24	8.68
Diluted profit/loss per share (HUF)	21.24	8.68

There is no difference between the profit/loss per share the diluted profit/loss per share at the end of the reporting period since the Company calculates the diluted profit/loss per share without taking into account any adjustment factor, just like in the base period. The reason for this is that the Company has no ongoing share option programme.



34. CASH AND CASH EQUIVALENTS

	2023 HUF Th	2022 HUF Th
Bank account and cash at hand	140,499	190,199
Separated, blocked cash	-	30,000
Cash and cash equivalents	140,499	220,199

35. TRADE PAYABLES

	2023 HUF Th	2022 HUF Th
Domestic and foreign trade payables	49,803	40,989
Total	49,803	40,989

Trade payables increased slightly in the reporting period.

36. FINANCIAL INSTRUMENTS

The financial instruments of PannErgy Plc. can be classified into the following categories:

	2023 HUF Th	2022 HUF Th
Financial assets	9,824,288	10,181,974
<i>Financial assets available for sale (AFS)</i>	<i>4,604,949</i>	<i>4,607,949</i>
Long-term investments	4,604,949	4,607,949
<i>Loans and Receivables (LAR)</i>	<i>5,217,169</i>	<i>5,574,004</i>
Loans provided	4,965,191	5,387,191
Trade receivables	9,782	9,410
Other current receivables, prepaid income taxes	242,196	177,403
<i>Financial instruments held to maturity (Held to Collect)</i>	-	-
Long term financial receivables	-	-
<i>Financial instruments, Fair Value to Profit and Loss (FVTPL)</i>	<i>2,170</i>	<i>21</i>
Securities	23	21
Derivative transactions	2,147	-

	2023	2022
	HUF Th	HUF Th
Financial liabilities	544,618	491,848
<i>Other financial liabilities</i>	534,684	431,672
Trade payables	49,803	40,989
Long-term loans, leases	16,686	-
Current borrowings	375,358	339,421
Short-term part of long-term credits and leases	8,710	9,694
Other financial liabilities	84,127	41,568
<i>Financial liabilities, Fair Value to Profit and Loss, (FVTPL)</i>	9,934	60,176
Derivative transactions – liabilities	9,934	60,176

The Company shows primarily the purchased debt securities and its participations in other companies among its marketable financial assets.

The Company shows purchased debt securities among the loans and receivables and, on account of their very nature, it is also here that it can show the trade receivables and the loans it has provided. Loans are recognised by the Company among the current assets. The value of loans and receivables are initially shown at fair value, and thereafter at amortised cost, in its IFRS annual report, using the effective interest rate method.

The Company states its non-derivative financial assets with fixed or determinable payments, which it positively intends to keep and is capable of keeping, until maturity, among its financial instruments held to maturity (Held to Collect).

Receivables associated with futures transactions, swap transactions are recognised by the Company as financial assets evaluated at fair value against the profit or loss, while liabilities connected with similar transactions are shown as financial liabilities evaluated at fair value against the profit or loss.

All other financial liabilities not carried at fair value through profit or loss – primarily trade payables, loan and credit liabilities, other short-term liabilities. – are recorded under other financial liabilities. Initially, trade payables are recognised at fair value, while subsequently they are measured at amortised cost that are defined with the effective interest method.

37. SHARE-BASED BENEFITS

The Company has no ongoing effective share option programme during the reporting period and no share-based benefits were allocated either. Accordingly, the Company's financial statements do not show any liability in regard to share-based benefits.

38. OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS

38.1. Contractual obligations and commitments for investment

At present the Company has no investment commitments.

38.2. Commitments relating to asset management transactions

In concluding asset management type 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.

38.3. Other contingent liabilities**38.3.1 Assets relating to funding by financial institutions, restriction of title**

Collaterals of various types (pledges, guarantee) were provided for funding financial institutions in relation to external financing contracts concluded by PannErgy Plc.'s member companies, as detailed in Note 16 on the consolidated financial statement. PannErgy Plc., as a company on its own, provides security deposit comprised of securities in an amount of HUF 300,000 thousand to secure its loan.

38.3.2 Contingent commitments relating to application schemes

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

38.3.3 Operative leases

The minimum aggregated amounts payable in the future under non-cancellable operating lease agreements are shown in the following table in a breakdown by maturity:

	2023	2022
	HUF Th	HUF Th
Within 1 year	8,710	9,694
Over 1 year but within 5 years	16,686	-
Over 5 years	-	-
Total	25,396	9,694

In the reporting period, in line with its accounting policy relating to the recognition of leases in compliance with *IFRS 16*, in the statement of financial position the Company presents its future payment obligations arising from the operating lease/long-term lease of vehicles as liabilities, parallel to the presentation of leased vehicles as assets.

In accordance with *IFRS 16 Leases* the Company carried out an assessment of the details of its lease contracts and found that the above lease payments include no acquired valuable rights, i.e. they are lease liabilities in their entirety.

No assets are rented or leased from the Company under lease type arrangements on account of which the *IFRS 16* provisions would be applicable.

39. FINANCIAL RISK MANAGEMENT

39.1. *Financial risk factors*

PannErgy Plc. is exposed to the following types of financial risk through its operations: market risk including exchange rate risk, price risk, fair value interest risk, cash flow interest risk, lending risk and liquidity risk.

39.2. *Market risk*

39.2.1 *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. It also has EUR-denominated liabilities. Such assets and liabilities involving settlements in foreign currencies entail risks resulting from fluctuations in currency rates – particularly the EUR rates – which PannErgy Plc. uses its best efforts to mitigate, primarily by maximising the coverage of its EUR loan debt liabilities by the above mentioned EUR-based revenues. The Company occasionally concluded FX forward transactions in the reporting period, mitigating the risk of exchange rate losses on the settlement of its future payables to be incurred in foreign currencies. These transactions were not cash-flow hedge transactions; the gains and losses on such transactions during the reporting year appear in the financial incomes and financial expenditures categories in its annual report, detailed separately.

39.2.2 *Price risk*

The Company runs no risks relating to exchange traded commodities or financial instruments.

39.2.3 *Cash flow and fair value interest risk*

The interest rate risk arising at the Company is negligible as it does not make use of long-term loans of such long terms provided by external financing companies, thus no interest rate risk arises from the length of the term. The only type of loan the Company has is short-term loans from related parties.

39.3. *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.

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 Plc.'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 at the end of the year and actions are taken, as necessary, regarding each buyer individually.



39.4. 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 PannErgy Plc.'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 servicing ratios required by financial institutions. The cash-flow forecasts that are based on the financial settlement of trade payables, loan repayments as well as contractual and other incomes are worked out in view of PannErgy Plc.'s financial plans, the need to maintain the ratios stipulated in contracts as well as all relevant regulatory and statutory regulations.

Besides trade payables other short-term liabilities appear in the cash-flow forecasts with due dates corresponding to their respective types: taxes and contributions and other liabilities relating to salaries and wages are settled within 30 days, while other liabilities are settled on the dates specified in the underlying contracts or other documents, but not beyond one year.

39.5. Capital management

The Company's goal in shaping its capital structure is to maintain continuous operability in order to generate profits for its shareholders and to minimise the cost of capital through an optimised capital structure. To ensure that adequate capital structure is maintained, and/or adjusted as appropriate, the Company makes decisions concerning the amount of dividends paid, or capital repayments to be made, to the shareholders. The Company may, also in the context of capital management, make decisions on issuing new shares or selling assets. The management affirms that the Company meets the applicable statutory capital requirements, based on its assessment as stipulated by the provisions laid down in Act V of 2013 on the Civil Code. Data on the equity and its ratio to the subscribed capital are presented in the following table: The positive amount of the equity was significantly larger than the subscribed capital in both the reporting period and the preceding period.

	2023	2022
	HUF Th	HUF Th
Subscribed capital	400,000	400,000
Total equity capital	9,562,347	10,027,147
Equity / Subscribed capital	23.91	25.07

39.6. Offsetting of financial assets and financial liabilities

In the case of financial assets and liabilities that are subject to a mandatory offsetting arrangement or a similar agreement the agreement between the Company and the other party permit offsetting

of the given financial assets and liabilities only if both parties opt for this type of clearing. No such agreement or decision is in place in PannErgy Plc.; therefore, financial assets and liabilities are cleared and settled in terms of gross amounts.

39.7. Epidemic risk and war risk

Expected human and economic impacts caused by potential pandemics in the future, the like of which was experienced in recent years, may result in consequences affecting a variety of different segments and participants of society and economy. In a situation similar to what we experienced in 2020–2021 the impacts cannot be precisely or fully estimated, therefore such situations continue to entail risks. Given its very nature, the operation of the Company is not expected to be severely restricted by likely future negative consequences of any future epidemic.

The indirect economic impacts of the war that broke out between Russia and Ukraine in 2022 (primarily through extreme fluctuations in the energy markets) did affect the Company during both the base period and the period under review, but only to a limited extent.

In response to the war, the European Union and other international parties adopted wide-ranging, comprehensive economic and other legal sanctions in various areas against Russia in the recent years and such sanctions are expected to be introduced in the future as well. 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 future negative 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;
- 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.

PannErgy Plc. proceeded in the reporting period – as in the previous period – in accordance with the recommendations of the European Securities and Markets Authority (ESMA) regarding the presentation of the impacts of the extraordinary events (war and pandemic) on the Company’s financial statements. In line with the recommendations the Company placed and continues to place special emphasis on business continuity planning, and for all critical areas of operation has emergency plans that are suitable to support the adoption of the necessary business continuity measures.

In accordance with the disclosure recommendations of ESMA, the Company, as a securities’ issuer discloses, as promptly as possible and in accordance with its transparency obligations under the market abuse regulations, all relevant data and information on the impact of the Russia–Ukraine war, the pandemic or any other unexpected event on the Company’ assets, income and financial position, operational activities, perspectives and plans.

In conformity with the ESMA recommendation, PannErgy Plc. publishes the following information in relation to the Russia–Ukraine war and the earlier pandemic in its consolidated financial statements for 2023:

Neither the ongoing military events of the Russia–Ukraine war, nor the pandemic events started in previous years – which have turned into normal epidemic condition in the reporting period – had a material impact on the figures presented in the Company’s separate financial statements for 2023.

39.8. 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. The environmental strategy of PannErgy designed to mitigate or prevent the negative effects of the climate change is described in [Section 5 Strategy and Environmental Objectives of the PannErgy Group](#) of the Business Report.

In relation to the Company’s activities relating to climate change and environmental protection the ESMA recommendation discloses the following in relation to its consolidated financial statements:

- acts as a renewable energy producer and is engaged in carbon-saving activities;
- prepares a separate ESG/Sustainability Report in accordance with the requirements of the GRI Global Reporting Initiative, GRI Universal Standards 2021, in line with the regulations for listed companies;
- the ESG/Sustainability Report for 2023 will be published at the same time as these consolidated financial statements,
- the ESG/Sustainability Report will include detailed information on carbon savings and emissions, with all assumptions evaluated and published;
- the non-financial information in the ESG report for 2023 is consistent with the information contained in these consolidated financial statements;
- these consolidated financial statements do not contain information on specific provisions set aside for environmental protection or climate change, or information on contingent receivables, liabilities, environmental assets, their impairment loss, the scheduling of environmental projects/investments or their financial impacts;

- The Company is not involved in any green financing programme and has no long term green power purchase agreements;
- Based on the Company's renewable energy generation and carbon emission saving activity the report contains no information on carbon credits or renewable energy certificates – in the case of the Company there is no need for this kind of pollutant emission compensations.



40. PARTICIPATIONS (DIRECT AND INDIRECT)**40.1. Consolidated subsidiaries**

On 31 December 2023, the consolidated subsidiaries of the Company as the parent company and their direct and indirect ownership rates are as follows:

	Share capital (HUF Mn)	Ownership share (%) Indirect	Shareholding (%) Indirect	Voting rights %	Consolidation ratio
PannErgy Geotermikus Erőművek CPlc.	2,072.70	100.00	-	100.00	100.00
DoverDrill Mélyfúró Ltd.	86.00	-	100.00	100.00	100.00
Arrabona Koncessziós Ltd.	6.10	-	100.00	100.00	100.00
Szentlőrinci Geotermia Ltd.	5.00	-	100.00	100.00	100.00
Miskolci Geotermia Ltd.	5.00	-	100.00	100.00	100.00
DD Energy Ltd.	3.10	-	100.00	100.00	100.00
Kuala Ltd.	3.00	-	100.00	100.00	100.00
Berekfürdő Energia Ltd.	3.00	-	100.00	100.00	100.00
Geo2Business Ltd.	3.00	-	100.00	100.00	100.00

The ratios presented above show the respective shares of ownership and voting rights of PannErgy Plc. and PannErgy Geothermal Power Plants Ltd. in the various subsidiaries. The consolidated ratios are the same as the respective shares of ownership. PannErgy Plc., the parent company, has a 100% share of ownership in PannErgy Geotermikus Erőművek CPlc. the Group's technical/professional leader company, which in turn is 100% direct owner of all PannErgy project companies and group member companies.

Other than the above consolidated subsidiaries, the Company has no controlling influence or qualified majority in any other business association under the provisions of the Civil Code on business associations.

40.2. Changes affecting investments and participations during the reporting year

The following transactions involving/affecting investments and participations took place during the reporting period:

On 3 November 2022, PannErgy Plc. founded Geo2Business Ltd., and on 18 December 2023 it sold its 100% stake in the company to its subsidiary PannErgy Geothermal Power Plants Ltd., thus retaining only an indirect stake in the company.

41. SEGMENTS REPORT

In line with IFRS requirements, the Company needs to present its operating segments. PannErgy Plc. described one operating segments in its individual EU IFRS report (Assets Management), thus the Company has to fulfil disclosure obligations covering the whole of the business entity. In the case of the Company this means that the reporting year's and the basis year's data of the Asset management segment are the same as the financial information pertaining to the entirety of the business entity, which are adequately presented in this annual report.

42. EXPLANATION FOR RECLASSIFICATIONS RELATIVE TO BASIS PERIOD REPORT

The base data included in the 2023 annual report and separate financial statements of PannErgy Plc. are identical with the data included in the Company's separate financial statements and annual report for 2022.

43. TRANSACTIONS WITH AFFILIATED PARTIES

43.1. Transactions with members of the Company's management

The members of PannErgy Plc.'s management are shareholders of enterprises that provide regular business management consultancy or long-term lease of vehicle type services for PannErgy Plc. In 2023 such services amounted to HUF 97,378 thousand, of which business management consultancy services were provided in the amount of HUF 79,911 thousand, and long-term leases in the amount of HUF 17,467 thousand.

43.2. Transactions with affiliated parties

The Company performed the following transactions with related parties during 2023:

Related party transactions	2023	2022
	HUF Th	HUF Th
Sales to related parties ¹	901,835	612,796
– To subsidiaries	900,515	611,227
– To entities in an ownership relationship with the Group's management	1,320	1,569
Purchases from related parties ²	164,206	111,153
From subsidiaries	66,828	32,600
From entities in an ownership relationship with the Group's management	97,378	78,553
Amounts owed by related parties	5,166,997	5,541,150
From subsidiaries	5,166,871	5,541,150
From entities in an ownership relationship with the Group's management	126	-
Amounts owed to related parties	435,205	46,301
To subsidiaries	428,506	40,217
To entities in an ownership relationship with the Group's management	6,699	6,084

¹ Of which HUF 870,823 thousand represents interest income from related parties presented as financial income.

² Of which HUF 33,809 thousand represents interest payable to related parties presented as financial expenditure.

43.3. Loans to and borrowings from related parties

PannErgy Plc. provided the following loans to related parties in 2023 and 2022. No loans were disbursed to management.

	2023 HUF Th	2022 HUF Th
Opening balance of loans granted	5,387,191	5,795,143
New volume of loans to related parties	11,500	68,000
Repayment of loans from related parties	433,500	475,952
Waiver of loans to related parties	-	-
Closing balance of loans granted	4,965,191	5,387,191

The Company's loans to related parties have decreased by HUF 422 thousand during the reporting period.

Registry of the Company's borrowings from related parties at the end of the reporting period:

	2023 HUF Th	2022 HUF Th
Opening balance of borrowings	39,421	-
Disbursements from related parties	346,937	39,421
Repayment of loans to related parties	11,000	-
Borrowings waived by related parties	-	-
Closing balance of borrowings	375,358	39,421

The Company's borrowings from related parties have increased by HUF 335,937 thousand in the reporting, in line with broader Group level cash flow trends.

43.4. Remuneration of key executives

In line with the compensation categories set out in *IAS 24 Related party disclosures*, the compensation of key management personnel, the members of the Management Board of the Company and the other employees participating in strategic decisions at the Company and its major subsidiaries was as follows (the table contains the sums paid in the year concerned):

	2023 HUF Th	2022 HUF Th
Short-term employee benefits	24,775	13,860
Termination benefits	-	-
Share-based benefits	-	-
Total	24,775	13,860

At the Company's General Meeting on 28 April 2023, by MB Resolution No. 7/2023 (IV.28.) the Company set the remuneration of the Chairman of the Management Board at 195,000 HUF/month,

while that of the other members of the MB at 155,000 HUF/month from 29 April 2023, i.e. management remunerations remained unchanged compared to the previous year.

The Company has had a (strategic) employee influencing its operations since December 2022 in the person of the CEO, who carries out his duties as an employee.

Other than the above remunerations, no long-term benefits or share-based allocations were provided to members of the MB during the reporting period and the preceding base period. At present, the Company does not recognise any liabilities to past or present executive officers in respect of pension.

44. ADDITIONAL INFORMATION

44.1. *Proposal on the use of P/L of the reporting year and on the approval of dividend payment*

The proposal adopted by the Management Board on the use of the reporting year's P/L and on dividends, as put forward to the General Meeting, is the following:

'Defined in accordance with EU IFRS, the net P/L of PannErgy Plc., as an individual entity, is a profit of HUF 344,723 thousand for the reporting year, while its total assets amount to HUF 10,107,706 thousand.

The Company publishes extraordinary and other announcements on shareholder information in accordance with the prevailing legislation, available, inter alia, at the website of the Company and the Budapest Stock Exchange.

The Audit Committee at the Company has examined the Company's financial statements and the auditor's reports as well as the financial reporting processes in place at the Company, and deemed them acceptable.

In view of the anticipated investment opportunities and needs for 2024, 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, the Management Board does not recommend the payment of dividends, and proposes that after-tax profit be transferred to retained earnings in full.'

44.2. *Audit information*

Pursuant to the relevant provisions of Act C of 2000 on Accounting, PannErgy Plc. is subject to mandatory audit; the separate and consolidated financial statements (report) of the Company drawn up in accordance with the IFRS standards are also audited by an independent auditor.

In the reporting period, the Company was audited by BLUE RIDGE AUDIT HUNGARY Ltd. (address: H-1026 Budapest, Sodrás utca 5. 2. em. 1, tax number: 13076858-2-41, company registration number: 01-09-717568, Chamber registration number: MKVK 004410); the audit report was signed by Gábor Merkel (Chamber registration number: MKVK 007363, address: H-1138 Budapest, Jakab József utca 21. 2. em. 7).



For its audit pertaining to the reporting year, the auditor charged a fee of HUF 8,650 thousand and other than that, it received no remuneration (for any other external review, tax consultancy or other service) from the Company.

44.3. Person responsible for the preparation of the report

The person responsible for governing and managing the book-keeping tasks of PannErgy Plc. and the preparation of the report is József Ivánka – as head of accounting at PannErgy Plc. / PannErgy Group – chartered accountant registered in IFRS and Business (licence number: 168953, address: H-1163 Budapest, Bronz utca 31/A).

44.4. Members of the Company with controlling influence

PannErgy Plc. is a public limited company. In line with *Section 7.2 (Shareholders with over 5% shareholdings in the Company as at 31 December 2023)* of the Business Report, none of the members of the Company has a majority interest – in particular, qualified majority – in the Company; consequently, there is no need to disclose any information on the name, registered office or voting share of such members.

44.5. Persons authorised to act on behalf of the Company

Members of the Management Board are entitled to represent and act on behalf of the Company as follows; they are authorised to sign the annual report:

Name	Position	Address	Mandated from	Signature right
Dénes Gyimóthy	MB member, Chairman	94501 Komárno, Medercská ul. 748/73.	31/08/2007	independent
Katalin Gyimóthy	Member of the MB	H-8220 Balatonalmádi, Somfa utca 4.	28/04/2016	joint
Attila Juhász	Member of the MB	H-2251 Tápiószecső, Rákóczi út 6.	31/08/2007	joint
Kálmán Rencsár	Member of the MB	H-6320 Solt, Posta utca 51.	30/04/2020	joint
Gábor Briglovics	Member of the MB	H-2483 Gárdony, Barabás Miklós utca 10.	16.04.2021	joint
István Jaksa	Employee, Chief Executive Officer	H-1222 Budapest, Nap utca 28-30. 2. ajtó	13/02/2024	joint

44.6. Other disclosure obligations of the Company

PannErgy Plc., as an entity compiling its annual report in accordance with the IFRS standards, is not subject to 'Reporting on payments to governments' under Section 114/I (3) of Act C of 2000 on Accounting, as its activity does not fall within the category of undertakings active in the extractive industry within the meaning of Regulation (EC) No 1893/2006 and Directive 2013/34/EU of the European Parliament and of the Council referred to in the Act.

Pursuant to Section 114/I (3) of the abovementioned Accounting Act and Chapter VI/B referred therein, the company is required to prepare a report containing corporate income tax information. PannErgy Plc., as the undertaking compiling the highest level, consolidated financial statements of the PannErgy Group, prepares and – concurrently with the publication and depositing of the annual report – publishes the above report.

44.7. Registered office, website and contact information of the Company

PannErgy Plc. has its registered office in Hungary at H-1112 Budapest, Boldizsár utca 2 (Budapest One Irodaház tower D., floor 8.). The Company's separate and consolidated financial statements and report are available at the Company's registered office and on its website (<https://www.pannergy.com>).

45. EVENTS AFTER THE REPORTING DATE

No material events or significant developments that would have an impact on the Company's 2023 financial year, or the reported results and balance sheet figures for that period occurred after the reporting date.

References to events that occurred after the cut-off date of the annual report are presented in the table below; complete information is available at the Company's official places of disclosure.

Date	Type of news	Subject, brief content
12 March 2024	Extraordinary information	Proposals to the General Meeting
3 March 2024	Extraordinary information	Treasury share transactions
29 February 2024	Extraordinary information	Number of voting rights at PannErgy Plc.
23 February 2024	Extraordinary information	Treasury share transactions
18 February 2024	Extraordinary information	Treasury share transactions
11 February 2024	Extraordinary information	Treasury share transactions
4 February 2024	Extraordinary information	Treasury share transactions
1 February 2024	Extraordinary information	Voting rights, share capital
28 January 2024	Extraordinary information	Treasury share transactions
21 January 2024	Extraordinary information	Treasury share transactions
15 January 2024	Extraordinary information	Quarterly production report
14 January 2024	Extraordinary information	Treasury share transactions
6 January 2024	Extraordinary information	Treasury share transactions



46. DATE OF AUTHORISATION OF DISCLOSURE

The Company's Management Board approved the financial statements and authorised their disclosure on 26 March 2024.

Dénes Gyimóthy
On behalf of the Management Board





PannErgy Plc. Business Report 2023

Based on the EU IFRS annual report of
PannErgy Plc.

THIS ANNOUNCEMENT IS PUBLISHED IN HUNGARIAN (MANDATORY, OFFICIAL) AND ENGLISH LANGUAGES. IN CASE OF ANY CONTRADICTION BETWEEN THESE TWO VERSIONS, THE OFFICIAL HUNGARIAN VERSION SHALL PREVAIL.

Budapest, 27 March 2024

The attached pdf report is not the official individual report of the Company; the official individual report will be attached to the Consolidated Financial Statement published in ZIP (specifically XHTML-XBRL) format, as required by applicable legislation. The contents of the attached pdf report are fully identical with those of the individual report attached to the Consolidated Financial Statement published in ZIP (specifically XHTML-XBRL) format.



1. EXECUTIVE SUMMARY (REGARDING THE PANNERGY GROUP)

Consolidated EBITDA at the objective level – despite adverse weather conditions

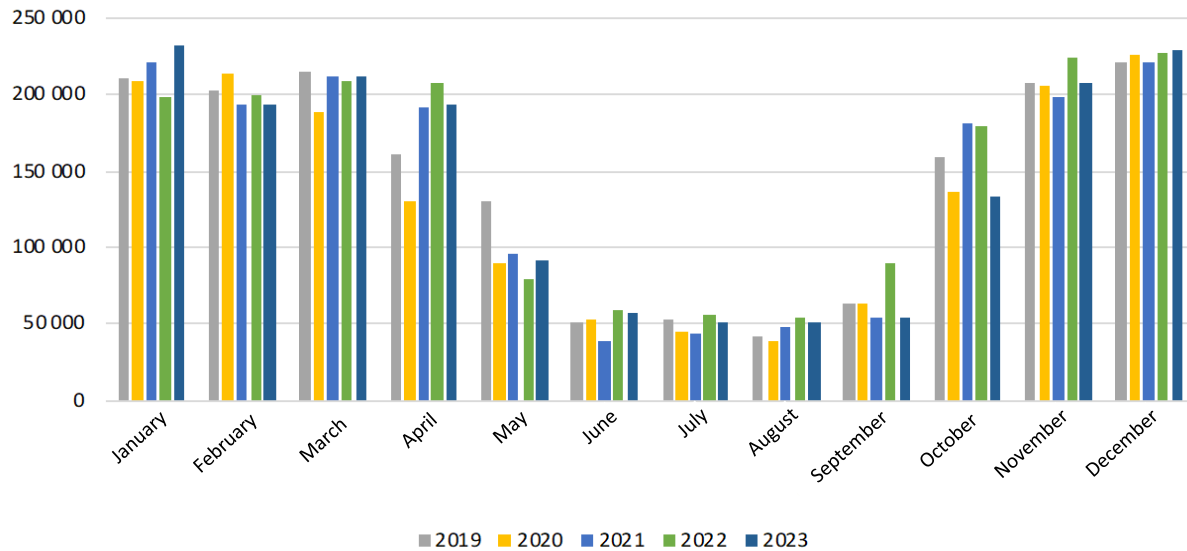
During the reporting period, the energy market situation has eased in terms of supply uncertainty, price movements and volatility. Nevertheless, the year 2023 has brought new challenges for PannErgy as a renewable energy producer and a company with significant emissions savings. Weather conditions proved highly unfavourable for heating potential compared to the base period and the average weather conditions in previous years, especially during the transitional periods, which were considered critical for the annual performance. This had a negative impact on consolidated heat sales. Revenue was also negatively impacted by the postponement of the expansion of the Miskolc Project with a third production well until 2024. The Company had already included the extra capacity that would have been represented by this expansion in the calculations for the last months of the reporting period. **Despite the unfavourable weather conditions and investment developments, the Company came close to achieving the objectives set for the reporting period, aiming to create value for its shareholders: these objectives included achieving its consolidated heat sales and EBITDA targets in the reporting period as well.**

The recent extreme weather anomalies which are now also evident in Hungary have served to further emphasize the importance of sustainability and environmental concerns to the wider public. In the future, all economic actors are expected to focus more on these areas than they have in the past.

The positive impacts of the Company's green energy production activities on sustainability and environmental protection have underpinned the importance of PannErgy Group's core operation: geothermal energy generation. In addition, the supply uncertainties of recent years have made it clear that the geothermal energy produced by PannErgy could be an excellent way to reduce Hungary's dependence on fossil fuels, in addition to helping meet sustainability and environmental goals.

Thanks to optimising its operation to the prevailing unfavourable weather conditions and capacities, **PannErgy Group's consolidated heat sale amounted to 1,705 TJ in 2023, which represents a mere 4% decrease compared to the performance of 1,785 TJ in the base period, and only a 5% decrease compared to the plan for the reporting period, 1,790 TJ.**





The chart presents the aggregate volume of heat sold by the Miskolc, Győr, Szentlőrinc and Berekfürdő projects, in a monthly breakdown.

	2019	2020	2021	2022	2023	2023 TARGET	2024 TARGET
January	209,999	209,678	221,966	197,923	232,696		
February	203,484	213,855	194,173	199,600	193,989		
March	215,693	189,195	211,762	209,267	211,365		
Q1	629,176	612,728	627,901	606,790	638,050	627,259	634,509
April	160,548	130,407	192,053	207,861	192,834		
May	129,300	89,190	96,333	78,637	92,125		
June	50,780	53,394	38,595	58,955	56,645		
Q2	340,628	272,991	326,981	345,453	341,604	322,084	340,612
July	52,406	45,297	42,919	56,299	50,385		
August	42,415	39,205	48,023	54,838	50,659		
September	63,731	64,096	53,870	90,033	53,905		
Q3	158,552	148,598	144,812	201,170	154,949	193,174	166,451
October	159,888	136,460	180,427	179,453	133,450		
November	206,686	205,417	197,872	224,871	208,031		
December	221,248	225,688	221,198	226,770	229,190		
Q4	587,822	567,565	599,497	631,094	570,671	647,180	631,543
ANNUAL TOTAL	1,716,178	1,601,882	1,699,190	1,784,507	1,705,274	1,789,697	1,773,116

Consolidated actual and target amounts of heat sales, in GJ

Despite lower heat sales figures, the Company's consolidated sales revenues rose to HUF 9,668 million, mostly due to increased producer heat prices, exhibiting a positive change of 35%.

The breakdown of sales revenue by activities and services reveals that income from the sale of heat rose by 48% year-on-year to HUF 2,992 million, primarily as a result of the recognition, through regulated pricing, of the significantly increased electricity costs – as justified costs associated with district heat generation – relating to the base period and certain periods of the reporting period.

With an outstanding 45% increase in the consolidated gross margin, it should be noted that provisioning costs for the reporting year has been accounted for as other expenses, rather

than as gross margin. A similarly exceptional, 28% improvement was reported for consolidated gross cash flow – HUF 1,070 million on nominal terms – compared to the base period.

As a combined result of the **total indirect cost of sales and other income and expenses**, costs came to HUF –965 million, in contrast with the HUF –202 million stated in the base period. The negative change between the two periods is mainly the result of non-recurring income in the base period (sales of tangible assets and significant compensations received) and provisioning in the reporting year. **After eliminating these items, the total for the reporting year and the base period represents an organic change.**

The Company's operating surplus amounted to HUF 2,078 million in the reporting period, up 10% year-on-year.

PannErgy Group's consolidated EBITDA amounted to HUF 3,930 million, which is consistent with the EBITDA target range published in the Quarterly Production Report – 2023 Q4 on 15 January 2024, which projected a financial result close to the lower end of the planned EBITDA range of HUF 3,950 – 4,150 million. The consolidated EBITDA achieved in the reporting year **shows a 9% improvement relative to the previous year, outperforming the EBITDA achieved in the base year (HUF 3,612 million) by HUF 318 million. The EBITDA performance of the reporting period was achieved with a 41% EBITDA ratio.**

This high EBITDA performance, closely approaching the EBITDA plan and continuing the growth of the past years, was supported by the capacity expansion, efficiency and safety investments of the previous periods and the reporting period, as well as by the operational and management-level focus on efficiency, which significantly offset the more unfavourable weather conditions and consequent lower Group-level heating potential for PannErgy during the period under review, as well as the completion of the third production well in Miskolc, which was already included in operational capacity calculations for the end of 2023.

The Company incurred a financial loss of HUF –241 million, which shows a HUF 239 million improvement compared to the HUF –480 million loss incurred during the base period. This improvement primarily reflects the impact of FX exchange rate movements on revaluation in the reporting period, as well as by exchange-rate and interest income from short-term low-risk investments in line with Group-level cash flow processes.

The Company achieved a consolidated net profit of HUF 1,716 million (after-tax P/L) in 2023, surpassing the consolidated profit of HUF 1,310 million stated in the base period by a remarkable 31%.

Main profit/loss data (HUF million)	2023	2022
Revenue from sales	9,668	7,145
Direct cost of sales	-6,625	-5,047
Gross margin	3,043	2,098
Gross cash flow	4,883	3,813
Gross cash flow rate	51%	53%
Indirect costs of sales	-688	-582
Other revenues and expenditures	-277	380

Operating profit (EBIT)	2,078	1,896
EBITDA	3,930	3,612
EBITDA rate	41%	51%
Financial profit	-241	-480
Profit before taxes	1,837	1,416
Consolidated net profit for the reporting period	1,716	1,310
<i>Return on Equity (ROE) %</i>	<i>15%</i>	<i>12%</i>
<i>Return on Sales (ROS) %</i>	<i>18%</i>	<i>18%</i>
<i>Earnings per ordinary share (diluted EPS) (HUF)</i>	<i>112</i>	<i>82</i>

The Company's EBITDA projection for the coming year (2024)

For the 2024 business year, the Company's management set a consolidated IFRS EBITDA target range of HUF 3,900 – 4,100 million, which is identical with the data shown in its Quarterly production report – 2023 Q4.

The target ranges in the 2024 EBITDA plan include the successful boring of the Miskolc Project's third production well in 2024 Q2 and its expected connection by the start of the 2024/2025 district heating season. The midpoint of the consolidated EBITDA target range of HUF 3,900 – 4,100 million under the IFRS represents a moderate, 2% increase in the median value compared to the results of the 2023 business year (HUF 3,930 million).

Change in PannErgy's regulated district heating producer tariffs

In Decree No. 20/2023. (IX.29.) TIM of the Minister of Energy, published in Volume 139 of 2023 of the Hungarian Official Journal (Magyar Közlöny), the Minister of Energy announced the regulated district heat production tariffs (heat supply tariffs) effective from 1 October 2023 to 30 September 2024, also applicable to subsidiaries subject to PannErgy's district heating price regulation, which tariffs PannErgy has presented in the form of extraordinary information at its official places of disclosure on 30 September 2023.

The material decrease in regulated heat tariffs is mainly due to the official recognition of the reduction in the price of electricity required for geothermal heat generation compared to the base period, thus these have a limited impact on changes in the Company's profitability.

The regulated prices defined for the district heating companies of the PannErgy Group in the reporting period and the base period are described in detail in *Section 3.2 Regulated district heating tariffs*.

Ongoing projects

Enhancement of the Miskolc Geothermal Project

On 18 November 2022 the Ministry of Technology and Industry – as Grant Provider – awarded a grant of up to HUF 994 million for Application no. GEOTERM-2022.2-2022-00002 submitted by Kuala Ltd. a member of the PannErgy Group. The grant is related to the boring of the third geothermal production well of the Miskolc Geothermal Project.

In the wake of the processes of preparation for the conclusion of the contract the Ministry for Energy issued the Grant Instrument, dated 24 August 2023, for the above-mentioned grant to KUALA Ltd., the Company's subsidiary implementing the project concerned.

The project is expected to be completed by the commencement of the 2024/2025 district heating season – licensing and preparatory works were taking place during the period under review and the preparation of the report. In relation to this a HUF 382 million investment in progress appears among tangible assets as at 31 December 2023; none of the grant has been drawn down, in line with the nature of the grant instrument and the ex-post financing type financial schedule contained in it. The remaining total contractual cost of the project is – in relation to well drilling and the construction of the surface system that is partly related to the well – over HUF 2 billion according to information currently at our disposal.

Budapest environs project

Also during the previous period the Company submitted a successful application for a project relating to the drilling of a geothermal production well to be implemented in the vicinity of Budapest. The envisaged project is to be implemented in a partly unexplored area therefore it entails considerable risks. The grant contracts (Incentive Agreements) relating to this application scheme project were not concluded yet and the conditions for drawing down the grants were not met either.

The Company informed the participants of the capital market on 4 October 2023 that the Ministry of Energy rejected the above application under an amendment to the grant award decision. According to the justification attached to the decision the condition stipulated as a prerequisite for the provision of a grant for the project was not met because at least 1 (one) reinjection well has to be implemented from the awardee's own costs during the implementation (grant funding) period.

Accordingly, the drilling preparation works, originally scheduled for 2024, may only be started later on in case the application conditions and the technical and financial requirements stipulated in similar application schemes make it possible to implement the project and ensure its returns. The Company continues to be committed to the implementation of further explorations in connection with the project.

In relation to the project's preparation and the obtaining of the necessary licences an amount of HUF 55 million investment in progress appears among tangible assets as at 31 December 2023.

Treasury share buyback programmes

On 31 December 2023 the Company held a total of 4,704,132 PannErgy Plc. treasury shares, 662,432 more than the number of treasury shares it held on 31 December 2022. The increase resulted from the acquisition of treasury shares in the framework of the treasury share buyback program taking place during the reporting period; the treasury share portfolio did not decrease.

Under the treasury share buyback programmes, a total of 277,628 and 384,804 treasury shares were repurchased in 2023 H1 and H2, respectively. Taken together, a total of 662,432 shares were repurchased in 2023.



The stock exchange closing price of PannErgy shares was HUF 1,250 per share at the end of the reporting period, compared to HUF 1,315 on 31 December 2022.

General meeting closing the previous business year, dividend payment

On 28 April 2023, the General Meeting of the Company approved PannErgy Plc.'s audited consolidated and separate (parent company) unconsolidated annual reports for 2023, drawn up in accordance with the EU IFRS standards. The General Meeting subsequently approved the Management Board's proposal regarding dividends, on the basis of which no dividend was paid.

2. PROFIT OR LOSS OF PANNERGY PLC. AS AN INDIVIDUAL COMPANY IN 2023, KEY INDICATORS OF BUSINESS OPERATIONS

Key profit/loss figures (HUF Th)	2023	2022
Revenue from sales	67,052	90,971
Direct cost of sales	-55,719	-79,928
Gross margin	11,333	11,043
Gross cash flow	23,305	23,015
Indirect costs of sales	-239,511	-180,757
Other revenues	2,737	1,121
Other expenditures	-20,190	-163,047
Operating profit (EBIT)	-245,631	-331,640
EBITDA	-211,309	-307,878
Financial profit	624,940	508,814
Profit before taxes	379,309	177,174
Net profit for the year (profit after tax)	344,723	146,556
Return on Equity, % (ROE)	3.61	1.46
Return on Sales, % (ROS)	514.11	161.10
Earnings per share (EPS) HUF	21.24	8.68

Diluted earnings per share amounted to HUF 21.24. As in the previous period, there is no difference in determining diluted earnings per share as no share option programme was running with shares not called at the end of the reporting period.

Detailed description of the business operations of PannErgy Plc. as an individual company in 2023:

PannErgy Plc. earned a sales revenue of HUF 67,052 thousand in 2023, 26% below the 90,971 thousand figure posted for 2022.



The bulk of the revenue comprised revenues from the re-invoicing of power consumption by tenants of the Debrecen properties and other 'mediated service' costs, while the smaller part was made up of rental fees.

In the reporting period, rental income amounted to HUF 26,888 thousand, 6% higher than the HUF 25,267 thousand posted for the previous year, which reflects income from rental contracts for the real properties in Debrecen.

Other income increased by HUF 1,616 thousand compared to the previous year, related to the derecognition of leased assets.

Amounting to HUF 239,511 thousand in the reporting period, the Company's expenditures related to holding governance rose by 32.5% relative to the previous year. This increase is in line with the steep rise seen in the producer and service price indices in the reporting period affecting both purchases and services.

As a result, in the reporting period the Company realised HUF -245,631 thousand operating P/L and HUF -211,309 thousand EBITDA.

Pursuant to IFRS, starting from the previous period, the Company presents its interest income from related parties as financial income. In the reporting period the Company realised interest income of HUF 885,193 thousand on its asset management and holding governance operation, in contrast with the interest income of HUF 580,816 thousand of the previous year.

Thanks to this, financial profit amounted to HUF 624,940 thousand in the reporting period.

For the reasons detailed above, after an income tax expenditure of HUF 34,586 thousand, the Company realised a net P/L of HUF 344,723 thousand in the reporting period.

Key data on the asset position (HUF Th)	2023	2022
Fixed assets	4,747,868	4,721,289
Total current assets	5,359,839	5,798,447
Of which Liquid assets	140,499	220,199
Total assets	10,107,706	10,519,736
Total shareholders' equity	9,562,347	10,027,147

The increase in fixed assets during the reporting period was due to the capitalisation of new tangible assets related to car leasing contracts.

At the end of the reporting period, based on the tax recovery calculations of PannErgy Plc., the Company stated a deferred tax liability of HUF 741 thousand, with no change during the reporting period.

An 8% drop in the portfolio of current assets resulted primarily from repayments of loans provided for affiliated undertakings.

The Company's equity decreased by 5% year-on-year, primarily as a result of the equity decreasing effect of the treasury shares repurchased during the reporting period.

At the end of the reporting period, HUF 375,358 thousand is stated as short-term loans, which are related loans from subsidiaries.



Key indicators	2023	2022
Profitability indicators		
Return on assets, % (ROA)	3.41	1.39
Return on Equity, % (ROE)	3.61	1.46
Return on Sales, % (ROS)	514.11	161.10
Asset position indicators		
Ratio of fixed assets, %	46.97	44.88
Ratio of equity capital, %	94.60	95.32
Indebtedness rate, %	5.70	4.91
Financial indicators		
Liquidity ratio	1,014.25	1,178.91
Acid test ratio	1,015.25	1,178.05
Earnings per share (EPS) HUF	21.24	8.68

3. INTRODUCTION TO THE COMPANY

3.1. Core activity of PannErgy Plc.

PannErgy Plc. (Company or PannErgy) is an entity listed at the Budapest Stock Exchange, included in the BUX basket, and is a premium share issuer and controller of the PannErgy Group; the core activities of the Group involve the extraction, utilisation for energy generation and selling of one of Europe's most significant thermal water resources, in particular, renewable geothermal energy. In connection with its geothermal energy generating operations the Company performs productive operations in Miskolc, Győr, Szentlőrinc and Berekfürdő.

On 31 December 2023 PannErgy Plc. had 1 employee; other than the chief executive officer, its executive officers – members of the Management Board – do not work under an employment relationship. PannErgy Plc. has its registered office in Hungary at H-1112 Budapest, Boldizsár u. 2.

3.2. Real property utilisation

At the end of the reporting period, in addition to its core operations comprising the production and sale of geothermal heat (Energy) the Company has industrial/commercial real properties and offices originating from before the time of the 'Pannonplast - PannErgy' strategy shift in the town of Debrecen. The PannErgy Plc. shows its industrial properties in Debrecen, which are not directly or indirectly related to the Group's core operation, that is, geothermal heat generation and sale, in its investment property portfolio, which it intends to utilise through lease arrangements. These properties were presented in the Company's consolidated statement of financial position at cost less depreciation, in an amount of HUF 89,204 thousand. Their fair value amounted to HUF 117,000 thousand at the end of the period.

4. ACHIEVEMENT OF PANNERGY PLC.'S MAIN TARGETS FOR 2023 AND THE ASSOCIATED RISKS

The main objective of the Company as the parent of the PannErgy Group for 2023 is to increase heat generation in relation to its holding governance activity as its core operation and, in this context,

the improvement of the predefined group-level margin, cash flow and EBITDA. In 2023, as well, the PannErgy Group successfully achieved the objective laid down in its geothermal energy generation and utilisation strategy – aimed at the efficient utilisation of the capacities available at the various project sites in line with the prevailing weather conditions and at the dynamic selection of the operating condition(s) best supporting this objective.

Thanks to optimising its operation to the prevailing weather conditions and capacities, **PannErgy Group's consolidated heat sale amounted to 1,705 TJ in 2023, which represents a 4% decrease compared to the performance of 1,785 TJ in the base period, and a 5% decrease compared to the plan for the reporting period, 1,790 TJ.**

PannErgy Group's consolidated EBITDA amounted to HUF 3,930 million, which is consistent with the EBITDA target range published in the Quarterly Production Report – 2023 Q4 on 15 January 2024, which projected a financial result close to the lower end of the planned EBITDA range of HUF 3,950 – 4,150 million. The consolidated EBITDA achieved in the reporting year **shows a 9% improvement relative to the previous year, outperforming the EBITDA achieved in the base year (HUF 3,612 million) by HUF 318 million. The EBITDA performance of the reporting period was achieved with a 41% EBITDA ratio.**

In addition to the objectives described above, the key 2023 objective of PannErgy Plc. as an individual company was profitable financial management at group level. As in the previous year, the conditions for this were in place at the Company; the net profit in the reporting year was HUF 344,723 thousand, which is significantly higher than HUF 146,556 thousand P/L in the base period.

5. THE COMPANY'S STRATEGY, ENVIRONMENTAL GOALS

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 economic and ecological value for now and in the future.

5.1. ESG Management, ESG report

The PannErgy Group believes that is extremely important to determine the influence and impact its activities have on the environment and on society as a whole. Accordingly, it published its first ESG report in 2021, ahead of the deadlines prescribed in the applicable legal regulations. Subsequently, the ESG Report 2023 (*"Sustainability Management and Environmental, Social and Governance (ESG) Performance Summary and Report"*) will also be issued simultaneously with the publication of the ESG Report 2022 and the current consolidated financial statements.

PannErgy will prepare these non-financial reports in accordance with the GRI Global Reporting Initiative (one of the most recognised ESG standards worldwide) specifically the GRI Universal Standards 2021. The completed ESG reports, including the ESG report for the reporting period

2023, will be evaluated and validated for standards compliance by the GRI Global Reporting Initiative.

In addition to presenting the data included in these consolidated financial statements, the ESG reports describe the environmental and social impacts of the operation of the PannErgy Group during the reporting period, along with the Company's sustainability and environmental strategy and actions. The purpose of the ESG report – to be issued simultaneously with these consolidated financial statements – will be to enable investors and other market participants to familiarise themselves with these details, to which end the Company provides deeper and more detailed disclosures, focusing on climate change, climate risk, and sustainable development.

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.

5.2. PannErgy for the prevention of climate change, carbon saving operation

The ESG report referred to in section 5.1 also includes, among other things, the PannErgy Group's greenhouse gas emission savings balance.

Since PannErgy's core business is renewable geothermal energy production with minimal emissions, the Company's business is based on emission savings instead of emissions.

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 76% in 2023, almost identical to the base period value, which means that in the reporting period it continued to save approximately 4/5 units compared to fossil fuel emissions.

Based on the greenhouse gas emissions related to energy production, the Company emitted only 24%, that is, less than one-quarter, of the GHG environmental burden of the natural gas-based power generation of 90% efficiency considered for the purpose of offsetting emissions in the reporting period.

In 2023, the Company offset (saved) 76 thousand tonnes of CO₂-equivalent GHG emissions. For the calculation of the GHG emissions savings rate, in order to define the GHG emission of the Group, the Company considered the CO₂ impact of the electricity needs of geothermal heat generation (Scope 2) and the GHG emissions related to administrative central operation and project-level site operation (Scope 1). As regards savings, the Company considered the emissions of the power plant in Berekfürdő – which produces electricity and heat by burning methane gas

captured from geothermal fluids – as a carbon-neutral activity due to its small size and the positive GHG impact of converting methane to carbon dioxide.

6. SUBSIDIARIES OF PANNERGY PLC.

6.1. The PannErgy Plc.'s subsidiaries, shares of ownership and consolidation ratios

PannErgy subsidiaries	Share capital (HUF Mn)	Shareholding (%)	Voting rights (%)	Consolidation ratio
PannErgy Geothermal Power Plants Ltd.	2,072.70	100.00	-	100.00
DoverDrill Mélyfűrő Ltd.	86.00	-	100.00	100.00
Arrabona Koncessziós Ltd.	6.10	-	100.00	100.00
Szentlőrinci Geotermia Ltd.	5.00	-	100.00	100.00
Miskolci Geotermia Ltd.	5.00	-	100.00	100.00
DD Energy Ltd.	3.10	-	100.00	100.00
Kuala Ltd.	3.00	-	100.00	100.00
Berekfürdő Energia Ltd.	3.00	-	100.00	100.00
Geo2Business Ltd.	3.00	-	100.00	100.00

6.2. Key data of consolidated subsidiaries in the reporting period (HUF millions)

PannErgy subsidiaries	Equity	Subscribed capital	Sales revenue	Business profit or loss	Profit after taxes	Headcount
PannErgy Plc.	9,562	400	67	-246	345	-
PannErgy Geothermal Power Plants Ltd.	3,239	2,073	203	163	5	8
Arrabona Koncessziós Ltd.	2,902	6	4,254	413	338	2
DD Energy Ltd.	2,019	3	3,740	413	381	2
DoverDrill Ltd.	973	86	173	45	81	3
Miskolc Geotermia Ltd.	419	5	2,398	479	7	5
Kuala Ltd.	381	3	1,848	264	132	2
Szentlőrinci Geotermia Ltd.	29	5	115	61	1	-
Berekfürdő Energia Ltd.	515	3	356	280	283	-
Geo2Business Ltd.	3	3	-	-	-	-

7. THE COMPANY'S OWNERSHIP STRUCTURE, SENIOR OFFICERS

7.1. The Company's ownership structure as at 31 December 2023

Shareholders	Total share capital = Introduced series					
	01/01/2023			31/12/2023		
	%	%	shares	%	%	shares
Domestic institutions	30.86	38.67	6,171,682	30.69	40.11	6,138,577
Foreign institutions	8.43	10.56	1,685,668	8.10	10.58	1,619,185
Domestic private individuals	30.25	37.92	6,051,532	27.40	35.80	5,480,107
Foreign private individuals	0.30	0.38	60,153	0.39	0.52	78,945
Employees, senior officers	1.55	1.94	309,505	1.55	2.02	309,505
Own holding	20.21	0.00	4,041,700	23.47	0.00	4,694,132
Owner belonging to the general government system	8.38	10.50	1,675,745	8.38	10.95	1,675,745
International Development Institutions	-	-	-	-	-	-
Other	0.02	0.03	4,015	0.02	0.02	3,804
Total	100.00	100.00	20,000,000	100.00	100.00	20,000,000

7.2. Shareholders with a stake of over 5% in the Company as at 31 December 2023

Name	Investor category		Number of shares	Shareholding (%)	Voting rights (%)
Benji Invest Ltd. / FCI Kompozit Ltd.	Domestic	Company	3,186,010	15.93	20.82
MVM Energetika CPlc.	Domestic	Company	1,675,745	8.38	10.95
Soltút Ltd. / Kálmán Rencsár	Domestic	Company	1,814,241	9.07	11.85

7.3. Changes in the number of treasury shares held by Company in the year under review

Changes in the number of treasury shares held by PannErgy Plc. in the reporting year:

	01/01/2023	30/06/2023	31/12/2023
Treasury shares	3,106,479	3,376,525	3,758,929

7.4. Executive officers of the Company

The Company's executive officers are the members of the Management Board. Data of the members of the Management Board and their respective shareholdings on 31 December 2023:

Name	Position	Date of taking office	Mandated until	Number of shares held
Dénes Gyimóthy	Member, Chairman	31/08/2007	indefinite term	-
István Jaksa	Chief Executive Officer	13/12/2022	indefinite term	2,505
Katalin Gyimóthy	Member	28/04/2016	indefinite term	-
Attila Juhász	Member	31/08/2007	indefinite term	-
Kálmán Rencsár	Member	30/04/2020	indefinite term	307,000
Gábor Briglovics	Member	16.04.2021	indefinite term	-
Total number of shares held				309,505

The Company has had a (strategic) employee influencing its operations since December 2022 in the person of the CEO, who carries out his duties as an employee.

The EU IFRS annual report and business report of PannErgy Plc. are signed by Dénes Gyimóthy, Chairman of the Management Board.

The information and regulations specified in Sections 95/A and 95/B of the Accounting Act listed in PannErgy Plc.'s Articles of Association. The Company's Articles of Association set out the rules governing the appointment and removal of executive officers, as well as the amendment of the Articles of Association themselves. As per the Articles of Association, the supreme body of the Company is the General Meeting, which is composed of all shareholders. The General Meeting shall be solely but not exclusively responsible for the following, unless otherwise provided for by the Civil Code or the Articles of Association as authorised by the Civil Code:

- establishing and amending the Articles of Association,
- the election, removal and remuneration of the members of the Company's Management Board,
- adopting a decision on the evaluation of the work carried out by the members of the Management Board in the previous financial year and on granting the discharge they are entitled to.
- making decisions about increasing share capital by issuing new shares or raising the share capital via assets exceeding the share capital – with the exception of decisions about issuing new shares or raising the share capital via assets exceeding the share capital based on authorisation granted by the General Meeting to the Management Board,
- making decisions about the acquisition of treasury shares – with the exception of treasury share acquisition on the basis of an authorisation granted by the General Meeting or the Civil Code to the Management Board – and about accepting public tender offers received for treasury shares,
- reducing the share capital, unless otherwise provided for in the Civil Code.

In lieu of a Board of Directors and a Supervisory Board, the Company has a Management Board in order to enable a consistent system of governance. The Management Board carries out the statutory functions of both the Board of Directors and the Supervisory Board. As part of its duties as the Board of Directors, the Management Board defines the Company's strategic policies and supervises its management. More information on the detailed responsibilities of the Management Board can be found in the Responsible Corporate Governance Report, issued at the same time as the consolidated and separate financial statements.

The Company shall endeavour to take into account age, gender, educational and professional backgrounds in the composition of its management, executive and supervisory boards, in accordance with the principles of diversity.

8. HEADCOUNT INFORMATION

In terms of average statistical headcount, as in the previous year, the Company had no employees in 2023; in both periods the report of the Company disclosed, in the category of staff costs, the remuneration paid to members of the Management Board and the amount of the related taxes and contributions.



9. DIVIDEND PAYMENT, TREASURY SHARE PURCHASE

In consideration of the Management Board's report and the Audit Committee's and the auditor's comments, by Resolution No. 2/2023 (IV.28.) on 28 April 2023 the Company's General Meeting approved the Company's separate (parent company), unconsolidated 2023 balance sheet and profit and loss statement, prepared in accordance with the EU IFRS, with total assets of HUF 10,520 million and the same amount as total liabilities and an after-tax P/L (profit) of HUF 147 million, which figures are consistent with the proposal and the auditor's report. The General Meeting also approved the consolidated report on the business operations of PannErgy Group in 2023, prepared in accordance with the EU IFRS, with HUF 27,331 million for assets and liabilities (total assets), and an after-tax P/L (profit) of HUF 1,310 million.

After the approval of the consolidated and separate reports, by its Resolution No. 3/2023 (IV.28.) the General Meeting approved the Management Board's proposal to the effect that PannErgy shall not pay dividends for the year 2022.

Before making this decision, the Management Board carefully considered the anticipated investment possibilities and needs for the year 2023, as well as the necessity of holding free cash and cash equivalent assets required for safe and prudent operation. Based on the investigation, they decided that in order to maintain financial and operational stability, the Company would transfer its entire after-tax profit to retained earnings instead of paying dividends.

Treasury share buyback programmes

On 31 December 2023 the Company held a total of 4,704,132 PannErgy Plc. treasury shares, 662,432 more than the stock of treasury shares held on 31 December 2022.

The increase resulted from the acquisition of treasury shares in the framework of the treasury share buyback program taking place during the reporting period; the treasury share portfolio did not decrease. Under the treasury share buyback programmes, a total of 277,628 and 384,804 treasury shares were repurchased in 2023 H1 and H2, respectively. Taken together, a total of 662,432 shares were repurchased in 2023.

The stock exchange closing price of PannErgy shares was HUF 1,250 per share at the end of the reporting period, compared to HUF 1,315 on 31 December 2022.

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. aimed at purchasing up to 2,000 PannErgy Plc. ordinary shares per trading day and subsequently, up to 3,800 or 5,000 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 1,670 per share according to the resolution of the General Meeting.

A total of 492,332 treasury shares were purchased at an average price of HUF 1,217 per share in the reporting period, i.e. between 2 May 2023 and 31 December 2023, under the relevant treasury share buyback programme.

10. MAIN RISKS FACED BY THE COMPANY, ASSOCIATED UNCERTAINTIES

PannErgy Plc.'s major risks are detailed in the *Chapter 39 Financial risk management* of the Notes to the financial statements.

Information regarding the expected developments of the Company can be found in the Business Report, in *Chapter 1. Executive summary* and *Chapter 5. The company's strategy, environmental goals*, with details about the Company's expected financial results, investment activity and sustainability activities and development in the upcoming periods. The effects of the economic environment on these developments will be explored in *Chapter 41.11. Macroeconomic environment of the reporting period* of the consolidated financial statement, detailing the effects of the GDP, the inflation environment and the interest rate environment forecasts for the upcoming periods.

11. PUBLICITY

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

12. KEY EVENTS AFTER THE REPORTING DATE

No material events or significant developments that would have an impact on the Company's 2023 financial year, or the reported results and balance sheet figures for that period occurred after the reporting date.

Events that took place after the reporting date, published and accessible at the Company's official places of disclosure, are listed in detail in Note no. 45. *Events after the reporting date* in the Notes to the financial statements.

13. DATE OF AUTHORISATION OF DISCLOSURE

The Company's Management Board approved the financial statements and authorised their disclosure on 26 March 2024.

Dénes Gyimóthy
On behalf of the Management Board





Budapest, 27 March 2024

PannErgy Plc. Declaration of the issuer 2023

Pursuant to Sections 2.4 and 3.4 of
Appendix 1 to Decree 24/2008 of the Minister of
Finance

THIS ANNOUNCEMENT IS PUBLISHED IN HUNGARIAN (MANDATORY, OFFICIAL) AND ENGLISH LANGUAGES. IN CASE OF ANY CONTRADICTION BETWEEN THESE TWO VERSIONS, THE OFFICIAL HUNGARIAN VERSION SHALL PREVAIL.

The attached pdf report is not the official individual report of the Company; the official report will be drawn up and published in ZIP (specifically XHTML-XBRL) format as required by applicable legislation. The contents of the attached pdf report are fully identical with those of the individual report published in ZIP (specifically XHTML-XBRL) format.



DECLARATION

On behalf of the Management Board I, Chairman Dénes Gyimóthy, hereby issue the following declaration in relation to the 2023 EU IFRS annual report and business report of PannErgy Plc., pursuant to the statutory requirement laid down in Section 2.4 of Annex 1 to Decree No. 24/2008 (VII. 15) PM of the Minister of Finance:

- the 2023 separate annual report, prepared to the best of our knowledge in accordance with the applicable accounting regulations and the EU IFRS standards, provides a true and fair view of the assets, liabilities, financial position and profit or loss of PannErgy Plc. as a public securities issuer, and;
- the business report attached to the annual report prepared in accordance with the applicable EU IFRS standards provides a fair view of the position, development and performance of PannErgy Plc. as a public securities issuer, presenting the key risks and uncertainties.

Dénes Gyimóthy
On behalf of the Management Board

