



PannErgy Plc's

Preliminary information concerning
business operations in 2014

19 February 2015

Executive Summary

The last quarter of 2014 was a new milestone in the Company's life, as the second phase of the Miskolc Project, which had been opened in September, was deployed to start the delivery of heat to the heat supply areas of the City Center and the University District. The provision of geothermal heat to Takata Safety System Ltd. was also commenced. The heat supply to the new heating districts set the quantity of the heat sold in the last quarter of the year approach 216 000 GJ in comparison with the 148 915 GJ value of the previous period. In addition to the record-high selling volumes, the Company's profit-generating ability was negatively impacted by the new, officially fixed heat tariff entering into effect on 1 October 2014. For the Miskolc Project, Decree 39/2014 (Sept 30) of the Ministry for National Development reduced the unit selling price from HUF 3100 to HUF 2450.

The investment works of the Geothermal Project of Győr have been progressing in line with the pre-specified schedule, including the commencement of the drilling works of Well BON-PE-01 in December and other preparatory works.

Beside the proceedings mentioned above, the major events of the last quarter of the year were:

- On 11 November 2014, DD Energy Production and Service Ltd. and Arrabona Geothermal Ltd. agreed on the conclusion of an investment loan agreement with Hungarian Export-Import Bank Plc (Eximbank).
- On 28 November 2014, Miskolc Geothermal Ltd.'s work and contribution to Borsod-Abaúj-Zemplén County's economic growth were recognized by the Chamber of Commerce and Industry of Borsod-Abaúj-Zemplén County (BOKIK) giving the Company "*BOKIK's Eminent Business Association*" Prize.
- In December 2014, the drilling operations for the second well of the Geothermal Project of Győr were launched;
- From 22 December 2014, PannErgy Plc became a member of the CEERIUS (CEE Responsible Investment Universe) Sustainability Index

1. Projects and operating areas

1.1 Projects in operation

Geothermal Project of Miskolc

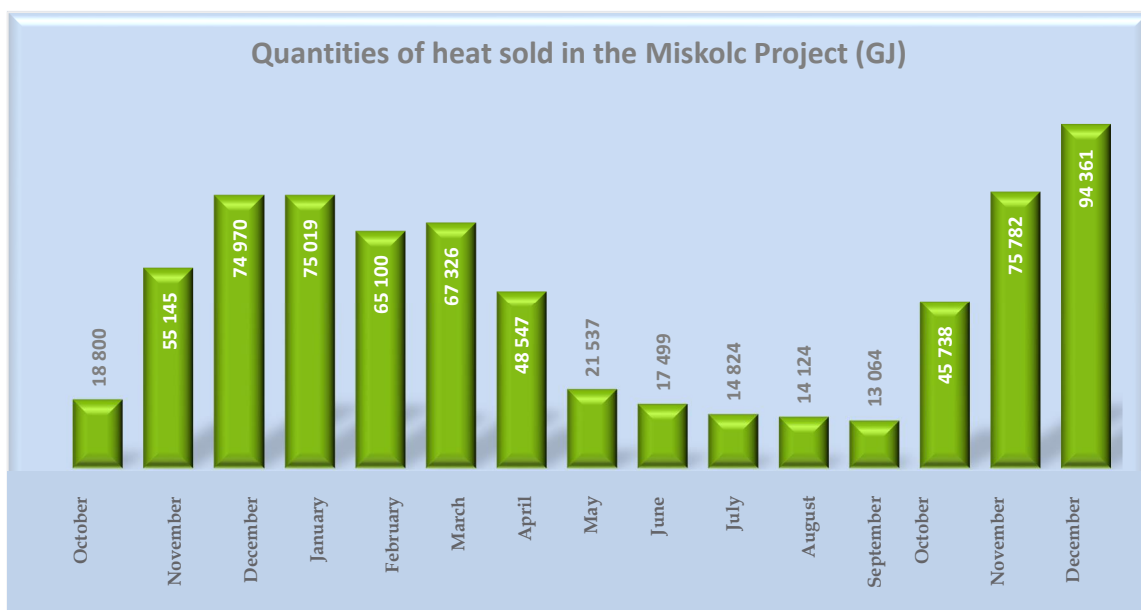
(Miskolc Geothermal Ltd., Kuala Ltd.)

In the second phase of the Geothermal Project of Miskolc, the test operations were successfully closed, while the Kistokaj Heat Center returned to normal operation after the completion of the summer maintenance works. In the heating season of 2014–2015, geothermal heat deliveries were also launched towards the heat supply districts of the City Center and University District in addition to Avas. Consequently, both in November and December saw the supply of unprecedented monthly volumes of heat fed into the district heating grid, especially in December, thereby approximating 100 000 GJ. In Miskolc, annual heat deliveries added up to a heat quantity of 552 921 GJ.

The adjustment of the entire geothermal system, the works associated with the joint operating regulations of MIHŐ Ltd. – MVM MIFŰ Ltd. – PannErgy Group were continuously executed for the most efficient and safest possible services.

Besides providing environmentally friendly geothermal heat to the primary heat consumer with maximum temperature holding, the capacities of the geothermal system of Miskolc continuously ensure heat energy to such secondary heat consumers as Miskolc Agricultural Ltd. (foil greenhouse) and Takata Ltd. (industrial consumer). On the basis of the heat supply contract made with Takata Ltd. in September 2014, PannErgy Group had brought geothermal heat to the factory's utility center, and therefore heat deliveries could be started in the 2014–2015 heating season. In the last quarter of 2014, 3 132 GJ secondary heat was sold.

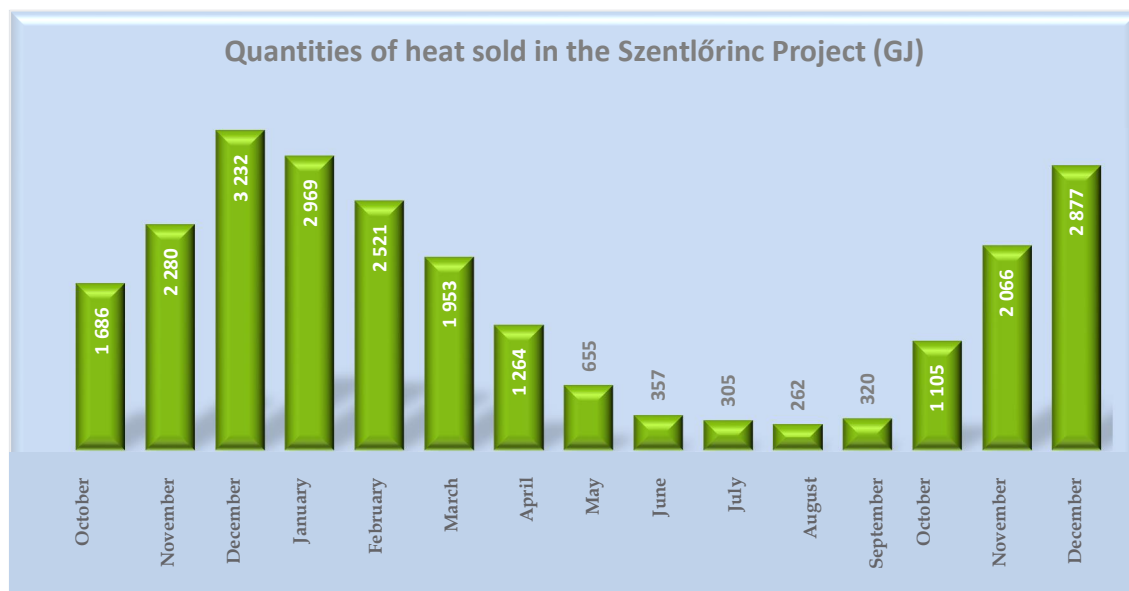
The consolidated quantities of heat delivered during the period were:



Geothermal heating facility of Szentlőrinc (Szentlőrinc Geothermal Ltd.)

In December 2014, as a result of a voltage-related problem in the electric power supply system, a fault occurred in the geothermal system, which could then be rectified in a short period of time, thereby minimizing the duration of service loss. The annual volume of heat sold was 16 654 GJ, which remained 11% under the similar period of last year due to the mild weather. Because of the reprogramming of the control system, the unit cost of electric power was 40% less in the last three months of the year. To make use of the available, still unutilized capacities and secondary heat power, the Company remained in ongoing quest for potential heat consumers in the vicinity of the system.

The quantities of heat delivered during the period were:



Geothermal methane utilization facility of Berekfürdő

(Berekfürdő Energy Ltd.)

In the operating period of 2014, the gas-engine small power plant utilized 794,099 m³ accompanying gas extracted from the thermal water, and consequently sold 2,391,353 kWh electric power and 2643 GJ heat. The operating safety of electric power and heat production obviously improved, and in the closing month there was no outage apart from a scheduled 6-hour run of maintenance. Heat market revenues were unfavourably impacted by the reconstruction, development of the thermal baths of the settlement. The sales revenues realized on electric power sales are influenced by low market prices.

1.2 Projects in construction

Geothermal Project of Gödöllő

(Gödöllő Geothermal Ltd.)

The continuation of the project will be determined on the basis of the availability of PannErgy Group's resources, in alignment with the scheduling of the other projects. In order to acquire further funding for the investment, the project company continuously seeks grant opportunities, which are anticipated to be announced in March 2015.

Geothermal projects of Győr

(DD Energy Ltd., Arrabona Geothermal Ltd.)

After the evaluation of the results of the drilling operations for the first well no. PER-PE-01 of the Geothermal Project of Győr, upon DD Energy Ltd.'s commission in December 2014 DoverDrill Ltd. started the well-drilling works of the second BON-PE-01 of the project in the vicinity of Bőny, where subsequently the first section was deepened, subjected to geophysical measurements and then pipe-cased. Thereafter, preparations were made to drill the second section that was partly to be implemented with the use of the slant technology.

In the period under review, the design of surface structures belonging to the Geothermal Project of Győr was progressing in the technological field, and on the basis of the test results of the Péz well those capacities, dimensions and diameters were finalized that served the detailed definition of the implementation plans. With the partners taking over the heat, the couplings to be constructed at the connection points were similarly finalized, and on the basis of the given technological necessities design works by other disciplines saw an intensive start. The permitting procedure for the construction of the Bőny Heat Center was launched. The final implementation plans for the transmission line sections were completed, and the primary route was finalized. The implementation of the entire route has been realized in several phases.

Greenhouse Project of Kistokaj

(PannErgy Geothermal Plc – "PEGE Ltd." and PannTerm Ltd.)

The design process of the Greenhouse Project of Kistokaj and the consultations in association with the heat supply of the greenhouse, as well as the preparatory works needed for implementation were all continued in the reviewed period.

1.3 Other information / Asset management

In addition to the general operating items, the Group's profit after taxes in the reviewed period was perceivably impacted by its financial profit, where a loss deteriorated the overall result because of the weakening Hungarian forint and the net interest-paying position. There was no material change in association with assets not belonging to geothermal operations.

2. Financial analysis

2.1 Profit & loss account

The Company's consolidated sales revenues amounted to HUF 2290 million in the given period, which is 79% larger than the HUF 1280 million value of the base period in spite of the 20% cut of the officially fixed tariff that became effective from 1 October in Miskolc. The

principal reason for this growth was the increase in the heat sales of the Geothermal Project of Miskolc, which resulted in HUF 1556 million sales revenues. As compared to the same period of the previous year, their sales increased from HUF 568 million to HUF 601 million because of the larger sales revenues from electric power consumption and other charges paid by the tenants of the real-estate properties that were under the Company's management. These items are passed over by the Company (resold energy), and therefore they are recognized both as sales revenues and direct costs. From our sales revenues, HUF 65 million was constituted by sales in Szentlőrinc and HUF 38 million belonged to operations in Berekfürdő. Two customers went over 10% of the total amount of the Group's consolidated sales revenues, making up a combined 84% percent of all the sales.

During the period, the level of direct costs increased from HUF 1,162 million to HUF 1765 million as a result of the rising variable costs originating from heat sales and the higher depreciation values of the investments that have already been capitalized. In association with the former value, it is important to note that the heat generators of the district heat supply system of Miskolc have been jointly looking for options to have the maximum volume of geothermal heat fed into the system under the given market and environmental circumstances. The geothermal heat fed into the system is settled via a compensation mechanism as a variable cost item among direct costs, and its actual value is largely dependent on the prices of electric power and natural gas. The gross profit connected with the real-estate properties and other assets came to be nearly break-even, while energy-related activities were operated with significant gross profit rate.

The indirect costs of sales totaled up to HUF 778 million in the period under review, which came to be 17% lower than the corresponding value in the base period (HUF 935 million). Such indirect costs included the depreciation of assets not associated with energy-related activities, personnel expenditures, general office and administration costs, as well as non-capitalizable costs belonging to business development and new projects. The headcount of full-time employees at the Group was 43 at the end of the base period. The 9-employee rise was backed by transformation of certain activities having been performed by external service providers into internal functions (operation, accounting).

The balance of other expenditures and other incomes was HUF 114 million in the period under review, which was nearly identical to the corresponding value of the base period. Incomes as a whole include deferred incomes that originate from the subsidies furnished by the European Union and tangible asset sales, whereas expenditures cover – among others – local taxes, mining annuities, as well as fines and damages paid.

HUF 139 million loss was stated to be the operating profit (EBIT) in the period under review, which is nearly HUF 421 million better than the corresponding value in the base period.

The business cash flow (EBITDA) indicated HUF 495 million inflow, which is by HUF 608 million more favourable than the situation in the base period. For the given period, HUF 634 million depreciation was accounted, and its value exceeded the base value by HUF 187 million.

The financial profit amounted to HUF 281 million loss in the period under review, remaining under the value in the same period of 2013 by HUF 35 million. The financial profit was negatively impacted by the weakening of the Hungarian forint against the euro and the changes of the interest difference as a result of the increasing amount of loans.

The Company had no extraordinary incomes. The Company assessed HUF 37 million as the payable amount of its taxes.

The consolidated annual net profit was HUF 460 million loss – due to the above-detailed reasons –, which was HUF 366 million more favourable than the HUF 826 million loss in the base period.

2.2 Balance sheet

During the period under review, the value of fixed assets increased by 18%. The value of intangible assets slightly decreased during the period, whereas the aggregate volume of tangible assets rose considerably – by HUF 2.7 billion –, which mostly originated from the capitalization of the second phase of the Geothermal Project of Miskolc. The outcomes of the started investments can be evaluated to be positive, and therefore it does not seem to be justified to account for impairment losses. Deferred tax receivables in an amount of HUF 577 million were recognized among assets, though their value had not changed after the base period.

The value of current assets reflects a 19% increase in comparison with the base period, which change is indicative of the growth of the VAT receivables behind investment activities and the rising amount of inventories. In the balance sheet, the volume of cash-type instruments is under the heading of liquid assets and securities to be held until expiry. In addition to items originating from heat sales, receivables include VAT receivables and other items.

The Company witnessed a nearly 5% decrease from the base value of its equity as a consequence of the results in the balance sheet belonging to the given period. The amount of equity per share (calculated from the number of shares less treasury shares) slid to HUF 495 (base value: HUF 520).

The rising amount of loans is primarily driven by the funding needs of the projects that are in progress or have been closed in the meantime. In September 2014, the remaining part of the investment loan agreed with Sberbank was also disbursed.

The EU grants received were recognized under the heading of other long-term, deferred incomes, and during every respective period they were reduced by the proportionate part of the depreciation belonging to the given project.

Trade payables show 70% higher balance than in the base period; this category typically accounts for the suppliers of the geothermal investment. This growth was triggered by the intense investment activities. The considerable change in the balance of other short-term liabilities indicates the growth of the amount of advance payments in association with grants.

3. Miscellaneous

3.1 Deferred tax

PannErgy Group has the following deferred tax positions (data in HUF million):

Accrued loss	6,147
Accruable tax incomes	615
Recognized tax incomes	577

The HUF 577 million deferred tax receivables recognized among fixed assets covers the 10% corporate income tax relating to the negative tax base that were used in association with the subsidiaries belonging to PannErgy Group, as well as other deferred tax-modifying items under IFRS.

3.2 Corporate events

The Company held its ordinary annual general meeting on 30 April 2014, with its resolutions published via the official media of disclosure.

3.3 Employees

Full-time headcount

Own headcount	31 December 2013	31 December 2014	Change
PannErgy Plc	7	8	1
Associated companies	21	35	14
Total	28	43	15

3.4 Changes in the Company's registered capital, management, organization

As of 31 December 2013, the amount of the registered capital was HUF 421,093,100, which did not change in 2014. The financial reports state the amount of the registered capital in view of all the shares issued, whereas the number of shares is calculated with the deduction of repurchased treasury shares.

As of 31 December 2014, the Company had 2,775,377 treasury shares belonging to PannErgy Plc.

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

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

3.5 Environmental protection

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

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

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

3.5 Key events after the balance sheet date (until 19 February 2015)

Of the associated events, the Company releases extraordinary information.

Concerning the economic environment, it can be claimed that the current international conflicts and the incalculable movements of the values of various financial instruments continue to exercise a negative influence, and impacts the Company and its associated companies in an unforeseeable manner and to an undeterminable extent.

Budapest, 19 February 2015

PannErgy Plc
Board of Directors

Data sheets

Name of the company: PannErgy Public Company Limited by Shares
[PannErgy Nyilvánosan Működő Részvénytársaság]
Address of the company: H-1117 Budapest, Budafoki út 56.
Sectoral classification: Energetics, Asset management
Period: Q1-Q4 of 2014
Telephone: +36 1 323 23 83
Fax: +36 1 323 23 73
E-mail: info@pannergy.com
Investor relations: Valéria Szabó

1.1 Data sheets related to financial statements

PK1. General information on the financial figures

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

Accounting principles Hungarian | IFRS | X | Other | |

PK2. Business entities under consolidation

Name	Capital net worth/ Share capital	Share (%) ³	Voting rights ¹³ (%)	Classification ²
PMM Ltd.	100.0	100.00	100.00	F
Kuala Ltd.	3.0	83.78	83.78	F
PannErgy G.E. Ltd.	1 972.7	93.09	93.09	F
Csurgó Geothermal Ltd.	5.0	83.78	83.78	F
Tamás Geothermal Ltd.	5.0	93.09	93.09	F
Szentlőrinc Geothermal Ltd.	5.0	92.90	92.90	F
Miskolc Geothermal Ltd.	5.0	83.78	83.78	F
PannTerm Ltd.	155.0	93.09	93.09	F
Gödöllő Geothermal Ltd.	5.0	83.78	83.78	F
Berekfürdő Energy Ltd.	24.0	93.09	93.09	F
DoverDrill Ltd.	80.0	93.09	93.09	F
DD EnergyLtd.	3.0	93.09	93.09	F
Arrabona Geothermal Ltd.	3.0	93.09	93.09	F

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

² Full (F); Joint management (J); Associated (A)

³ % values to be interpreted indirectly

Consolidated balance sheet under IFRS (HUF million)

	31.12.2014	31.12.2013 (audited)	Change %
Assets			
Fixed assets			
Intangible assets	1 314	1 369	96.0
Goodwill	70	70	100.0
Tangible assets	15 356	12 666	121.2
Investments	23	22	104.5
Receivables under financial lease	0	0	
Receivables from deferred tax	577	577	100.0
Long-term receivables	2	2	100.0
Total fixed assets	17 342	14 706	117.9
Inventories	1 007	300	335.7
Accounts receivable	307	726	42.3
Other receivables	741	342	216.7
Receivables under financial lease	0	0	
Financial assets at FVTPL	0	0	
Securities held to expiry	0	281	0.0
Liquid assets	357	384	93.0
Total current assets	2 412	2 033	118.6
TOTAL ASSETS	19 754	16 739	118.0
Equity and liabilities			
Equity stake of the owners of the parent company			
Subscribed capital	421	421	100.0
Treasury shares	-3 009	-3 009	100.0
Capital reserves	10 516	10 516	100.0
Profit reserve and profit at BS	1 970	2 430	81.1
Other reserves	-850	-850	100.0
Equity of the parent company	9 048	9 508	95.2
Minority interests	283	269	105.2
Total equity	9 331	9 777	95.4
Long-term loans	3 921	2 598	150.9
Other long-term differed incomes	3 188	2 303	138.4
Provisions	15	17	88.2
Total long-term liabilities	7 124	4 918	144.9
Short-term liabilities			
Accounts payable	1 349	794	169.9
Short-term loans	518	336	154.2
Other long-term differed incomes concerning one year	160	196	81.6
Other short-term liabilities	1 272	718	177.2
Short-term liabilities in total	3 299	2 044	161.4
TOTAL LIABILITIES AND EQUITY:	19 754	16 739	118.0

Consolidated profit & loss account under IFRS (HUF million)						
	Q4 2014	Q4 2013	Change%	2014	2013	Change%
Sales revenues	732	655	111.8	2 290	1 280	178.9
Direct costs of sales	-603	-546	110.4	-1 765	-1 106	159.6
Gross profit	129	109	118.3	525	174	301.7
Gross profit rate %	17.6%	16.6%		22.9%	13.6%	
including direct depreciation	134	96		467	209	
Gross cash flow	263	205		992	383	
Gross cash flow rate %	35.9%	31.3%		43.3%	29.9%	
Indirect costs of sales	-191	-253	75.5	-778	-935	83
Other incomes	137	56	244.6	434	357	121.6
Other expenditures	-136	-110	123.6	-320	-156	205.1
Operating profit	-61	-198	30.8	-139	-560	24.8
Operating profit rate (%)	-8.3%	-30.2%		-6.1%	-43.8%	
EBITDA	110	-46	-239.1	495	-113	-438.1
EBITDA rate (%)	15.0%	-7.0%		21.62%	-8.8%	
Financial incomes	20	14	142.9	63	89	70.8
Financial expenditures	-96	-85	112.9	-344	-335	102.7
Financial profit	-76	-71	107.0	-281	-246	114.2
Profit before taxes	-137	-269	50.9%	-420	-806	52.1
Corporate income tax	41	20	205.0	-37	-34	108.8
Profit after taxes	-96	-249	38.6	-457	-840	54.4
Minority shareholding	19	10	190.0	-3	14	-21.4
Net profit of the period	-77	-239	32.2	-460	-826	65.2
From the profit after taxes:						
To capital shareholders of the parent company	-77	-239	32.2	-460	-826	55.7
To minority shareholders	-19	-10	190.0	3	-14	-21.4
Profit per equity share (HUF)						
Base	-4.23	-13.08	32.3	-25.17	-45.25	55.6
Diluted	-4.23	-13.08	32.3	-25.17	-45.25	55.6

PK6. Material off-balance-sheet items, liabilities:

As of 31 December 2014, the Company was holding no forward net positions for foreign currencies or securities.

The Management Share Option Program remains valid approved by the ordinary annual general meeting held on 30 April 2013. The associated details are accessible on the Company's website (www.pannergy.com). (Within the scope of the program, option agreements are created.)

Within the framework of the share option program, one external partner acquired conditional call options for a total number of 40,000 PannErgy shares against PannErgy Plc (the set of relevant conditions is described on the Company's website). For the 40,000 shares, the option could be exercised until January 2015.

In the form of security deposits for the non-repayable grants awarded to the entities (e.g. Transport and Energy Operational Programme, KEOP), PannErgy Group and PannErgy Plc offer their securities and other assets from time to time, also utilizing bank guarantees with respect to the associated requirements of the given grant application programs and the executing authorities so as to cover various cases of non-performance.

1.2 Data sheets on the share structure and owners

RS1. Ownership structure, shareholdings and voting rights

Classification of shareholders	Share capital total = Introduced series					
	1 January 2014			31 December 2014		
	% ²	% ³	Pcs	% ²	% ³	Pcs
Domestic institutions	32.39	37.32	6 821 051	25.22	29.05	5 310 019
Foreign institutions	16.20	18.65	3 410 226	18.63	21.46	3 923 198
Domestic private persons	27.48	31.65	5 786 265	33.64	38.75	7 084 105
Foreign private persons	0.28	0.32	58 766	0.41	0.47	85 458
Employees, senior officers	2.49	2.87	523 725	0.94	1.08	197 253
Own holding *	13.18	-	2 775 377	13.18	-	2 775 377
Shareholder belonging to the central budget ¹	7.98	9.19	1 679 245	7.98	9.19	1 679 245
International Development Institutions ³	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	100.00	100.00	21 054 655	100.00	100.00	21 054 655

¹ Administrative body

² Ownership rate

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

* Own property: The property of the company or its 100 % subsidiary

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

	1 January 2014	31 March 2014	30 June 2014	30 September 2014	31 December 2014
At company level	1 840 174	1 840 174	1 840 174	1 840 174	1 840 174
Subsidiaries*	935 203	935 203	935 203	935 203	935 203
Total	2 775 377	2 775 377	2 775 377	2 775 377	2 775 377

* The volume of PMM Ltd. treasury shares in the 100% ownership of the company

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

Name	Nationality ¹	Activity ²	Number (pcs)	Stake (%) ³	Voting right (%) ^{3,4}	Notes ⁵
Benji Invest Ltd.	D	I	2 424 010	11.51	13.26	P
ONP Holdings SE	F	I	1 814 640	8.62	9.93	P
Hungarian National Asset Management Inc. (Nemzeti Eszköz-gazdálkodási Zrt.)	D	B	1 675 745	7.96	9.17	P

¹ Domestic (D), Foreign (F)

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

³ To be specified as rounded to two decimals

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

⁵ E.g.: professional investor, financial investor, etc.

1.3 Data sheets on the organization and operations of the issuing entity

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

	End of base period	End of period under review
PannErgy Plc	7	8
PannErgy Geothermal	21	35
Total:	28	43

TSZ2. Senior officers and (strategic) employees controlling operations of the Issuing entity

Type ¹	Name	Position	Starting date of commission	End/termination date of the commission	Shareholding (pcs)
BD	Balázs Bokorovics	Member, Chairman	31.08.2007	for an undefined period of time	-
BD	Dénes Gyimóthy	Member, Vice-Chairman	31.08.2007	for an undefined period of time	170 000
BD, SP	Péter Tóth	Member, CEO	30.04.2013	for an undefined period of time	-
BD	Gábor Briglovics	Member	31.08.2007	for an undefined period of time	3 600
BD	Csaba Major	Member	30.04.2013	for an undefined period of time	-
BD	Attila Juhász	Member	31.08.2007	for an undefined period of time	-
BD	Zsolt Perlaky	Member	30.04.2010	for an undefined period of time	-
BD	István Töröcskei	Member	31.08.2007	for an undefined period of time	-
Shareholding (pcs) T O T A L:					173 600

¹ Employee in strategic position (SP), Member of the Board of Directors (BD)

Budapest, 19 February 2014

PannErgy Plc
Board of Directors