

PannErgy Plc's

Interim management report for Q1 of 2011

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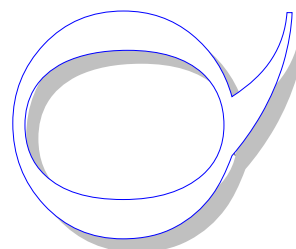
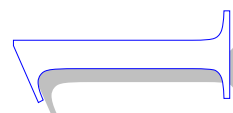
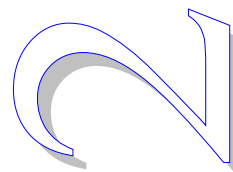
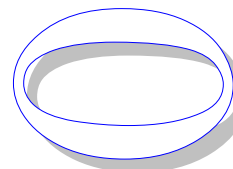
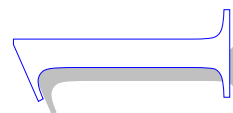
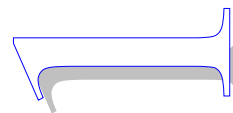
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# **PannErgy Plc's interim management report**

Q1 of 2011

13 May 2011



**Key events of the past quarter:**

In line with the schedule of the Miskolc project, the technical planning of the energy equipment of the first production well and the pipeline network connecting the production well to the district heating system of the city has been commenced. The winner of the design competition is the extensively experienced Pöyry Erőterv Zrt.

The Miskolc project has been awarded with HUF 316 million in the KEOP 4.7.0-09-2010 grant application scheme, the first phase of a two-round grant application program

The acquisition of Berekfürdő Kft., the power plant company utilizing the methane gas coming from the geothermal well has been closed. The Group is looking to this investment as a source of both economic benefits and special technological knowledge

During the exploratory drilling works of the Gödöllő project, the drill head has reached the water-bearing, Triadic limestone layer at a depth of 2,130 meters. To continue the drilling operations, additional seismic measurements are needed to determine proper locations for the optimal fissure system and the other part of the pair of wells

In Szentlőrinc, the beginning of January saw the startup of live operations, and as a consequence PannErgy Group has begun to realize geothermal sales revenues

The profit figures and performance of Pannunion Group have been in line with the associated plans

The amount of the consolidated equity has increased primarily due to the profitable operations

Key indicators of the main segments				HUF million		
quarterly period:	Q1 2011	Q1 2010	Index %	2011 cumulative	2010 cumulative	Index %
<b>SALES REVENUE*</b>						
Szentlőrinci Geotermia Zrt.	26	0	n/a			
Berekfürdő Energia Kft.	16	0	n/a			
Pannunion Group	3 922	3 493	112.3 %			
<b>EBITDA *</b>						
Szentlőrinci Geotermia Zrt.	21	0	n/a			
Berekfürdő Energia Kft.	11	0	n/a			
Pannunion Group	461	475	97.0 %			

\* With the exception of Pannunion Group, values cleared of non-recurrent items have been stated

## 1. Presentation of the performance of divisions

*(the detailed information of the individual group companies is provided only in relation to the major legal entities)*

### 1.1. Energy and asset management

PannErgy Plc

PannErgy Geotermikus Erőművek Zrt. (formerly PannErgy Polifin Zrt.) *geothermal energy holding company*,

PMM Zrt. (formerly property management, currently trading)

Synergon Plc

entities founded in cooperation with local governments

#### OPERATING PROJECTS

##### Geothermal project of Szentlőrinc (*Szentlőrinci Geotermia Zrt.*)

Since 1 January 2011 following the successful test run last year, live operations for heat generation have been performed in Szentlőrinc. Revenues have been nearly identical to the forecasts, partly due to the weather conditions not differing from the expectations. With respect to the fact that the capacity of our heat sources largely exceeds the current level of demands, the assessment of potentials to expand the district heating network and the scope of consumers has been commenced alongside with the preparatory planning works. Our target is to increase the volume of energy fed into the district heating network from the current 23–24,000 GJ p.a. in 2011 to 31–32,000 GJ p.a. After the expansion of the network, our objective is to sell an additional volume of 10,000 GJ heat energy in the cascade system.

##### Geothermal project utilizing methane gas of Berekfürdő (*Berekfürdő Energia Kft.*)

The acquisition of Berekfürdő Kft., the power plant company utilizing the methane gas coming from the geothermal well has been closed. The Group is looking to this investment as a source of both economic benefits and special technological knowledge. Though started up in live operations, in heat energy sales the facility still has not reached the planned level of output, because the capacity considerably exceeds the currently salable volume. The EBITDA-generation potential of the capacity will increase significantly, by up to 20–30% on the short run.

#### PROJECTS UNDER DEVELOPMENT

##### Geothermal project of Miskolc (*Miskolci Geotermia Zrt.*)

In line with the schedule of the Miskolc project, the technical planning of the energy equipment of the first production well and the pipeline network connecting the production well to the district heating system of the city has been commenced. The winner of the design competition is the extensively experienced Pöry Erőterv Zrt. The Miskolc project has been awarded with HUF 316 million in the KEOP 4.7.0-09-2010 grant application scheme, the first phase of a two-round grant application program. In connection with the investment program, the local district heat supplier has said that the completion of the geothermal system will allow this environmentally friendly and renewable energy to be utilized at an even larger proportion, in up to 40–50% in district heat supply. In addition to the planning works, the drilling of the first reinjection well will also be started soon.

##### Geothermal project of Gödöllő (*Gödöllői Geotermia Zrt.*)

During the exploratory drilling works of the Gödöllő project, the drill head has reached the water-bearing, Triadic limestone layer at a depth of 2,130 meters. To continue the drilling operations, additional seismic measurements are needed to determine proper locations for the optimal fissure system and the other part of the pair of wells. The geological characteristics of the Gödöllő region are more complex than what could be assumed on the basis of the preliminary drilling works, which necessitates additional studies. The measurements and their evaluation take at least two months. As soon as the detailed geologic information is available, the drilling works will be continued.

## OTHER INFORMATION / ASSET MANAGEMENT

Besides the general operating items, the Group's periodic profit after taxes has been dominantly impacted by the financial profit that has substantially improved the results of operations owing to the combined effect of the given interest charges, the strengthening of the HUF against the EUR and the drop in the rate of Synergon shares.

Synergon Plc does not belong to the scope of consolidation (as of the accounting date, the 1,164,753 shares held represented 14.96% voting rights modified by treasury shares). As a consequence, this participation is recognized at the stock-exchange rates of Synergon shares. Synergon Plc publishes stock-exchange flash reports and other public information that are all available at the website of the Budapest Stock Exchange ([www.bet.hu](http://www.bet.hu)) and the company ([www.synergon.hu](http://www.synergon.hu)).

## 1.2. Pannunion Group

Pannunion Plc ([www.pannunion.hu](http://www.pannunion.hu))

Unical (Romania)

Interagropack (Ukraine)

Unionplast (Serbia)

Almand Kft.

Pannon-Effekt Kft.

"In the first quarter of 2011, the Group increased its sales revenues by 12.3% in comparison with the corresponding data for Q1 of 2010, and by 2.1 % after Q4 of 2010. The margin was unfavourably impacted by the massive rise of base material prices during the first quarter of 2011.

In comparison with the average prices in the first quarter of 2010, the prices of PVC powders, polypropylene granules and polystyrene granules rose by 22%, 33% and 41%, respectively in Q1 of 2011. Such an increase in the base material prices could not be charged to the customers at all or in fully due to the fact that contracted sales prices could follow the changes only with delays of 2–3 months. Against the values in Q1 of 2010, general and administrative costs increased by 3.5% in Q1 of 2011. The operating profit and business cash flow stated for the first quarter of 2011 just slightly decreased (by 9% and 2.9%, respectively) when compared with the same period of the previous year. The underlying reason is the increased costs of materials.

In Q1 of 2011, the Group expended HUF 308 million on developments and investments, which was approximately half of the value in Q1 of 2010. In the period under review, the total headcount of the Group decreased by 11 employees in comparison with the headcount as of 31.12.2010.

Recently, the Group's foreign exchange exposure has become moderated. By the end of Q1 of 2011, FX loans were devaluated, and in total HUF 195.5 million exchange gains could be recognized (on loans, accounts receivable and payable).

The Group's profit after taxes was HUF 377 million in Q1 of 2011. The cumulated profit allocated to the majority shareholders amounted to HUF 331 million.

Pannunion Plc's individual indicators for Q1 of 2011 are outstandingly positive as a consequence of the growing turnover. The company's output increased in terms of both volumes and values. In the case of the Romanian Unical and Effekt, the deteriorated results were caused by the high base material prices and their just partial enforcement in the sales prices, as well as a slight drop in the sales volumes. In view of the sales volumes of these two companies, as compared to the indicators for last year no further decrease is expected to occur in the subsequent periods, and the negative course of sales was caused only by seasonal fluctuations."

A summary of Pannunion Plc's associated stock exchange report is available at the company's official media of publication: ([www.pannunion.hu](http://www.pannunion.hu), [www.bet.hu](http://www.bet.hu)).

## 2. Financial analysis

### 2.1. Profit & loss account

**The company's consolidated sales revenues reached HUF 4,000 million** during the period, which was 13.3% larger than the corresponding figure in the same period last year. The principal reason of this growth was Pannunion Group's outstanding performance, and to a smaller extent the first ever sales revenues of the energy division (HUF 39 million).

From these sales revenues, the share of only one customer exceeded 10% (17.6%).

The level of direct costs rose by 19.1% in excess of the rate of increase of sales revenues in general – similarly to sales revenues, as a consequence of the increased direct costs of Pannunion Group, mostly due to the increasing base material prices.

The indirect costs of sales totaled up to HUF 756 million in the period under review, i.e. 19.0% of the sales revenues and 106.6% of the value in the base period. This increase occurred with Pannunion Group's costs rising by 3.5%, which reflected the increasing operating cost demands of the energy division. The Group's full-time headcount changed from 610 employees at the end of the base period to 640 employees, as the aggregate effect of the increased headcount of Pannunion Group and the expansion of the energy division.

The balance of other expenditures and incomes in the period under review was HUF 22 million expenditures, in comparison with the HUF 61 million expenditures in the base period.

**The operating profit (EBIT) was HUF 88 million** in the period under review, while it had been somewhat larger, HUF 129 million in the base period, primarily as a result of Pannunion's shrinking margin amount, as well as the higher operating cost level of the energy division.

**The business cash flow (EBITDA) amounted to HUF 373 million**, which was HUF 31 million under the corresponding value in the base period. In the period under review, HUF 285 million depreciation was recognized, which was HUF 10 million over the base value as a consequence of the intensive investment operations of all the divisions recently.

The financial profit came to be HUF 119 million in the period under review, which was HUF 210 million larger than the value for the same period in 2010. The financial profit was positively impacted by the HUF 13 strengthening of the HUF against the EUR, where the quantified effect on the profit was HUF 200 million. In contrast, an unfavourable influence on the financial profit was exercised by the nearly HUF 7 drop in the rates of Synergon shares, though the corresponding effect remained under HUF 10 million.

The ordinary business profit amounted to HUF 207 million, which was significantly larger than the HUF 38 million profit of the base period.

The company had no extraordinary profit. The company stated HUF 9 million as a corporate income tax payment obligation.

**In the period under review, the consolidated net profit was HUF 185 million owing the reasons detailed above, and it was significantly larger than the HUF 20 million profit in the base period.**

## 2.2. Balance sheet

The volume of fixed assets increased by 17.1%. In comparison with the base figure, the value of intangible assets grew by HUF 167 million, which primarily encompassed intellectual works relating to geothermal energy. The volume of tangible assets became significantly larger, which is mainly due to the active investment activities in geothermal energy (Szentlőrinc, Miskolc, Berekfürdő and Gödöllő). In the base period, financial investments had included the value of the Székesfehérvár property that had been leased by PMM Zrt., but it was de-recognized after the closing of the sales transaction. Another major item has been the deferred tax receivables in a total amount of HUF 577 million, which did not change, or to be more accurate the stated amount became smaller, because for conservative approach the company rather did not account for HUF 86 million deferred tax receivables.

The volume of current assets diminished, mainly the investment (and acquisition) activities of the energy division, which decreased the amount of the available cash. Most of the receivables were associated with Pannunion Group, yet in connection with geothermal energy significant receivables were recognized as prepayments on well drilling and supplies.

The moderate increase of the company's equity was the combined result of treasury share transactions and the interim value of the retained profit. The amount of the per capita equity (when calculated with the number of shares less the number of treasury shares) increased to HUF 587 (base value: HUF 579).

The rising volume of loans originated from the combined effect of the decreasing volume of Pannunion Group's FX loans and the Lombard loan taken by PannErgy, as well as other investment loans utilized in connection with the energy division. The ratio of net loans / equity increased to 0.42 (base: 0.29) – when the category "A" shares at the Budapest Stock Exchange are taken into consideration as liquid assets.

The balance of account payables and other short-term liabilities changed primarily as a result of the changes in the corresponding volumes at Pannunion Group.

## 2.3. Screening

### Changes in intra-group, consolidated/ screened turnovers and volumes:

	Q1 of 2011	Q1 of 2010
Profit & loss account:		
	in HUF M	in HUF M
Sales revenues	357	386
Direct costs of sales	345	374
Gross profit	12	12
Indirect costs of sales	11	10
Other incomes	20	5
Other expenditures	5	5
Financial profit	5	0
Extraordinary incomes	0	950
Extraordinary expenditures	0	922

### **Screening of balance sheet items:**

Tangible assets	13	0
Inventories	3	2
Long-term receivables	564	759
Other receivables	7,247	5,177
Long-term loans	694	902
Accounts payables	521	366
Short-term loans	16	0
Other short-term liabilities	6,580	4,668

## **3. Miscellaneous**

### **3.1. Deferred taxes**

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

Loss recognized for future use	6 633
Deferred tax incomes	663
Settled tax incomes	577

The company has not stated HUF 86 million deferred tax revenues for applying a conservative approach. To calculate taxes, the 10% corporate income tax rate has been used with respect to considerable corporate tax cut according to the new tax legislations. This explains the considerable non-accounted deferred tax revenue decrease as compared to the base period.

### **3.2. Corporate events**

The company held its annual ordinary general meeting on 29 April 2011, and its resolutions were published via the official media of disclosure.

### **3.3. Employees**

<b>Own headcount</b>	<b>31 December 2010</b>	<b>31 March 2011</b>	<b>Change</b>
PannErgy Plc	5	5	0
PannErgy Geotermia	9	9	0
PannErgy Group	643	626	-17

165 employees of the combined headcount work for our foreign group entities.

The headcount of hired labour has remained insignificant on the level of the Group.

### **3.4. Changes in the company's subscribed capital, management, organization**

As of 31 December 2010, the amount of the subscribed capital was HUF 421,093,100, and it has not been changed in 2011 so far. In our financial statements, the amount of the subscribed capital is

stated with respect to the total issued volume, while the number of shares is recognized after the deduction of the number of repurchased treasury shares.

As of 31 March 2011, the company held 2 900 703 PannErgy Plc treasury shares.

As a result of treasury share transactions and settlements after the accounting date of this report, the number of treasury shares held by the Company has decreased to 2,750,703 by the date of the publication of this report.

Detailed information concerning treasury share transactions can be found in our publicly accessible disclosures.

Detailed information relating to senior officers is provided in datasheet TSZ3.

### **3.5. Environmental protection**

The company has a priority focus on the high-standard management of environmental protection. In the field of geothermal energy, it is striving for creating grounds for one of the most environmentally friendly ways of renewable energy production in Hungary.

Pannunion Group pursues independent environmental activities.

### **3.6. Major events after the balance sheet date (until 12 May 2011)**

After the balance sheet date and before the publication of the report, there were no major events that are not presented in this section or any other part of the report.

In connection with the economic environment, it can be confirmed that the global economic crisis emerging back in 2008 still has a negative, unforeseeable and indeterminable extent of impacts on the company and its associated companies, as well as the whole of the Group.

Budapest, 13 May 2011

***PannErgy Plc's  
Board of Directors***

## Data sheets

Name of the company: PannErgy Nyilvánosan Működő Részvénytársaság  
[PannErgy Public Company Limited by Shares]  
Address of the company: H-1117 Budapest, Budafoki út 56.  
Sectoral classification: Asset management, Energetics  
Period: Q1 of 2011  
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Investor relations: Dénes Gyimóthy

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

#### PK2. Business entities under consolidation

Name	Capital net worth/ Share capital	Share (%)	Voting rights <sup>1</sup> (%)	Classification <sup>2</sup>
Pannunion Plc	2 695.0	95.22	95.22	F
PMM Zrt.	710.0	100.00	100.00	F
Almand Kft. <sup>3</sup>	512.7	95.22	95.22	F
Unionplast Doo <sup>3</sup>	452.3	61.90	61.90	F
Unical Kft. <sup>3</sup>	676.1	95.22	95.22	F
Interagropak Kft. <sup>3</sup>	146.8	48.60	48.60	F
Pannon-Effekt Kft.	311.0	95.22	95.22	F
Kuala Ingatlanhaszn. Kft.	0.5	100.00	100.00	F
PannErgy G.E. Zrt.	1972.7	93.09	93.09	F
Csurgói Geotermia Zrt.	5.0	90.00	90.00	F
Tamási Geotermia Zrt.	5.0	90.00	90.00	F
Szentlőrinci Geotermia Zrt.	5.0	90.00	90.00	F
Miskolc Geotermia Zrt.	5.0	90.00	90.00	F
PannTerm Kft	5.0	90.00	90.00	F
Gödöllői Geotermia Zrt.	5.0	90.00	90.00	F
Berekfürdő Energia Kft.	24.0	100.00	100.00	F

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

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

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

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

	31.03.2011	31.03.2010	Change %	31.12.2010 (audited)
<b>Assets</b>				
Intangible assets	1 609	1 442	111.6	1 586
Goodwill	247	177	139.5	177
Tangible assets	9 972	7 573	131.7	9 450
Investments	25	25	100.0	25
Receivables under financial lease	0	820		0
Receivables from deferred tax	577	577	100.0	557
Long-term receivables	5	5	100.0	5
<b>Total fixed assets</b>	<b>12 435</b>	<b>10 619</b>	<b>117.1</b>	<b>11 802</b>
Inventories	2 324	1 808	128.5	2 246
Accounts receivables	2 757	2 176	126.7	2 297
Other receivables	1 586	2 212	71.7	1 697
Receivables under financial lease	0	107		0
Financial assets at FVTPL	546	850	64.2	554
Securities held to maturity	0	0		0
Liquid assets	556	887	62.7	897
<b>Total current assets</b>	<b>7 769</b>	<b>8 040</b>	<b>96.6</b>	<b>7 691</b>
<b>TOTAL ASSETS</b>	<b>20 204</b>	<b>18 659</b>	<b>108.3</b>	<b>19 493</b>
<b>Equity and liabilities</b>				
Subscribed capital	421	421	100.0	421
Treasury shares	-3 611	-3 677	98.2	-3 611
Capital reserves	10 516	10 649	98.8	10 516
Profit reserve and profit at BS	2 890	2 707	106.8	2 705
Other reserves	-377	-202	186.6	-347
<b>Equity of the parent company</b>	<b>9 839</b>	<b>9 898</b>	<b>99.4</b>	<b>9 684</b>
Minority interests	823	716	114.9	810
<b>Total equity</b>	<b>10 662</b>	<b>10 614</b>	<b>100.5</b>	<b>10 494</b>
Long-term loans	2 125	1 973	107.7	1 650
Provisions	6	12	50.0	6
<b>Total long-term liabilities</b>	<b>2 131</b>	<b>1 985</b>	<b>107.4</b>	<b>1 656</b>
Short-term liabilities				
Accounts payable	2 791	2 215	126.0	2 741
Short-term loans	3 477	2 821	123.3	3 513
Other short-term liabilities	1 143	1 024	111.6	1 089
<b>Short-term liabilities in total</b>	<b>7 411</b>	<b>6 060</b>	<b>122.3</b>	<b>7 343</b>
<b>TOTAL LIABILITIES AND EQUITY:</b>	<b>20 204</b>	<b>18 659</b>	<b>108.3</b>	<b>19 493</b>

Consolidated capital movements (million HUF)	Equity capital for the parent company							Minority participation	Equity total
	Subscribed capital	Treasury shares	Premium	Capital reserve	Profit reserve	Other reserve	Total		
Balance as of 31 December 2009	421	-3 677	5 455	4 250	2 687	-173	8 963	498	9 461
Profit of Q1 2010					20		20	9	29
Changes in the participation of external members								209	209
Exchange rate difference from consolidation						-29	-29		-29
Share capital increase in subsidiaries			944				944		944
Treasury shares repurchased									
Balance as of 31 March 2010	421	-3 677	6 399	4 250	2 707	-202	9 898	716	10 614
<b>Statement of changes in equity 01.01–31.03.2011</b>									
Balance as of 31 December 2010	421	-3 611	6 266	4 250	2 705	-347	9 684	810	10 494
Profit of Q1 2011					185		185	13	198
Changes in the participation of external members									
Exchange rate difference from consolidation						-30	-30		-30
Share capital increase in subsidiaries									
Treasury shares repurchased									
Balance as of 31 March 2011	421	-3 611	6 266	4 250	2 890	-377	9 839	823	10 662

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## STATEMENT OF GENERAL INCOMES

Q1 of 2011

(in million HUF)

	Q1 2011	Q1 2010	Change %	Q1-4 2010	Q1-4 2009	Change %
<b>Profit according to the balance sheet in the period under review</b>	185	20	925.0	18	15	120.0%
<i>Other general incomes</i>						
Conversion difference						
Marketable financial instruments with deferred taxes						
Cash flow hedging transactions with deferred taxes						
Share from other general incomes of associated companies						
<b><i>Other general incomes in the period with tax implications</i></b>						
<b>Total general incomes in the period under review</b>	185	20	925.0	18	15	120.0%

\* Fully attributable to the company's owners

**Consolidated profit & loss account under IFRS (HUF million)**

	<b>Q1 2011</b>	<b>Q1 2010</b>	<b>Change %</b>	<b>Q1-4 2010</b>	<b>Q1-4 2009</b>	<b>Change %</b>
Sales revenues	4 000	3 531	113.3	15 194	12 667	119.9
Direct costs of sales	-3 134	-2632	119.1	-11 377	-9 243	123.1
<b>Gross profit</b>	<b>866</b>	<b>899</b>	<b>96.3</b>	<b>3 817</b>	<b>3 424</b>	<b>111.5</b>
<i>Gross profit rate %</i>	21.7%	25.5%		25.1%	27.0%	
Indirect costs of sales	-756	-709	106.6	-2 900	-2 917	99
Other incomes	36	15	240.0	184	124	148.4
Other expenditures	-58	-76	76.3	-345	-339	101.8
<b>Operating profit (EBIT)</b>	<b>88</b>	<b>129</b>	<b>68.2</b>	<b>756</b>	<b>292</b>	<b>258.9</b>
<i>Operating profit rate (%)</i>	2.2%	3.7%		5.0%	2.3%	
<b>EBITDA</b>	<b>373</b>	<b>404</b>	92.3	<b>1 897</b>	<b>1 441</b>	<b>131.6</b>
<i>EBITDA rate (%)</i>	9.3%	11.4%		12.49%	11.4%	
Financial incomes	427	213	200.5	731	1 523	48.0
Financial expenditures	-308	-304	101.3	-1 396	-1 762	79.2
<b>Financial profit</b>	<b>119</b>	<b>-91</b>		<b>-665</b>	<b>-239</b>	<b>278.2</b>
<b>Profit before taxes</b>	<b>207</b>	<b>38</b>		<b>91</b>	<b>53</b>	
Corporate income tax	-9	-9		-31	-44	
<b>Profit after taxes</b> *	<b>198</b>	<b>29</b>		<b>60</b>	<b>9</b>	
<b>Minority shareholding</b>	<b>-13</b>	<b>-9</b>		<b>-42</b>	<b>6</b>	
<b>Net profit of the period</b>	<b>185</b>	<b>20</b>		<b>18</b>	<b>15</b>	
<b>From the profit after taxes:</b> *						
To the capital shareholders of the parent company	185	20		18	15	
To minority shareholders	13	9		42	-6	
<b>Profit per equity share (HUF)</b>						
Base	10.19	1.11		1.00	0.82	
Diluted	10.19	1.14		1.02	0.86	

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

<b>Liquid assets from operations</b>	<b>Q1 2011</b>	<b>Q1 2010</b>
<b>Profit after taxes</b>	<b>185</b>	<b>20</b>
<i>Adjustments relation to the profit before taxes and operating cash flow</i>		
Depreciation of tangible and intangible assets	285	275
Effect of deferred taxes	0	0
Real value difference	8	41
Exchange gains on credits	-119	-58
Impairment losses of participations	0	0
Extraordinary depreciation of tangible assets, goodwill	0	0
Impairment losses and shortage of inventories	4	13
Provisions released	0	0
Increase in provisions for doubtful receivables	-3	0
Interest (gain) loss, net	67	58
Profit on the sales of tangible assets	0	1
Profit on the sales of investments	0	0
changes in minority participations	13	218
<i>Changes in working capital elements</i>		
Increase/decrease of inventories	-82	65
Increase/decrease of receivables	-334	-419
<u>Increase/decrease of liabilities</u>	<u>20</u>	<u>164</u>
Interests received	3	11
Interests paid	-70	-69
<b>Net liquid assets originating from / utilized in operations</b>	<b>-23</b>	<b>320</b>
<b>Liquid assets from investments</b>		
Acquisition of investments in private companies	-90	0
Increase of existing investments	0	0
Sales of investments	0	0
Acquisition of tangible and intangible assets	-844	-697
Sales of tangible and intangible assets	88	103
<u>Increase/decrease of long-term receivables</u>	<u>0</u>	<u>45</u>
<b>Liquid assets for investment activities</b>	<b>-846</b>	<b>-549</b>
<b>Financial operations</b>		

Utilization/repayment of long-term loans	518	-56
Increase/decrease of short-term loans	59	46
Exchange difference from consolidation	-30	-29
Capital increase, exchange premium of minority participations	0	944
Acquisition of treasury shares	0	0
Sale of treasury shares		
<u>Increase in securities</u>	0	0
<b>Liquid assets from financial operations</b>	<b>547</b>	<b>905</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>-322</b>	<b>676</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>107</b>	<b>-5</b>
<b>Cash and cash equivalents as of 31 March</b>	<b>-215</b>	<b>671</b>
<b>Overdraft</b>	<b>771</b>	<b>216</b>
<b>Liquid assets according to the balance sheet</b>	<b>556</b>	<b>887</b>

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

As of the accounting date of 31 March 2011, the company had no net foreign currency futures position.

As of the accounting date of 31 March 2011, the company had no stock-exchange futures position representing PannErgy Plc shares.

In 2009, in connection with the machine purchase subsidy of the external partner being in contractual relation with PannErgy Plc, the property of the company located in district XXI. was burdened with mortgage right, which still exists.

As of the accounting date, the company has the following pending liability undertaking towards external partners:

- HUF 25 000 thousand, maturity in 2011
- HUF 4 742 thousand, maturity in 2012
- EUR 2 150 thousand + duties, planned maturity in 2017

PannErgy Group has signed several-year general contracts for the drilling of the total of 50 geothermal wells with several suppliers.

Within the framework of the managerial share option program, Mr Balázs Bokorovics and Mr Dénes Gyimóthy have acquired conditional call options for a total number of 1,250,000 PannErgy shares (in equal proportions) against PannErgy Plc. (the set of relevant conditions is described at the company's website) for the exercise of which they have appointed a third party with signing the relative option agreements;

Within the framework of the share option program, three external partners have acquired conditional call options for a total number of 150,000 PannErgy shares (in equal proportions) against PannErgy Plc. (the set of relevant conditions is described at the company's website);

In the form of security deposits for the non-repayable grants awarded to the entities of PannErgy Group (e.g. Transport and Energy Operational Programme, KEOP), PannErgy Plc offers its securities and other assets from time to time, 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 2011			31 March 2011		
	% <sup>2</sup>	% <sup>3</sup>	Pcs	% <sup>2</sup>	% <sup>3</sup>	Pcs
Domestic institution	44.33	51.41	9 332 599	44.75	51.91	9 422 617
Foreign institution	16.36	18.98	3 444 806	15.20	17.63	3 200 734
Domestic private person	22.90	26.56	4 822 374	23.63	27.40	4 974 887
Foreign private person	0.18	0.21	38 832	0.19	0.22	40 373
Employees, senior officers	2.43	2.82	511 841	2.43	2.82	511 841
Own holding *	13.78	-	2 900 703	13.78	-	2 900 703
Shareholder belonging to the central budget <sup>1</sup>	0.02	0.02	3 500	0.02	0.02	3 500
International Development Institutions <sup>3</sup>	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	100.00	100.00	21 054 655	100.00	100.00	21 054 655

<sup>1</sup> Administrative body

<sup>2</sup> Ownership rate

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

\* : Own property: The property of the company or its 100 % subsidy.

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

	1 January 2011	31 March 2011
At company level	1 615 500	1 615 500
Subsidiaries *	1 285 203	1 285 203
Total	2 900 703	2 900 703

\* : The volume of PMM Zrt. 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 <sup>1</sup>	Activity <sup>2</sup>	Number (pcs)	Stake (%) <sup>3</sup>	Voting right (%) <sup>3,4</sup>	Notes <sup>5</sup>
Benji Invest Kft	D	I	2 405 010	11.42	13.25	P
Lazarus Vagyonkezelő Zrt.	D	I	2 026 500	9.62	11.16	P

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

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

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

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

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

### **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	5	5
PannErgy Geotermia	6	9
Pannunion Group	599	626

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

Type <sup>1</sup>	Name	Position	Starting date of commission	End/termination date of the commission	Treasury share holding (pcs)
BD	Mr Balázs Bokorovics	Chairman	31.08.2007	for an undefined period of time	-
BD	Mr Dénes Gyimóthy	Member, Acting CEO and CFO	31.08.2007	for an undefined period of time	170,000
BD	Mr Gábor Briglovics	Member	31.08.2007	for an undefined period of time	2,600
BD	Mr Attila Juhász	Member	31.08.2007	for an undefined period of time	-
BD	Mr Zsolt Perlaky	Member	30.04.2010	for an undefined period of time	-
BD	Mr István Töröcskei	Member	31.08.2007	for an undefined period of time	326,000
Treasury share holding (pcs) T O T A L:					498,600

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

## **1.4 Datasheets concerning extraordinary information**

### ***ST1. Extraordinary information published in the period under review***

Date	Type	Media of publication	Subject, brief contents
02.05.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Announcement of change in voting shares
30.04.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Number of voting rights at PannErgy Plc
29.04.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	SB report
29.04.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Annual report
29.04.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Resolutions of the General Meeting
26.04.2011	Other information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Additional measurements are made to continue the works at the Gödöllő well
14.04.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	PannErgy's subsidiary has sold 150,000 treasury shares
12.04.2011	Other information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Preparations for the implementation of the Miskolc project at full throttle
07.04.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Proposals to the General Meeting
31.03.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Number of voting rights at PannErgy Plc
29.03.2011	Extraordinary Information	<a href="http://www.bet.hu">www.bet.hu</a> <a href="http://www.pannergy.com">www.pannergy.com</a> <a href="http://www.kozzetetelek.hu">www.kozzetetelek.hu</a>	Invitation to the General Meeting

29.03.2011	Extraordinary Information	www.bet.hu www.pannergy.com www.kozzetetelek.hu	Declaration on emoluments
02.03.2011	Extraordinary Information	www.bet.hu www.pannergy.com www.kozzetetelek.hu	Non-repayable government grant awarded to Miskolci Geotermia Zrt.
28.02.2011	Extraordinary Information	www.bet.hu www.pannergy.com www.kozzetetelek.hu	Number of voting rights at PannErgy Plc
31.01.2011	Extraordinary Information	www.bet.hu www.pannergy.com www.kozzetetelek.hu	Number of voting rights at PannErgy Plc
20.01.2011	Extraordinary Information	www.bet.hu www.pannergy.com www.kozzetetelek.hu	The acquisition of Berekfürdő Kft. has been closed

## DECLARATIONS

This report consists of PannErgy Group's consolidated, non-audited data prepared in conformance to the requirements of the International Financial Reporting Standards (IFRS).

During the preparation of the report, the Group has taken the changes of IFRS in effect from 1 January 2011 into account.

Our report has been prepared with proper respect to the guidelines set forth in IAS 34 (interim reports).

As required in the relevant legal regulations, it is hereby represented that this report has been made to the best of our knowledge, and does not contain such material errors that would make this presentation of the company's asset, financial and income situation as of 31 March 2011 unrealistic.

It is further represented that the report is **not** audited.

Budapest, 13 May 2011

*PannErgy Plc's  
Board of Directors*