PannErgy Nyrt.

SEMI-ANNUAL REPORT

H1 2020 Report

6 August 2020

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

1. Executive Summary

EBITDA improvement, amount of heat sold exceeds plan

Amount of heat sold exceeds plan in a market environment transformed by the pandemic

In the first half of 2020 the PannErgy Group successfully accomplished its heat sales target; accordingly, the consolidated amount of heat sold exceeded the seasonal plans for the first half of the year even in a market environment substantially altered by the COVID-19 pandemic. The most severe negative impact came during the reporting period from the temporary shut-down of AUDI's factory in Győr between 23 March and 14 April 2020, however, PannErgy reallocated the resulting extra capacity into the town's district heating system, whereby it avoided any material impact on its profitability in H1 2020.

The available capacities under the given weather conditions at the Company's project sites were thus efficiently utilized. Thanks to the optimum operations amid weather conditions which were less favourable than the extremely good weather conditions of the comparable period, but at the same time considered to be average compared to the same periods of historical years, PannErgy Group was able to **sell**, during the first half of 2020, a **2% higher heat quantity (886 TJ) than the planned amount (869 TJ), but still 9% less than the quantity (970 TJ) sold during the similar period of the previous year.** After the 3% year-on-year decrease in heat sales volume in the first quarter of the period under review, the volume of heat sold in the second quarter dropped by 20% compared to the base period. The shortfall can be partly attributed to warmer weather compared to the base period, and partly to the earlier-than-usual seasonal operating mode switch in Győr, as depicted in the production reports of the first quarter published by the Company, as a result of which the production wells operated in a self-flow system resulted in reduced yields. At the same time, however, the electricity need of extraction decreased to nearly zero. The Company is able to meet the decreasing consumer heat demand implied by the gradually warming weather more and more cost-effectively without impairing the profitability and, at the same time, at a higher level of operational safety.

In view of the above heat sales figures pertaining to H1 2020 the Company maintains its plan to sell an accumulated amount of heat of 1,647 TJ during 2020, a figure published as part of its projections submitted to its regular Annual General Meeting closing the business year of 2019.

Continued consolidated EBITDA improvement, confirmation of the EBITDA plan for 2020

In H1 2020 **the consolidated sales revenues of the Company grew by 2% to HUF 3,197 million year on year, representing an increment of HUF 76 million.** HUF 2,697 of the total sales revenue of HUF 3,197 million originates from the sale of heat, down 3% year-on-year. This decrease was offset by an increase in the amount of electricity sold to third parties.

The direct costs of sale – closely associated with the revenue-generating activity – increased by 5%, as a result of an increase in the depreciation during the reporting period of the technical facilities related to heat generation and the increase in the cost of electricity purchased for EUR, as a consequence of changes in the applicable foreign exchange rate.

The combined effect of the above was a 4% year-on-year decrease in the Company's gross margin during the first half of the year, to HUF 872 million. In spite of the decrease of the gross margin, the **Company's consolidated gross cash-flow increased to HUF 1,670 million, 6% up on the HUF 1,578 million recorded in the base period.**

The total amount of indirect costs of sales increased by 6%, that is, by HUF 14 million, year-on-year. The Company's cash generating capability was reduced by a similar percentage by the balance of the revenues and expenditures relating to the Company's other activities: HUF -13 million, in the absence of one-off revenue type items, instead of the positive balance of HUF 106 million recorded in H1 2019.

Nonetheless, the **EBITDA in the reporting period amounted to HUF 1,461 million, HUF 10 million (or 1%) higher than the amount of HUF 1,451 million booked in the corresponding period of the previous year,** thanks to the increase in the gross cash-flow. **The Company reached the improvement in EBITDA in the reporting period with an EBITDA ratio of 46%** largely equal to that of the base period, in spite of an unfavourable change in the balance of revenues and expenditures.

The HUF 1,461 million EBITDA exceeds, *pro rata temporis*, the Company's HUF 2,530–2,600 million annual EBITDA plan published for 2020, confirming the Company's HUF 2,530–2,600 million annual EBITDA plan published as part of the proposals submitted to the Company's regular Annual General Meeting closing the business year of 2019.

The Company recorded a HUF -506 financial profit/loss and, after the recognition of a HUF 13 million in corporate income tax, it recorded a HUF 93 million consolidated net profit in H1 2020. Of the massive loss on financial transactions during the reporting period **HUF 375 million originated from the unrealised exchange rate loss on foreign exchange items at the end of the period**, as the HUF weakened significantly against the EUR.

Main profit/loss data (HUF million)	H1 2020	H1 2019
Revenue from sales	**3,197**	**3,121**
Direct costs of sales	-2,325	-2,214
Gross margin	**872**	**907**
Gross cash-flow	**1,670**	**1,578**
Gross cash flow rate	**52.2%**	**50.6%**
Indirect costs of sales	-247	-233
Other revenues and expenditures	-13	106
Operating profit (EBIT)	**612**	**780**
EBITDA	**1,461**	**1,451**
EBITDA rate	**45.7%**	**46.5%**
Profit/loss on financial transactions	-506	-162
Of which: Effect of period-end FX revaluation	*-375*	*-31*
Profit before taxes	**106**	**618**
Consolidated net profit for the reporting period	**93**	**603**
Return on Equity (ROE) %	*0.9%*	*5.9%*
Return on Sales (ROS) %	*2.8%*	*19.3%*
Earnings per ordinary share	*5.01*	*32.9*

<u>Successful long-term financing after the cut-off date</u>

The Company concluded an agreement on 15 July 2020 refinancing its bank loans in the long-term, resulting in a HUF 200 million decrease in the PannErgy Group's consolidated debt service, with positive effects to be observed in H2 2020 already.

Under the refinancing arrangement, the PannErgy member companies implementing the Győr and Miskolc Geothermal Projects — namely DD Energy Kft., Arrabona Koncessziós Kft., Miskolci Geotermia Zrt. and Kuala Kft. —, as borrowers and providers of collateral, entered into a HUF 11 billion financing agreement with the banking consortium comprising UniCredit Bank Hungary Zrt. and CIB Bank Zrt. As part of the financing agreement, other member companies of the PannErgy Group were also involved in the transaction as providers of collateral. As a result of the financing transaction, a loan portfolio of HUF 9.5 billion in total of the PannErgy Group — maturing in the short and medium term and with a substantial balloon — has been refinanced with a 10-year long-term loan, thereby ensuring the Group's predictable and economical financing in the long run. The remainder of financing can provide coverage for investments and project requirements arising in the near future, while also representing a stable financial background in the new economic and operating environment that has come about as a result of the COVID-19 pandemic.

The refinancing was implemented from the FGS Go! (*NHP Hajrá*) scheme launched by the MNB at a value of HUF 8.25 billion. The remaining HUF limit of 2.75 billion was denominated and drawn down in EUR. FGS loans have a fixed interest for the entire loan term, while the remaining loan parts have variable interests. For the latter, the Company concludes interest rate swap transactions to hedge interest rate risk in the long run.

<u>Treasury share transactions, repurchase programmes</u>

As at 30 June 2019, the Company held 3,604,433 treasury shares belonging to PannErgy Nyrt., 413,000 above the 3,191,433 treasury shares held on 31 December 2019. The change resulted from purchases under the treasury share repurchasing programme in effect in the reporting period. In H1 2020 the Company effected treasury share buyback transactions at the Budapest Stock Exchange in the context of trading on the stock exchange, within the framework of the treasury share buyback program that ran from 2 May 2019 up to 26 April 2020, and closed during the reporting period. Under the repurchase programme, which was closed during the reporting period, a total of 413,000 treasury shares were purchased in the first half of 2020 between 1 January and 26 April 2020. A total of 570,300 treasury shares were purchased during the entire programme which was closed on 27 April 2020.

The stock exchange closing price of PannErgy shares at the end of the reporting period was HUF 620 per share, compared to HUF 738 and HUF 714 on 31 December 2019 and 30 June 2019, respectively.

The No. 2020.04.30./5. Board of Directors resolution adopted by the Board of Directors in the general meeting's scope of power during the reporting period concerning another treasury share buyback programme was adopted subsequently by the General Meeting at a General Meeting held in the form of a repeated meeting on 7 August 2020 at the request of shareholders due to having no quorum at the previous meeting.

2. Projects and areas of operation

2.1 Consolidated quantity of heat sold

The total consolidated amount (expressed in GJ) of heat sold in H1 2020 was as follows

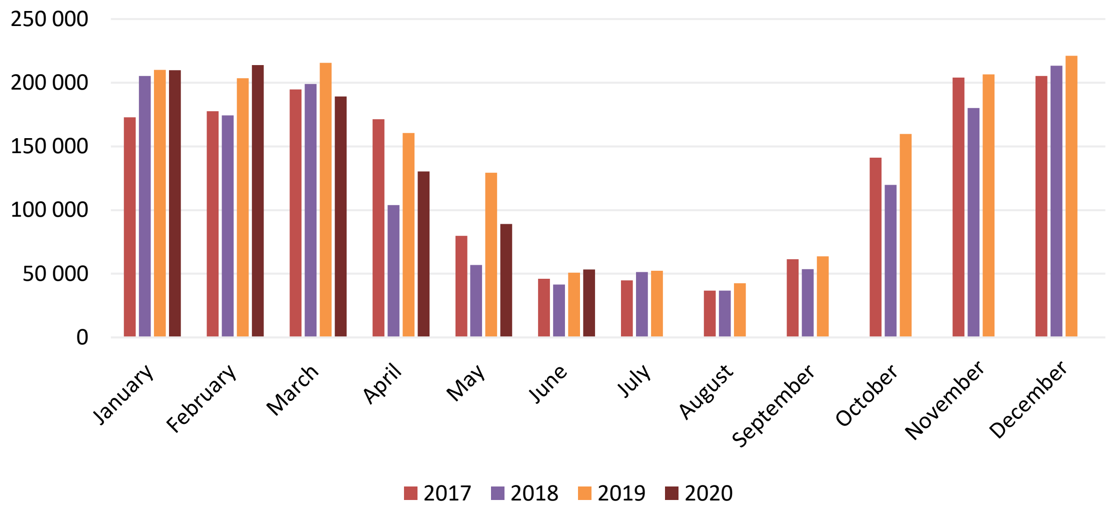

Figure 1: Consolidated quantities of heat sold, in GJ (Includes the consolidated quantities of heat sold by the Miskolc, Győr, Szentlőrinc and Berekfürdő projects in a monthly breakdown)

Months/Years	2017	2018	2019	2020	2020 target
January	172,758	205,199	209,999	209,715	
February	177,533	174,300	203,484	213,878	
March	194,634	199,090	215,693	189,214	
Q1	**544,925**	**578,589**	**629,176**	**612,807**	**621,403**
April	171,294	104,033	160,548	130,410	
May	79,700	56,758	129,300	89,190	
June	45,936	41,641	50,780	53,394	
Q2	**296,930**	**202,432**	**340,628**	**272,994**	**247,988**
July	44,865	51,247	52,406	0	
August	36,709	36,794	42,415	0	
September	61,502	53,650	63,731	0	
Q3	**143,076**	**141,691**	**158,552**	**0**	**164,526**
October	141,270	119,652	159,888	0	
November	204,045	180,263	206,686	0	
December	205,251	213,267	221,248	0	
Q4	**550,566**	**513,182**	**587,822**	**0**	**612,739**
ANNUAL TOTAL	**1,535,497**	**1,435,894**	**1,716,178**	**885,801**	**1,646,656**

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

The amount of heat sold in H1 2020 was down 9% year-on-year, as a result of a 3% and a 20% drop in Q1 and in Q2, respectively. The shortfalls in the amount of heat sold in the first and second quarter resulted from the prevailing weather conditions; the first half of 2019 was characterised by weather conditions highly favourable from the Company's perspective.

A comparison of the H1 2020 heat sales figures with the data of the same period in historical years indicates that the Company realised average heat sales in the reporting period, while it outperformed the heat sales target by 2%.

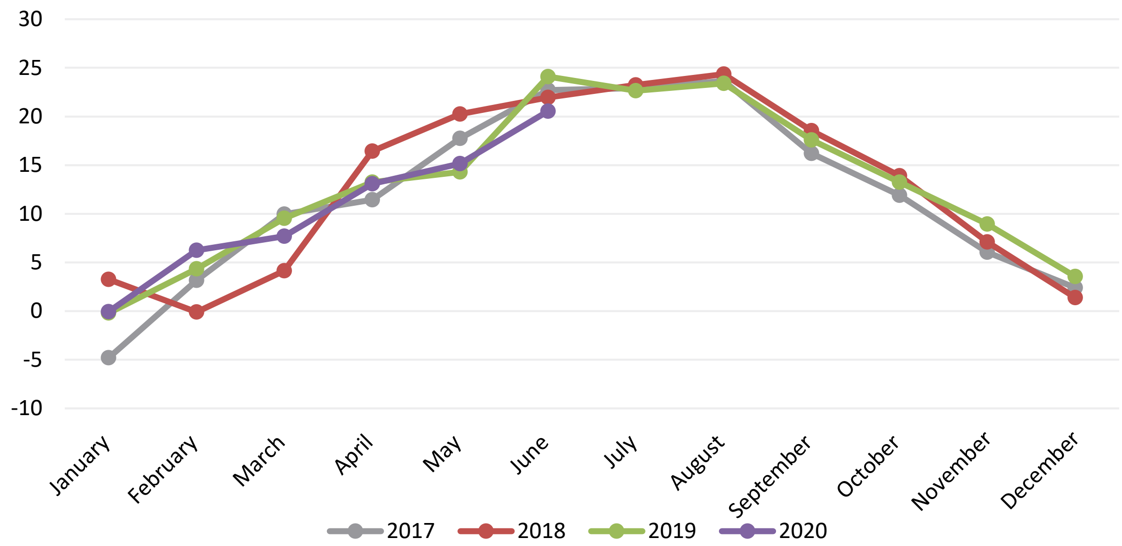

Figure 3
Average temperatures in 2017-2020

The 2–8 °C ambient temperature range is ideal for day-to-day geothermal heat sales during the heating season, especially when the difference between the daily minimum and maximum temperatures is as small as possible. The monthly averages of the average daily temperatures were favourable in the period under review, however, they were slightly less favourable than during the corresponding period of 2019.

At PannErgy's largest service areas in Miskolc and Győr, the district heating services ended on 28 April 2020. After the end of the 2019/2020 heating period PannErgy started its summer maintenance works on its geothermal power plants and the scheduled annual inspections.

The Company maintains its planned, updated cumulative heat sales target for 2020 (see Figure 2 above) published as part of the proposals of the Annual General Meeting closing the business year of 2019, and **confirms** its published **annual EBITDA plan of HUF 2,530–2,600 million for year 2020**.

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

2.2.1. Miskolc Geothermal Project

(Miskolci Geotermia Zrt., Kuala Kft.)

The Geothermal System of Miskolc sold a total of 436,065 GJ thermal energy in H0 2020 3% down on the 447,416 GJ thermal energy sold in the corresponding period of 2019, as a consequence of the shorter heating season this year compared to the previous year.

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

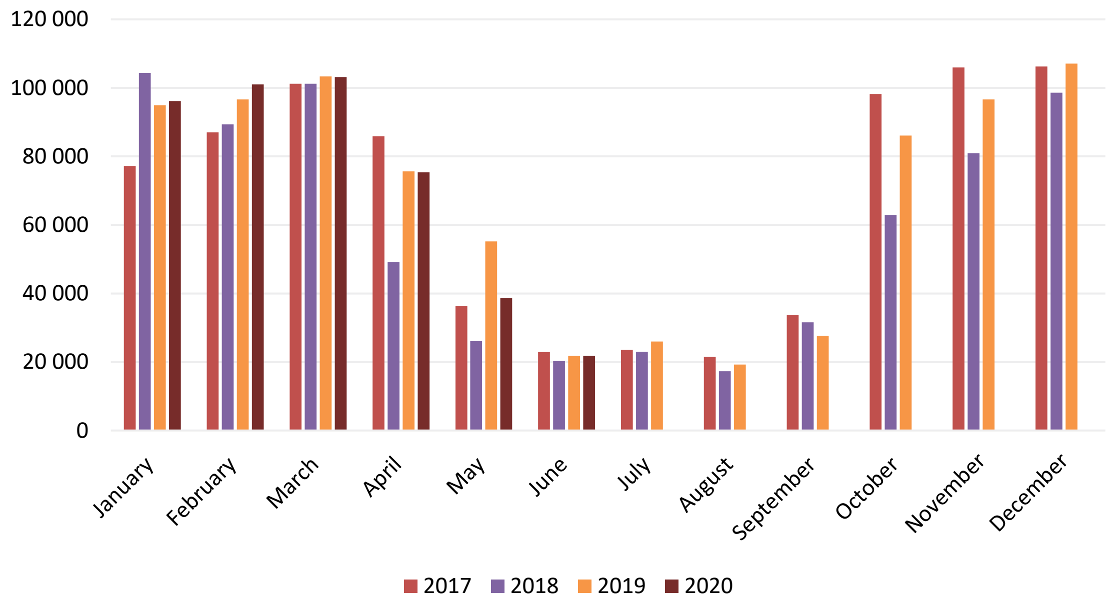

Figure 4: Quantity of heat sold in Miskolc (GJ)

2.2.2. Győr Geothermal Project

(DD Energy Ltd., Arrabona Concession Ltd.)

In H1 2020 the Geothermal System of Győr sold a total of 437,450 GJ thermal energy, 14% less than the 509,741 GJ sold in H1 2019. The shortfall is partly attributed to the shorter heating season compared to the base period, and partly to the earlier-than-usual seasonal operating mode switch, as described in the Company's quarterly production reports, as a result of which the production wells operated in a self-flow system with reduced yields. As a consequence of the reduced yield the power input of production also decreased dramatically. The Company is able to meet the decreasing consumer heat demand implied by the gradually warming weather more and more cost-effectively without impairing the profitability and, at the same time, at a higher level of operational safety. Some measurement, control and maintenance procedures planned for the autumn season were carried out by the Company while changing operating modes during the period under review. As a consequence of a variety of impacts of the COVID-19 pandemic, the AUDI factory in Győr was closed down temporarily between 23 March and 14 April 2020. During this period the Company reallocated the capacity so released to Győr's municipal district heating system, therefore AUDI's stoppage had no material economic impact on the Győr Geothermal Project's H1 2020 profitability.

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

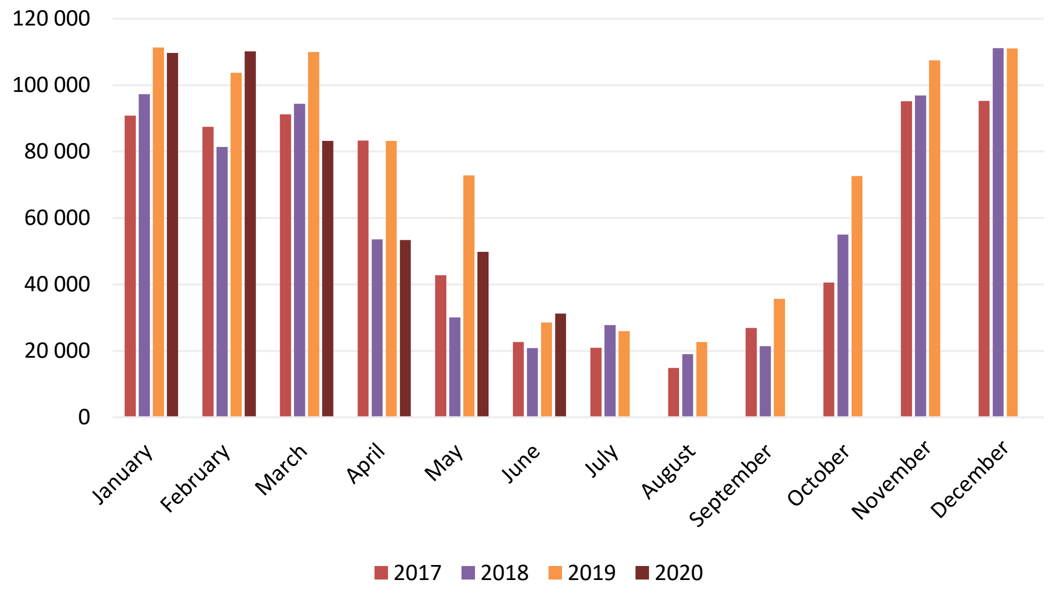

Figure 5: Quantity of heat sold in Győr (GJ)

2.2.3. Geothermal Heating Facility of Szentlőrinc

(Szentlőrinci Geotermia Zrt.)

The Szentlőrinc facility sold a total of 10,965 GJ heat in the first half of 2020, just slightly more than the 10,940 GJ sold a year earlier. The Geothermal Facility of Szentlőrinc fully met the heat demand of the local heating system on its own, thus the weather sensitivity of the geothermal heat input is significantly higher than that of district heating systems with complex heat resources.

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

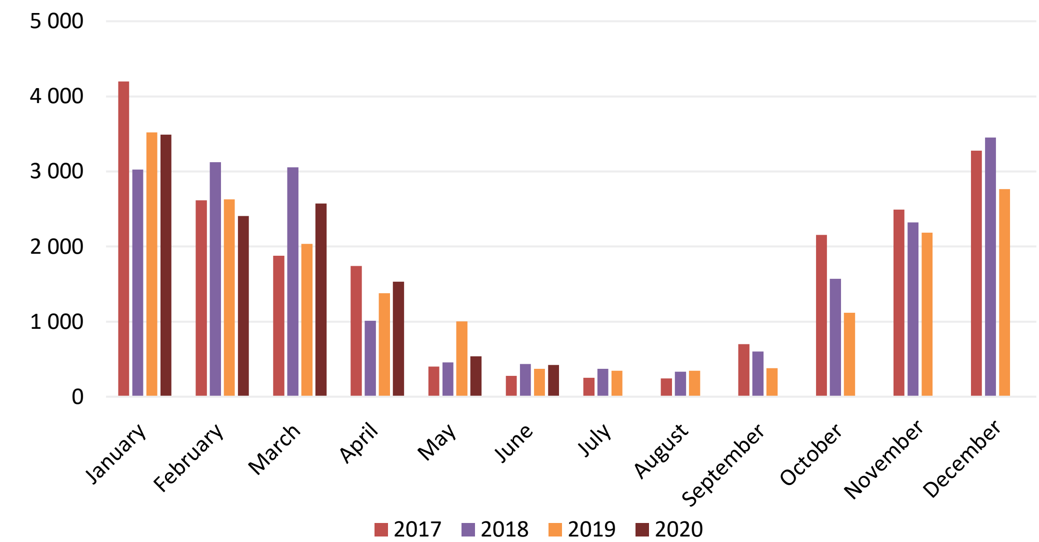

Figure 6: Quantity of heat sold in Szentlőrinc (GJ)

2.2.4. Environmental protection, climate change

Hungary has set the objective of reducing its greenhouse gas emissions by at least 40% below 1990 levels by 2030, while the rate of renewable energy in gross final energy consumption will be at least 21%. PannErgy Group runs its renewable energy projects in strict accordance with the national ambition to make the district heating sector greener and more competitive. Through its geothermal projects, the Company supports Hungary's climate policy and the objectives laid down in the National Energy Strategy 2030 document by promoting sustainability.

PannErgy Group's projects contributed to the preservation of a more liveable environment by cutting greenhouse CO_2 emissions by 51,382 tons in 2020 H1, while the Group's total greenhouse gas emission savings so far amounted to 501,791 tons.

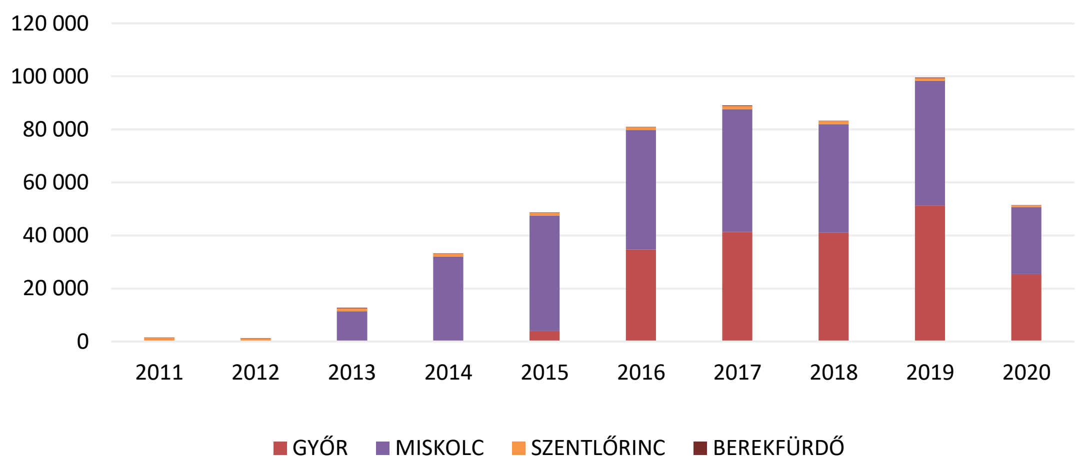

Figure 7 The amount of greenhouse CO_2 not released into atmosphere thanks to the PannErgy Group's projects

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

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

PannErgy aims primarily to utilise its substantial uncommitted available thermal capacities – in addition to the capacities being utilised now –, which is expected to further reduce sensitivity to ambient temperature changes. The most important possible areas for utilising free thermal capacities include:

- Implementation of energy efficiency and optimization projects with existing customers;
- Cold energy projects — for the utilization of the so-called “summer” heat;
- Connection of new customers indirectly through district heating systems or directly to the geothermal systems on the primary or the secondary (return) sides.

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

3.1 Results achieved in the reporting period, perspectives

In the first half of 2020, PannErgy Group realised HUF 3,197 million consolidated sales revenues, which exceeds the HUF 3,121 million realised in H1 2019 by 2%. HUF 2,697 million of the total sales revenue of the HUF 3,197 came from the sale of heat, down 3% in comparison to the HUF 2,769 million booked in the similar period of 2019.

In terms of the structure of the sales revenue by projects, the **Geothermal Project of Győr contributed HUF 1,495 million to the sales revenue** of the PannErgy Group in H1 2020, 8% less than the HUF 1,624 million recorded for the corresponding period of the previous year. Arrabona Koncessziós Kft’s sales to Győr-Szol Zrt. amounted to HUF 842 million of the above total figure, while DD Energy Kft’s sales to its automotive industry customer amounted to HUF 653 million (to be compared to the previous year’s HUF 996 million and HUF 628 million figures, respectively). **Sales realised within the framework of the Geothermal Project of Miskolc towards heat-receiving partners added up to HUF 1,159 million in the reporting period,** of which HUF 1,133 million was sold to MIHŐ Heat Distribution Ltd. of Miskolc. These sales figures exceed the H1 2019 revenue of HUF 1,100 million from the Miskolc project, and the HUF 1,068 million revenue from MIHŐ Heat Distribution Ltd. At the level of the Miskolc project, this represents a 5% year-on-year sales revenue increase.

Of the two smaller projects of the Company, **the Szentlőrinc project delivered the same sales revenue as in the preceding reporting period.** The Szentlőrinc project generated HUF 40 million in sales revenue in the first half of 2020, equaling the HUF 40 million sales revenue booked in H1 2019. The Berekfürdő project’s sales revenue from the sale of heat and electricity amounted to HUF 13 million, 24% less than the 17 million booked for the corresponding period of the previous year, primarily because of the closure of the spa in response to the coronavirus epidemic.

In addition to the sale of thermal energy, the Company earned HUF 422 million from electricity sales, including a 411 million electricity fee relating to the operation of PannErgy Nyrt’s real estates in Debrecen, re-invoiced to the tenants and other owners of the co-owned properties and unrelated to the core energy industry operation. The significant increase over the HUF 283 million electricity sales revenue posted in H1 2019 was the result of the fact that these revenues of the Company are denominated in EUR and the HUF weakened substantially against the EUR during the reporting period. The Company’s Berekfürdő and Szentlőrinc projects sold electricity for HUF 11 million during the period concerned.

Other re-invoiced utility services relating to the utilisation of the industrial real estates in Debrecen generated HUF 66 million during the period under review. The profit earned on re-invoiced services amounted to HUF 5 million, while the profit realised on the rental amounted to

HUF 12 million during the same period. The profit rate of re-invoiced services was significantly lower compared to the same period of the previous year, because at the end of the first half of 2019 the Company sold its industrial real estate in Csepel, the rental fees earned during the comparable period came from the utilisation of this real estate. Nonetheless, from 1 January 2020 the Company generated additional revenues in relation to the Debrecen real estate through a rental arrangement, in the amount of HUF 11 million in H1 2020.

Similarly to the previous period, three customers exceeded 10% of the total amount of the Group's consolidated revenue from sales, making up a combined 82% percent of the total sales of PannErgy Group in the reporting period, which is on the same level as in the base period.

In the first half of 2020, direct costs of sales rose by 5% to HUF 2,325 million from HUF 2,214 million recorded in the same period of the previous year, primarily as a consequence of an increase in the direct depreciation write-off of technical facilities and equipment associated with heat generation and an increase in mediated services stemming from the changes in the HUF/EUR rate applied to re-invoiced electricity at the Debrecen facility.

The **Company's gross margin dropped from HUF 907 million to HUF 872 million** despite the increase in its sales revenues, while at the same time the gross margin rate was 27% during the period under review (29% in the base period).

For the above reasons, **the Group stated a gross cash-flow figure of HUF 1,670 million in H1 2020 – 6% up from the HUF 1,578 million stated for the corresponding period of the previous year – with a gross cash-flow ratio of 52%, a higher value than that recorded in the previous period.**

Administrative and overhead – i.e. indirect – costs amounted to HUF 247 million in the period under review, 6% below the HUF 233 million stated for the first half of 2019. Depreciation on assets not directly linked with energy industry activities, indirect personnel expenditures, general office and administration costs, expert fees, banking and insurance expenses, as well as non-capitalizable costs related to business development and new projects are stated by the Group under the heading of indirect costs, among other items.

The increase in central costs during the reporting period resulted, on the one hand, from legal and financial costs that incurred during the reporting period directly in connection with the refinancing project which ended after the cut-off date, and on the other hand, from an increase in indirect personnel type expenditures related to employees' wages.

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

The balance of other revenues and expenditures during the reporting period is a loss of HUF 13 million, in contrast to the HUF 106 million profit recorded in the base period.

The most substantial (HUF 70 million) item of the HUF 165 million other expenses consists of local taxes, most notably the local business tax paid to the local governments at the sites of geothermal projects. In addition, the mining royalties related to geothermal heat production constitute another significant expenditure item; the Company paid HUF 39 million for this in the reporting period. Similarly to the local business tax, these expenditures decreased proportionately with the decrease in the gross margin in comparison with the base period. In the reporting period, the Company recognised HUF 51 million in other expenditures related to the scrapping and impairment of technical equipment type tangible assets.

The HUF 152 million other revenues were made up during the reporting year entirely of grants received. The HUF 152 million revenue stated as a grant for development during the reporting period included the reversal – in proportion with depreciation during the reporting year – of grants received earlier and recognised as deferred income in the form of other income during the reporting period. This amount increased during the reporting period in connection with the EDIOP project of DoverDrill Mélyfúró Kft., completed in 2020.

No tangible assets were sold in the first half of 2020. In contrast to the HUF 71 million profit posted during the base period no other revenue of this type was generated and no compensation or fine type revenue was received by the Company in the reporting period.

As a result of these factors an amount of HUF 612 million profit is stated as operating profit (EBIT) of the Company for the first half of 2020, 21% less than the HUF 780 million profit stated for H1 2019.

The business cash-flow (EBITDA) was an influx of HUF 1,461 million, HUF 10 million higher than the HUF 1,451 million EBITDA in H1 2019. HUF 798 million depreciation write-off was recognised during the six-month period under review, 19% higher than the HUF 671 million recorded in H1 2019. In calculating the EBITDA, pursuant to its accounting policy, the Company takes account of the extraordinary depreciation recognised among intangible assets and tangible assets; HUF 51 million other expenditures were incurred on such grounds.

Financial P&L showed a loss of HUF 506 million during the period concerned, HUF 344 higher than the HUF 162 million loss recorded in the first half of 2019.

The decrease in financial profit resulted from an unfavourable change (caused by the weakening of the HUF against the EUR in comparison with earlier periods) in the **non-realised foreign exchange loss at the end of the period, recognised** in connection with a market-based revaluation of foreign currency receivables and liabilities in the consolidated financial statements. In contrast to the 356.57 HUF/EUR rate as of 30 June 2020, the unrealised exchange rate difference was calculated at the end of the corresponding period of the previous year, on 30 June 2019 at a 323.54 HUF/EUR rate.

The Company **recognised a HUF 375 million non-realised foreign exchange loss among financial transactions** in the reporting period, **compared to the HUF 31 million in the base period.** Regardless of the "temporary" unrealised effect of the aforementioned revaluation at the end of the period, the Company is not actually exposed to any significant exchange rate risk in its operations, as it has generated a hedging position and therefore its revenues that are denominated in foreign currency almost completely cover its expenditures denominated in foreign currency, including its currency-based debt servicing obligation.

Interests paid in the period under review amounted to HUF 141 million in the reporting period, 12 million – or 9% – higher than in the first half of 2019. Regarding interests paid by the PannErgy Group (including principal repayments on loan debts, not recognised in profit/loss) it should be noted that the consolidated debt servicing obligation will decrease by approx. HUF 200 million each year as a result of the arrangement of refinancing by a consortium of banks, concluded on 15 July 2020.

Based on the above, PannErgy Group's profit before taxes in the first half of 2020 amounted to HUF 106 million, falling short of the profit of HUF 618 million reported in the same period of the previous year as a consequence of the result of the financial transactions detailed above.

The Company recognised HUF 13 million as tax payment obligation in the reporting period; **accordingly, HUF 93 million profit was stated to be the Company's net profit for the period**, down HUF 510 million from the HUF 603 million profit recognised in the same period of the previous year.

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

During the currently reported half-year period, the volume of fixed assets decreased by as little as 3% from the figure stated as of 31 December 2019. Within this, the value of intangible assets and that of tangible assets fell by 4% and 3%, respectively, year-on-year. The relevant decreases in book values reflect the effects of the depreciation write-off during the reporting period. At HUF 518 million, the value of goodwill recognised by the Company did not change during the reporting period.

The Company states its industrial real estates located in Debrecen, which are not used in connection with its core operations, as investment property on 30 June 2020, just like a year earlier.

Deferred tax receivables in the amount of HUF 244 million were recognised among assets, the value of which increased by less than 1%, i.e. HUF 1 million, after the base period in view of PannErgy Group's calculations relating to discounted deferred tax recovery.

As at 30 June 2020, PannErgy Group recognised liquid assets related to the concession agreement in an amount of HUF 1,179 million in its consolidated financial statements, separated in its accounts from fixed assets as per the requirements of the IFRIC 12 interpretation. The BON-PE-03 production well located in Bőny that had been constructed within the framework of the concession project started its regular operation after the conclusion of the official licensing procedures in June 2019; depreciation is calculated from that date onward. The value of these assets decreased by less than 1% through depreciation during the reporting period.

The PannErgy Group's consolidated financial statements as of 30 June 2020 show long-term receivables in a total amount of HUF 5 million. These receivables, stated in terms of amortised cost, are linked to sale and purchase transactions where the Company agreed with the buyer on a long-term – over-year – payment schedule for part of the purchase price.

The volume of current assets increased by 11% from the corresponding value of the previous year, which can be predominantly attributed to a significant increase liquid assets and other receivables in the reporting period, which was only partly offset by a decrease in trade receivables.

Among its inventories the Company stated maintenance supplies related to the geothermal projects in the amount of HUF 30 million as at 30 June 2020.

The 10% decrease in trade receivables resulted from the higher base figure as of the end of the year in line with the seasonal pattern of heat sales; the Company's clientele remained unchanged.

Liquid assets (as a part of current assets) increased in parallel with the decrease in trade receivables; **at the end of the period the Company's liquid assets amounted to HUF 1,761 million** vs. HUF 1,345 million at the end of the year**.**

The share of freely disposable cash in hand within the growing stock of liquid assets also increased in comparison to the HUF 767 million recorded in the corresponding period of the previous year. **On 30 June 2020 the Company held disposable liquid assets in the amount of HUF 1,224 million,** at the same time the financing financial institution's prior consent is necessary for using these assets for any specific purposes.

The Company's shareholders' equity dropped by 2% year-on-year, primarily as a result of the increase in repurchased treasury shares during the period under review, partly offset by a net increase in the Company's profit during the same period.

The **equity per share** (counting with the number of shares less the portfolio of treasury shares) **increased to HUF 575 million** from the HUF 567 million recorded as at 31 December 2019.

The Company did not recognise any provisions on 30 June 2020.

The long-term loan portfolio increased by 10% to HUF 8,702 million from the figure stated at the end of the previous financial year, primarily as a consequence of the year-end revaluation of the long-term investment loans denominated in foreign exchange.

The over-year part of the amounts of the non-repayable grants won, and disbursed earlier within the framework of application schemes for geothermal projects, that have not yet been recognised among revenues, is shown in the other long-term deferred revenues line. In this regard, the Company's balance sheet shows an amount of HUF 4,147 million among long-term liabilities, which represents a 3% increase compared to the base period. This reflects the recognition of the HUF 250 million grant advance in the reporting period in relation to the research & development project of DoverDrill Mélyfúró Ltd. under the Economic Development and Innovation Operational Programme (GINOP), the add-on effect of which was moderated by the write-back of deferred revenues in the amount of HUF 152 million in the reporting period.

Within short-term liabilities, the balance of trade payables was HUF 857 million, which was 5% lower than in the base period. The stock of short-term loans dropped to HUF 478 million from HUF 710 million at the end of the previous financial year – as a consequence of repayments made during the reporting period –, while the short-term repayable instalments of long-term loans amounted to HUF 1,065 million at the end of the review period, down 29% from the corresponding figure recorded at the end of the previous financial year.

Other short-term liabilities amounted to HUF 158 million at the at the end of the reporting period, showing a significant – 70% – decrease from the HUF 523 million of the preceding reporting period, mainly as a result of the book transfer – to grants recorded as deferred revenues, in relation to the accounting of the application scheme-related items during the period under review – of a HUF 250 million item stated at the end of the previous year among other short-term liabilities, in relation to the DoverDrill Mélyfúró Kft's application No. EDIOP-2.1.2-8-1-4-16-2017-00166.

4. Consolidated financial statements (profit/loss, financial situation, change in shareholders' equity, comprehensive income, cash-flow)

4.1 IFRS consolidated profit and loss statement (HUF million)

	2020 H1	2019 H1	*Change %*
Revenue from sales	3,197	3,121	*102.4*
Direct cost of sales	-2,325	-2,214	*105.0*
Gross margin	**872**	**907**	***96.1***
Gross margin ratio %	27.3%	29.1%	
of which direct depreciation write-off	*798*	*671*	*118.9*
Gross cash-flow	**1,670**	**1,578**	***105.8***
Gross cash-flow rate %	52.2%	50.6%	
Indirect costs of sales	-247	-233	*106.0*
Other revenues	152	248	*61.3*
Other expenditures	-165	-142	*116.2*
Operating profit (EBIT)	**612**	**780**	***78.5***
Operating profit rate %	19.1%	25.0%	
EBITDA	**1,461**	**1,451**	***100.7***
EBITDA rate %	**45.7%**	**46.5%**	
Revenues from financial transactions	83	30	276.7
Expenditures on financial transactions	-589	-192	306.8
Profit/loss of financial transactions	**-506**	**-162**	**312.3**
Profit before taxes	**106**	**618**	**17.2**
Corporate income tax	-13	-15	86.6
Profit after taxes (Net profit/loss for the reporting period)	**93**	**603**	**15.4**
of which: Net earnings attributed to the Company's shareholders during the reporting period	***90***	***591***	
of which: Share of (external) minority shareholders from the earnings of the reporting period	***3***	***12***	
Earnings per ordinary share (HUF)			
Basic	5.01	32.87	
Diluted	5.01	32.87	

4.2 IFRS consolidated statement of the financial position (HUF million)

	30.06.2020	31.12.2019	*Change %*	30.06.2019
Fixed assets				
Intangible assets	1,848	1,918	*96.4*	741
Goodwill	518	518	*100.0*	518
Tangible assets	18,552	19,121	*97.0*	20,647
Investment properties	114	114	*100.0*	117
Marketable properties	3	3	*100.0*	-
Other invested financial assets	73	73	*100.0*	-
Financial assets related to concession agreements	1,179	1,184	*99.6*	1,068
Receivables from deferred taxes	244	243	*100.4*	247
Long-term receivables	5	5	*100.0*	9
Total fixed assets	**22,536**	**23,179**	***97.2***	**23,347**
Current assets				
Inventories	30	28	*107.1*	232
Trade receivables	1,146	1,278	*89.7*	541
Other receivables	166	144	*115.3*	274
Prepaid income taxes	5	-	-	-
Liquid assets	1,761	1,345	*130.9*	1,470
Total current assets	**3,108**	**2,795**	***111.2***	**2,517**
TOTAL ASSETS	**25,644**	**25,974**	***98.7***	**25,864**
Shareholders' equity and liabilities				
Subscribed capital	421	421	*100.0*	421
Reserves net of profit/loss of reporting period	11,724	11,388	*103.0*	11,343
Net earnings of the reporting year (attributable to the shareholders of the Company)	90	728	*12.4*	591
Reserve for repurchased treasury shares	-2,235	-2,355	*94.9*	-2,195
Minority shareholdings	35	32	*109.4*	37
Total shareholders' equity	**10,035**	**10,214**	***98.2***	**10,197**
Long-term credits	8,702	7,879	*110.4*	8,223
Other long-term deferred revenues	4,147	4,031	*102.9*	4,130
Provisions	-	-	-,	-
Total long-term liabilities	**12,849**	**11,910**	***107.9***	**12,353**
Trade payables	857	901	*95.1*	597
Short-term credits	478	710	*67.3*	725
Short-term part of long-term credits	1,065	1,496	*71.2*	1,342
Other long-term deferred revenues	202	220	*91.8*	221
Deferred tax liabilities	-	-	-	-
Other short-term liabilities	158	523	*30.2*	429
Total short-term liabilities	**2,760**	**3,850**	***71.7***	**3,314**
SHAREHOLDERS' EQUITY AND LIABILITIES	**25,644**	**25,974**	***98.7***	**25,864**

4.3 Consolidated statement of changes in the equity (HUF million)	*Subscribed Capital*	*Parent company's share of the equity*			*Profit reserve*	*Other reserve*	*Total*	*Minority shareholdings*	*Shareholders' equity total*
		Treasury shares	*Exchange premium (agio)*	*Capital reserve*					
Changes in shareholders' equity, H1 2019									
Balance as of 31 December 2018	**421**	**-2,003**	**6,266**	**4,250**	**1,864**	**-956**	**9,842**	**25**	**9 867**
Profit/loss after taxes, H1 2019					591,		**591**	**12**	**603**
Changes in the participation of external members									
Exchange rate difference from consolidation									
Share capital increase, subsidiaries									
Expenditures of the share option programme		209			-81		**128**		**128**
Treasury share purchase, sale, options exercised		-401					**-401**		**-401**
Balance as of 30 June 2019	**421**	**-2,195**	**6,266**	**4,250**	**2,374**	**-956**	**10,160**	**37**	**10,197**
Changes in shareholders' equity, H1 2020									
Balance as of 31 December 2019	**421**	**-2,355**	**6,266**	**4,250**	**2,556**	**-956**	**10,182**	**32**	**10 214**
Profit/loss after taxes, H1 2020					90		**90**	3	**93**
Changes in the participation of external members									
Exchange rate difference from consolidation									
Share capital increase, subsidiaries									
Expenditures of the share option programme							**0**		**0**
Treasury share purchase, sale, options exercised		120			-392		**-272**		**-272**
Balance as of 30 June 2020	**421**	**-2,235**	**6,266**	**4,250**	**2,254**	**-956**	**10,000**	**35**	**10,035**

4.4 Consolidated comprehensive income (HUF million)	H1 2020	H1 2019	Change %
Profit/loss after taxes (net profit/loss) during reporting period	**93**	**603**	
Other comprehensive income			
Exchange difference from the HUF conversion of the reports of foreign subsidiaries			
Exchange difference from the HUF conversion of affiliated companies and companies under common management			
Marketable financial assets with deferred taxes			
Cash flow hedging transactions with deferred taxes			
Share from the comprehensive income of affiliated companies			
Other comprehensive incomes in the period with tax implications			
Total comprehensive income for the reporting period	**93**	**603**	
of which: Total comprehensive income attributable to the shareholders of the Company	**90**	**591**	
of which: Share of minority (external) shareholders in the total comprehensive income	**3**	**12**	

4.5 IFRS consolidated cash-flow statement (HUF million)

	H1 2020	H1 2019
Liquid assets from operations		
Profit before taxes	**106**	**618**
Adjustments in relation to the profit before taxes and the cash-flow of business operations		
Amortization and depreciation of tangible and intangible assets	798	671
Effect of deferred taxes	-1	-18
Income tax expenditures	-13	-15
Exchange gain/loss on credits	416	39
Allocation and release of provisions	-	-18
Extra depreciation write-off on tangible assets	51	-
Interests (gain) loss, net	140	129
Impact of the share option programme valuation on changes in capital	-	-34
Changes in minority participations	3	-12
Changes in working capital elements		
Increase/decrease in prepaid income taxes	-5	3
Increase/decrease of inventories	-2	-232
Increase/decrease in receivables	111	1,105
Increase/decrease in liabilities	-409	-677
Interests received	-	-
Interests paid	-140	-129
Net liquid assets originating from/used in operations	**1,055**	**1,430**
Investment activities		
Acquisition of tangible and intangible assets	-209	-1,604
Sales of tangible and intangible assets	-	294
Increase/decrease in long-term receivables	-	90
Other long and short-term deferred revenues	98	90
Liquid assets from/used in investment operations	**-111**	**-1,130**
Financial operations		
Increase in/repayment of long-term loans	407	-69
Increase/decrease in short-term loans	-663	392
Exchange rate difference from consolidation		
Purchase of treasury shares	-272	-401
Sale of treasury shares, exercise of options under share option programme	-	140
Increase/decrease in securities	-	-
Liquid assets from/used in financial transactions	**-528**	**62**
Net increase/decrease in cash and cash equivalents	**416**	**362**
Cash and cash equivalents as of 1 January	**1,345**	**1,108**
Cash and cash equivalents as of 30 June	**1,761**	**1,470**
Total liquid assets	**416**	**1,470**

5. Other financial statements, detailed information

5.1 Direct cost of sales (HUF million)	H1 2020	H1 2019
Direct depreciation	798	671
Maintenance, operation and facility management costs	631	664
Costs of goods sold, mediated services	453	279
Electricity charges	418	429
Reinjection costs	-	141
Insurance fees (linked to heat generation)	17	14
Other direct costs	8	16
Total indirect costs of sales	**2,325**	**2,214**

5.2 Indirect costs of sales / indirect costs (HUF million)	H1 2020	H1 2019
Consultancy fees, bookkeeping, audit fees	68	59
Indirect personnel-type costs	61	54
Office and operating costs	52	51
Costs related to public and stock exchange presence and social responsibility	44	39
Banking costs	15	20
Insurance premiums	6	6
Other fees and duties payable to authorities	1	4
Indirect depreciation (property, plant and equipment)	-	-
Total indirect costs of sales (indirect costs)	**247**	**233**

5.3 Other revenues and expenditures (HUF million)	H1 2020	H1 2019
Revenues related to funds granted for development	152	120
Profit on the sales of tangible assets	-	71
Fines, penalties, compensations received	-	33
Utilisation of provisions allocated in previous periods	-	18
Revenues related to previous years	-	5
Other items not detailed	-	1
Total other revenues	**152**	**248**
Local taxes	70	72
Extra depreciation on tangible assets	51	-
Mining fee	39	42
Fines, penalties, compensations paid	1	9
Costs arising from the impairment of inventories and receivables	-	17
Other items not detailed	4	2
Total other expenditures	**165**	**142**
Profit/loss on other activities	**-13**	**106**

5.4 Profit/loss on financial transactions (HUF million)	H1 2020	H1 2019
Exchange gain on foreign currency accounts	40	5
Exchange gain on receivables denominated in foreign currencies	33	15
Gains on derivative transactions	2	-
Interests received	-	-
Exchange gain on credits and loans denominated in foreign currencies	-	7
Exchange gain on liabilities denominated in foreign currencies	8	3
Total revenues from financial transactions	**83**	**30**
Interests paid	141	129
Exchange loss on credits and loans denominated in foreign currencies	416	46
Exchange loss on liabilities denominated in foreign currencies	23	10
Exchange loss on receivables denominated in foreign currencies	8	6
Loss on derivative transactions	1	1
Total expenditures on financial transactions	**589**	**192**
Profit/loss on financial transactions	**-506**	**-162**
Of which: from the revaluation of items denominated in foreign currencies at the end of the period (unrealised exchange loss)	**-375**	**-31**

5.5 Most relevant exchange rates at the end of the period (HUF/EUR)	30.06.2020	31.12.2019	30.06.2019
HUF/EUR rate (MNB medium exchange rate)	356.57	330.52	323.54

The PannErgy Group recognises a loss of HUF 506 million for the reporting period as profit/loss on financial transactions. This includes a HUF 375 million foreign exchange loss from the revaluation at the end of the period compared to a loss of HUF 31 million in the base period. In accordance with IFRS requirements, monetary items of the PannErgy Group stated in currencies other than the forint – the functional currency – are converted into forints at the exchange rate prevailing at the end of the period, and the (financially unrealised) exchange rate differences resulting from such conversions are recognised in the profit and loss account under financial transactions. The loss resulting from the end-of-period revaluation is far less favourable compared to the same period of the previous year, due to the HUF's significant weakening against the EUR relative to previous periods.

Notwithstanding the momentary, unrealised effect of the aforementioned revaluation, the Company is not subject to any material exchange rate risk in the course of its operation because it has a natural hedge position in view of the fact that on an annual level its income realised in foreign currencies almost entirely covers its costs (typically electricity charges) incurred in other currencies as well as its contractual debt servicing obligations, denominated in foreign currency, towards financial institutions having extended investment loans. The currency of FX items referred to above may be other than EUR.

5.6 Liquid assets (HUF million)		
	H1 2020	**2019**
Bank account and cash at hand	1,224	767
Separated, blocked liquid assets	537	578
Fixed deposits	-	-
Total liquid assets	**1,761**	**1,345**

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

5.7 Long-term credits, loans (HUF million)		
	H1 2020	**2019**
EUR based loan secured with collateral	5,699	5,283
HUF based loan secured with collateral	4,062	4,082
Financial lease liabilities	6	10
Short-term part reclassified to short-term credits	-1,065	-1,496
Total long-term credits, loans and leases	**8,702**	**7,879**

The main reason for the increase in long-term loans during the period under review is an unrealised exchange loss on loans at the end of the period, in the form of a HUF 416 million financial loss due to the significant weakening of the HUF against the EUR during the reporting period.

In relation to long-term loans is should be noted that the Company partly made use of the loan repayment moratorium facilitated by new legislation introduced to alleviate the impacts of the coronavirus pandemic on the national economy. Accordingly, no principal repayment was made on the loans concerned after 18 March 2020, however, the Company continued the payment of interests falling due under the relevant contracts.

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

The interest rates applied to the outstanding EUR loans related to all of the project companies concerned, are based on the 3M EURIBOR, regardless of which financial institution provided the required funding. In view of this fact and the contractual interest margins the weighted average interest rates on the collateral-covered EUR-based loans was 2.47% in view of the loan amounts as at 30 June 2020, the same as the rate recorded as of 31 December of the previous year, also taking into account the interest rate fixing effect of the interest swap transactions. The HUF-based loans secured with collaterals are either with a fixed 2.5% interest rate or based on the 3M BUBOR. Their weighted average interest rate was 2.91% on the loan amounts as of 30 June 2020, factoring in the interest fixing effects of interest swap transactions, just as it was on 31 December of the previous year.

Maturity dates of the credits and loans

In the case of long-term loans and credits, liabilities of HUF 9,645 million mature within five years and liabilities of HUF 122 million mature over five years from 30 June 2020, without factoring in the effects of refinancing after the cut-off date. Including the contractual debt servicing schedule a total of HUF 1,065 million is due within one year (that is, by 30 June 2021), HUF 8,580 million will be due after one year and before the end of the 5th year and HUF 122 million will be due beyond 5 years, also without factoring in the effects of refinancing after the cut-off date.

The effects of refinancing after the cut-off date

The Company released news of the long-term refinancing of its bank loans on 15 July 2020. Under the refinancing arrangement, the PannErgy member companies implementing the Győr and Miskolc Geothermal Projects — namely DD Energy Kft., Arrabona Koncessziós Kft., Miskolci Geotermia Zrt. and Kuala Kft. —, as borrowers and providers of collateral, entered into a HUF 11 billion financing agreement with the banking consortium comprising UniCredit Bank Hungary Zrt. and CIB Bank Zrt. As part of the financing agreement, other member companies of the PannErgy Group were also involved in the transaction as providers of collateral.

As a result of the financing transaction, a loan portfolio of HUF 9.5 billion in total of the PannErgy Group — maturing in the short and medium term and with a substantial balloon — has been refinanced with a 10-year long-term loan, thereby ensuring the Group's predictable and economical financing in the long run. The remainder of financing can provide coverage for investments and project requirements arising in the near future, while also representing a stable financial background in the new economic and operating environment that has come about as a result of the COVID-19 pandemic. The refinancing was implemented from the FGS Go! (*NHP Hajrá*) scheme launched by the MNB at a value of HUF 8.25 billion. The remaining HUF limit of 2.75 billion was denominated and drawn down in EUR. FGS loans have a fixed interest for the entire loan term, while the remaining loan parts have variable interests. For the latter, the Company concludes interest rate swap transactions to hedge interest rate risk in the long run.

As a result of refinancing, the Group's consolidated debt servicing obligation drops by approximately HUF 200 million per year, the positive effects of which will already be observed – *pro rata temporis* – in H2 2020.

5.8 Short-term credits/loans and leases (HUF million)

	H1 2020	2019
Short-term part of long-term credits	1,065	1,496
Other short-term credits and loans	478	710
Total short-term credits, loans and leases	**1,543**	**2,206**

5.9 Deferred revenues related to grants (HUF million)

	2020 H1	2019
Other long-term deferred revenues	4,147	4,031
Short term part of deferred long term revenues (short term)	202	220
Total deferred revenues related to grants	**4,349**	**4,251**

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

5.10 Grants (HUF million)

Group entity	Project ID	Eligible investment cost	Aid granted	Aid drawn down	Deferred revenues from grants
Szentlőrinci Geotermia Zrt.	KEOP-4.2.0/B-09-2009-0026	883	442	427	335
Berekfürdő Energia Kft.	KEOP 4.4.0/A/09-2009-0009	250	125	125	52
DoverDrill Mélyfúró Kft.	GINOP-2.1.2-8-1-4-16-2017-00166	1,250	500	450	433
Miskolci Geotermia Zrt.	KEOP 4.7.0-2010-0001	632	316	314	232
Miskolci Geotermia Zrt.	KEOP 4.2.0/B-11-2011-0007	2,856	1,000	1,000	737
Miskolci Geotermia Zrt.	GOP-1.2.1/B-12-2012-0005	323	162	148	41
Kuala Kft.	KEOP 4.7.0/11-2011-0003	619	309	309	268
Kuala Kft.	KEOP-4.10.0/B-12-2013-0012	2,836	1,000	1,000	741
DD Energy Kft.	KEOP-4.10/B-12-2013-0010	3,997	1,000	1,000	754
Arrabona Koncessziós Kft.	KEOP-4.10/B-12-2013-0011	3,509	1,000	992	756
Total amount of grants in the balance sheet as of 30 June 2020					**4,349**

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

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

5.11 Changes in intra-group, consolidated / eliminated results and turnovers (HUF million)

	H1 2020	H1 2019
Profit and loss statement		
Revenue from sales	1,379	1,169
Direct cost of sales	1,112	992
Indirect cost of sales	48	45
Other revenues	1	76
Other expenditures	1	69
Revenues from/expenditures on financial transactions	183	186

Elimination of balance sheet items	H1 2020	H1 2019
Intangible assets	91	130
Tangible assets	2,121	2,106
Next period’s items among other receivables	1,023	721
Long-term loans granted	9,899	6,124
Other receivables, short-term loans	9,110	12,614
Next period’s items among other liabilities	1,023	721
Long term liabilities	9,110	7,587
Other short-term liabilities	9,899	11,150

6. Segment information

In these interim consolidated financial statements on H1 2020 the segments are described on the basis of the same accounting policy and presentation principle – in line with *IFRS 8 Operating segments* – as those followed in drafting the previous 2019, and H1 2019, consolidated financial statements. It is therefore concluded that **a single operating segment, that is, Energy, is identified as the operating segment of the PannErgy Group** on the basis of the operating segment definition principle which was also observed regarding the comparable periods. The Company still does not identify Asset Management (which used to be identified in earlier years) as one of its operating segments based on the requirements of IFRS 8 Operating Segments, particularly, the management approaches to segments and the criteria for the presentation of operating segments. Owing to the identification of a single operating segment the Company needs to meet the disclosure criteria applicable to the entire entity. This means that the figures of the Energy segment in the reporting year and in the base year reconcile with the financial information pertaining to the Company as an entire entity, which was appropriately presented in these interim consolidated financial statements.

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

PannErgy Nyrt. generated sales revenue in the amount of HUF 446 million in the first half of 2020 from the utilisation of the above real estates. The overwhelming majority of this invoiced sales revenue – HUF 434 million – comes from the re-invoicing of utility fees (primarily electricity, along with gas, water etc.) to co-owners and tenants,. The management fee relating to the re-invoicing of utility fees and the rental type of revenues together amounted to HUF 12 million. Accordingly, the sales revenue without the re-invoicing type of items is negligible, not even 1% of the PannErgy Group's total sales revenue during the reporting period, while the net profit of real estate utilisation is HUF 17 million, a mere 3% of the operating profit generated during the same period. These data, reflecting the profit/loss of real estate utilisation apply only to the utilisation of the Company's industrial real estates in Debrecen, since the real estate in Csepel was sold at the end of the first half of the previous year. The Company shows the Debrecen real estates among its investment properties.

7. Other supplementary information

7.1 Accounting Policy

The accounting policies applied for the purposes of the current interim consolidated financial statements are consistent with those used for the latest – i.e. 2019 – consolidated financial statements. The standards and modifications in place since 1 January 2020 have no material impacts on the Company's consolidated profit/loss, financial position or disclosure obligations.
The figures appearing in the reports on PannErgy Group and its operations – including this semi-annual report –are presented in HUF, rounded to millions of forints.

7.2 Functional currency

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

The functional currency of the Company is the Hungarian Forint, which is the currency of the primary operational environment. The Company does not engage in business operations in any other environment that would justify the use of a functional currency other than the Hungarian

Forint. Accordingly, the effects of changes in exchange rates are not discussed in the consolidated financial statements.

7.3 Quantitative and qualitative ratios and indicators used in measuring performance

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

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

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

The gross cash-flow and the EBITDA categories presented in the consolidated financial statements are defined by the Company as follows:
The gross cash-flow is the sum of the gross margin and non-cash direct depreciation. EBITDA (earnings before interests, taxes, depreciation and amortisation) is the sum of the operating, direct depreciation (among Indirect costs of sales), the sum of indirect depreciation (among Direct costs of sales), and the extraordinary write-off and impairment of tangible asset and intangible assets (among Other expenditures).

7.4 Deferred taxes

The PannErgy Group has a receivable type deferred tax position in the amount of HUF 244 million as at 30 June 2020. The deferred tax receivable of the HUF 244 million stated among fixed assets comprises the 9% corporate income tax payable in the relevant tax bracket under the prevailing legal regulations, for the unused negative tax bases of the subsidiaries belonging to the PannErgy Group on the one hand, and on the other hand, for other deferred taxes modifying items under the IFRS rules. The calculation of deferred tax receivables – of HUF 275 million – is based on the verified deferred tax recoveries of the subsidiaries concerned. This amount is reduced by the HUF 31 million amount of the deferred tax liabilities in the reporting year in relation to development reserves. Since these items are to be settled with the same tax authority, their amounts are netted as prescribed by the IFRS, leaving HUF 244 million among deferred tax receivables in the consolidated financial statements.

7.5 Calculation of the effective income tax

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

Calculation of the effective income tax (HUF million)	H1 2020	H1 2019
Profit before taxes (individual companies)	**140**	**649**
The tax payable on each company's profit/loss at the applicable tax rate (9%) according to the relevant tax bracket	13	58
Effects of different tax rates (minimum profit tax)	18	10
Effects of changes in the tax rate		
Tax implications of non-deductible expenditures, effects of differences in depreciation and other tax-decreasing items	12	24
Tax allowances	-24	-45
Deferred tax liabilities assessed in the reporting year for any negative tax base not stated earlier	-5	-14
Tax liabilities for the reporting year	**14**	**33**
Write-off of tax receivables assessed earlier for negative tax bases, deferred tax receivable accrued during the reporting year	**-1**	**-18**
Income tax (as per the profit & loss account)	**13**	**15**

7.6 Goals and strategy

Dependence on fossil fuels can be reduced – or in some cases it can even be eliminated – by using other alternative energy sources, including geothermal energy. A system of underground geothermal resources, hardly utilized so far, is one of the most significant resources of the Carpathian Basin, including Hungary, the utilization of which enables the generation of thermal energy and power in an environmentally friendly way. Demand for energy is growing unstoppably, however, both domestic and global conventional resources are limited. Professional and efficient geothermal energy production is not only a form of utilisation of a hitherto hardly used immense source of energy, but also one of the cleanest environmentally friendly forms of energy generation. The European Union not only welcomes such forms of energy generation but it is now guiding member states, including Hungary, by way of a strictly regulated programme and clear-cut objectives as well.

The central element of the PannErgy Group's strategy is to become the region's dominant company in the utilization of geothermal energy and to maintain this position, as well as to provide highly reliable environmentally friendly services that are free of geopolitical risks. The PannErgy Group is committed to the utilization of one of the most substantial thermal water activities of Europe for the generation of energy. Geothermal heat can be utilised by households and industrial consumers in the long-term, and the environmentally sound investment projects implemented by PannErgy could enable significant reductions in energy expenditures.

The investment projects embraced by the PannErgy Group are in line with the National Energy Strategy and the Renewable Energy Utilization Program, each aimed at boosting Hungary's competitiveness. Hungary has set the objective of reducing its greenhouse gas emissions by at least 40% below 1990 levels by 2030, while the rate of renewable energy in gross final energy consumption will be at least 21%. PannErgy Group runs its renewable energy projects in strict accordance with the national ambition to make the district heating sector greener and more competitive. Through its geothermal projects, the Company supports Hungary's climate policy and the objectives laid down in the National Energy Strategy 2030 document by promoting sustainability.

PannErgy has not only become the enterprise implementing geothermal energy projects with the most substantial competence and experience but has recently also become one of Hungary's largest group of companies generating and utilizing geothermal energy.

The key short-term goals include increasing the productive capacities of the Geothermal Systems of both Győr and Miskolc, together with continued system optimization, thereby maximizing the amount of heat sold. The Company intends to make the available free capacities of the geothermal systems, and the savings enabled by them, accessible to new partners as well. Industrial use requires special expertise and project management experience which the Company believes are only available at the highest standards in Hungary from the members of the PannErgy Group.

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

A particularly high geological risk is a specific feature of all geothermal projects, which the Group members mitigate by the gathering and integrated processing of the widest possible range of geological and other technical/professional and scientific information.
The main risks to which the PannErgy Group is exposed are summed up below:

Exchange rate risk
Some of the Company's operations involve foreign currencies and it issues its invoices in EUR as stipulated in the relevant agreements. Part of the Company's liabilities are denominated in EUR, most of them stemming from EUR-based long term investment loans taken out for the implementation of geothermal projects, along with liabilities towards its foreign and domestic suppliers issuing EUR invoices. Such assets and liabilities involving settlements in foreign currencies entail risks resulting from fluctuations in currency rates – particularly the EUR rates – which the PannErgy Group uses its best efforts to mitigate by what is called "natural hedging", primarily by maximizing the coverage of its EUR loan debt liabilities from the EUR-based revenues referred to above.
Beside the above mentioned general hedging practice, the Company enters into forward contracts on an ad hoc basis in order to reduce the exchange rate risk associated with future, high-amount trade payables denominated in foreign currencies. These transactions are not cash-flow hedging transactions; the gains or losses realised on the transactions are presented under financial revenues and expenditures in the consolidated financial statements.

Share price risk

Share trade price risk is to be considered from the perspective of repurchased treasury shares.

Interest rate risk

The interest rate risk facing the PannErgy Group results primarily from its long-term investment loans. Owing to the variable interest rates applying to its loans the Company is exposed to a cash-flow interest rate risk which is only partly offset by variable-rate financial assets. Owing to the fixed-rate credits the Company is exposed to a fair value interest risk, which is partly eliminated by interest swap transactions concluded for the entire term of the long-term credits concerned, since it replaces some of the contractual variable rates with fixed rates.

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

Lending risk

Lending risk is a financial risk of loss from the potential non-performance of any contractual obligation by any of the Company's buyers or other partners. From the Company's perspective this is a risk primarily associated to its buyer's potential failure to settle their invoices. It should be noted in particular that the Company sells its products and services to a handful of customers, resulting in a limited degree of diversification.

Lending risk management is a group function. It is the responsibility of the members of the PannErgy Group to analyse and manage lending risks relating to their new customers before working out and offering terms and conditions of payment and delivery as befits their normal of business operations. The lending risks faced by the PannErgy Group stem from liquid assets and cash equivalents, the bank deposits and security deposits placed with financial institutions as well as the exposure to buyers through the sale of products or services, including receivables and transactions under which the Company assumes commitments.

Customers are rated on the basis of their creditworthiness and their credit limits are determined on the basis of their financial positions, financial data, historical performance and other factors, by the PannErgy Group's Finance and Treasury group; the Company does not directly engage independent credit rating organizations or experts. 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 relevant partners.

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 prepared by the PannErgy Group's Finance and Treasury group, besides the monitoring of rolling forecasts regarding the satisfaction of the Group's liquidity requirements, in order to maintain a portfolio of liquid assets as required by 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 required debt servicing ratios towards the financial institutions concerned. The cash-flow forecasts that are based on the financial settlement of trade payables, loan repayments as well as contractual and other revenues are developed in view of the PannErgy Group's financial plans, the need to maintain the ratios stipulated in contracts as well as all relevant regulatory and statutory regulations.

Regulatory risk

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

Technology risk

Geothermal energy production entails unforeseeable risks, due to the unpredictable availability of geothermal energy resources, the tolerance of the equipment and facilities used, as well as the unconventional operational environment.

Pandemic risk

The likely human and economic consequences of the COVID-19 epidemic that broke out in 2019 and developed into a global pandemic in 2020 will have implications, many of which are difficult to predict, both for society and players of the economy. The Company sells its output to a small number of customers. Its direct partners are district heating service providers and manufacturing companies. At the time of the release of the semi-annual report the Company has no information regarding its partners buying heat that would be indicative of any likely material decrease in its year 2020 sales revenue as a consequence of the COVID 19 pandemic. This is also confirmed by the fact that despite the uncertainties and difficulties experienced in H1 2020 in connection with the pandemic the Company managed to tackle the challenges, moreover keep up and even increase its EBITDA, its key operational metric.

7.8 Approval during the reporting period of the previous year's financial report

Pursuant to Sections 113 (4)-(6) of Act LVIII of 2020 on the Transitional Rules and Epidemiological Preparedness related to the Cessation of the State of Danger the Company declined to hold its regular annual general meeting closing business year 2019 on 30 April 2020. Instead, the Board of Directors adopted a resolution, acting within the General Meeting's scope of power: By BoD Resolution 2020.04.30./1. it approved the Company's 2019 consolidated annual report, prepared in accordance with the international financial reporting standards (IFRS), with HUF 25,974 million in terms of assets and liabilities (balance sheet total) and HUF 735 profit after taxes, in accordance with the proposal put forth by the Board of Directors. Having approved the consolidated annual report, the Board of Directors did not consent to the payment of dividends. The resolutions adopted by the Board of Directors within the General Meeting's scope of power were published at the official places of disclosure.

On 4 May 2020 the Company announced that in relation to Resolutions No. 2020.04.30/1 and 5 adopted by the Board of Directors under the competence of the General Meeting on 30 April 2020 pursuant to Section 9(2) of Government Decree 102/2020 (10 April) on derogating provisions concerning the operation of partnerships and corporations during the state of danger (hereinafter: 'the Decree'), shareholders of the Company representing at least 1% of the votes have requested to convene the General Meeting with the aim of ex post approval of the resolutions, in accordance with Sections 9(6) and 9(7) of the Decree.

Pursuant to Section 9 (6)-(8) of the Decree the Board of Directors made arrangements to convene the General Meeting, by posting, on 19 June 2020, the invitation to the General Meeting to be held on 24 July / 7 August 2020. Thereafter, on 3 July 2020 it disclosed the proposals concerning the items on the General Meeting's agenda, including the PannErgy Nyrt. Board of Directors proposal No. 2020.06.19./2. concerning the ex-post approval of the Board of Directors' resolution No. 2020.04.30./1., taken in exercise of the General Meeting's power, on the 2019 annual report and the utilisation of the profit after taxes, proposing that the General Meeting should adopt the operative part of Board of Directors resolution No. 2020.04.30./1., taken in exercise of the General Meeting's power, on the utilisation of the profit after taxes, according to which the General Meeting places the total amount of the Company's 2019 profit after taxes into profit reserve.

The Company's General Meeting on 24 July 2020 did not have a quorum, therefore the repeated General Meeting was convened on 7 August 2020.

7.9 Employees

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

Own staff	30.06.2020	31.12.2019	Change	06.30.2019
PannErgy Nyrt.	-	-	-	-
Affiliated entities	27	27	-	25
Total	27	27	-	25

The above figures show the average statistical headcount of PannErgy Group employees, which indicate modest increase year-on-year and equal the headcount on 31 December 2019.
On 30 June 2020, the Group's permanent employee headcount was 18 persons, the same as the actual employee headcount of on 31 December 2019 and 30 June 2019. The difference between the average statistical headcount and the actual number of employees at the end of the period is attributable to part-time employment across group members.

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

On 31 December 2019 the Company's subscribed capital amounted to HUF 421 million, and remained unchanged in the first half of 2020. The subscribed capital is stated in the financial reports in its total amount as issued, while the number of shares is presented net of the amount of treasury shares.
On 30 June 2020, the Company held 3,604,433 PannErgy Nyrt. treasury shares, 413,000 more than the 3,191,433 held on 31 December 2019. The 413,000-share increase in the Company's treasury share portfolio resulted from the Company's treasury share buyback program running between 2 May 2019 and 26 April 2019, launched by a resolution adopted by the General Meeting on 26 April 2019; the Company's treasury share portfolio did not diminish during the reporting period.
With respect to the treasury share transactions, more detailed information is available in the Company's public disclosures; moreover, the details of the treasury share repurchasing programmes concluded or launched in the reporting period are presented in Chapter 9.2. "Changes in treasury shares (number of shares) in the current period (RS2.)" of this interim management report.

Detailed information on the Company's treasury shares owned by its senior officers are to be found in section 10.2, in the TSZ2 form.

7.11 Share-based payments

In the first half of 2019 a total of 109,999 treasury shares were called down by the beneficiaries in accordance with the terms and conditions of the share option programme for 2016–2019 approved by the Company's regular General Meeting held on 28 April 2016. The programme was closed on 30 April 2019. No new share option programme was initiated by the Company thereafter; accordingly, the Company's portfolio of treasury shares remained unchanged during the period concerned and the Company states no liabilities regarding such share option programmes in its H1 2020 report.

7.12 Disclosures, events after the balance sheet cut-off date (6 August 2020)

The Company posts regular and extraordinary notices, among other things, on its website at (www.pannergy.com). On its websites relating to its projects (www.miskolci-geotermia.hu, www.kuala.hu, www.gyori-geotermia.hu, www.ddenergy.hu, www.arrabonageotermia.hu, www.szentlorinc-geotermia.hu, www.doverdrill.hu) the PannErgy Group posts technical/professional information on the implementation of the projects. The publications and public information released by PannErgy Nyrt. may make it considerably easier to understand and judge the Company's operations and economic position, therefore they are important supplements to the information disclosed herein.

Significant events marked with dates falling between 1 January 2020 and 6 August 2020, shown in the table in section *11.1 Extraordinary and other notices published during the reporting period (ST1.)* of part *11. Data sheets associated with extraordinary notices* occurred after the balance sheet cut-off date. Based on the references the complete information is accessible at the Company's official places of disclosure.

8. Data sheets associated with financial reports

Name of the company:	PannErgy Public Limited Company
Address of the company:	H-1117 Budapest, Budafoki út 56.
Sector:	Energy, Asset management
Period:	H1 2020
Telephone:	+36 1 323 2 83
Fax:	+36 1 323 23 73
E-mail address:	info@pannergy.com
Investor relations contact:	Valéria Szabó

8.1 General information on financial data (PK1.)

	Yes	No
Audited		X
Consolidated	X	

Accounting principl	Hungarian		**IFRS**	**X**	Other	

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

Name	Equity/ Share capital (HUF million)	Shareholding (%)[3]	Voting rights [1] (%)	Consolidation ratio[4]	Categorisation [2]
PannErgy Geothermal Power Plants Ltd.	2,072.70	100.00	100.00	100.00	L
DoverDrill Mélyfúró Kft.	86.00	100.00	100.00	100.00	L
Berekfürdő Energia Kft.	24.10	100.00	100.00	100.00	L
Well Research Kft.	10.00	90.00	90.00	90.00	L
Arrabona Koncessziós Kft.	6.10	100.00	100.00	100.00	L
TT Geotermia Zrt.	6.00	100.00	100.00	100.00	L
Miskolci Geotermia Zrt.	5.00	90.00	90.00	90.00	L
Szentlőrinci Geotermia Zrt.	5.00	100.00	100.00	100.00	L
DD Energy Kft.	3.10	100.00	100.00	100.00	L
Kuala Kft.	3.00	90.00	90.00	90.00	L

[1] *Voting right enabling participation in decision making at the general meeting of a company included in the scope of consolidation;*
[2] *Full (L); Jointly controlled (K); Affiliated (T);*
[3] *% values to be interpreted indirectly;*
[4] *The ratios presented above show the respective shares of ownership and voting rights of PannErgy Nyrt. and PannErgy Geothermal Power Plants Ltd. in the various subsidiaries. The ratio of involvement in the consolidation is the same as the ownership ratio as at 30.06.2020, since PannErgy Nyrt. is the sole owner of PannErgy Geotermikus Erőművek Zrt.*

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

Contractual and investment obligations

At the At the end of the reporting period the PannErgy Group has contractual obligations concerning investment projects in relation to the EDIOP application of its subsidiary DoverDrill Mélyfúró Kft. DoverDrill Mélyfúró Kft.. submitted its application under the GINOP-2.1.2-8.1.4-

16"Grants for R&D&I activities of companies within the framework of combined loan products" application scheme as part of the Economic Development and Innovation Operational Programme in 2017, under which it received a non-repayable grant of HUF 500 million in 2018, in addition to which it borrowed a soft loan of HUF 250 million under the application scheme facility. A contractual investment commitment was assumed by the Company in relation to the application in the amount of HUF 1,250 million, which was fully implemented and executed by the end of the reporting period.
In its previous semi-annual report the Company showed a contractual investment commitment of HUF 812 million on the basis of a concession contract concluded in 2017 with the Hungarian State with regard to an area near the town of Győr in addition to the above mentioned EDIOP R&D project. The closing report on the concession research project was adopted in 2019 after the drilling in 2018 of the BON-PE-03 production well implemented in the context of the project at the village of Bőny, whereby the Company completed the fulfilment of its investment obligation assumed under the concession contract.

Commitments relating to asset management transactions

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

Other contingent liabilities

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

Restrictions of titles in assets relating to funding by financial institutions

Securities of various types (pledges, guarantees) were provided by the Company to financial institutions providing it with funding, in relation to external financing contracts concluded by the affiliated undertakings, outstanding at the end of the period, consisting of HUF-based items in the amount of HUF 4,462 million and foreign currency based items in the amount of EUR 15,953 thousand (HUF 5,699 million). The amount of principal debt under the financing agreements decreased gradually during the period under review through repayments, therefore the actual amounts of the associated contingent liabilities dropped below the amounts specified in the contracts.

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, during H1 2020 covered by the report the PannErgy Group is relieved from the obligation of providing such guarantees in relation to applications regarding all of its applications in the project maintenance phase.

Other contingent commitments (joint and several guarantee)

PannErgy Geothermal Power Plants Ltd. has a joint and several guarantee in place in connection with the Miskolc Geothermal Project towards one of the heat receiving customers for commitments stemming from potential future loss events, in the amount up to HUF 100 million in the case of Miskolci Geotermia Zrt. and without a value limit for Kuala Kft.

9. Data sheets relating to the share structure and the owners

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

Shareholders	Total share capital = Introduced series					
	01.01.2020			30.06.2020		
	%[2]	%[3]	shares	%[2]	%[3]	shares
Domestic institutions	23.93	28.21	5,039,030	27.70	29.80	5,200,884,
Foreign institutions	21.45	25.28	4,516,639	8.10	9.78	1,706,305
Domestic private individuals	30.69	36.17	6,461,819	28.63	34.55	6,028,977
Foreign private individuals	0.33	0.39	69,989	0.38	0.45	79,014
Employees, senior officers	0.47	0.56	100,000	0.47	0.57	100,000
Own holding[4]	15.16	--	3,191,433	17.12	-	3,604,433
Owners that are part of the general government system [1]	7.96	9.38	1,675,745,	7.96	9.60	1,675,745
International Development Institutions[3]	-	-	--	-	-	-
Other [5]	-	-	--	12.63	15.24	2,659,297
Total	100.00	100.00	21,054,655	100.00	100.00	21,054,655

[1] Public administration body
[2] Shareholding
[3] Voting right enabling participation in decision making at the general meeting of the Issuer
[4] Own holding: Owned by the Company or by its fully owned subsidiary
[5] Not matched shareholders

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

	01.01.2020	30.06.2020
At company level	2,256,230	2,669,230
Subsidiaries *	935,203	935,203
Grand total	3,191,433	3,604,433

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

The treasury share buyback program concluded during the reporting period

In accordance with Resolution No. 6/2019. (IV. 26.) of the Company's General Meeting held on 26 April 2019, PannErgy Nyrt. launched a treasury share repurchasing programme starting on 2 May 2019 and ending on 26 April 2020. Within the framework of the programme, PannErgy Nyrt. was entitled to purchase treasury shares up to the amount of HUF 1,000 million, at a share price of at least HUF 1 and up to HUF 950, aiming at purchasing 1,000 ordinary shares per trading day, provided that the Board of Directors was entitled to acquire equity shares at a face value of HUF 20, that is twenty Hungarian forints, within the relevant regulatory framework, to the extent that the total amount of treasury shares held did not exceed 25% of the total amount of the issued share capital at any moment during the term of the authorisation. The shares may be

purchased by the Company only through trading on the stock exchange. No General Meeting resolution has been adopted concerning any further scheduled activities in the context of the buyback program.
The target number of treasury shares to be purchased on each trading date was raised by the Company to 8,000 on 15 February 2020.
Under this treasury share repurchasing programme, a total of 413,000 treasury shares were purchased at the Budapest Stock Exchange in H1 2020, in the period between 1 January and 26 April 2020. By the conclusion of the programme on 27 April 2020, a total of 570,300 treasury shares were purchased.

The treasury share buyback program commenced during the reporting period

The proposal for the adoption by the General Meeting of the No. 2020.04.30./5. Board of Directors' resolution adopted by the Board of Directors within the General Meeting's scope of power concerning a treasury share buyback programme was published on 3 July 2020; decision on the proposal will be adopted by the General Meeting on 7 August 2020.

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

Name	Nationality [1]	Operation [2]	Number of shares	Shareholding (%) [3]	Voting rights (%) [3,4]	Note [5]
Benji Invest Kft.	B	T	2,424,010	11.51	13.89	P
Cashline Holding Zrt.	B	T	1,703,666	8.09	9.76	P
MVM Hungarian Electricity Ltd.	B	T	1,675,745	7.96	9.60	P

[1] Domestic (B), Foreign (K)
[2] Custodian (L), General government system (Á), International Development Institute (F), Institutional (I), Business Association (T), Private (M), Employee, senior officer (D)
[3] To be rounded to two decimals
[4] Voting right enabling participation in decision making at the General Meeting of the Issuer
[5] Pl.: strategic investor, financial investor etc.

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

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

	06.30.2019	31.12.2019	30.06.2020
PannErgy Nyrt.	-	-	-
Affiliated undertakings	25	27	27
Total:	**25**	**27**	**27**

The above figures show the average statistical headcount of PannErgy Group employees, equaling the number recorded at end-2019.
On 30 June 2020, the Group's permanent employee headcount was 18 persons, the same as the number recorded at end-2019. The difference between the average statistical headcount and the actual number of employees at the end of the period is attributable to part-time employment across group members.

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

Nature [1]	Name	Position	Date of entry into office	End/termination of office	Number of shares held
IT	Balázs Bokorovics	Member, Chairman	31/08/2007	indefinite term	-
IT	Dénes Gyimóthy	Member, Vice-Chairman Acting Chief Executive Officer	31/08/2007 (05/05/2015)	indefinite term	-
IT	Katalin Gyimóthy	Member	28/04/2016	indefinite term	-
IT	Lilla Martonfalvay	Member	28/04/2016	indefinite term	100,000
IT	Csaba Major	Member	30/04/2013	indefinite term	-
IT	Attila Juhász	Member	31/08/2007	indefinite term	-
IT	Kálmán Rencsár	Member	30/04/2020	indefinite term	-
TOTAL number of shares held:					100,000

[1] Member of Board of Directors (IT), Employee in strategic position (SP)

11. Data sheets related to extraordinary information

11.1 Extraordinary and Other notices released during the reporting period (ST1.) (up to 6 August 2020)

Date	Type of news	Subject, brief content
2 August 2020	Other information	Voting rights, registered capital
24 July 2020	Extraordinary information	General Meeting
22 July 2020	Extraordinary information	Owner's announcement
17 July 2020	Extraordinary information	Owner's announcement
17 July 2020	Extraordinary information	Owner's announcement
15 July 2020	Extraordinary information	Quarterly production report
15 July 2020	Extraordinary information	PannErgy secures long-term refinancing for bank loans
3 July 2020	Proposals to the General Meeting	Resolutions adopted by the Management Board of PannErgy Nyrt.
3 July 2020	Proposals to the General Meeting	Proposals to the Board of Directors
30 June 2020	Other information	Number of voting rights at PannErgy Nyrt.
19 June 2020	Extraordinary information	Invitation to the General Meeting
10 June 2020	Extraordinary information	Correction to the Announcement by shareholders
9 June 2020	Extraordinary information	Owner's announcement
1 June 2020	Other information	Number of voting rights at PannErgy Nyrt.
4 May 2020	Extraordinary information	Shareholders' request for the convening of a General Meeting
1 May 2020	Other information	Number of voting rights at PannErgy Nyrt.
30 April 2020	Extraordinary information	Information on shares held by the newly appointed executive officer
30 April 2020	Extraordinary information	Remuneration Policy approved by PannErgy Nyrt's Board of Directors on behalf of the Company's Regular Annual General Meeting

30 April 2020	Extraordinary information	PANNERGY NYRT's Responsible Corporate Governance Report in accordance with the Responsible Corporate Governance Recommendations released by the Budapest Stock Exchange
30 April 2020	Annual Report	2019 IFRS report approved by PANNERGY NYRT's Board of Directors on behalf of the Company's Regular Annual General Meeting
30 April 2020	Annual Report	2019 report approved by PANNERGY NYRT's Board of Directors on behalf of the Company's Regular Annual General Meeting
30 April 2020	General Meeting Resolutions	Resolutions adopted by PANNERGY NYRT's Board of Directors on behalf of the regular annual General Meeting convened for 30 April 2020
28 April 2020	Extraordinary information	The heating season has ended
27 April 2020	Extraordinary information	Supplement to the notice related to the annual regular General Meeting
27 April 2020	Extraordinary information	Treasury share transaction
22 April 2020	Proposals to the General Meeting	Resolutions adopted by the Management Board of PannErgy Nyrt.
22 April 2020	Extraordinary information	Personal change in PannErgy Nyrt's Board of Directors
19 April 2020	Extraordinary information	Treasury share transaction
17 April 2020	Extraordinary information	Extraordinary information on the annual regular General Meeting
15 April 2020	Extraordinary information	Quarterly production report
13 April 2020	Extraordinary information	Treasury share transaction
9 April 2020	Extraordinary information	The General Meeting convened for 17 April is cancelled
5 April 2020	Extraordinary information	Treasury share transaction
31 March 2020	Other information	Number of voting rights at PannErgy Nyrt.
27 March 2020	Proposals to the General Meeting	Resolutions adopted by the Management Board of PannErgy Nyrt.
27 March 2020	Proposals to the General Meeting	2019 Individual Annual Report
27 March 2020	Proposals to the General Meeting	2019 Consolidated Financial statements and Annual Report of PannErgy Nyrt. and its subsidiaries
27 March 2020	Proposals to the General Meeting	Proposals to the Board of Directors
27 March 2020	Extraordinary information	Number of voting rights at PannErgy Nyrt.
27 March 2020	Extraordinary information	Treasury share transaction
26 March 2020	Extraordinary information	The impact of the COVID-19 epidemic on the Annual General Meeting
22 March 2020	Extraordinary information	Treasury share transaction
17 March 2020	Extraordinary information	Production at AUDI's factory in Győr stops
17 March 2020	Extraordinary information	Invitation to the General Meeting
15 March 2020	Extraordinary information	Treasury share transaction
8 March 2020	Extraordinary information	Treasury share transaction
1 March 2020	Other information	Number of voting rights at PannErgy Nyrt.
1 March 2020	Extraordinary information	Treasury share transaction
23 February 2020	Extraordinary information	Treasury share transaction
17 February 2020	Extraordinary information	Treasury share transaction
15 February 2020	Extraordinary information	Changes to the implementation of the share-buyback program
9 February 2020	Extraordinary information	Treasury share transaction
2 February 2020	Other information	Number of voting rights at PannErgy Nyrt.
2 February 2020	Extraordinary information	Treasury share transaction
26 January 2020	Extraordinary information	Treasury share transaction
19 January 2020	Extraordinary information	Treasury share transaction

15 January 2020	Extraordinary information	Quarterly production report
12 January 2020	Extraordinary information	Treasury share transaction
2 January 2020	Other information	Number of voting rights at PannErgy Nyrt.

Budapest, 6 August 2020

PannErgy Nyrt.
Board of Directors

DECLARATION

I, Dénes Gyimóthy, acting CEO, representative of the Board of Directors, issue the following declaration in relation to the 2020 IFRS consolidated report of the PannErgy Group, pursuant to the statutory requirement laid down in sections 2.4 and 3.4 of Appendix 2 on Semi-annual reports to Decree 24/2008 of the Minister of Finance:

The H1 2020 consolidated financial statements (consolidated semi-annual statement) of PannErgy Nyrt., prepared on the basis of the applicable accounting regulations to the best of our knowledge, in accordance with the IFRS rules, provides a true and reliable picture;

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

The consolidated report on H1 2020 is not audited by an independent auditor.

Dénes Gyimóthy
Representing the Board of Directors

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