PannErgy Nyrt. and its Subsidiaries Consolidated Financial Statements and Annual Report compiled in conformity with the IFRS standards 2025

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

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

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PannErgy Nyrt. and its Subsidiaries

Consolidated financial statements prepared in conformity with the IFRS

31 December 2025

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Budapest, 26 March 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note no.	31 December 2025	31 December 2024
		HUF Mn	HUF Mn
Goodwill	15	678	678
Other intangible assets	15	1,227	1,430
Tangible assets	16	21,303	21,591
Investment properties	16	77	77
Marketable properties	16	-	-
Other invested financial assets	17	-	-
Receivables from deferred taxes	35	175	105
Long-term receivables	18	-	-
Total fixed assets		**23,457**	**23,881**
Inventories	20	74	31
Trade receivables	21	1,956	1,882
Other receivables	22	253	608
Prepaid income taxes	35	2	12
Securities	23	0	298
Liquid assets	24	1,209	1,971
Total current assets		**3,494**	**4,802**
TOTAL ASSETS		**26,951**	**28,683**
Subscribed capital	25	320	360
Reserves without comprehensive income for the reporting year	27	14,655	15,350
Net P/L of the reporting year	35	1,707	1,405
Reserve for repurchased treasury shares	26	-4,953	-4,551
Minority shareholdings	28	-	-
Total shareholders' equity		**11,729**	**12,564**
Long-term loans, leases	29	7,548	8,561
Other long-term deferred incomes	30	3,250	2,914
Provisions	33	0	10
Total long-term liabilities		**10,798**	**11,485**
Trade payables	37	1,328	1,398
Short-term credits	31	1	497
Short-term part of long-term credits	31	2,154	1,873
Short-term part of other long-term deferred revenues	32	294	267
Other short-term liabilities	34	647	599
Total short-term liabilities		**4,424**	**4,634**
TOTAL LIABILITIES AND EQUITY		**26,951**	**28,683**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note no.	2025	2024
		HUF Mn	**HUF Mn**
Revenue from sales	*6*	8,748	8,140
Direct cost of sales	*7*	-6,162	-6,137
Gross margin		**2,586**	**2,003**
Gross profit ratio %		**30%**	**25%**
Gross cash flow		**4,848**	**4,081**
Gross cash flow rate %		**55%**	**51%**
Indirect costs of sales	*8*	-798	-702
Other revenues	*11*	408	792
Other expenditures	*10*	-337	-250
Operating profit		**1,859**	**1,843**
Operating profit ratio %		**21%**	**23%**
EBITDA		**4,182**	**3,921**
EBITDA rate %		**48%**	**49%**
Financial profit	*12-13*	-134	-356
Profit before taxes		**1,725**	**1,487**
Income tax	*35*	-18	-82
Net profit for the year		**1,707**	**1,405**
Profit/loss, attributable to Shareholders of the Company		**1,707**	**1,405**
Share of non-controlling interests in net profit for the year	*28*	**-**	**-**
Earnings per ordinary share – Basic (HUF)		**121**	**93**
Earnings per ordinary share – Diluted (HUF)		121	93

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2025	2024
	HUF Mn	HUF Mn
Net profit for the year	**1,707**	**1,405**
Other comprehensive income		
Other comprehensive income in the period with tax implications	-	-
Total other comprehensive income for the year	**1,707**	**1,405**
Shareholders of the Company	**1,707**	**1,405**
Share of minority (external) shareholders in total other comprehensive income	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in million HUF

Description	Subscribed capital	Reserves	Repurchased treasury share	Participation of external members	Equity
Balance as of 31 December 2023	**400**	**16,938**	**-5,880**	**-**	**11,458**
P/L for 2024	-	1,405	-	-	1,405
Changes in the participation of external members	-	-	-	-	-
Difference arising from consolidation or transformation	-	1	-	-	1
Share option programme	-	-	-	-	-
Repurchased treasury shares	-	-	-300	-	-300
Decrease in treasury shares	-	1,171	-1,171	-	-
Cancellation of treasury shares	-40	-2,760	2,800	-	-
Changes in the Accounting Policy	-	-	-	-	-
Balance as of 31 December 2024	**360**	**16,755**	**-4,551**	**-**	**12,564**
P/L for 2025	-	1,707	-	-	1,707
Changes in the participation of external members	-	-	-	-	-
Difference arising from consolidation or transformation	-	4	-	-	94
Share option programme	-	-	-	-	-
Repurchased treasury shares	-	-	-2,546	-	-2,546
Decrease in treasury shares	-	916	-916	-	-
Cancellation of treasury shares	-40	-3,020	3,060	-	-
Changes in the Accounting Policy	-	-	-	-	-
Balance as of 31 December 2025	**320**	**16,362**	**-4,953**	**-**	**11,729**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note no.	2025	2024
Liquid assets from operations		**HUF Mn**	**HUF Mn**
Profit before taxes		**1,725**	**1,487**
Adjustments in relation to the profit before taxes and the cash flow of business operations			
Amortisation and depreciation of tangible and intangible assets	*15, 16*	2,263	2,078
Changes in deferred tax receivables	*35*	-67	15
Income tax expenditures (the sum of this one and the changes in deferred tax is the corporate income tax actually paid during the period)	*35*	-18	-82
Exchange gain/loss on credits	*12, 13*	-244	177
Impairment, correction and reversal of tangible assets, goodwill	*10, 16*	60	-5
Impairment losses and shortage of inventories	*10, 20*	-	-
Impairment losses of receivables	*10, 40*	-	-
Change in provisions in the reporting year	*33*	-10	-326
Changes in the fair value of properties	*16*	-	-
Profit on the sales of tangible assets	*11*	-	-4
Changes in minority participations	*28*	-	-
Changes in working capital elements			
Increase/decrease in inventories	*20*	-43	1
Increase/decrease in receivables	*21, 22*	280	-142
Change in long-term and short-term deferred income	*30, 32*	363	-281
Increase/decrease in payables	*34, 37*	-22	532
Increase/decrease in prepaid income taxes	*35*	10	-12
Net liquid assets originating/used from operations		**4,297**	**3,438**
Liquid assets from investments			
Acquisition of investments in private companies	*16*	-	-
Increase/decrease in existing investments	*16*	-	-
Acquisition of tangible and intangible assets	*15, 16*	-1,830	-3,897
Sales of tangible and intangible assets	*15, 16*	-	8
Changes in long-term receivables	*18*	-	-
Liquid assets from investment operations		**-1,830**	**-3,889**
Financial operations			
Increase/decrease in loans	*29*	-985	1,223
Difference from consolidation and changes in other reserves	*27*	4	-1
Purchase of treasury shares	*26*	-2,546	-300
Distribution of dividends	*27*	-	-
Increase/decrease in securities	*23*	298	-14
Liquid assets used for financial operations		**-3,229**	**908**
Net increase/decrease in cash and cash equivalents	*24*	**-762**	**457**
Cash and cash equivalents as of 1 January		**1,971**	**1,514**
Cash and cash equivalents as of 31 December		**1,209**	**1,971**

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1. GENERAL BACKGROUND AND DESCRIPTION OF ACTIVITIES

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

On 31 May 1991, the Company was transformed into a public company limited by shares, in line with Act XII of 1989 on the transformation of economic organisations. In 2007, PannErgy Nyrt. became a pioneer in the field of geothermal energy utilisation in Hungary and set the goal to generate substantial volumes of thermal or even electric power by exploiting the long-known geothermal resources of Hungary, thereby creating value for the population and institutions of the country as well as for PannErgy's shareholders. Since then, the Company has gradually increased its capacities in several phases, leading the way in the exploitation of geothermal energy in Hungary.

The significant extraction and utilisation of geothermal heat is a niche segment of the energy industry that requires high risk tolerance, innovative thinking and complex competences. Given that the use of geothermal heat for energy is an innovative solution, the PannErgy Group strives to support its operations with state-of-the-art solutions as far as the technology allows, and to strengthen the development of its professional knowledge through continuous research. Thanks to its innovative developments, PannErgy is able to offer its partners a high level of service security with lower resource input and high efficiency.

As of 31 December 2025, PannErgy Nyrt.'s subsidiaries operated projects for the utilisation of geothermal resources in Miskolc, Győr, Szentlőrinc and Berekfürdő.

The subsidiaries are listed in Note 43.

PannErgy Nyrt. is an entity listed on the Budapest Stock Exchange and is a premium share issuer. As of 31 December 2025, the free-float proportion in the Company was 52%, which was determined by taking into account the number of treasury shares held by shareholders holding more than 5% and by the Company itself as items decreasing the portfolio of shares.

The registered address of the Company is: Hungary, 1112 Budapest, Boldizsár u 2.

2. BASIS OF THE COMPILATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the PannErgy Group, comprising PannErgy Nyrt. and its consolidated subsidiaries (hereinafter: PannErgy Group or the Group) were compiled in conformity with the International Financial Reporting Standards adopted by the European Union (hereinafter: IFRS or EU IFRS). The consolidated financial statements were drawn up in compliance with the requirements of *Act C of 2000 on Accounting* relevant to the consolidated financial statements prepared in conformity with the EU IFRS.

The consolidated financial statements were compiled on a cost basis except for financial instruments, certain financial assets, liabilities and marketable assets, which are presented in the statement of financial position at fair value. **PannErgy Nyrt. rounded up the figures in the consolidated financial statements to million Hungarian forints;** with exceptions specifically indicated in the statements.

The accounting and other records of the members of the PannErgy Group are maintained in line with the effective Hungarian laws and accounting regulations. The members of the PannErgy Group modify the annual reports compiled on the basis of the Hungarian reporting requirements (Act C of 2000 on Accounting) in order to comply with the IFRS.

PannErgy Nyrt. as a parent company compiled both its IFRS consolidated financial statements and its separate financial statements in accordance with the requirements of the EU IFRS as of 31 December 2025.

The consolidated financial statements of the PannErgy Group present the Group’s consolidated financial position and the results of its operations and cash flows as well as changes in equity.

Also in consideration of the expected legislative changes that are based on Union directives, PannErgy Nyrt. will apply the provisions of Act C of 2000 on Accounting regarding the preparation of the sustainability report for the first time for the financial year starting in 2026, in accordance with the provisions of Section 177 (100) of the Act, as an enterprise that is not a micro-entity whose transferable securities are admitted to trading on a regulated market of a state of the European Economic Area. **Notwithstanding the above, as in the previous year, the Company will publish its ESG report for 2025 at the same time as these consolidated financial statements. For the publication of the information and data contained in the ESG report, the Company applied the Global Reporting Initiative standards (GRI 1, GRI 2, GRI 3, and the appropriate GRI Topic Standards relevant to the Company) as guidelines.**

3. Information on the preparation of the ESEF report

The European Securities and Markets Authority (ESMA) issued rules for the European Single Electronic Format (ESEF) effective as of the financial year starting on 1 January 2020 for companies listed on exchanges regulated by the European Union, including PannErgy Nyrt. The new, consolidated financial statements need to be officially produced in XHTML format since then, which facilitates the use of inline XBRL (iXBRL), where data consolidated in conformity with the IFRS must be recorded.

In accordance with the relevant legislation, as in the previous year, PannErgy compiles, and submits to the regulatory authorities, its official, consolidated financial statements for 2025 in XHTML format, which contains iXBRLs, in ZIP format in line with the relevant rules, wherever required.

In preparing the official ESEF report for 2025 the Company acted in accordance with the relevant legislation as detailed below:

- **The Company used the ESEF 2024 taxonomy in preparing the official consolidated financial statements for 2025 in XHTML format containing iXBRLs;**
- The notes to the consolidated financial statements were fully covered and marked with the block tags according to the ESEF regulation;
- The ESEF regulation issued by the ESMA includes tags that have multiple meanings. The Company uses such tags simultaneously with the tags having single meanings, in all cases where they may be of relevance in terms of content;
- In attaching tags to the content of the report the Company takes care not to create irrelevant extension tags; instead, it uses mandatory tags of identical content and already included in the taxonomy used in the regulation;
- Where an extension tag needs to be used, it is only used after thorough consideration and assessment and in all such cases the mandatory tag that is the closest to the extension in terms of content, is “anchored” in place;

- The Company pays particular attention to avoid using tags pertaining to the accounting policy in relation to descriptive/accounting disclosures, and vice versa;
- When using tags the Company checks to make sure that orders of magnitude of the place values of the numeric tags applying to primary financial statements and specific notes match the rounding applied to the item concerned;
- From the mandatory tagging elements for the notes, the Company does not disclose information on the following because they are not relevant to the Company's operations: Non-IFRS accounting, assets specific to financial institutions, financial institution accounting, discontinued operations, special charges, information on insurance companies, information on mining, special customer-related and customer acquisition arrangements, derivative securities, biological assets;
- In relation to the preparation of the ESEF format report the Company has built up its control processes and integrated them in its annual reporting process. In relation to this, a summary that is readable to the human eye is prepared of the matching information (judgements) relating to tagging, for those in charge of approving the consolidated financial statements;
- The task of tagging the financial statements is performed not by an external service provider but by the Company’s accounting team using the Regnology (previously: InVoke) software – qualifies by the ESEF and included in the ESEF Certified Software list, under the direction of the accounting manager;
- Services (help desk services relating to the ESEF software) are provided for the Company in relation to the preparation of the ESEF report by RamaSoft Adatszolgáltató és Informatikai Zrt. as a consultant;
- The Company’s auditor checks the tagging of the ESEF report in terms of professional conformity and completeness assessment. The Company provides the auditor with the lists and statements required for the auditor to ascertain the completeness and conformity of tagging (so that the auditor can check all tagged data and figures) and assess the risk of wrong tagging. In addition to supplying data the Company provides access – with querying authorisation – to the ESEF software it uses, for the performance of additional checks;
- **In accordance with the applicable legal regulations the Company does not prepare its separate reports in ESEF format, pursuant to the provisions of Commission Delegated Regulation (EU) 2019/815.**

4. SUMMARY OF THE KEY ELEMENTS OF THE ACCOUNTING POLICIES

4.1. *General description*

The key accounting policies used in the course of the compilation of the consolidated financial statements are described below. The PannErgy Group applied the accounting principles described and detailed herein consistently for all the business years presented; any modifications in and deviations from the practices of previous business years are specifically indicated.

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

4.2. *Basis of consolidation*

The consolidated financial statements cover all the assets, liabilities, incomes and expenditures of all the subsidiaries that are in the majority ownership of the PannErgy Group. Intercompany transactions and balances have been eliminated in the course of consolidation.

PannErgy Nyrt. has a 100% stake in each of its subsidiaries. Accordingly, there are only subsidiaries besides the consolidating parent company PannErgy Nyrt. – there is **no minority shareholding recorded** or non-ownership-based influence in other companies.

On this basis, minority (outside) interests in the net assets of consolidated subsidiaries are not recognised separately within equity, nor are losses attributable to minority interests in subsidiaries recognised separately.

4.3. *Effects of the amended rules of the IFRS standards effective from 1 January 2025 and of the introduction of new standards on the financial statements*

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

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

Amendments to the classification and measurement of financial instruments – i.e. amendments to IFRS 9 and IFRS 7 – (issued on 30 May 2024, effective from 1 January 2026)

Contracts referencing nature-dependent electricity – amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024, effective from 1 January 2026)

Annual Improvements to IFRS Accounting Standards – Volume 11: amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 (issued on 18 July 2024, effective from 1 January 2026)

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

Amendments to IFRS accounting standards issued by the IASB and endorsed by the EU but not yet effective that have not been applied yet by the Company/Group at the date of approval of these financial statements:

Currently, there are no new or amended IASB standards and interpretations for the year 2026 that have been endorsed by the EU and are not yet effective.

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

IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024, effective from 1 January 2027, EU endorsement is pending)

IFRS 19 Disclosures of Subsidiaries Without Public Accountability: disclosures (issued on 21 August 2025, effective from 1 January 2027, EU endorsement is pending)

IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014, effective from 1 January 2016. The European Commission has decided not to launch the endorsement process of the interim standard and to wait for the final standard)

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025, effective from 1 January 2027 – EU endorsement is pending)

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture

(the IASB has deferred the effective date indefinitely, but the early application of the original amendment remains permitted)

The implementation of these amendments, new standards and interpretations would have no material impact on the Separate/Consolidated Financial Statements of the Company/Group.

Highlighting the most important accounting policies:

In accordance with IAS 1 "Presentation of Financial Statements" accounting policies that are not significant from the aspect of the Company's operations need not be disclosed. Should the Company make such a disclosure nonetheless, it must clearly indicate that the accounting policy concerned is not significant.

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

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

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

4.4. *Functional currency, presentation currency (SIGNIFICANT POLICY)*

The functional currency of the Company is the Hungarian forint, which is the currency of the primary operational environment. This is consistent with the functional currency requirement in *IAS 21 The Effects of Changes in Foreign Exchange Rates* according to which the functional currency is the currency of the primary operational environment where the entity operates, and which may be different from the presentation currency.

The Company does not engage in business operations in any other environment that would justify the use of a functional currency other than the Hungarian forint. **Accordingly, its currency of presentation is also the Hungarian forint.** Although some revenues and expenditures of the Company are incurred in a currency other than the functional currency (primarily in EUR or, in some cases, USD), their share is significantly lower than that of the transactions conducted in Hungarian forint; consequently, the use of any currency other than the Hungarian forint as functional currency is not warranted in this regard either. Accordingly, the effects of changes in exchange rates are not discussed in the consolidated financial statements.

4.5. *Translation of foreign currencies, foreign exchange transactions and balances (SIGNIFICAN POLICY)*

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

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

4.6. *Fair value measurement (SIGNIFICANT POLICY)*

The Company uses fair value measurement in the case of 'Hold to collect' type financial assets. For the establishment of fair value, the following hierarchy is applied:

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

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

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

4.7. *Intangible assets (SIGNIFICANT POLICY)*

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

With the exception of goodwill, intangible assets are recognised at cost by PannErgy Group in the consolidated financial statements because, due to the special nature of these assets, the notion of an active market is not applicable. These costs are reduced by accumulated amortisation and, where applicable, impairment, stated in line with the useful life of the asset.

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

Software comprises software developed by third parties; the Company is not involved in any software development activities. Purchased software is capitalised at cost calculated based on the costs incurred in the course of acquisition and installation. These costs are written off over an estimated useful life of 3–5 years, as appropriate for the type of the software in question.

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

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

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

4.8. *Impairment of non-financial assets (IAS 36) (SIGNIFICANT POLICY)*

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

Assets in respect of which the Company recognises amortisation are also subject to review for impairment in each case where events, changed circumstances or external or internal information sources indicate that the asset is impaired, i.e. its current recoverable amount is less than its current carrying amount.

The Company defines the following as such external information sources:

- there are observable indications that the asset’s value has declined during the period significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset’s value in use and decrease the asset’s recoverable amount materially;
- the carrying amount of the net assets of the entity is more than its market capitalisation.

Internal sources of information:

- evidence is available of obsolescence or physical damage of an asset;
- significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If any of these indications is present or the Company perceives such indications, it is required to make a formal estimate of the recoverable amount (impairment test), and the impairment will be reviewed.

If the realisable value falls below the book value, impairment must be recognised against the profit or loss with respect to assets carried at cost. The realisable value is the higher of the value in use and market value of the asset. The market value is the amount that can be received for an asset in a transaction between unrelated parties, while the value in use is the net present value of the cash flows derived from the continuous use of the asset and its sale at the end of its useful life. The assets used by the PannErgy Group in its geothermal projects, which have relevance only on the geothermal system as a whole but not on their own, have no active markets as defined in *IAS 36*, and therefore – in the absence of a market value – their realisable value is the net present value of the future cash flows originating from their continuous use and realised at the cash-generating unit.

As the realisable value cannot be determined individually for each asset, it is defined separately for each cash-generating unit. At the end of each reporting period the PannErgy Group examines whether the reasons for the recognised impairment still exist. Any previously recognised impairment can be reversed only if there was a change in the circumstances that were taken into consideration at the time of the latest calculation of impairment. The option to reverse impairment is subject to restrictions. On the one hand, the carrying amount of the asset may not exceed its recoverable amount or the carrying amount of the asset net of amortisation, in the latter case not considering the effect of the recognition of the impairment.

For the purposes of making a formal estimate of the recoverable amount (impairment test), the Company applies the discount rate / effective interest rate defined in detail in Chapter 4.14.11 *Effective Interest Rate.*

PannErgy determines the potential impairment of assets (impairment test) along the lines of the above principles. No circumstance was identified during the reporting period that may indicate that the recognition of impairments is not appropriate. No circumstance was identified in relation to impairments recognised for previous periods that may indicate that the impairments recognised in previous periods were inappropriate, or that the plans underlying the impairment tests were inappropriate.

4.9. *Recognition of Research and Development*

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

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

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

4.10. *Property, plant and equipment (SIGNIFICANT POLICY)*

In the category of properties, the consolidated financial statements of the PannErgy Group includes building-type tangible assets connected with geothermal heat generation and heat sale (thermal centres, buildings functioning as connection points to heat consumers) as well as geothermal heat transmission systems, production and re-injection thermal wells classified as civil engineering works. Furthermore, the Company also has industrial/commercial real estates recorded as investment assets and not related to its core activities.

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

4.10.1 Investment property (SIGNIFICANT POLICY)

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

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

The Company evaluates the investment properties under the scope of the *IAS 40 standard* using the cost model in accordance with paragraph of IAS 40.56, under which the depreciation and impairment rules of IAS 16 are applied. Under the scope of the IAS 40 standard, the fair value of the properties has to be stated anyway, regardless of the Company's decision of which cost model to use. Investment properties are stated on a separate line in the IFRS financial statements. Upon its sale, or final termination of its use, the investment property concerned is derecognised from the IFRS financial statement, in accordance with the fact that no future gains are expected from it. Upon derecognition the difference between the carrying value and the net sales revenue of the property is shown, based on netting, either as a revenue item in the sales revenue line or as an expenditure item in the cost of sales line of the profit and loss statement.

4.10.2 Fixed assets held for sale

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

- if the Company's supreme body or management has confirmed its commitment to the planned sale, as evidenced by the relevant documents, and based on this commitment it is confirmed that there exists a plan for the identification of a specific buyer;
- if, after its documented commitment, the Company carries out active marketing activities for selling at a realistic price that is in line with the value of the asset over the shortest period of time and under the most favourable terms possible;
- if it is unlikely that there will be substantial changes to the selling plan and it is unlikely to be withdrawn;

- if based on the plans, the sale is expected to occur within one year of the date of classification. In certain cases the period of sale may be extended to a period exceeding one year. That is the case when events or circumstances beyond the control of the Company delay the conclusion of sale, and there is sufficient evidence that the entity continues to be committed to the plan to sell the asset.

If, based on the foregoing, the Company classifies an asset to be an asset held for sale, at the moment of such reclassification the depreciation of the asset is stopped, and re-measurement is performed on the basis of the measurement at the time of the classification, at fair value less the cost of selling; this principle is also applicable to any subsequent valuations.

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

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

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

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

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

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

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

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

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

The PannErgy Group does not recognise depreciation for land. The Company calculates the depreciation of properties, machinery and equipment using the straight-line method, whereby the cost or revalued amount of assets is reduced to the residual value over the following estimated useful lives:

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

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

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

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

The Company does not charge any amortisation to tangible assets with an indefinite useful life or not yet suitable for use but tests them annually for impairment. Tangible assets for which the Company recognises depreciation are also subjected to review for impairment in all cases when events or changed circumstances indicate that the book value may not be fully recovered.

If the recoverable value is less than the respective book value, impairment has to be charged to the profit or loss in respect of assets treated at cost. The recoverable value is the higher of the asset's value in use and its fair value less costs to sell. The fair value less costs to sell is the amount that can be obtained for an asset in a transaction between unrelated parties, less the costs of disposal, while the value in use is the net present value of the cash flows derived from the continuous use of the asset and its sale at the end of its useful life. The recoverable value is determined individually for each asset, or if this is not possible, for each cash-generating unit.

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

4.10.4 Investments, geothermal projects (SIGNIFICANT POLICY)

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

During the implementation of geothermal projects, typically after a preparatory, design and permission phase, a production well is established followed by an injection well that transfers the produced geothermal fluid back into the soil layer, a thermal centre containing a heat exchanger and the control panel of the whole system, the consumer connection and heat transfer points and a transmission system connecting the above elements of the complete geothermal system.

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

4.10.5 Application of component accounting

In the case of geothermal projects the Company does not apply the elements of *IAS 16* relating to component accounting, but such a scheme may occur in the case of the renovation of properties linked to asset management. According to the relevant requirements of the standard, if the main components of assets of significant value feature considerably different economic characteristics, then the main components should be recorded separately, with separate depreciation periods.

Due to the special characteristics of geothermal operations, the Company regards its tangible assets to form a unit, and in technical terms it deems the economic characteristics and useful lives of the components of its tangible assets to be identical. The costs of major overhauls are not regarded as separate components and are not commissioned separately in accounting terms because these costs cannot be unambiguously estimated at the time of commissioning due to the technical factors influencing useful life (for instance, long-term effects of geodetic conditions and water quality). The Company keeps separate records of these significant, unforeseeable future costs of inspections and capacity increases as giving rise to additional capitalisation.

4.11. *Investments*

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

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

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

The Group does not present investments because the consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent company and its subsidiaries are presented as if they were the financial statements of a single economic entity.

4.12. *Goodwill (SIGNIFICANT POLICY)*

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

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

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

PannErgy determines the potential impairment of goodwill (impairment test) along the lines of the above principles. No circumstance was identified during the reporting period that may indicate that the recognition of impairments is not appropriate. The Company backtested the impairments recognised for previous periods and no circumstance was identified that may indicate that the impairments recognised in previous periods were inappropriate, or that the plans underlying the impairment tests were inappropriate.

4.13. *Inventories*

The overwhelming majority of the inventories recognised in the consolidated financial statements are goods as well as work-in-progress and semi-finished goods used in connection with the implementation of geothermal projects, or materials proposed to be used for maintenance in the operational phase of geothermal projects. Inventories are stated at cost or at net realisable value, whichever is lower.

The cost of inventories consists of the cost of acquisition, the cost of conversion as well as costs incurred in moving the inventories to their present location and bringing them to their present condition. Cost may not include expenses relating to warehousing, promotion and marketing or sale. The cost of acquisition consists of the costs incurred by the acquirer to purchase the inventories. The Company includes in this category the consideration paid for the inventories, charges related to imports, non-refundable taxes, the expenses of transportation and handling, and any other payments directly related to the item concerned. Discounts and rebates received are to be deducted from the cost of acquisition.

The Company defines net realisable value as the expected selling price under normal business terms, minus the expenses relating to completion and sale expected to be incurred before the sale. Net realisable value must be re-estimated at the end of each reporting period and the amount of the write-off needs to be recalculated annually. If changes occurred in the net realisable value of an inventory item that necessitate the write-back of a previously recognised impairment, the Company may do so up to the amount of the previously recognised impairment. Both write-offs and write-backs need to be stated among other expenditures. The write-off (write-back) must be recognized in the period when it was determined.

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

4.14. *Financial instruments (SIGNIFICANT POLICY)*

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

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

Financial instruments (including compound financial instruments) become an asset, a liability or an equity element based on the real content of the underlying contractual obligations; initially they are recognised by the Company at fair value. The fair value of a financial instrument is the price that the Company could realise on the sale of the asset, or would pay upon the transfer of the related obligation, assuming arm's length conditions and a transaction in the normal course of business, at the time of the measurement.

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

4.14.1 Initial recognition at fair value (SIGNIFICANT POLICY)

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

The classification of financial instruments is determined by the purpose for which the financial instruments are acquired, the characteristics of the financial instruments and the definitions of financial instrument categories in the *IFRS 9 standard.* The Company decides on the classification of financial assets at the time of their initial recognition. For subsequent presentation, financial instruments can be classified in the categories detailed in the following chapters:

4.14.2 Receivables (SIGNIFICANT POLICY)

For the recognition of impairment, the PannErgy Group applies an *IFRS 9 standard* compatible model based on expected credit losses.

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

The Company's trade receivables consist almost exclusively of receivables from domestic undertakings based on long-term contractual relations. Upon determining the ratings for the 2025 business year, we found that there was no need to establish a standard collection process for the trade receivables of the Company as its trade debtors always paid on time, observing the due dates of payment. Nevertheless, in the reporting period the Company has determined impairment losses expected to occur based on the 'expected credit loss' model, meaning that an impairment provision matrix that is designed relying on past events and also considers forward-looking information is used, broken down by type of debtor based on the nature of the relationship with the partner (term of the contract, strategic nature of the contract). For the calculation of impairment losses the Company opted for the Staging method, whereby stage ratings (1–3) are clearly defined relying on portfolio impairment loss considerations and with clear reasons to justify the classification. Furthermore, the Company's size and small number of customers facilitates the use of individual rating rules.

The impairment matrix is based on PD (probability of default) X LGD (loss amount in the case of non-payment), and considering that the LGD (loss given default) has been zero in the past five years, the product of the impairment matrix is also zero.

The Company has no retail operations that would call for the use of segment-based SPPI tests. On the other hand, the Company uses the portfolio impairment loss module, where it allocates into separate categories the ratings of receivables from district heating suppliers that are in long-term business relations with the companies operating the geothermal projects (MIHŐ Miskolc Hőszolgáltató Kft., GYŐR-SZOL Zrt., Szentlőrinc Közüzemi Nonprofit Kft.) and priority strategic business partners (Audi Hungaria Zrt.), and the rating of receivables from entities outside this portfolio.

In practice, the Company does not engage in factoring; should such a situation arise, these receivables would be presented at fair value.

4.14.3 Loans provided

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

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

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

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

The costs related to the borrowing or refinancing of an existing loan may be accrued over the contractual term of the new loan, provided that, in the case of refinancing, the contractual and other supporting documents can demonstrate the specific financial and other benefits of the refinancing to the Company.

4.14.4 Hedging and derivative transactions (SIGNIFICANT POLICY)

The Company applies the rules set out in *IFRS 9* regarding hedging and derivative transactions, recognising them at fair value, with separate documentation and administration. In the course of the preparation of its consolidated IFRS financial statements, the PannErgy Group relies on hedge accounting. On a one-off basis certain members of the Group conclude foreign exchange forward transactions that are of hedging character as there is a direct connection between the forward transaction and the future FX purchase of the company. The Company resorts to such one-off transactions in case of high-value foreign currency purchases, applying the specific payment deadline set out in the relevant asset purchase agreement. For such transactions the Group applies hedge accounting as defined in *IFRS 9*, that is, on 31 December – at the end of the reporting period – the fair value of the expected gain/loss on outstanding forward transactions is determined and charged against the financial instruments (assets) as other financial income/expenditure. When the transaction is closed in the following year, the difference between the actual gain/loss realised and the amount recognised on 31 December is posted taking into account the amount established at the end of the reporting period.

In addition to forward foreign exchange transactions, the Company also has interest rate swaps fixed for the long term relating to its investment loans; in this case, the amount of expected loss recorded at the end of the interest period concerned is also recognised for transactions outstanding at the end of the reporting period, based on the statement received from the relevant financial institution. In such cases there is a clear economic link between the hedge and the hedged transaction, and the hedging ratio applied is the ratio used in the past for risk management purposes; these transactions will continue to be presented at fair value.

In addition, the Company targets a natural hedge strategy to cover its foreign exchange risks; namely, it strives to ensure that its foreign currency (typically euro) denominated revenues almost fully cover its obligations to suppliers incurred in foreign currencies and the servicing of its foreign currency borrowings in the same period.

4.14.5 Liquid assets (SIGNIFICANT POLICY)

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

4.14.6 'Hold to collect' financial assets (SIGNIFICANT POLICY)

The Company recognises its participations and securities in companies listed or nor listed at stock exchanges as 'Hold to collect' financial assets, and they are stated in the financial statements at fair value. For the measurement of participations in companies not listed at any stock exchange, the Company relies on independent experts to determine fair value. The Company presents differences arising from changes of fair value in the statement of profit or loss.

4.14.7 Loans (SIGNIFICANT POLICY)

The Company has only investment loans and working capital loans extended by financial institutions. The credits are classified as short-term liabilities if they are due for repayment within a year. Otherwise, they are presented among long-term liabilities. Credits are initially recognised at fair value, while subsequently they are measured at amortised cost determined using the effective interest rate method.

4.14.8 Deferred income (SIGNIFICANT POLICY)

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

Any state aid that has become repayable needs to be recognised as an adjustment to the accounting estimate. Accordingly, the long-term deferred income disclosed in a separate line in the consolidated statement of financial position of the Company encompass the over-one-year part of grants awarded in application schemes for the geothermal projects. The short-term, under-one-year part of deferred income is stated among short-term liabilities, also in a separate line.

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

4.14.9 Trade payables (SIGNIFICANT POLICY)

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

4.14.10 Other financial liabilities (SIGNIFICANT POLICY)

All other financial liabilities not carried at fair value through profit or loss are recorded under other financial liabilities. In its IFRS financial statements, the Company presents the value of other financial liabilities at amortised cost. The change in fair value has to be presented only in the notes to the consolidated financial statements. In the case of financial instruments of 'other financial liabilities' nature, the Company applies the effective interest rate method as detailed in note 4.14.11.

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

4.14.11 Determination of effective interest rates (SIGNIFICANT POLICY)

As in the base period, the Company set the effective interest rate at 4.5% during the period under review for the calculation of the present value of future expected cash-flows. This rate was used in discounting.

<u>This effective interest rate is set on the basis of the following:</u>

In the case of PannErgy Group, all of the assets are in use. With proper maintenance, these assets can be used for a very long time with a minimum amount of expenditure, and an already installed system is much more cost efficient than generating other known types of thermal energy. In addition, it is an environmentally friendly, sustainable solution. Consequently, the only rational decision on the Company's part is to continue to operate the assets. Pursuant to the legislation on the determination of regulated heat tariffs (Section 5 of Decree No. 50/2011 (IX. 30.) of the Ministry for National Development), the pre-tax profit of district heating suppliers may not exceed 4.5% of the gross asset value. In other words, profitability is statutorily capped over the long term; therefore, essentially no change can occur in external circumstances that may have an impact on the effective interest rates on the revenue/profitability side. Based on the above, the only variable that is relevant to the definition of the effective interest rate by PannErgy Group is whether the market interest rates or other market rates of return on investments have increased during the period, and whether these increases are likely to affect the discount rate used for calculating an asset's value in use.

The discount rate should be a pre-tax discount rate that reflects the current assessment of the market of the time value of money and asset-specific risks, for which future cash flow estimates have not been adjusted.

The Company can consider the following rates as a baseline for estimating the discount rate:

- the entity's weighted average cost of capital, which can be determined by using procedures such as the capital asset pricing model;
- the entity's incremental borrowing rate; and
- other market borrowing rates.

The discount rate is independent of the capital structure of the Company and of the method applied by the entity to finance the purchase of the asset, as the future cash flows likely to be generated by the asset do not depend on the method applied by the entity to finance the purchase of the asset.

Pursuant to the abovementioned legislation on the determination of regulated heat tariffs (Section 5 of Decree No. 50/2011 (IX. 30.) of the Ministry for National Development), the sales prices – as regulated heat tariffs – defined for the Company's project companies – as district heating suppliers – are determined in such a way that they cannot persistently exceed 4.5% of the pre-tax profit; therefore, the PannErgy Group's average pre-tax cost of capital can be considered 4.5%.

This 4.5% pre-tax cost of capital is also confirmed by the new, long-term, fixed financing options potentially available to the Company in the reporting period in respect of the financing of future revenues, calculated at the HUF/EUR rate consistent with practice.

PannErgy determines the 4.5% effective interest rate defined in accordance with the above principles and the legal background to be the discount rate, as the best estimate for the relevant discount rate. It applies this rate for the impairment testing of assets for determining the presentation value and the related lease liability of right-of-use assets under the *IFRS 16 Leases* standard, and for any other relevant purposes.

The change in the effective interest rate resulted in a change in the historical cost of the assets leased by the Company. The change affected assets stated under tangible assets and measured in accordance with the *IFRS 16 Leases* standard, as well as the related lease liabilities. The impact of the change is described in detail in the relevant notes. The modification did not affect anything else.

The Company has no assets that may warrant the discounting of values in the statement of financial position. In the case of long-term loans, the effective interest rate corresponds to the interest rate specified in the contract, thus no discounting is required. The long-term deferred income relating to grants need not be discounted because they had all been financially settled, and they are presented as liabilities only because of the requirement to spread the assets affected by the grant throughout the useful life of the assets.

4.14.12 Netting of financial instruments

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

4.15. *Cash and cash equivalents (SIGNIFICANT POLICY)*

In the Company's consolidated IFRS financial statements and statement of cash flows, cash and cash equivalents comprise the amount of financial assets held at the end of the reporting period as the Company's HUF and FX cash on hand, freely disposable bank account balances that are available in the Company's electronic accounts held with financial institutions, bank account balances for limited use that are available in the Company's earmarked accounts held with financial institutions, balances on the deposit accounts with agreed maturity held with financial institutions, as well as demand bank deposits.

In the consolidated IFRS financial statements and statement of cash flows, negative balances of current accounts held with financial institutions, i.e. overdraft facilities, are presented among short-term liabilities, in the line of short-term credit, provided they are complete with overdraft credit facilities, without which they are stated among liquid assets in accordance with the contents of the relevant contracts.

4.16. *Equity, subscribed capital (SIGNIFICANT POLICY)*

The equity in the Company's consolidated IFRS financial statements is the difference between total assets and total liabilities.

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

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

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

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

After-tax profit is the aggregate amount of the net after-tax profit presented for continuing and discontinued operations and included in the profit or loss section of the statement of other comprehensive income, as defined in *IAS 1,* or in the separate statement of profit or loss.

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

4.17. *Repurchased treasury share (SIGNIFICANT POLICY)*

The Company may repurchase its treasury shares at the stock exchange or over the counter, pursuant to the authorisation of the General Meeting; these shares are presented in the IFRS financial statements and annual reports separately as items decreasing the equity.

In the case of repurchases of treasury shares, the cash flow, i.e. the decrease in cash and cash equivalents, is accompanied by an increase in the reserve for treasury shares repurchased, due to the opposite sign reflecting the decreasing effect on equity.

Professional, legal, banking and other costs directly related to the preparation and execution of a transaction related to a treasury share (purchase, cancellation, etc.) are included in the cost of treasury shares and are therefore recognised in equity.

In the case of a cancellation of treasury shares, the amount corresponding to the nominal value of the shares cancelled reduces the subscribed capital, and the amount above the nominal value, the difference between the nominal value and the closing price on the day of cancellation, reduces the reserves. At the same time, there is a decrease in the reserve for treasury shares repurchased, due to the opposite sign reflecting the decreasing effect on equity.

The gain/loss on the sale of repurchased treasury shares and the effect of their fair measurement at the end of the reporting period is also recognised directly through equity, among the Reserves in the profit reserves line and in the 'Reserve for repurchased treasury shares' line. In the case of appreciation due to a rise in the share price, there is an increase in the profit reserves line, and an increase in the reserve for treasury shares repurchased, due to the opposite sign reflecting the decreasing effect on equity as mentioned above. The effect is the opposite in the case of a devaluation caused by a fall in the share price.

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

4.18. *Earnings per share (SIGNIFICANT POLICY)*

To determine earnings per share, the Company used the quotient of the profit/loss for the period and the Company's time-weighted number of shares for the period less repurchased treasury shares.

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

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

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

4.19. *Current and deferred income tax (SIGNIFICANT POLICY)*

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

Current tax is the income tax payable (recoverable) with regard to the taxable profit (negative tax base) for the period. Income taxes include all domestic and foreign taxes that are levied on taxable profits. The Company measures current tax liabilities (tax assets) for the current period and previous periods at the level expected to be payable to the tax authority (or expected to be reimbursed by the tax authority) using the tax rates and tax regulations that had been incorporated in legal regulations by the end of the reporting period.

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

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

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

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

The above decision of the Company is in line with the fact that the Company is not subject to the GloBe, global minimum tax, as its consolidated turnover does not reach the group-wide consolidated turnover of EUR 750 million required for mandatory subjection, regardless of the fact that the Hungarian and EU legislation on the global minimum tax also designates local business taxes and innovation levies as covered taxes, i.e. they are taken into account as a taxable item for the calculation of the global minimum tax. The Company will continue to examine the issue of the treatment and classification of business taxes and innovation levies as income taxes, in parallel with the evolution of the global income tax legislation and the emergence of detailed rules, and will, if necessary, carry out consultations with the authorities for any justified change in accounting policy.

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

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

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

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

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

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

As at the end of the reporting period, the Company takes into consideration its non-recovered deferred tax assets and liabilities and checks the recovery of these with a discounted cash flow calculation relevant for its future profits.

In line with *IAS 12* requirements, the Company does not rely on discounting in the calculation of deferred taxes.

4.20. *Provisioning (SIGNIFICANT POLICY)*

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

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

The Company recognises a contingent liability if:

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

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

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

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

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

In relation to the regulatory pricing of district heating companies, the Company decides to allocate provisions or defer revenues (depending on the nature of the adjustment) for the adjustment items that – in addition to the recognised profits – increase or decrease the basis of the heat tariff (which are designed to correct the imbalances between different years/pricing periods, to ensure the correct matching of revenues and expenses, and to ensure the principle of aggregation) subject to a certain materiality limit. The Company defines the materiality limit as 1% of the sales revenues reported in the separate report of the district heating licensee concerned. As the heat tariff calculation in Győr and Miskolc is based on consolidated data (Győr: DD Energy Kft., Arrabona Koncessziós Kft.; Miskolc: Miskolci Geotermia Kft., Kuala Kft.), the aggregated value of the sales revenues of the two companies concerned in each city is taken into account for the purpose of presenting the adjustments as provisions or deferrals in the accounts.

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

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

With regard to its existing, operational geothermal projects, the Company has no re-vegetation or environmental obligations; no provisions have been set up in this context.

4.21. *Share option programme, share-based payments*

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

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

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

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

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

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

4.22. *Accounting for revenue from sales (SIGNIFICANT POLICY)*

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

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

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

- Identification of the sales contract;
- Identification of the performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price;
- Recognition of the revenue.

The *IFRS 15 standard* gives more detailed guidance on the distinction of goods or services: a good or service is distinct if it generates benefits on its own and if it is separately identifiable from other items. Instead of fair value measurement, consideration is defined as the amount to which an entity expects to be entitled. The Company takes the effects of variable consideration into account when determining the transaction price. If the revenue has a significant financing component, the time value of money is also taken into consideration. Instead of a risk/reward based revenue recognition model, revenues are recognised when control over the service/good is passed to the customer. Control is passed over time if the relevant criteria are met or at a point in time if they are not.

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

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

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

performance incentives regarding the commitment of the customer to increase its heat purchases; in this case, the discount related to the period is in each case deducted from the sales revenue of the period affected by the discount. The sales revenue of all transactions is identical with the invoiced amount; no discrepancies have been found. In the case of the above discount, based on the calculation formula set out in the contract between the parties, the amount of the discount to be deducted from the revenue of the period concerned and therefore recognised in that period (or subsequently, when a correcting invoice is issued) is clearly defined, consequently no estimates or probability calculations are necessary;

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

4.23. *Interest income and dividend income*

The Company may also realise interest income on the loans granted in connection with the operation and governance of the holding, or obtain dividend income on its shareholder investments; these, however, are eliminated in the course of consolidation. The Company does not regard interest and dividend income from non-related parties as income from ordinary course of business – i.e. it does not treat them as sales revenues – but recognises them under income from financial transactions.

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

Interest income from impaired loans and receivables is recognised with the application of the effective interest rate used for the calculation of impairment, computed for the net value of the financial asset.

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

4.24. *Leases (SIGNIFICANT POLICY)*

In preparing its consolidated financial statements, the Company applies the requirements of the *IFRS 16 Leases* standard to its leased and leased assets and contractual arrangements.

The Company does not carry out activities that qualify as leasing under *IFRS 16*, as it is a lessor engaged only in activities that qualify as operating leases; the assets concerned remain in its books and the rentals are recognised as revenue.

Accordingly the provisions laid down in *IFRS 16* must only be used by the Company as a lessee. The use of *IFRS 16* has removed the difference between the treatment of operating lease transactions and that of finance leases for the Company as lessee; in the financial statements lessees have to show an asset embodying the right of use under the transaction and a leasing liability, that is, the obligation to make the lease payments. Under the provisions of the *IFRS 16* standard, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time for a consideration.

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

The present value of the lease payments is determined using the incremental borrowing rate, which is the interest rate that would be payable on a loan taken out to finance assets. Its rate is presented in Note 4.14.11.

The Company has no sublease or re-lease transactions. Nor does it have right-of-use assets regarded investment property.

4.25. *Dividend payment (SIGNIFICANT POLICY)*

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

4.26. *State aid, recognition of related deferred income (SIGNIFICANT POLICY)*

State aid is recognised at fair value if the Company is reasonably certain to receive such aid because it will meet the relevant criteria.

Based on the income approach accounting, the Company recognises aid as income in the periods, based on the principle of matching, in which the related expenses were incurred.

The only exception is when the aid is based on subsequent settlement, that is, the purpose of the aid is to compensate for expenditures or losses incurred as well as immediate future financial grants given without any related costs. The Company recognises such aid as income when it opens for draw-down.

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

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

Accordingly, the long-term deferred income disclosed in a separate line in the consolidated statement of financial position of the Company encompasses the over-one-year part of grants awarded in application schemes for geothermal projects on the level of the PannErgy Group. The short-term, under-one-year part of deferred income is stated among short-term liabilities, also in a separate line. The end of the maintenance period applicable to the projects funded from application schemes and related grants does not affect the rate of write-back of grants recorded as deferred income because they are linked to the useful life of the subsidised assets; the write-back of the deferred income in the subject period among other income in the consolidated statement of profit or loss occurs during the asset's useful life based on the depreciation of the subsidised assets in the reporting period and on aid intensity.

4.27. *Comparative information across periods (SIGNIFICANT POLICY)*

Data for the base year and the reporting year were subjected to measurement in the consolidated financial statements in the same manner.

In order for the Company's IFRS consolidated financial statements to comply with *IAS 1*, all the statements include a comparative period.

In the context of the financial statements of a business year, by comparative period the Company means the reporting period of the financial statements prepared for the business year preceding the business year concerned.

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

4.28. *Segment reporting (SIGNIFICANT POLICY)*

In line with IFRS requirements, the Company needs to present its operating segments. **As in the base period, the Company identified a single operating segment during the reporting period: Energy.**

The Energy industry is the Company's main operating segment, its core operations including the generation and sale of geothermal heat as well as the implementation of related investment projects and other activities. The sale of electricity generated in connection with thermal energy production is closely related to geothermal heat production and therefore, should not be considered as a separate segment.

The PannErgy Group, as the legal successor of Pannonplast Nyrt., does not identify the utilisation – in the way of property management – of industrial facilities and related office premises formerly used by Pannonplast Nyrt. in its plastics manufacturing operations as a separate operating segment for the purposes of the following *IFRS 8 Operating Segments* principles:

It is a basic principle of this standard that an entity must disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates [IFRS 8.1]. The standard is to be applied to the consolidated financial statements of the group for those parent companies, and the separate and individual financial statements of those entities whose debt or equity instruments are traded in an open market [IFRS 8.2]. Consequently, PannErgy Nyrt. is required to present operating segments.

In practice, operating segments may be presented through the following five steps:

- Identification of chief operating decision makers;
- Identification of operating segments;
- Consolidation of operating segments;
- Definition of reportable segments;
- Disclosure of segment information.

In the course of the review of segment definition, the PannErgy Group looked at potential operating segments relying on the five-step listed above. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance based on various criteria.

The consolidated financial statements of the Company show that Energy can be clearly identified as an operating segment of the PannErgy Group. As regards the operation of the PannErgy Group, the management of the Company has adopted the approach to focus all its resources, in line with the expectations of investors, on maximising the efficiency of the Energy segment; the utilisation of property owned by the Company is in all respects an insignificant element in its operation and, based on the management's approach, cannot be considered to constitute an operating segment.

The property utilisation – as asset management – of industrial facilities other than those serving geothermal heat generation purposes and the related office areas are not a central element in the strategy of the PannErgy Group; the assessment of the performance of the utilisation of the aforesaid properties is a negligible part of the work of the operative management and supreme bodies of the Company; information regarding the utilisation of properties is not specifically highlighted in the relevant internal control and reporting system; as these transactions entail constant income (re-invoiced utility charges and rent) and costs (utility charges), the overwhelming majority of the activity consists of pass-through items. Based on the approach of PannErgy Group's management and the criteria pertaining to the presentation of operating segments, the single operating segment of Energy can be identified at the Company; consequently, the examination of the criteria applicable to reportable segments is irrelevant; nevertheless, the Company has looked at the satisfaction of such limits (Note *43 Segments*).

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 previous year reconcile with the financial information pertaining to the entire entity, which was appropriately presented in these consolidated financial statements.

The Company pursues its activities solely in the territory of Hungary, in a similar legal, technical, economic and demographic environment; consequently, territorial segmentation is not relevant. Nevertheless, in the reporting period the Company identified – based on size – segments broken down by region/project location within its only operating segment, Energy. In addition to assessing financing and other aspects, the Company examines the profitability of these separately, working out specific plans concerning their operation. The geographical segments corresponding to projects are described in Note 42.2.

4.29. *Gross cash flow and EBITDA definition (SIGNIFICANT POLICY)*

As in previous periods, the Company uses the following main quantitative and qualitative indicators, as well as alternative performance measures in measuring its operating performance in the reporting period:

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

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

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

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

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

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

In line with the requirements of the IFRS, the preparation of the Company's IFRS consolidated financial statements requires the application of estimates and assumptions, which will affect the amounts disclosed in the financial statements. The Company continuously evaluates estimates and judgments based on past experience and other factors, such as expectations related to future events considered as reasonable under the circumstances.

The Company applies the requirements of *IAS 8 Accounting policies, changes in accounting estimates and errors* and *IAS 10 Events after the balance sheet date* as appropriate to any material errors of prior periods, the modification of accounting estimates and the treatment of events after the end of the reporting period.

5.1. *Events after the end of the reporting period*

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

5.2. *Material error*

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

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

5.3. *Critical accounting estimates and assumptions*

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

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

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

6. Revenue from sales

6.1. *Breakdown of sales revenues by core activity*

	2025 HUF Mn	2024 HUF Mn
Energy	8,699	8,093
Property management [1]	49	47
Total	**8,748**	**8,140**

[1] Not defined as a separate segment, see Chapter 44 *Segments*.

6.2. *Breakdown of sales revenues by geographical location*

	2025 HUF Mn	2024 HUF Mn
Revenue from domestic sales	8,746	8,138
Revenue from sales to the EU	2	2
Revenue from sales outside the EU	-	-
Total	**8,748**	**8,140**

6.3. *Breakdown of sales revenues by activity or service*

	2025 HUF Mn	2024 HUF Mn
Heat sales	8,547	7,941
Sale of electricity	112	113
Mediated and other services	55	55
Sale of products	2	3
Rent for buildings and tangible assets	32	28
Total	**8,748**	**8,140**

In the reporting period, the consolidated turnover of the Company was up HUF 608 million year-on-year, which translates to an increase of 7%. The breakdown of sales revenue by activities and services shows that the increase in consolidated revenues relates almost entirely to heat sales.

The main reasons for the increase are both the higher level of heat sales activity and the regulatory and commercial price increases imposed on heat-receiving partners. The consolidated heat sales volume in the reporting period amounted to 1,864,962 GJ, 6% higher than the 1,766,586 GJ recorded in the base period.

In addition to the sales of heat, the Company earned HUF 112 million from selling electricity in the case of the Berekfürdő project, which is practically the same as the sales revenue data of HUF 113 million recorded for the previous year.

Revenues from mediated and other services were recognised in the same amount – HUF 55 million – as in the base period. This is mainly related to the use of the Company's properties in Debrecen as the reinvoicing of utility costs. In the reporting period, the Company realised rental income of HUF 32 million related to the utilisation of the properties in Debrecen, compared to HUF 28 million income reported in the previous year.

6.4. *Breakdown of fixed assets related to sales revenues by geographical segment*

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Assets used in domestic production	23,375	23,776
Assets used in production abroad (within and outside	-	-
Total	**23,375**	**23,776**

6.5. *Concentration of sales revenue, information regarding key customers*

The PannErgy Group has three key customers, each generating at least 10% of the Company's total sales revenues:

	2025	As a percentage of total sales	2024	As a percentage of total sales
Total sales revenue from key customers	**8,383**	**96%**	**7,780**	**96%**
Revenue from sales	**8,748**	**100%**	**8,140**	**100%**

The sales revenue presented in the table above was realised in the reporting period vis-a-vis strategic partners based on long-term contractual relationships as described in Chapter 4.14.2.

7. Direct costs of sales

	2025 HUF Mn	2024 HUF Mn
Direct depreciation (geothermal assets)	2,262	2,077
Electricity costs	1,581	1,932
Maintenance and operating costs	1,559	1,449
Facility maintenance costs, rental	550	533
Insurance costs (directly related to production)	83	76
Costs of goods sold, mediated services	28	33
Maintenance materials	1	-
Other direct costs	98	37
Total	**6,162**	**6,137**

Direct costs of sales in the reporting period are at the same level as in the base period.

The significant decline of 18% in the electricity costs for heat generation and transport was due to the lower level of electricity prices relative to the base period. Compared to the previous periods, the Company was able to conclude fixed-price purchase contracts for the purchase of electricity under more favourable market conditions in the reporting period.

The level of direct depreciation increased by 9% compared to the previous year due to a higher level of efficiency and safety improvement projects in the reporting year and the previous year.

The 8% increase in maintenance and operating costs and the 3% rise in facility management costs are attributable to the price increases tracking the price index changes characterising the reporting period, and to the expanding assets of geothermal projects.

The significant increase of 9% in geothermal equipment insurance premiums is consistent with the rising asset value resulting from continued investment activity, as well as market trends in the corporate property insurance market.

8. INDIRECT COSTS OF SALES

	2025 HUF Mn	2024 HUF Mn
Indirect personnel-type costs	277	233
Expert fees, bookkeeping, audit fees	230	213
Office and operating costs	186	159
Insurance premiums	40	37
Banking costs	45	36
Costs related to public and stock exchange presence and social responsibility	18	21
Other fees and duties payable to authorities	1	2
Indirect depreciation (property, plant and equipment)	1	1
Total	**798**	**702**

The PannErgy Group's indirect operating costs for the reporting period show an increase of 14% year-on-year.

Indirect personnel costs increased by 19% compared to the previous period, for the reasons explained in Chapter 9.

Costs of experts incurred in the reporting period include legal and consulting costs relating to the external financing of geothermal projects and to accounting and other back-office projects, expert costs relating to application schemes as well as general consulting fees to support operations and legal fees. Expert costs increased by 8% during the reporting period. In the category of consultancy costs the PannErgy Group's auditing costs amounted to HUF 23 million, in connection with the auditing of the annual reports and the interim statements of assets and liabilities. Of this, HUF 8 million was incurred by PannErgy Nyrt., the Group's parent company, in relation to the auditing of the separate report and the consolidated financial statements.

Office and operating costs grew by 17% in the reporting period year-on-year. This is mainly due to the fact that the Company's expenses of this kind (office rent, car rent, etc.) are mainly recognised on a euro basis and the exchange rate of the forint was typically higher in the reporting period, overall.

The costs of public and stock exchange presence – stated as indirect costs – decreased compared to those recorded in the previous year. With regard to these costs, it should be noted that, for considerations of social responsibility, the 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.

9. Headcount and wage costs

	2025	2024
Average statistical headcount (persons)	18	18
Wage cost (HUF Mn)	234	195
Other personnel-type payments (HUF Mn)	12	12
Taxes and contributions on wages (HUF Mn)	31	26
Total	**277**	**233**

Indirect staff costs, including payroll costs, increased by 19% relative to the previous period. This resulting rate of increase is consistent with wage changes in the reporting period – which reflect labour market developments –, and the employee turnover observed in the reporting period and its expenditure-increasing effect that is in line with its nature.

The number of employees in the PannErgy Group remained the same during the reporting period. The statistical headcount for the whole year was 18, and the actual headcount on 31 December 2025 was 13, which corresponds to the data recorded at the end of the previous year.

The difference between the average statistical headcount and the number of employees is attributable to part-time employment across group members and the increased headcount during the year.

As regards employee turnover, there were 3 new hires and 3 exits in the reporting period, compared to the previous year, when 4 persons left the Company and there were no new entrants.

As in the previous year, PannErgy Group made no contributions to any voluntary pension fund for its employees or executive officers in 2025. The Company has no liabilities or commitments to employees or past and present executive officers in relation to pension payment or pension benefits.

10. Other expenditures

	2025 HUF Mn	2024 HUF Mn
Local taxes, duties, fines	174	155
Mining fee	74	73
Extra depreciation on tangible assets	60	-
Aids granted to offset costs	14	8
Cost relating to insurance events	2	2
Provisioning	-	10
Other	13	2
Total	**337**	**250**

Within the HUF 337 million recognised for other expenses in the reporting period, the most substantial item – HUF 174 million – comprises local taxes, mainly the local business tax paid to the local governments at the sites of geothermal projects. The increase in local business tax was due to the Company's growing consolidated sales revenues.

Based on the interpretation of the definition of taxable profit as per *IAS 12*, the Company does not treat local business tax and innovation contribution as income taxes but rather as operating expenses, recognizing them under other expenses. In the case of PannErgy, there was only a limited number of items that reduced the revenues used for the calculation of the tax base for the local business tax and the innovation contribution; therefore, these taxes are revenue-type taxes and as such, they are not subject to the *IAS 12* standard and are presented under operating expenses. Such a decision of the Company for the reporting period is in line with the fact that the Company is not subject to the GloBe, global minimum tax, as its consolidated turnover does not reach the group-wide consolidated turnover of EUR 750 million required for mandatory subjection, regardless of the fact that the Hungarian and EU legislation on the global minimum tax also designates local business taxes and innovation levies as covered taxes, i.e. they are taken into account as a taxable item for the calculation of the global minimum tax.

The Company will continue to examine the issue of the treatment and classification of business taxes and innovation levies as income taxes, in parallel with the evolution of the global income tax legislation and the emergence of detailed rules, and will, if necessary, carry out consultations with the authorities for any justified change in accounting policy.

Another major item in addition to the above is the mining fee payable relating to geothermal heat production; under this heading the Company incurred expenditures of HUF 74 million in the reporting period, which is HUF 1 million higher than the expenditures incurred in the previous period.

Of the HUF 13 million included in other expenses in the reporting period, HUF 10 million was paid as a fine, based on the decision of the Magyar Nemzeti Bank (MNB) in respect of a market surveillance fine. This had no direct impact on EBITDA in the reporting period because, based on the information available, a provision of HUF 10 million was allocated in the base period based on the decision of the Magyar Nemzeti Bank (MNB) regarding the market surveillance fine, in accordance with the extraordinary information provided to the Company on 20 January 2025. In the reporting period this provision of HUF 10 million was released and is stated among other revenues.

Of the HUF 60 million stated as the extraordinary depreciation charge of tangible assets, HUF 57 million was related to the Company's project in the Budapest area, for which certain permits and licences required for the implementation of the project were withdrawn by the relevant authorities during the reporting period.

11. OTHER INCOMES

	2025 HUF Mn	2024 HUF Mn
Aid received for development purposes	300	280
Fines, compensation received	93	139
Provisions released	10	336
Ex post discounts received	-	5
Profit on the sale of tangible assets	-	4
Other	5	28
Total	**408**	**792**

One of the most significant items of the HUF 408 million ‘other income’ in the reporting year is development aid received in the amount of HUF 300 million, comprising the reversal of deferred income in proportion with the depreciation charge for the reporting year relating to non-repayable investment and development grants.

In the reporting period, a provision of HUF 10 million was released based on the decision of the Magyar Nemzeti Bank on the market surveillance fine, see the item referring to compensations and fines under other expenditures.

12. FINANCIAL INCOMES

	2025 HUF Mn	2024 HUF Mn
Exchange gains realised in the reporting period	326	54
Interest and interest-type income	91	122
Gain arising from the fair measurement of securities	-	9
Returns on securities held for trading	8	33
Unrealised exchange gains in the reporting period	7	38
Gains on derivative transactions	-	37
Total	**432**	**293**

In the reporting period the Company invested its uncommitted cash and liquid assets in low-risk interest-bearing instruments. As a result, in the reporting period, the Company generated interest income of HUF 91 million and returns of HUF 8 million on securities held for trading and bank deposits.

Of the HUF 91 million stated in interests received and interest-type income, HUF 46 million represents income related to interest rate swaps on long-term loans, compared to HUF 85 million in the base period.

Income from financial transactions included an amount of HUF 333 million, overall, in realised and unrealised exchange rate gains relating to various receivables and liabilities denominated in foreign currencies, compared to HUF 92 million of financial income in the previous year.

In the reporting period, the unrealised exchange gains at the end of the period were less significant, with a total of HUF 7 million of such financial income being recognised. Within this, exchange gains of HUF 1 million related to foreign currency loans and borrowings, HUF 1 million to receivables and HUF 5 million to liabilities.

The bulk of the HUF 326 million exchange gain realised in the reporting period related to foreign currency loans and borrowings, which were restructured during the period in the amount of HUF 283 million. In addition, HUF 31 million was realised on transactions related to foreign currency liabilities, HUF 8 million related to receivables and HUF 4 million related to foreign currency accounts, during the reporting period.

For derivatives, there were no exchange gains on forward FX contracts during the reporting year.

13. FINANCIAL EXPENDITURES

	2025 HUF Mn	2024 HUF Mn
Interest and interest-type expenses	391	370
Exchange losses realised in the reporting period	98	93
Unrealised exchange losses in the reporting period	38	149
IFRS 16 Interest recognised on leased assets	29	35
Loss on derivative transactions	10	2
Other financial expenditures	-	-
Total	**566**	**649**

Financial expenditures amounted in the reporting period to HUF 566 million, representing an improvement of HUF 83 million relative to the corresponding amount posted in the previous period.

One of the most important items among financial expenditures is the interest paid to credit institutions in connection with credit and loan liabilities. In this context, HUF 391 million was booked for the reporting period under this heading, HUF 21 million higher than the corresponding amount booked in the base period.

Of the interest paid in the reporting period, the Company incurred HUF 43 million in excess interest expenses on variable interest rate loans, but the financial impact of these was mostly neutralised by the Company through interest rate swaps. The interest rate swaps affected a significant part of the 6-month EURIBOR-based variable interest rate loans. Interest rate swaps (IRS) were used to swap the interest rate bases to a fixed rate for the entire remaining term of the loans. The above-mentioned HUF 43 million in excess interest charges incurred in the reporting period was offset by HUF 42 million in profits resulting from interest rate swap transactions, mitigating the impact of the change in the interest rate environment in the reporting year.

In the reporting period, an interest expense of HUF 29 million was recognised in relation to the accounting of specialised geothermal equipment, vehicles and the related lease liability recognised as leased assets under *IFRS 16 Leases*, compared to HUF 35 million in the previous period. In practice, these were settled financially in the rents paid under the lease contracts of the assets concerned.

The HUF 10 million FX loss on derivative contracts in the reporting year arose on forward FX transactions concluded by the PannErgy Group to manage the foreign currency exposure of the financial settlement of its trade payables in foreign currencies.

A total amount of HUF 136 million was recognised as realised or unrealised exchange loss on various other foreign currency items. Of the 98 million exchange losses realised in the period, HUF 27 million related to trade and other receivables in foreign currency, 22 million to liabilities in foreign currency, 39 million to foreign currency accounts and 10 million to foreign currency loans and borrowings. At the end of the period, the Company recognised unrealised exchange losses of HUF 38 million as financial expenditure, of which HUF 30 million related to foreign currency loans and borrowings, HUF 6 million to receivables, and an amount of HUF 1 million each to liabilities and foreign currency accounts.

14. OTHER INFORMATION RELATING TO FINANCIAL TRANSACTIONS

	2025	2024
Opening EUR/HUF exchange rate	410.09	382.78
EUR/HUF exchange rate on 31 December	385.40	410.09
Annual change in the EUR/HUF exchange rate	-24.69	+27.31

In line with the information presented in Notes 12 and 13, taking into account both realised and unrealised exchange rate differences, an exchange gain of HUF 197 million was recognised, overall, in 2025, compared to an exchange loss of HUF 150 million in the previous year. This significant positive change in the Company's profitability resulted from the strengthening of the forint exchange rate against the euro in the reporting period.

Of the overall exchange gain of HUF 197 million resulting from the profit on the exchange difference, the entire net effect of the unrealised FX revaluation at the end of the period resulted in an overall loss of HUF 31 million regarding all types of assets and liabilities; in other words, the cumulative effect of exchange gains and losses is HUF 228 million.

In accordance with IFRS requirements, monetary items of the PannErgy Group carried in currencies other than the HUF – the functional currency – are translated to HUF at the exchange rate prevailing at the end of the period, and the (financially unrealised) exchange rate differences resulting from such translations are recognised in the statement of profit or loss under financial transactions. The loss on the period-end revaluations is the result of a decline in the HUF/EUR exchange rate relative to the previous periods.

Thanks to its a significant natural currency hedge position the Company has only a moderate exposure to long-term foreign exchange risk in its operations, other than the momentary unrealised impact of the above revaluation, i.e. its foreign currency revenues cover its costs incurred in the same currency and the bank debt service on its investment loans in foreign currency. In the case of the Company, the currency of the FX items mentioned above is, for the most part, always EUR.

As a consequence of the above, the PannErgy Group recognises a loss of HUF 134 million for the reporting period as profit/loss on financial transactions, compared to the HUF 356 million loss recognised in the base period.

15. INTANGIBLE ASSETS

data in HUF million

Gross value	Goodwill	Know-how	Valuable rights	Purchased software	Total
1 January 2024	678	2,756	108	49	3,591
Purchase	-	-	2	-	2
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Other	-	-	5	-	5
31 December 2024	678	2,756	115	49	3,598
Purchase	-	-	6	29	35
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Other	-	-	-	-	-
31 December 2025	678	2,756	121	78	3,633

Accumulated depreciation	Goodwill	Know-how	Valuable rights	Purchased software	Total
1 January 2024	-	1,111	92	49	1,252
Increase	-	237	1	-	238
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Other	-	-	-	-	-
31 December 2024	-	1,348	93	49	1,490
Increase	-	234	2	2	238
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Other	-	-	-	-	-
31 December 2025	-	1,582	95	51	1,728

Net value

	Goodwill	Know-how	Valuable rights	Purchased software	Total
1 January 2025	678	1,408	22	-	2,108
31 December 2025	678	1,174	26	27	1,905

HUF 517 million of the HUF 678 million goodwill stated by the Company relates to the 7% minority participation in PannErgy Geothermal Power Plants Zrt. purchased in prior periods. Another HUF 160 million goodwill is related to the Company's two project companies in Miskolc (Miskolci Geotermia Kft., Kuala Kft.), and HUF 1 million to its subsidiary in Szentlőrinc, all in connection with previously purchased minority participations.

On 31 December 2025 the Company performed the impairment test of the value of the goodwill relying on the future discounted cash flow forecasts of related cash-generating units. According to the result, no impairment needs to be recognised.

In addition to goodwill, the Group discloses a number of geothermal know-how elements among intangible assets, relating to deep geothermal exploration and drilling projects as well as the special expertise relating to the construction and operation of efficient systems geothermal systems. The inclusion of these high-value intangible assets in the financial statements is justified as specific future benefits attributable to the asset concerned can be linked to it. Based on the year-end calculations prepared relying on the management of the Group, it is possible to quantify the future cash flows arising from the exploitation of developments disclosed in the consolidated statement of financial position. These cash flows, broken down by cash-generating units, were compared, after discounting, with the tangible assets and goodwill of the cash-generating units as well as the book value of geothermal know-how owned by the Group. On this basis, no impairment needs to be recognised in the reporting period regarding assets stated among intangible assets.

As regards intangible assets, assets of HUF 35 million were purchased in the reporting period, and scheduled amortisation amounted to HUF 238 million.

16. TANGIBLE ASSETS

data in HUF million

Gross value	Investment properties	Properties	Machinery and vehicles	IFRS 16 Leased assets	Investment	Total
1 January 2024	133	18,458	12,690	-	506	31,787
Purchase	-	-	-	736	3,159	3,895
Capitalisation	-	1	471	-	-472	-
Sale	-	-	-12	-	-	-12
IFRS 16 Lease remeasurement	-	-	-	-	-	-
Other changes, write-off	-	-	-	-	-	-
31 December 2024	133	18,459	13,149	736	3,193	35,670
Purchase	-	-	-	-	1,461	1,461
Capitalisation	-	3,192	1,296	-	-4,488	-
Sale	-	-	-3	-	-	-3
IFRS 16 Lease remeasurement	-	-	-	133	-	133
Other changes, write-off	-	-	-	-	-60	-60
31 December 2025	133	21,652	14,42	869	106	37,201

Accumulated depreciation	Investment properties	Properties	Machinery and vehicles	IFRS 16 Leased assets	Investmen t	Total
1 January 2024	44	4,937	7,189	-	-	12,170
Increase	12	776	819	233	-	1,840
Sale	-	-	-8	-	-	-8
IFRS 16 Lease remeasurement	-	-	-	-	-	-
Other changes, write-off	-	-	-	-	-	-
31 December 2024	56	5,713	8,000	233	-	14,002
Increase	-	867	946	212	-	2,025
Sale	-	-	-4	-	-	-4
IFRS 16 Lease remeasurement	-	-	-	-201	-	-201
Other changes, write-off	-	-	-	-	-	-
31 December 2025	56	6,580	8,942	244	-	15,822

Net value	Investment properties	Properties	Machinery and vehicles	IFRS 16 Leased assets	Investme nt	Total
1 January 2025	77	12,746	5,149	503	3,193	21,668
31 December 2025	77	15,072	5,500	625	106	21,380

The PannErgy Group posted depreciation for the reporting period in an amount of HUF 2,263 million, of which HUF 238 million relates to intangible assets, HUF 867 million to real estate, HUF 946 million to machinery and equipment, and HUF 212 million to assets leased under *IFRS 16*. The depreciation of investment property is less than HUF 1 million.

In 2025, tangible assets of HUF 1,461 million were purchased in relation to the geothermal heat generation core activity; the gross value rose by HUF 4,488 million due to commissioning during the reporting period, primarily thanks to the commissioning of the third production well in Miskolc in January 2025 as the lion's share of its investment value had been recognised as work-in-progress at the end of the previous period. Apart from the commissioning of the third production well in Miskolc, the rest of the investment projects were aimed at efficiency and operational safety improvement, and primarily affected the two primary project locations (Győr, Miskolc).

Some special geothermal equipment and machines used for the Company's geothermal projects in Győr and Miskolc operate under long-term lease contracts. Based on the terms of the lease agreement and in accordance with the requirements of *IFRS 16 Leases*, these assets are carried by the Company at cost based on the present value of the lease payments to be made by the Company over the lease term, and are amortised over the lease term with the depreciation for the reporting period stated under direct costs in the consolidated income statement. Upon recognising the assets, the Company's lease liabilities increase against the cost of the assets. The rental payments made by the Company to its supply partners during the lease period reduce this lease liability.

In the reporting period the Company re-measured the above-mentioned lease contracts in accordance with the requirements of the *IFRS 16* standard. The related contractual background for all such assets has been changed; consequently, the value of the assets and – due to the accounting currency – the leasing schemes have been revalued. The revaluation resulted in a HUF 133 million increase in historical cost and a HUF 201 million adjustment to cumulated depreciation. At the end of the period, the value of the assets embodying the right of use recorded in accordance with the IFRS 16 standard, stated under tangible assets on the basis of leasing contracts was HUF 625 million.

In addition to its core operations comprising the production and sale of geothermal heat (Energy) the Company has industrial real properties and offices originating from before the time of the 'Pannonplast – PannErgy' strategy shift in the town of Debrecen. These properties are categorised by the Company as investment property not related to geothermal energy and it utilises them by letting. In view of the existing contractual background the future economic benefits relating to these investment properties are expected to be received by the Company and the cost of the investment properties can be reliably measured. In accordance with the Accounting Policy and the options listed in the *IAS 40* standard, investment properties are recognised at cost in the consolidated financial statements. At the end of the reporting period, investment properties are stated in the consolidated financial statements at the carrying amount less amortisation, i.e. HUF 77 million.

The fair value of the investment properties was HUF 142 million at the end of the reporting period. The fair value is determined at Level 3 in accordance with IFRS 13, based on unobservable inputs and the expert opinion of an independent property appraiser. The valuation is based on the market comparison method (weighted 80%) and the discounted cash flow analysis (weighted 20%). The main parameters used are: market rental rate of HUF 928-1,326/m^2/month, discount rate 10%, capitalization rate 9%, and long-term occupancy rate 80%.

The hierarchy level, valuation method and significant inputs used are taken into account in accordance with paragraph 13.97 of IFRS 13. No sensitivity analysis is required, as the above-mentioned fair value of the investment properties represents only an indirect fair value not recognized on the balance sheet.

Nearly 100% of these real estates are utilised externally, in line with the fact that PannErgy is engaged in no productive or service provision activities at the Debrecen site, other than letting real estates.

Certain properties and machinery serve as collateral for outstanding investment loans. In this context, the following material restrictions of title or mortgages were registered on 31 December 2025:

PannErgy	**Financing entity**	**Amount of collateral charged to tangible assets**	**Collateral**
Arrabona Koncessziós Kft. DD Energy Kft. Miskolci Geotermia Kft. Kuala Kft. PannErgy Geothermal Power Plants Ltd.	UniCredit Bank Hungary Zrt.	EUR 12,183,243	Joint, general mortgage on assets on all immovable property items Second-ranking lien on receivables, bank accounts, individual assets (specified), and movable property with a value of HUF 50 million or more
Arrabona Koncessziós Kft. DD Energy Kft. Miskolci Geotermia Kft. Kuala Kft. PannErgy Geothermal	UniCredit Bank Hungary Zrt.	HUF 5,139 million	Joint, general mortgage on assets on all immovable property items First-ranking lien on receivables, bank accounts, individual assets (identified by circumscription), and movable property
DoverDrill Mélyfúró Kft.	MFB Zrt.	HUF 250 million	Mortgage on assets, on the PannErgy Group's industrial property to be found in Debrecen and on movable assets acquired under the EDIOP application scheme.
PannErgy Nyrt.	MBH Bank Nyrt.	HUF 500 million	Securities deposited as collateral

<u>First-ranking liens:</u>
All secured amounts: HUF 5,139,532,684 (capital + contributions)
First-ranking lien on receivables – HUF 5,139,532,684
First-ranking lien on bank accounts – HUF 5,139,532,684
First-ranking lien on a group of individual assets (identified by circumscription) – HUF 5,139,532,684
First-ranking lien on movable property with a value of HUF 50 million or more – HUF 5,139,532,684

<u>Second-ranking liens (Market Loan collateral limit)</u>
All secured amounts: EUR 12,183,243 (capital + contributions).
Second-ranking lien on receivables – EUR 12,183,243
Second-ranking lien on bank accounts – EUR 12,183,243
Second-ranking lien on a group of individual assets (identified by circumscription) – EUR 12,183,243
Second-ranking lien on movable property with a value of HUF 50 million or more – EUR 12,183,243

The values of the collaterals cover nearly the entire portfolio of tangible assets, therefore they correspond to the tangible asset data contained in the consolidated financial statements. The total amount of the associated long and short-term credit obligations is smaller than that of the collateral securities in the consolidated statement of financial position.

In the reporting period, re-measurement only affected the assets recognised as leases under IFRS 16 Leases. Other tangible assets were not re-measured during the reporting period.

16.1. *Year-end measurement of high-value tangible assets*

Due to the special nature of geothermal projects, the PannErgy Group has high-value assets in several of its subsidiaries (production and injection wells, properties, heat centres, transmission systems, other assets). Because of the nature of the project, their cash-generating capacity is relevant only with regard to all the tangible assets related to the project considered as a cash-generating unit. For this reason, each project is organised into a separate economic entity, and each group of assets is used in a single market.

On 31 December 2025, an impairment test was performed at all PannErgy group members where the overwhelming majority of assets consists of tangible assets used in or directly related to production, irrespective of whether the Company has noted any indication of their impairment.

In the interpretation of the PannErgy Group, it is an indication of impairment if losses were suffered in the previous years or the reporting year, which may signal that the economic performance of the assets is weaker than the level envisaged upon installation.

Due to the special nature of the geothermal market, the year-end measurement and impairment test was performed relying on evaluation based on income generating capacity rather than on market comparison, cost-based evaluation or the residual goodwill method. Using this approach, the future benefits expected to be derived by the PannErgy Group from the ownership of the high-value assets were quantified, and the present value of these quantified benefits as future cash flows was estimated. Income-generating capacity was selected as the core benefit, i.e., the discounted present value of cash flows forecast by the detailed model was calculated for the coming years. In the impairment test the calculated value, as recoverable value, was compared with the aggregated book value of tangible assets and intangible assets as at 31 December 2025.

The model used for the calculation of the recoverable amount contains the following:

- an estimate of the envisaged level of future cash flows from the assets to be derived by the Companies defined as individual cash-generating units;
- the amounts and timing of these future cash flows;
- the time value of money and other factors based on the characteristics of the industry.

The impairment tests indicated that, in line with the requirements of *IAS 36*, the assets of the Group are recorded at a value not exceeding their recoverable amount, i.e. their book value does not exceed the amount recoverable through the use or sale of the asset; consequently, no impairment was recognised.

17. Other invested financial assets

The Company had no other non-current financial investments at the end of the reporting period. In the reporting period the Company held only risk-free short-term government bonds for investment purposes, in accordance with holding-level cash-flow planning and processes.

18. LONG-TERM RECEIVABLES

The PannErgy Group states no long-term receivables in its consolidated financial statements on 31 December 2025.

19. LEASE RECEIVABLES

The PannErgy Group had no lease receivables during the reporting period or the base period.

20. INVENTORIES

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Materials	67	29
Goods	7	2
Total	**74**	**31**

On the one hand, the inventories shown in the 2025 consolidated financial statements include reserve maintenance materials purchased in the amount of HUF 67 million to provide for the efficient, safe and secure operation of the geothermal projects. On the other hand, they comprise goods purchased for resale – also in relation to geothermal activity – in the amount of HUF 7 million.

21. TRADE RECEIVABLES

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Trade receivables	1,956	1,882
Impairment loss provisioning for doubtful receivables, and provisions reversed	-	-
Total	**1,956**	**1,882**

Accounts receivable increased by 4% year-on-year. The members of the PannErgy Group sell their products and services to a small number of buyers, mostly on the basis of long-term contractual arrangements. The trade receivables are non-interest earning items, with 30–45-day payment terms for the most part.

In view of the stability of the relations between the Company and its buyers no impairment loss provision was set aside for any partner during the period concerned, at the end of the period the Company stated no impairment loss provisions for doubtful receivables.

The Company's impairment provision matrix pertaining to the reporting period is presented in *Note 40 Impairments*.

22. OTHER RECEIVABLES

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Other receivables from suppliers	142	230
Accruals related to regulatory pricing	-	180
Deferred items for the next period	109	151
Other tax receivables	-	15
Advance payments made and collaterals provided	2	7
Receivables associated with derivative transactions	-	25
Total	**253**	**608**

The amount stated in Other receivables decreased by 58% year-on-year, which is the combined result of several factors.

The Group recognised HUF 142 million as other receivables from suppliers. These receivables cover compensations, ex post discounts and other settlements. Compared to the HUF 230 million outstanding at the end of the previous period, such receivables declined by 38%, in line with the financial settlement of the receivables.

In the previous period, accruals increasing other income represented a substantial amount – HUF 180 million – related to the assignment, during the period concerned, of regulatory heat sales prices relating to district heat generation during various periods. At the end of the reporting period, such items were no longer recorded because there were no significant changes (either in the electricity market or in the inflation environment) between individual accounting periods to justify them.

The amount of HUF 109 million of deferred items for the next period relates in full to the deferral of expenses, with no revenues deferred at the end of the period.

23. SECURITIES HELD FOR SALE

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Securities held for sale	-	298

The Group’s district heating companies held such securities during the reporting period; however, they expired during the year, after which no further purchases of such assets took place.

24. Cash and cash equivalents

The PannErgy Group had the following portfolio of cash and cash equivalents on 31 December 2025:

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Bank accounts and cash on hand	1,194	1,642
Fixed deposits	15	329
Cash and cash equivalents	**1,209**	**1,971**

The cash stated on the line of Bank accounts and cash on hand at the end of the reporting period now included only a negligible amount (below 1% of total cash holdings) of earmarked, blocked amounts in regard to which use for purposes other than the accountholder’s own business operations is subject to the financing institution’s consent.

25. Subscribed capital

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Subscribed capital	320	360

As of 31 December 2025, the subscribed capital amounted to HUF 320 million, in line with the capital reduction on 27 July 2025 that involved the cancellation of 2,000,000 shares.

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

The subscribed capital is stated in the financial reports in its total amount as issued, while the number of shares is presented net of the amount of repurchased treasury shares.

After the above-mentioned capital reduction involving the cancellation of 2,000,000 shares in the reporting period, subscribed capital comprises a total of 16,000,000 voting shares, of a nominal value of HUF 20 each. The ISIN identifier of the shares listed on the Budapest Stock Exchange is HU0000089867.

26. Repurchased treasury share

	31 December 2025	31 December 2024
Number of repurchased treasury shares (pcs)	2,593,365	2,917,620
Nominal value (HUF)	51,867,300	58,352,400
Book value (HUF)	4,953,327,150	4,551,487,200
Book value (HUF Mn)	4,953	4,551

On 31 December 2025 the Company held a total of 2,593,365 PannErgy Nyrt. treasury shares, 324,255 less than it held on 31 December 2024. The decline in the reporting period is the combined result of the cancellation of 2,000,000 treasury shares as mentioned in Chapter 25, and the repurchase of 1,675,745 treasury shares during the reporting period.

On 31 March 2025, the Company announced the main terms of a share purchase agreement concluded between PannErgy Nyrt. and its wholly owned subsidiary PannErgy Geothermal Power Plants Zrt. and MVM Energetika Zrt., under which the Company acquired the stake of MVM Energetika Zrt. in PannErgy at a price of HUF 1,512 per share (a total of 1,675,745 ordinary shares). The first phase of the transaction – involving the purchase of 975,745 ordinary shares of PannErgy – was completed on 31 March 2025. The second phase of the transaction, the purchase of the remaining 700,000 shares, took place on 4 September 2025, following the fulfilment of the preconditions set by the parties.

The cancellation of the shares in the reporting period took place on 27 July 2025, corresponding to a closing price of HUF 1,530; accordingly, shares were derecognised in an amount of HUF 3,060 million.

The closing share price at the end of the period was HUF 1,910, 22% above the closing price on 31 December 2024.

With respect to treasury share transactions, more detailed information is provided in the Company's public disclosures; moreover, details of the treasury share buyback programmes commenced and completed during the reporting period are discussed in Chapter 10 *Treasury share buyback* of the Business and Management Report drawn up based on these consolidated financial statements.

27. Reserves

Reserves are detailed in the PannErgy Group's consolidated financial statements as follows:

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Capital reserve	8,100	8,098
Retained earnings	8,020	8,446
Other reserves	-1,465	-1,194
Total	**14,655**	**15,350**

In the reporting period, the value of retained earnings decreased by HUF 426 million. The main reason of the change included the transfer of the previous year's profit after taxes to retained earnings and the reserve movement relating to the changes in treasury shares during the reporting period.

The amount of the profit reserve equals the total amount of the profits accumulated by the PannErgy Group in the previous years, net of the dividends paid to shareholders.

In the reporting period the General Meeting of the Company decided that it would not pay dividends for the year 2024. More detailed information is provided regarding the dividend in the public disclosures. Details of dividend payments made during the reporting period are presented in Chapter 10 *Dividend payment* of the Business and Management Report that was drawn up based on these consolidated financial statements.

In accordance with the provisions of Section 114/B of Act C of 2000 on Accounting, the Company has drawn up the Equity Correlation Table of PannErgy Nyrt. – as a company on its own – as of 31 December 2025, which is presented in Note 28 *Reserves* of the separate report. The current dividend payment limit is shown in the Equity Correlation Table.

In the reporting period, a consolidation difference of HUF 4 million arising from the re-measurement of lease liabilities is recognised among the reserves, under retained earnings.

Other reserves include earmarked reserves not related to treasury shares, reclassified from retained earnings to other reserves, related to research and development projects, development reserves and other statutory earmarking of earnings.

PannErgy Group's consolidated statement of financial position shows the reserve allocated for repurchased treasury shares on a separate line. The form of accounting and presentation complies with the requirements described in the *IAS 32 Financial instruments: Presentation and IAS 33 Earnings per share standard*s.

28. MINORITY INTERESTS

In the reporting period and in the base period, the Company does not recognise any minority (subsidiary, external) interests. Similarly to the base period, there were no transactions related to minority interests in 2025.

29. LONG-TERM LOANS, LEASES

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
HUF based loan secured with collateral	4,758	6,260
EUR based loan secured with collateral	4,256	3,567
Short-term part reclassified to short-term credits	-1,926	-1,652
Financial lease liabilities	688	607
Short-term part reclassified to short-term credits	-228	-221
Long-term loans, leases, total	**7,548**	**8,561**

The decline in long-term forint-based loans was driven by scheduled and early repayments in the reporting period. The increase in euro loans is driven by euro-denominated borrowing for current investments.

The finance lease liabilities relate to the leased assets managed under IFRS 16 Leases referred to in Chapter 16 *Property, plant and equipment*.

Of the repayments of long-term loans reclassified to current loans within the year, HUF 1,028 million relates to HUF-denominated loans, HUF 898 million to euro-denominated loans and HUF 228 million to lease liabilities recorded in accordance with IFRS 16 Leases, mainly for geothermal equipment and to a lesser extent for motor vehicles.

29.1. *Weighted average interest rate on long-term loans*

For the Group companies concerned, the interest rate on euro-denominated loans outstanding is based on the 6-month EURIBOR. In view of this fact and the contractual interest margins, the weighted average interest rate on secured EUR-based loans was 3.79% in consideration of the loan amounts as of 31 December 2025, which slightly falls short of the average interest rate of 3.88% of the previous year, also taking into account the interest fixing effect of interest swap transactions.

Long-term interest rate swaps are presented at fair value.

Without the interest rate swap transactions the weighted average interest rate on EUR-based loans would have been 4.67% on the cut-off date. The fixing of the lending rates of investment loans by means of interest swap transactions affords considerable predictability, and mitigates the interest rate risk faced by the Company significantly.

Interest rates on secured forint loans are typically fixed at 2.42%; in some cases slightly different fixed or variable rates may be applied. Their weighted average interest rate is 2.41% based on the loan amounts outstanding on 31 December 2025, compared to 3.20% in the base period.

The interest expenses recognised during the reporting period account for 4% of the amount of long term loans and leases – including the part due within a year, reclassified as short term loans – as at the end of the reporting period (excluding the effect of interest rate swap transactions), approximating the effective interest rate applied by the Company in its calculations.

29.2. *Maturity dates of long-term loans*

The maturity of the total portfolio of long-term loans and leases ranges between 1 and 5 years.

29.3. *Lease liabilities recorded among long-term liabilities*

As of 31 December 2025, the Company has long-term liabilities related to leases amounting to HUF 460 million, of which HUF 449 million relates to special equipment for geothermal projects and HUF 11 million to motor vehicles.

30. OTHER LONG-TERM DEFERRED INCOMES

	2025 HUF Mn	2024 HUF Mn

Other long-term deferred income	3,544	3,181
Short-term part of the long-term incomes	-294	-267
Other long-term deferred incomes, total	**3,250**	**2,914**

In the Liabilities part of the balance sheet, among other long-term deferred incomes the Company states – 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 consolidated statement of profit or loss among other incomes, as a result of the reversal (in proportion with depreciation) of assets associated with application schemes.

30.1. *Details of grants recorded as deferred revenue*

data in HUF million

Group entity	Project ID	Eligible investment cost	Aid granted	Aid drawn down	Aid deferred income (liability)
Szentlőrinci Geotermia Kft.	KEOP-4.2.0/B-09-2009-0026	883	442	427	279
Berekfürdő Energia Kft.	KEOP 4.4.0/A/09-2009-0009	250	125	125	3
DoverDrill Mélyfúró Kft.	GINOP-2.1.2-8-1-4-16-2017-00166	1,250	500	450	166
Miskolci Geotermia Kft.	KEOP 4.7.0-2010-0001	632	316	314	185
Miskolci Geotermia Kft.	KEOP 4.2.0/B-11-2011-0007	2,856	1,000	1,000	525
Kuala Kft.	GEOTERM-2021.2-2021-00002	2,485	663	663	629
Kuala Kft.	KEOP 4.7.0/11-2011-0003	619	309	309	214
Kuala Kft.	KEOP-4.10.0/B-12-2013-0012	2,836	1,000	1,000	523
DD Energy Kft.	KEOP-4.10/B-12-2013-0010	3,997	1,000	1,000	486
Arrabona Koncessziós Kft.	KEOP-4.10/B-12-2013-0011	3,509	1,000	992	534
Government aids on 31 December 2025 were stated in the consolidated statement of financial position in the form of long-term and short-term (shorter than one year) deferred incomes (HUF Mn):					**3,544**

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 development of geothermal systems of GEOTERM tenders, and research & development in the case of GINOP (Economic Development and Innovation Operational Programme, EDIOP).

The expiry of the maintenance periods relating to the various projects implemented under application schemes do not influence the aid reversals because they are linked to the useful life period associated with each asset acquired from aid money.

At the end of the reporting period, the PannErgy Group did not recognise any advances in relation to grants, there are no ongoing projects that have not been closed (however, the maintenance period has not been closed in all cases).

31. SHORT-TERM CREDITS

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Short-term part of long-term credits	1,926	1,652
Short-term part of long-term lease liabilities	229	221
Other short-term credits	1	497
Total	**2,155**	**2,370**

Previously, the Company had entered into a short-term loan agreement in connection with the financing of the project of the third production well in Miskolc, which is subject to ex-post settlement, and the repayment of the loan is the primary reason for the decline in short-term loans.

Of the intra-year repayments of long-term loans reclassified to short-term loans, HUF 1,028 million relates to HUF loans and HUF 898 million to EUR-denominated loans.

At the end of the reporting period, the Company had a short-term lease liability of HUF 214 million related to the lease of special geothermal equipment in accordance with the requirements of *IFRS 16* and HUF 15 million related to the lease of motor vehicles.

32. SHORT-TERM PART OF OTHER LONG-TERM DEFERRED REVENUES

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Short-term part of other long-term deferred revenues	294	267
Total	**294**	**267**

The part of the grants won under application schemes relating to geothermal projects which can be used within a year, which is recognised in the statement of profit or loss among other incomes in proportion with the depreciation of the intangible assets and tangible assets directly involved in the application scheme.

33. PROVISIONS

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Opening balance as of 1 January.	10	336
Provisioning	-	10
Release of provisions	-10	-336
Closing balance on 31 December	**0**	**10**

In the base period, a provision of HUF 10 million was allocated based on the decision of the Magyar Nemzeti Bank (MNB) regarding the market surveillance fine, in accordance with the extraordinary information given to the Company on 20 January 2025. This provision was released in the reporting period and recognised as other income, as the expected event giving rise to the allocation of the provision had occurred in the reporting period. The Company paid the market surveillance fine of HUF 10 million and recognised it as other expenditure.

No provision was allocated in the reporting period.

In its consolidated statement of financial position for the reporting year and for the previous year, the PannErgy Group discloses no provisions for environmental or re-vegetation liabilities, costs associated with redundancy programmes or employee pensions. It has no such obligations other than the contributions paid to the public pension system.

34. OTHER SHORT-TERM LIABILITIES

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Tax and contribution liabilities	379	342
Deferred items for the next period	246	241
Wages and social security	17	12
Liabilities relating to derivative transactions	-	-
Other liabilities	5	4
Other short-term liabilities, total	**647**	**599**

Of the items of the HUF 246 million carried forward to the next period, HUF 25 million represents other compensation-type deferred revenues from suppliers to be recognised in the coming period, while HUF 221 million is the sum of the costs affecting the reporting period and recognised in the reporting period as costs and expenditures, which will be invoiced in the coming period.

At the end of the reporting period, the Company's records show tax and contribution liabilities in a total amount of HUF 379 million, the most significant items of which are liabilities related to period-end transactions and VAT positions at the end of the reporting period in a total amount of HUF 325 million, and the mining annuity liabilities of the project companies engaged in geothermal heat generation, in a total amount of HUF 26 million. Other tax and contribution liabilities amount to HUF 28 million.

Other liabilities relate to the liability arising earlier on the conversion of the Company's ordinary shares into dematerialised securities.

35. TAXATION, INCOME TAX

35.1. *Income tax payable for the reporting year*

	2025 HUF Mn	2024 HUF Mn
Tax liabilities for the reporting year	85	67
Effect of deferred taxes	-67	15
Total	**18**	**82**

The group’s tax corporate tax liability for the reporting year is calculated on the basis of the taxable income of each member according to the relevant domestic rules. As in the previous period a 9% corporate income tax rate is applied to each member of the PannErgy Group.

In accordance with its accounting policy – which is based on the provisions of the *IAS 12* standard –, the local business tax payable to municipalities is recognised under other expenditures instead of the income tax items.

The framework principles regulating the global minimum tax (GloBE) payable by multinational enterprises – under which they must pay a tax of a minimum of 15% in every country in which they generate income – do not apply to the Company. This regulation applies to multinational enterprises generating profits of at least EUR 750 million at a group level. The PannErgy Group’s consolidated sales revenue – net accounting income as per the GloBE – is below this limit above which the tax concerned is payable, therefore the Group incurs no supplementary tax liability.

The Company will continue to examine the issue of the treatment and classification of business taxes and innovation levies as income taxes, in parallel with the evolution of the global income tax legislation and the emergence of detailed rules, and will, if necessary, carry out consultations with the authorities for any justified change in accounting policy.

Such a potential future reclassification would not affect the Company's profitability or profit after tax, however, a reclassification from other expenses to income taxes based on a change in accounting policy would significantly change the consolidated EBITDA, one of the Company's key alternative performance measures (APMs). For the year 2025, if the different accounting policies were applied, the Company's consolidated EBITDA would be HUF 171 million higher, i.e. HUF 4,353 million.

35.2. *Receivables from deferred taxes*

In the assessment of the deferred tax assets and liabilities the following amounts of receivables from deferred taxes were stated among the assets:

	2025 HUF Mn	2024 HUF Mn
Amounts recovered from deferred losses	26	15
Difference stemming from depreciation under the Accounting Act and the Act on Taxation	32	19
Tangible assets, depreciation difference, from consolidation	177	143
Receivables from deferred taxes (gross)	*235*	*177*
Deferred tax liabilities (gross)	*-63*	*-72*
Deferred tax to be recognised (net)	**172**	**105**
Deferred tax recognised in previous year	105	120
Deferred tax recognised/reversed	67	-15
Receivables from deferred taxes on 31 December	**172**	**105**

The deferred tax receivable of HUF 172 million stated among fixed assets comprises the 9% corporate income tax payable for the unused negative tax bases from previous years of the subsidiaries belonging to the PannErgy Group on the one hand, and on the other hand for other deferred tax modifying items under the IFRS rules.

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

At the end of the reporting period, the Company had a total of HUF 4,464 million in unused tax losses available for future utilization in accordance with the applicable legislation; these arose in previous years at companies within the PannErgy Group. Based on the Company’s current recovery projections, it recognizes a deferred tax asset of HUF 26 million in relation to such ta losses carried forward from prior years. Accordingly, the amount of prior-year tax losses not recognized as a deferred tax asset in the financial statement is HUF 376 million.

The total gross amount of deferred tax receivables is HUF 235 million. This is reduced by HUF 63 million, i.e. by the amount of the reporting year’s deferred tax liability relating to the development reserves.

Since these deferred tax receivables and liabilities are to be settled with the same tax authority and the Group constitutes a single tax group for the purposes of income tax payment, their amounts are netted as prescribed by the IFRS standards, leaving HUF 172 million as deferred tax receivables in the consolidated financial statements.

35.3. *Calculation of the effective income tax*

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

	2025 HUF Mn	2024 HUF Mn
Profits before taxes (individual companies)	**2,054**	**1,418**
The tax payable on the basis of the member company's profit/loss at 9%	185	128
Effects of different tax rates (minimum profit tax)	1	-1
Tax implications of non-deductible expenditures, effects of differences in depreciation and other tax-decreasing items	111	37
Allocation of development reserve	-54	-
Tax allowances	-152	-20
Use during the reporting year of the negative tax base carried over from previous years	-6	-77
Tax liabilities for the reporting year	**85**	**67**
Recognition of deferred tax	**-67**	**15**
Income tax (as per the profit & loss account)	**18**	**82**

36. EARNINGS PER SHARE

	2025	2024
Profit/loss, attributable to shareholders of the Company (HUF Mn)	1,707	1,405
Number of shares less treasury shares, at the end of the period (pcs)	13,406,635	15,082,380
Basic earnings per share (HUF)	**121**	**93**
Diluted profit/loss per share (HUF)	**121**	**93**

There is no difference between basic earnings per share and the diluted profit/loss per share at the end of the reporting period because, as in the base period, the Company calculates the diluted profit/loss per share without taking into account any adjustment factor. In accordance with the requirements of IAS 33, earnings per share are determined using the weighted average number of shares for the period.

37. Trade payables

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Trade payables	**1,328**	**1,398**

At the end of the reporting period the Company's trade payables were 5% lower than at the end of the base period, which is consistent with the more intensive investment activity that characterised the base period in relation to the deepening and integration of the Miskolc production well.

38. Financial instruments

The PannErgy Group holds financial instruments of the following categories:

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Financial assets	**2,209**	**2,800**
Financial assets available for sale (Loans and Receivables LAR)	**-**	**-**
Other invested financial assets (government securities)	-	-
Loans and Receivables (LAR)	***2,209***	***2,477***
Loans provided	-	-
Trade receivables	1,956	1,882
Other short-term receivables, prepaid income taxes	253	595
Financial instruments held for sale (Held to Collect, HTC)	**-**	**-**
Long term financial receivables	-	-
Financial instruments, Fair Value to Profit and Loss (FVTPL)	**-**	**323**
Securities (held for sale)	-	298
Derivative transactions	-	25
Financial liabilities	**11,678**	**12,928**
Other financial liabilities	***11,678***	***12,928***
Trade payables	1,328	1,398
Long-term loans, lease liabilities	7,548	8,561
Long-term loans, lease liabilities	2,155	2,370
Other financial liabilities	647	599
Financial liabilities, Fair Value to Profit and Loss, (FVTPL)	**-**	**-**
Derivative transactions – liabilities (under other short-term liabilities)	-	-

The Company shows primarily the purchased debt securities regardless of maturity, and its participations in other companies, among its marketable financial assets. The portfolio of marketable financial assets comprises participations of or below 50%, along with other participations that are not consolidated for other reasons, but the company shows no such asset in its statements at the end of the reporting period.

The Company did not have any financial instruments measured at fair value through profit or loss at the end of the period. At the end of the base period, the Company had short-term securities held for trading – i.e. held for sale – in this category, but they matured and expired during the reporting period.

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

The Company states its non-derivative financial assets with fixed or determinable payments, which it positively intends to keep, and is capable of keeping, until maturity, among its financial instruments held-to maturity. The Company shows its outstanding purchase price receivables associated with the sale of assets, entailing long term scheduled payments to be made by the Company, among its financial instruments to be held to maturity; the receivables are of the held to maturity status.

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

All other financial liabilities not carried at fair value through profit or loss – primarily trade payables, loan and credit liabilities, other short-term liabilities. – are recorded under other financial liabilities.

Initially, trade payables are recognised at fair value, while subsequently they are measured at amortised cost that are defined with the effective interest method.

39. SHARE-BASED BENEFITS

The Company had no share option programme in place during the base period or the reporting period; accordingly, no such measurement is carried out at the end of the reporting period. No share-based allocation occurred at the Company during the reporting period.

40. IMPAIRMENTS

IAS 36 impairments booked by the PannErgy Group during the reporting period:

2025 data in HUF million

	Impairments, opening balance	Impairment provisioning	Impairment reversal	Impairments, closing balance
Trade receivables	-	-	-	-
Total impairment	**-**	**-**	**-**	**-**

2024 data in HUF million

	Impairments, opening balance	Impairment provisioning	Impairment reversal	Impairments, closing balance
Trade receivables	-	-	-	-
Total impairment	**-**	**-**	**-**	**-**

During the reporting period, no impairment losses were recognised or reversed for any of the asset types (tangible fixed assets, inventories, receivables).

The Company's impairment matrix statement for 2025 is as follows:

data in HUF million

Impairment provision matrix	Balances outstanding at the beginning of 2025	Balances outstanding at the end of 2025	Loss from default 2025	Default rate 2025	Expected default rate 2025	Expected credit loss 2025	Stage 1 impairment 0%	Stage 2 impairment 25%	Stage 3 impairment 100%
Financial assets available for sale (AFS)	-	-	-			-	-	-	-
Investments available for sale	-	-	-	0%	0%	-	-	-	-
Long-term investments	-	-	-	0%	0%	-	-	-	-
Other invested financial assets (long-term securities)	-	-	-	0%	0%	-	-	-	-
Securities (short-term)	-	-	-	0%	0%	-	-	-	-

Impairment provision matrix	Balances outstanding at the beginning of 2025	Balances outstanding at the end of 2025	Loss from default 2025	Default rate 2025	Expected default rate 2025	Expected credit loss 2025	Stage 1 impairment 0%	Stage 2 impairment 25%	Stage 3 impairment 100%
Loans and Receivables (LAR)	**-**	**-**	**-**			**-**	**-**	**-**	**-**
Loans provided	-	-	-	0%	0%	-	-	-	-
Trade receivables	-	-	-	0%	0%	-	-	-	-
Other current receivables	-	-	-	0%	0%	-	-	-	-
Held to maturity financial assets (HTM)	**-**	**-**	**-**			**-**	**-**	**-**	**-**
Long-term financial receivables	-	-	-	0%	0%	-	-	-	-
Liquid assets	**-**	**-**	**--**	**0%**	**0%**	**-**	**-**	**-**	**-**
Total	-	-	-			-	-	-	-

41. OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS

41.1. *Contractual obligations and commitments for investment*

Commitments related to geothermal projects

The PannErgy Group has no material contractual investment commitment as at the end of the reporting period related to ongoing geothermal projects, as the third geothermal production well was successfully drilled in the reporting period in connection with the expansion of the Miskolc Geothermal Project. Following the testing period, commissioning in accordance with the licensing process took place in January 2025.

In connection with the geothermal project to be established near Budapest, the Company had received a permit for drilling an exploration well before the reporting period, and investigated the potential of the project in possession of the licence. The Company had planned to carry out the drilling preparation works at a later stage thereafter, provided that the technical and financial requirements made it possible to implement the project and ensure its return. On 14 August 2025, the Company published an extraordinary announcement in relation to the project, to the effect that the Supervisory Authority for Regulatory Affairs (‘SARA’) had revoked the exploration licence previously obtained by PannErgy for the project in the Budapest area. Accordingly, in the reporting period the Company wrote off the HUF 57 million cost of the project – which had been recognised as work-in-progress – as extraordinary depreciation under other expenditures. This, however, does not imply that PannErgy has given up on the possibility of a geothermal project in Budapest. In respect of future opportunities, PannErgy will consider legal, professional and business opportunities and will be able to decide on the initiation of a possible geothermal project near Budapest based on the outcome of these assessments.

Commitments relating to asset management transactions

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

41.2. *Other contingent liabilities*

41.2.1. Assets relating to funding by financial institutions, restriction of titles

Collateral of various types was provided at the end of the reporting period to the creditor financial institutions under external financing agreements concluded by members of the PannErgy Group in amounts of HUF 4,758 million and EUR 11,043 thousand. The collaterals concerned include pledges on receivables, movables, other assets, and bank accounts, as well as collaterals and provided guarantees for funding financial institutions. These are detailed in *Note no 16. Tangible assets*.

41.2.2. Contingent commitments relating to application schemes and Incentive Agreements concluded

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

41.2.3. Other contingent commitments to external parties

PannErgy Geotermikus Erőművek Zrt. 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. No future cash outflow is expected in relation to this contingent commitment, therefore no specific provision needs to be formed.

41.2.4. Lease transactions

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

	31 December 2025 HUF Mn	**31 December 2024 HUF Mn**
Within 1 year	228	221
Over 1 year but within 5 years	460	386
Over 5 years	-	-
Total	**688**	**607**

The lease liabilities are related to the long-term lease contracts concerning the special geothermal installations and equipment used for the Company's geothermal projects and to vehicle leasing contracts. The Company leases such assets for a long term, and the long-term lease liability is calculated against the cost of the leased assets on the basis of the present value of the lease fees expected to be paid by the Company during the lease term as specified in *IFRS 16 Leases*. (In relation to this leased equipment.)

In accordance with *IFRS 16 Leases* THE Company carried out another assessment of the details of the lease contracts in place during the reporting period, finding that the above lease fees cover no acquired valuable rights, i.e. they are lease liabilities relating solely to lease fee payments.

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

42. FINANCIAL RISK MANAGEMENT

42.1. *Financial risk factors*

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

42.2. *Market risk*

42.2.1. Exchange rate risk

Some of the Company’s operations involve foreign currencies and it issues its invoices in EUR as stipulated in the relevant agreements. Part of the Company’s liabilities are denominated in EUR; most of them can be attributed to EUR-based long-term investment loans taken out for the implementation of geothermal projects; moreover, the Company also has foreign and domestic suppliers with which accounts are settled and invoices are issued in EUR. Such assets and liabilities involving settlements in foreign currencies entail risks resulting from fluctuations in currency rates – particularly, the EUR rates – which the PannErgy Group uses its best efforts to mitigate, primarily by maximising the coverage of its EUR loan debt liabilities by the above-mentioned EUR-based revenues. In 2023, in a fundamentally changed energy market environment, the Company continuously conducted FX forward transactions in order to mitigate the risk of exchange rate losses on the financial settlement of FX liabilities to be incurred in the near future. These transactions were not cash-flow hedge transactions; the P/L resulting from such transactions during the reporting year appears in the financial income and financial expenditures categories of the consolidated financial statements.

In view of PannErgy Group's foreign exchange receivables and liabilities, and assuming a 10% increase/decrease relative to the EUR/HUF rate prevailing on 31 December 2025, with the forint being the functional currency, the positive/negative effects on the P/L are presented in the table below:

Description	EUR		USD	
	2025	**2024**	**2025**	**2024**
Resulting change in P/L (HUF Mn)	-341	-310	-	-

<u>Details of EUR-based items (change in HUF Mn):</u>

	EUR value (thousand) 2025	**Change in profit as a result of 10% change in exchange rate**	**EUR value (Th) 2024**	**Change in profit as a result of 10% change in exchange rate**
Trade receivables	801	31	855	35
Trade payables	1,072	-41	1,178	-48
FX credits	8,714	-336	7,254	-297
Total		**-346**		**-310**

42.2.2. Price risk

The Company has no direct price risks relating to exchange traded commodities or financial instruments. It should be mentioned, however, that even though it is essentially a regulatory risk, the selling price of the bulk of the geothermal heat sold by PannErgy Group members that are engaged in generating and selling geothermal heat is a regulated price, which is reviewed and proposed to be modified on a regular basis, annually – or even quarterly in extreme energy market conditions – by the competent price-setting authority, i.e. the Hungarian Energy and Public Utility Regulation Authority (HEA). The decision on the modification is taken by the Ministry for Energy, and the related legislation is issued as an EM Decree. This may influence PannErgy Group's profitability through future selling prices.

The Company mitigates this risk by continuously monitoring the factors having an impact on regulatory pricing and by notifying the authority in the case of a justified cost increase as quickly as possible in order to have the costs reflected in the regulated generator price. It should be noted that the regulatory pricing system is not primarily a risk but a price risk management structure as well because the HEA and the Ministry for Energy ensure the reliable economic operation of the licensees through pricing and through recognising the costs associated with district heat generation.

It is worth noting as current news that, according to PannErgy's calculations, under the price setting legislation published on 30 September 2025, the Utility Protection Fund realises annual savings of HUF 7.2 billion through the pricing applied under the utility cost reduction scheme towards PannErgy's district heating suppliers, which corresponds to an annual heat sales volume of around 1,515 TJ. This means that, according to the Company's calculations, PannErgy currently sells clean, green energy to district heating suppliers at a price that is almost 51% cheaper than the total price of the substitute energy (natural gas-based).

42.2.3. Cash flow and fair value interest risk

The PannErgy Group's interest rate risk arises primarily from its variable-rate, long-term loans for investment purposes, which are not covered by interest rate hedges. Owing to the variable lending rates on its loans the Company is exposed to a cash-flow interest rate risk, which is only partially offset by variable-rate financial assets; therefore, the Company faces a fair value interest risk due to its fixed-rate loans.

The Company's long-term and short-term FX loan portfolio was worth HUF 4,256 million (EUR 11,043 thousand) at the end of 2025, while its portfolio of long-term and short-term forint loans amounted to HUF 4,758 million, relative to the HUF 4,064 million (EUR 9,910 thousand) worth of the FX loan portfolio and the HUF 6,260 million forint loan portfolio stated at the end of 2024.

For information on interests see chapter *29.1 Weighted average interest rate on long-term loans*

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. The Company calculates the effect of interest rate fluctuations on P/L based on these scenarios. The Company uses the same fluctuations in the interest rates applying to each of the relevant currencies in its various models. Models are only developed for the liabilities involving the main interest bearing positions.

To mitigate the interest rate risk entailed by its investment loans, the Company replaced the interest bases applying to its 6M EURIBOR-based variable-rate loans by fixed interest rates for the entire remaining term of a significant share of its loans via interest rate swap (IRS) transactions in previous years, taking advantage of the previously favourable interest rate environment. The effective interest rates fixed under the above transactions will remain unchanged even in the case of market interest rate movements in the future; therefore, substantially, no such risk will be borne by the Company.

The Company's interest sensitivity is characterised by the fact that a 1% increase in interest rates would, in theory, result in a HUF 43 million increase in the Group's profit – i.e. a marginal surplus in the Company's financial management – at the end of 2025, disregarding the impacts of interest swap transactions, since the loan contracts stipulate predominantly fixed interest rate conditions. A 1% decrease in the interest rates would entail the opposite effect. In practice, if the interest rate sensitivity analysis takes into account the 'fixing' effect of interest rate swaps on the loans concerned, a 1% increase in the interest rate would have a financial impact of HUF 15 million on the Company's financial management.

At the end of the reporting period, within long-term and short-term loans the share of HUF loans was 53% as opposed to 61% in the previous year. The increase in the share of euro-denominated loans was driven by repayments and new borrowing in the reporting period.

42.3. *Lending risk*

The lending risk is a financial risk of loss from potential non-performance of any contractual term or condition by any of the Company's buyers, which primarily implies a failure to settle invoices. It should be noted in particular that the Company sells its products and services to a handful of customers, resulting in a limited degree of diversification.

Lending risk management is a group function. It is a responsibility for the members of the PannErgy Group to analyse and manage lending risks relating to their new customers before working out and offering terms and conditions of payment and delivery as befits their normal of business operations.

The lending risks faced by the PannErgy Group stem from liquid assets and cash equivalents, the bank deposits and security deposits placed with financial institutions as well as the exposure to buyers through the sale of energy, including receivables and transactions under which the Company assumes commitments. The Company manages its lending risks by detailed continuous buyer rating and effective receivable monitoring. Customers are rated on the basis of their creditworthiness and their credit limits are determined on the basis of their financial positions, financial data, historical performance and other factors, by the PannErgy Group's Finance and Treasury group. The Company monitors draw-downs from the credit limits. Its customers always pay for their purchases by way of bank transfer. No credit limit was exceeded during the reporting period, and no losses from default on the part of the partners concerned are expected. Buyers' debts (trade receivables) are assessed and actions are taken on a case-by-case basis, as necessary, regarding each buyer partner, at the end of the year.

Trade receivables in a breakdown by due dates (data in HUF million)

	Total	Before due date	1-90 days past due	91-180 days past due	181-360 days past due	over 360 days past due
Trade receivables	1,471	1,471	-	-	-	-

Items before due date are trade receivables whose due date – specified in the invoice or in the payment agreement –is beyond the cut-off date of the statement of financial position. Among past due items the 1–90 days past due category includes items whose due date for payment has passed by not more than 90 days, and the same principle applies to the other past due categories as well. The due date is always the date specified for payment in the invoice concerned. These are checked in the light of the statement's cut-off date and the buyer concerned, together with the liability, is assigned to the past due category depending on the number of days by which the due date had passed by the cut-off date.

PannErgy Group's liquid assets and securities as at 31 December 2024 are presented in relation to the lending risk in a breakdown by time to maturity (data in HUF million):

Conditions	**<1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**>5 years**	**Total**
Non-interest bearing or demand	1,209	-	-	-	-	1,209
Variable rate	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-
Total	**1,209**	**-**	**-**	**-**	**-**	**1,209**

Non-interest-bearing or demand deposits are the Company's funds. At the end of the reporting period, the Company did not hold any securities, including variable-rate and fixed rate instruments.

42.4. *Liquidity risk*

Liquidity risk is the risk of the company's incapacity to settle its financial liabilities upon their respective due dates. The purpose of liquidity management is to ensure that sufficient funds are available to settle liabilities when they fall due. The Company's approach to liquidity management is aimed at providing sufficient liquidity, to the extent possible, for the settlement of liabilities on their respective due dates under both regular and tight conditions without incurring unacceptable losses or putting its reputation at risk. Adequate liquidity is maintained by adjusting the terms of the funding sources to the life cycles of its projects. Cash-flow forecasts are worked out by the PannErgy Group's Finance and Treasury group, besides the monitoring of rolling forecasts regarding the satisfaction of the Group's liquidity requirements, in order to maintain a portfolio of liquid assets as required for the Group's operations, while keeping up sufficient manoeuvring room concerning the available credit limits to ensure that the Company does not exceed any of its limits and can deliver the debt required servicing ratios undertaken in relation to the financial institutions concerned. These 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.

Financial liabilities on 31.12.2025 broken down by due date (data in HUF millions):

	Amount	0-6 months	6-12 months	1-2 years	3-5 years	Over 5 years
Non-derivative financial liabilities						
Loans	9,692	1,074	1,080	2,422	5,116	-
Trade payables	1,328	1,328	-	-	-	-
Other short-term liabilities	647	647	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-

The above table is a collection of the amortised costs of the Company's financial liabilities in terms of their nearest possible maturity dates. Besides trade payables other short-term liabilities appear in the cash-flow forecasts with due dates corresponding to their respective types: taxes and contributions and other liabilities relating to salaries and wages are settled within 30 days, while other liabilities are settled on the dates specified in the underlying contracts or other documents, but not beyond one year.

42.5. *Capital management*

The Company's goal in shaping its capital structure is to maintain continuous operability in order to generate profits for its shareholders and to minimise the cost of capital through an optimised capital structure. To ensure that adequate capital structure is maintained, and/or adjusted as appropriate, the Company's management makes decisions or proposals concerning the amount of dividends to be paid, or capital repayments to be made, to the shareholders. In certain cases – and with the support of the General Meeting – the management may, also in the context of capital management, make decisions on issuing new shares or selling assets.

The management affirms that the Company meets the applicable statutory capital requirements, based on its assessment as stipulated by the provisions laid down in Act V of 2013 on the Civil Code. Data on the equity and its ratio to the subscribed capital are presented in the following table: The positive amount of the equity was significantly larger than the subscribed capital in both the reporting period and the preceding period.

	31 December 2025 HUF Mn	31 December 2024 HUF Mn
Subscribed capital	320	360
Total equity capital	11,729	12,564
Equity / Subscribed capital	**36.65**	**34.90**

42.6. *Offsetting of financial assets and financial liabilities*

In the case of financial assets and liabilities that are subject to a mandatory offsetting arrangement or a similar agreement the agreement between the Company and the other party permit offsetting of the given financial assets and liabilities only if both parties opt for this type of clearing. No such agreement or decision is in place in the PannErgy Group, therefore financial assets and liabilities are cleared and settled in terms of gross amounts.

42.7. *Regulatory risk*

In discussing the general regulatory risks it needs to be noted in particular that the selling price of the bulk of the heat sold by certain project companies engaged in heat generation and sale is subject to regulatory pricing, which is regularly reviewed and even adjusted by the pricing authority, thereby limiting, but at the same time ensuring, the Company's profitability. This results in considerable uncertainty concerning future sales prices, which the Company is managing by efficient and effective operative and strategic controlling over its operational activities.

The Company has no regulatory risk in relation to the permits and licences related to its activities and has no expiring or revocable licences that it considers to be a risk to business continuity.

42.8. *Technological risk*

Geothermal energy production entails unforeseeable risks, stemming from the unpredictable availability of the geothermal energy resources as well as the tolerance of the equipment used, to the unconventional operational environment. To mitigate this risk the Company prepares every one of its geothermal projects in a prudent way, the collection and detailed assessment and evaluation of all accessible data and information that may affect its implementation.

42.9. *Risks of war conflicts and other emergencies*

In the geopolitical context of the reporting period, the human and economic impacts of war conflicts and other emergencies are likely to have consequences for different sectors and participants of social and economic life. In cases such as the pandemic events experienced in previous years and events of war near or farther from the Company's region of operation, the impact cannot be fully estimated and such situations continue to present risks. Given its nature, the operation of the Company is not expected to be severely restricted by the likely future negative consequences of such future emergencies.

The indirect economic impacts of the war conflicts preceding and following the reporting period did affect the Company (primarily through extreme fluctuations in the energy markets) during both the base period and the reporting period, but only to a limited extent.

With respect to the Russia–Ukraine war conflicts it should be noted that, in response to the war, the European Union and other international parties have adopted wide-ranging, comprehensive economic and other legal sanctions in various areas against Russia in recent years, and such sanctions are expected to be introduced in the future as well. Both the war and the sanctions – those already in place and those adopted in future – have perceivable direct and indirect economic implications that may have an impact on the operating environment of PannErgy. At the time of the preparation of these consolidated financial statements, the impact of future consequences and effects cannot be estimated. Based on the information available, the potential future negative effects of the war are expected to have a limited impact on the operation of the Company because

- the Company has no exposure to Russian or Ukrainian buyers, suppliers, or creditors;
- the Russia–Ukraine war exerts no direct, significant impact on the Company's revenues in the reporting period, on the measurement of its assets or on its investments;
- the availability of the geothermal energy sources used by the Company is independent of the parties involved in the war.

In the context of this war conflict and the war events that took place in the Middle East after the reporting period, it is important to emphasise that the Company's geothermal heat generation activities contribute directly to reducing Hungary's energy costs and energy dependence to external market participants and circumstances.

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

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

In conformity with the ESMA recommendation PannErgy Nyrt. publishes the following information in respect of the ongoing global war events in its consolidated financial report for 2024:

Neither the ongoing military events of the Russia–Ukraine war nor the armed conflicts resumed in March 2026 in the Middle East had a material impact on the figures presented in the Company's consolidated financial statements for 2025. In the reporting period the Company continued to provide services to its heat-receiving partners at a high level of operational safety; moreover, it was able to maintain (even increase) the level of EBITDA, one of its most important operational metrics, and forecasts EBITDA growth for 2026.

42.10. *Risk of the adverse effects of climate change*

The activity of the Company is not affected directly and significantly by the adverse effects of climate change; they do not exert a material impact on revenues that may jeopardise the level of revenues presented in these financial statements. In addition, the activity of the Company is climate-neutral in the sense that the utility and value of the assets required for its core activity – geothermal heat generation – are not affected by the potential negative effects of the climate change. The Company does not need to resort to extra projects to eliminate the adverse effects of climate change, nor does it incur any extra costs (e.g. maintenance) in this regard. The Company has addressed the negative impact of climate change, such as the increase in average temperatures, by, among other things, providing a back-up system both for the Győr and Miskolc geothermal systems from the 2024 Q4–2025 Q3 pricing cycle onwards, based on which it has become entitled to the regulated sales base tariff (two-element heat pricing). Since the introduction of the two-element heat tariff, the sales heat tariff portion, which is legally declared in addition to the base tariff, covers the variable cost of electricity, which indicates that changes in the amount of heat sold to district heating suppliers does not significantly affect the Company's profitability. To a certain extent, a decrease in end-user demand due to an increase in average ambient temperature does not imply a decrease in geothermal heat input, since geothermal systems are constant temperature, variable mass flow systems operating in base-load mode.

Moreover, it should be noted that the core element of the strategy of PannErgy Group – as the region's dominant company utilising geothermal heat – is to play a key role in countering climate change by its environmentally friendly services of high operational reliability, and to enable major reductions in energy related expenditures by implementing environment preserving capital projects.

PannErgy Plc. uses clean and renewable energy solutions to build the future, giving every generation the opportunity to create value by applying the principles of environmental protection and sustainability. The Company has set itself the goal of becoming a market leader in the Central and Eastern European region through the use of geothermal energy, which provides significant economical and ecological value for now and in the future. The environmental strategy of PannErgy designed to mitigate or prevent the negative effects of the climate change is described in Chapter 5 *Strategy and Environmental Objectives of the PannErgy Group* of the Business and Management Report.

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

- **it acts as a renewable energy producer and is engaged in carbon-saving activities;**
- **prepares a separate ESG Report in accordance with the requirements of the GRI Global Reporting Initiative, GRI Universal Standards 2021, in line with the regulations for listed companies;**
- **the ESG Report for 2025 will be published at the same time as these consolidated financial statements;**
- **the ESG/Sustainability Report will include detailed information on carbon savings and emissions, with all assumptions evaluated and published;**
- the non-financial information in the ESG report for 2025 is consistent with the information contained in these consolidated financial statements;
- these consolidated financial statements do not contain information on specific provisions set aside for environmental protection or climate change, or information on contingent

receivables, liabilities, environmental assets, their impairment loss, the scheduling of environmental projects/investments or their financial impacts;

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

PannErgy Nyrt. will apply the provisions of Act C of 2000 on Accounting regarding the preparation of the sustainability report for the first time for the financial year starting in 2026, in accordance with the provisions of Section 177 (100) of the Act, as an enterprise that is not a micro-entity whose transferable securities are admitted to trading on a regulated market of a state of the European Economic Area. The Company will also take into consideration expected changes in legislation based on EU directives in relation to its sustainability reporting obligations.

42.11. *Description of the reporting period's macroeconomic environment*

In accordance with the ESMA regulations the Company discusses Hungary's 2025 macroeconomic environment in this chapter in relation to the reporting period's consolidated financial statements.

Gross domestic product (GDP) trends

The macroeconomic environment in the 2025 business year was characterised by subdued economic performance, which improved gradually in the second half of the year. The growth path of the Hungarian economy was essentially stagnant in the first quarter: according to the Hungarian Central Statistical Office, the volume of gross domestic product did not show any significant difference compared to the same period of the previous year, with the seasonally and calendar-adjusted figure showing a 0.4% deceleration. In the second quarter, GDP grew by a mere 0.1% according to raw data and by 0.2% in seasonally and calendar-adjusted terms, with a quarter-on-quarter improvement of 0.4% in performance. The services sector – in particular, the information and communication sectors – continued to be the main driver of growth, while industry and agriculture continued to restrain economic performance throughout the year.

In the second half of the year, the economy exhibited a clear upward trend. GDP in the third quarter was up 0.6% year-on-year, while in the fourth quarter the expansion reached 0.6%, reflecting further stabilisation in the services sector. Based on quarterly data, economic performance in the first half of 2025 was characterised by extremely subdued growth: after stagnating in the first quarter, the HCSO registered growth of only 0.1–0.2%, suggesting that the economy started to show signs of improvement only in the second half of the year.

Economic processes have been on a slow but slightly positive growth path, overall, still characterised by weak industrial performance amid subdued external demand and low investment levels.

GDP Volume change (compared to the same period of the previous year)

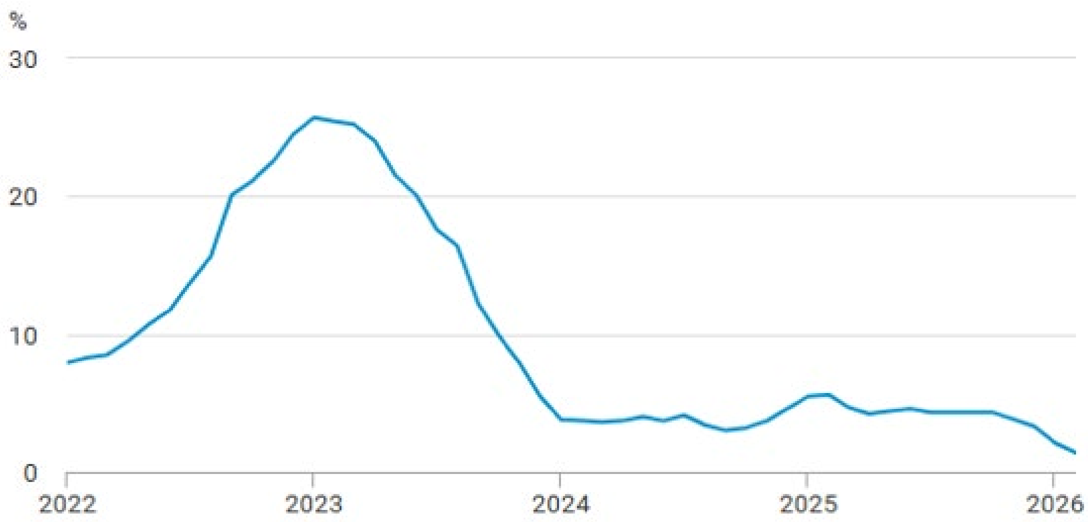
Source: CSO

Inflationary environment during the reporting period

Consumer price developments in 2025 pointed to moderating inflation trends relative to previous years, but they were still diverging across sectors. According to official data from the HCSO, annual average inflation stood at 4.4%, with the strong price dynamics in the services sector remaining the most important contributor. By the end of the year, disinflation clearly accelerated, with consumer prices rising by 3.3% year-on-year in December, a marked slowdown from the high price increases seen in the 2023–2024 period.

The structure of inflation varied considerably. The 6.7% annual increase in services prices remained the main driver of headline inflation. Household energy prices rose by 8.9% on average, including a sharp, almost 20% increase in natural gas prices. Prices of alcohol and tobacco increased by 7.1%. Overall food inflation was 2.6%, while some product groups – such as margarine, dairy products and flour – showed a significant, often double-digit downward shift in prices compared to the previous year. Such differentials in the size and direction of movements in consumer prices have affected both the purchasing power of households and firms' purchase and sale contracts.

Consumer price change (compared to the same period of the previous year)



Source: CSO

<u>The impact of inflation on the Company</u>

Inflation has an impact on both the revenue and expenditure sides of the Company's operations, but the PannErgy Group was able to mitigate its effects in a manageable way in the reporting period. On the cost side, inflation has increased the level of expenditure on purchases, operations and maintenance activities, energy use and labour. On the revenue side, the Company has been able to pass on the effects of inflation through the regulated district heating tariff and the price indexation mechanisms of long-term contracts with trading partners; consequently, inflation has not had a material, lasting negative impact on the Company's profitability.

The interest rate environment

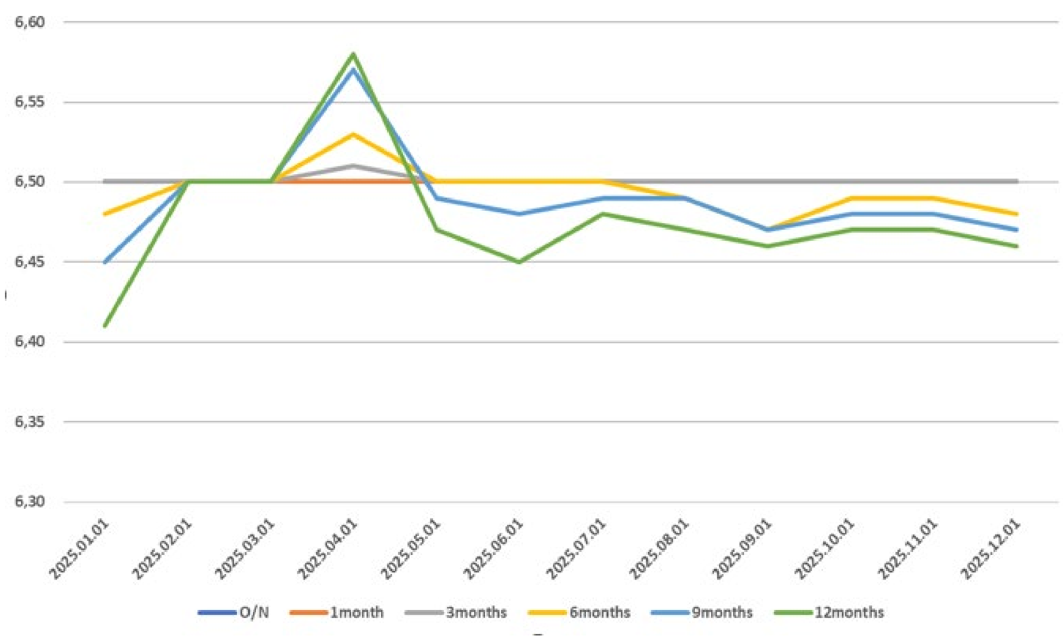
The MNB policy rate

The interest rate environment in 2025 will continue to be determined by a restrictive monetary policy. The Magyar Nemzeti Bank maintained its key policy rate unchanged at 6.50% throughout the year, which was confirmed by several consecutive interest rate decisions. The October 2025 rate decision was the 13th time in a row that the Monetary Council left the interest rate level unchanged, and the December meeting reaffirmed the tight, stable monetary conditions consistent with the objective of sustainable price stability. The central bank's communication indicated consistently that the persistence of economic risks and services inflation warranted the maintenance of a tight monetary stance.

BUBOR/BIRS

The BUBOR indicators, which reflect money market conditions, moved in a stable range. Based on actual data, the indicators moved between 6.40% and 6.60% throughout the year. The level of the BUBOR thus closely tracked the invariance of the base rate and was in line with market participants' short-term expectations of yields. This stable financial market environment, while implying high interest rates, has provided predictable financing conditions, but has continued to restrain a stronger recovery in credit demand and investment activity.

BUBOR trend in 2025

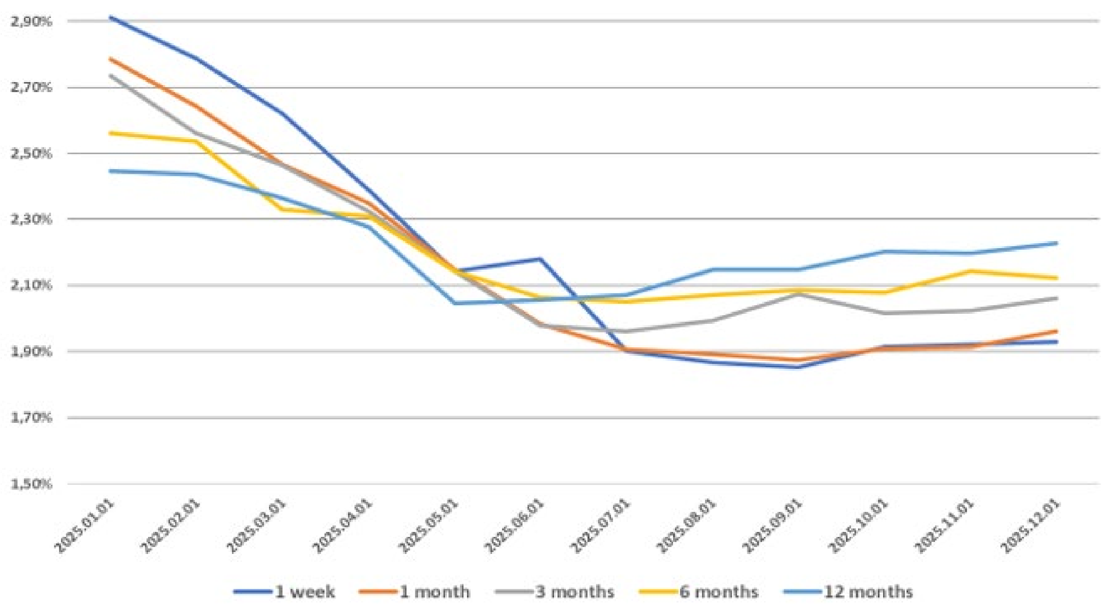


Source: MNB, PannErgy

EURIBOR

In 2025, EURIBOR indicators exhibited a gradual decline, reflecting moderating inflation in the euro area and the cautiously easing monetary policy environment of the ECB. At the beginning of the year, the 1-week, 1-month, 3-month, 6-month and 12-month interest rates started the year in the range of 2.4%–2.9%, before steadily declining throughout the year. Interest rates stabilised in the second half of the year, and by the end of the year – according to data as at 1 December 2025 – the 1-week EURIBOR closed at 1.93%, the 1-month at 1.96%, the 3-month at 2.06%, the 6-month at 2.12% and the 12-month at 2.23%, indicating a gradual easing of financing conditions.

EURIBOR trend in 2025



Source: Euribor-rates.eu, PannErgy

<u>The impacts of the changes in the interest environment on the Company</u>

The stable, high interest rate environment in 2025 had a limited impact only on the PannErgy Group's costs of funds. The interest rate risk associated with the Company's floating-rate borrowings, which are fixed to EURIBOR and BUBOR, was effectively offset by the interest rate swap (IRS) contracts concluded previously for hedging purposes; thus the Company’s interest rate burden was not materially affected by movements in market interest rates. The majority of forint-based loans are subsidised, fixed-rate facilities; consequently, the Company's exposure to BUBOR fluctuations was minimal.

At the same time, the stable but relatively high interest rate environment enabled PannErgy to invest its liquid funds in bank deposits and other interest-bearing instruments in a yield-optimising manner, thereby contributing to the improvement of its financial performance.

43. Participations

43.1. *Consolidated subsidiaries*

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

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 consolidated ratios are the same as the respective shares of ownership. PannErgy Nyrt., the parent company, has a 100% share of ownership in PannErgy Geotermikus Erőművek Zrt. the Group's technical/professional leader company, which in turn is 100% direct owner of all PannErgy project companies and group member companies at the cut-off date of the financial statements.

43.2. *Changes affecting investments and participations during the reporting year*

The PannErgy Group's consolidated companies remained unchanged in comparison to the base period. No transactions affecting investments or shareholdings took place during the reporting period.

Following the reporting period, the Company informed capital market participants that PannErgy Geothermal Power Plants Zrt., a wholly owned subsidiary of PannErgy, sold to PannErgy Nyrt. 100% of its wholly owned subsidiary Szentlőrinci Geotermia Kft. The transaction is effected in line with the simplification and restructuring of the PannErgy Group's organisational processes. The transaction, which was registered by the competent court of registration with effect from 10 February 2026, has no material impact on the consolidated financial statements of the Company.

44. Segments report

44.1. *Definition and identification of the segments of operation*

In line with IFRS requirements, the Company needs to present its operating segments. As in the base period, the Company identified a single operating segment during the reporting period: Energy. The Energy industry is the Company's main operating segment, its core operations including the generation and sale of geothermal heat as well as the implementation of related investment projects and other activities. As in the base period, PannErgy Group, the legal successor of Pannonplast Nyrt., does not identify the utilisation – as property management – of industrial facilities and related office premises formerly used by Pannonplast Nyrt. in its plastics manufacturing operation as a separate operating segment in the reporting period for the following reasons:

- under the requirements of *IFRS 8 Operating Segments*, based on the management approaches applied to segments and the criteria for the presentation of operating segments, the asset management and property utilisation activity performed beyond the Energy segment does not form a fully independent component. This should be regarded as an integrated supplementary function, including the re-invoicing of electricity and other utility fees and, to a lesser extent, the collection of office rents. Moreover, the Company is planning to sell the properties concerned;
- the performance assessment of the utilisation of the aforesaid properties is a negligible part of the work of the Company's operative management and supreme bodies; the internal control reporting system does not focus on information regarding the utilisation of properties as they are considered 'pass-through' items;
- In the accounting policies detailed in these consolidated financial statements, applying the accounting policies set out in *4.28. Segment Reporting*, the Company concludes that Energy as an operating segment can be clearly identified in the case of the PannErgy Group. As regards the operation of the PannErgy Group, the management of the Company has adopted the approach to focus all its resources, in line with the expectations of investors, on maximising the efficiency of the Energy segment; the utilisation of property owned by the Company is in all respects an insignificant element in its operation and, based on the management's approach, cannot be considered to constitute an operating segment.

Notwithstanding the above, the Company examined the limit values of the property utilisation activity linked to the identification of operating segments. The HUF 50 million revenue of this activity (including HUF 32 million in rent) in the reporting period accounted for less than 1% of the HUF 8,748 million revenue realised by PannErgy Group in the reporting period. Accordingly, the asset management and property utilisation activity is below the *IFRS 8* quantitative limit pertaining to standards and it will remain so because of the continuous growth of the Energy segment and the divestment of the real property portfolio in Debrecen during the base period.

Based on the above, only one operating segment can be identified at PannErgy Group (Energy); consequently, the Company has to fulfil disclosure obligations covering the entity as a whole. This means that the reporting year's and the basis year's data of the Energy segment are the same as the financial information pertaining to the entirety of the business entity, which are adequately presented herein.

44.2. *Geographical segments*

Within Energy, the single operating segment defined within the Company, geographical/project location segments were identified in the reporting period based on the order of magnitude of both sales revenue and fixed assets. In addition to assessing financing and other aspects, the Company examines the profitability of these separately, working out specific plans concerning their operation.

Statement of profit or loss 2025 (data in HUF million)	Győr	Miskolc	Szentlőrinc	Holding governance, other activities	Total
Revenue from sales	**4,970**	**3,475**	**97**	**206**	**8,748**
Revenues among segments	-	-	-	-	-
Direct cost of sales	**-3,247**	**-2,542**	**-65**	**-308**	**-6,162**
Gross margin	**1,723**	**933**	**32**	**-102**	**2,586**
Gross profit ratio %	***35%***	***27%***	**33%**	***-50%***	***30%***
Indirect costs of sales	-174	-199	-6	-419	-798
Other revenues	121	199	12	76	408
Other expenditures	-132	-103	-3	-99	-337
Operating profit	**1,538**	**830**	**35**	**-544**	**1,859**
Operating profit ratio %	**31%**	**24%**	**36%**	**-265%**	**21%**
Direct depreciation	-1,043	-947	**-35**	-237	-2,262
Indirect depreciation	-1	-	-	-	-1
Total depreciation	**-1,044**	**-947**	**-35**	**-237**	**-2,263**
Extraordinary depreciation	-	-	-	-60	-60
EBITDA	**2,582**	**1,777**	**70**	**-247**	**4,182**
EBITDA rate %	**52%**	**51%**	**72%**	**-120%**	**48%**
Financial profit	-146	15	22	-25	-134
Profit before taxes	**1,392**	**845**	**57**	**-569**	**1,725**
Income tax	-16	23	-1	-24	-18
Net profit for the year	**1,376**	**868**	**56**	**-593**	**1,707**

Statement of financial position 2025 (data in HUF million)	Győr	Miskolc	Szentlőrinc	Holding governance, other activities	Total
Goodwill	251	395	32	-	678
Other intangible assets	177	131	1	918	1,227
Tangible assets	8,281	11,609	894	519	21,303
Investment properties	-	-	-	77	77
Marketable properties	-	-	-	-	-
Other invested financial assets	-	-	-	-	-
Receivables from deferred taxes	72	95	8	-3	172
Total fixed assets	**8,781**	**12,230**	**935**	**1,511**	**23,457**
Inventories	2	46	21	5	74
Trade receivables	769	1,149	16	22	1,956
Other receivables	106	-8	9	146	253
Prepaid income taxes	-	-	-	2	2
Securities	-	-	-	-	-
Liquid assets	600	218	19	372	1,209
Total current assets	**1,477**	**1,405**	**65**	**547**	**3,494**
TOTAL ASSETS	**10,258**	**13,635**	**1,000**	**2,058**	**26,951**
Subscribed capital	-	-	-	320	320
Reserves net of profit/loss of the reporting period	2,372	6,068	652	5,563	14,655
Net P/L of the reporting year	1,376	868	56	-593	1,707
Reserve for repurchased treasury shares	-	-	-	-4,953	-4,953
Minority shareholdings	-	-	-	-	-
Total shareholders' equity	**3,748**	**6,936**	**708**	**337**	**11,729**
Long-term loans, leases	3,441	2,896	-	1,211	7,548
Other long-term deferred income	944	1,928	270	108	3,250
Provisions	-	-	-	-	-
Total long-term liabilities	**4,385**	**4,824**	**270**	**1,319**	**10,798**
Trade payables	539	768	5	16	1,328
Short-term credits	-	-	-	1	1
Short-term part of long-term credits	965	814	-	375	2,154
Short-term part of other long-term deferred revenues	76	148	10	60	294
Other short-term liabilities	543	147	7	-50	647
Total short-term liabilities	**2,123**	**1,877**	**22**	**402**	**4,424**
LIABILITIES AND EQUITY	**10,256**	**13,637**	**1,000**	**2,058**	**26,951**

45. Explanation for reclassifications relative to base period report and during the reporting period

The PannErgy Group did not modify the data contained in its consolidated financial statements for the base period; the basis data presented in these financial statements are the same as those in the 2024 consolidated financial statements.

46. Transactions with related parties

The effects of settlements and transactions between all consolidated subsidiaries belonging to PannErgy Nyrt. were eliminated by consolidation.

46.1. *Transactions with members of the Company's management*

The members of the Group's management are shareholders of enterprises that provide regular business management consultancy or long-term vehicle lease services to PannErgy Nyrt. – in 2025 such services amounted to HUF 159 million in total, of which business management consultancy services were provided in the amount of HUF 99 million, and long-term vehicle leases in the amount of HUF 60 million. Corresponding services amounted to HUF 147 million in the base period, of which business management consultancy services represented HUF 91 million and long-term vehicle lease services represented HUF 56 million. The increase of HUF 12 million (representing an 8% increase) in transactions with members of the Company's management is in line with the market price movements for similar services during the reporting period and the change in the content of the services.

46.2. *Transactions with related parties*

In the reporting period, the following transactions took place at the PannErgy Group with related parties that are not subject to consolidation:

Data of transactions with affiliated but not consolidated parties, in the consolidated financial statements	**2025 HUF Mn**	**2024 HUF Mn**
Revenue from sales	2	2
Costs of goods and services	157	147
Receivables at the end of the reporting period	-	-
Liabilities at the end of the reporting period	-	8

All of the transactions – during the reporting period and during the base period – with related parties that are not subject to consolidation involve entities related to the Group's management through ownership.

46.3. *Loans to related parties*

Neither in 2025 nor in 2024 did the PannErgy Group provide loans to related but not consolidated parties, and no loans were disbursed to members of the Group's management.

46.4. *Changes in intra-group consolidated / eliminated transactions and portfolios*

Elimination of profit & loss account items:	**2025 HUF Mn**	**2024 HUF Mn**
Revenue from sales	2,977	2,526
Direct cost of sales	2,942	2,494
Indirect cost of sales	35	32
Other revenues	1,381	443
Other expenditures	881	442
Finance incomes	1,010	1,284
Finance costs	1,010	1,258

Elimination of statement of financial position items:	**2025 HUF Mn**	**2024 HUF Mn**
Tangible assets	1,872	1,611
Intangible assets	118	-
Next period’s items among other receivables	2,723	1,972
Other receivables, short term loans	408	2,766
Long-term loans granted	11,019	12,109
Long-term liabilities	11,019	12,109
Next period’s items among other liabilities	2,723	1,972
Other short-term liabilities	408	2,766

46.5. *Remuneration of key executives*

	2025 HUF Mn	**2024 HUF Mn**
Short-term management allowances	27	25
Termination benefits	-	-
Share-based benefits	-	-
Total	**27**	**25**

Within short-term management allowances, the remuneration of the members of the Management Board for the period amounted to HUF 10 million. This amount is the same as in the previous year. At the Company’s General Meeting on 25 April 2025, by MB Resolution No. 7/2025 (IV. 25.) the Company set the remuneration of the Chairman of the Management Board at HUF 195,000/month, while that of the other members of the MB at HUF 155,000/month from 26 April 2025, i.e. management remunerations remained unchanged compared to the previous year.

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

47. Additional information

The effects of settlements and transactions between all consolidated subsidiaries belonging to PannErgy Nyrt. were eliminated by consolidation.

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

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

Considering the report of the Management Board, the opinion of the Audit Committee and the auditor, the General Meeting accepts the report of the Management Board for 2024.

Considering the report of the Management Board, the opinion of the Audit Committee and the auditor's report, the General Meeting has accepted the Company's separate (parent company), non-consolidated balance sheet and profit & loss statement for 2024 as prepared in accordance with the EU IFRS standards, in line with the associated proposal and the auditor's report, with an identical total of HUF 10,009,596 thousand for assets and liabilities, and earnings after taxes, i.e. profit of HUF 148,041 thousand.

The General Meeting – considering the report of the Management Board, the opinion of the Audit Committee and the auditor – acknowledges and accepts the EU IFRS consolidated financial statements of the PannErgy Nyrt. Group on its operations in 2024, showing an identical total of HUF 28,683 million for assets and liabilities (balance sheet total), and net earnings, i.e. profit of HUF 1,405 million.

The General Meeting has accepted the proposal of the Board of Directors to transfer the total amount of the Company's profit after taxes to the profit reserve, and therefore the Company will not pay any dividend."

47.2. *Audit information*

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

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

For its audit pertaining to the reporting year, the auditor charged a fee of HUF 8 million for the PannErgy Nyrt. level audit and HUF 23 million for the Group-level audit, and received no other remuneration (for any other external review, tax consultancy or other service) from the Company.

47.3. *Person responsible for the preparation of the report*

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

47.4. *Members of the Company with controlling influence*

PannErgy Nyrt. is a public limited company. In line with Chapter 8.2 *(Shareholders with over 5% shareholdings in the Company as at 31 December 2025)* of the Business Report, none of the members of the Company has a majority interest – in particular, qualified majority – in the Company; consequently, there is no need to disclose any information on the name, registered office or voting share of such members.

47.5. *Persons authorised to act on behalf of the Company*

Members of the Management Board are entitled to represent and act on behalf of the Company as follows; they are authorised to sign the annual report at the date of publication of the current consolidated financial statements:

Name	**Position**	**Address**	**Mandated from**	**Signature right**
Dénes Gyimóthy	MB member, Chairman	94501 Komárno, Medercská ul. 748/73.	31.08.2007	independent
Katalin Gyimóthy	Member of the MB	H-8220 Balatonalmádi, Somfa utca 4.	28.04.2016	joint
Attila Juhász	Member of the MB	H-2251 Tápiószecső, Rákóczi út 6.	31.08.2007	joint
Kálmán Rencsár	Member of the MB	H-6320 Solt, Posta utca 51.	30.04.2020	joint
Gábor Briglovics	Member of the MB	H-2483 Gárdony, Barabás Miklós utca 10.	16.04.2022	joint
István Jaksa	Other employee, Chief Executive Officer	H-1222 Budapest, Nap utca 28-30. 2. a.	13.02.2024	joint

There were no changes in the Company's senior officers during the reporting period.

47.6. *Other disclosure obligations of the Company*

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

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

47.7. *Registered office, website and contact information of the Company*

PannErgy Nyrt. has its registered office in Hungary at H–1112 Budapest, Boldizsár utca 2. The Company's separate and consolidated financial statements and report are available at the Company's registered office and on its website (https://www.pannergy.com).

48. EVENT AFTER THE CUT-OFF DATE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

No material events or significant developments that would have an impact on the Company's 2025 financial year, or the reported results and balance sheet figures for that period in the consolidated financial statements occurred after the reporting date for the consolidated financial statements.

References to events that occurred after the cut-off date of the consolidated financial statements are presented in the following table: Based on the references the complete information is accessible at the Company's official places of disclosure.

Date	Type of news	Subject, brief content
17 March 2026	Extraordinary information	General meeting invitation
1 March 2026	Extraordinary information	Voting rights, share capital
10 February 2026	Extraordinary information	Intra-group share purchase and sale
1 February 2026	Extraordinary information	Voting rights, share capital
15 January 2026	Extraordinary information	Quarterly production report
1 January 2026	Extraordinary information	Voting rights, share capital
15 December 2025	Extraordinary information	Corporate events calendar
30 November 2025	Extraordinary information	Voting rights, share capital
2 November 2025	Extraordinary information	Voting rights, share capital
30 October 2025	Extraordinary information	Information on the transfer of shares by a person closely associated with a person performing managerial responsibilities
30 October 2025	Extraordinary information	Treasury share transaction within the Group
15 October 2025	Extraordinary information	Quarterly production report
1 October 2025	Extraordinary information	Regulated heat tariffs in effect from 1 October 2025
30 September 2025	Extraordinary information	Voting rights, share capital
19 September 2025	Extraordinary information	Semi-annual report
4 September 2025	Extraordinary information	Own share transactions – Closing of the transaction to acquire MVM's stake in PannErgy
31 August 2025	Extraordinary information	Voting rights, share capital
18 August 2025	Extraordinary information	Change in the extent of voting rights regarding treasury shares
14 August 2025	Extraordinary information	Designation of the entire geothermal thermal springs area of Budapest as a closed concession area, revocation of the exploration licence
12 August 2025	Extraordinary information	Information on the acquisition of shares by a person closely associated with the person performing managerial responsibilities
7 August 2025	Extraordinary information	Articles of Association
31 July 2025	Extraordinary information	Voting rights, share capital
31 July 2025	Extraordinary information	Registration of a share capital decrease

15 July 2025	Extraordinary information	Quarterly production report
1 July 2025	Extraordinary information	Voting rights, share capital
5 June 2025	Extraordinary information	Disclosure of Transactions by Persons Discharging Managerial Responsibilities
5 June 2025	Extraordinary information	Owner’s announcement
1 June 2025	Extraordinary information	Voting rights, share capital
11 May 2025	Extraordinary information	Articles of Association
1 May 2025	Extraordinary information	Voting rights, share capital
25 April 2025	Extraordinary information	Annual Report 2
25 April 2025	Extraordinary information	Annual Report 1
25 April 2025	Extraordinary information	ESG Report
25 April 2025	Extraordinary information	Remuneration report
25 April 2025	Extraordinary information	FT Report
25 April 2025	Extraordinary information	General Meeting Resolutions
15 April 2025	Extraordinary information	Quarterly production report
10 April 2025	Extraordinary information	General Meeting
2 April 2025	Extraordinary information	Information on the transfer of shares by a person closely associated with a person performing managerial responsibilities
2 April 2025	Extraordinary information	Treasury share transaction within the Group
2 April 2025	Extraordinary information	Owner’s announcement
1 April 2025	Extraordinary information	Information on the acquisition of shares by a person closely associated with the person performing managerial responsibilities
1 April 2025	Extraordinary information	Own share transactions exceeding the voting right threshold
31 March 2025	Extraordinary information	Voting rights, share capital
31 March 2025	Extraordinary information	PannErgy to acquire MVM's stake in PannErgy in the form of own share transactions
19 March 2025	Extraordinary information	Proposals to the General Meeting 2
19 March 2025	Extraordinary information	Proposals to the General Meeting 1
4 March 2025	Extraordinary information	Invitation to the General Meeting
2 March 2025	Extraordinary information	Voting rights, share capital
31 January 2025	Extraordinary information	Voting rights, share capital
20 January 2025	Extraordinary information	Resolution of the Magyar Nemzeti Bank on the prohibition of unlawful conduct and imposition of a market surveillance fine against the Issuer
15 January 2025	Extraordinary information	Quarterly production report
6 January 2025	Miscellaneous information	Extension of the market maker agreement

49. DATE OF AUTHORISATION OF DISCLOSURE

The Company's Board approved the financial statements and authorised their disclosure on 26 March 2026.

Dénes Gyimóthy
On behalf of the Management Board

PannErgy Nyrt.
Business and Management Report
2025

Based on the PannErgy Group's IFRS consolidated financial statements

Budapest, 26 March 2026

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

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

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Investor relations contact: Dénes Gyimóthy ° +36 1 323 2383

1. Executive Summary

<u>Showing organic growth, consolidated EBITDA is consistent with the budget</u>

The PannErgy Group's consolidated EBITDA reached HUF 4,182 million in the reporting period, moderately outperforming the EBITDA target range of HUF 4,000 – 4,150 million for 2025. The median value of the 2025 budget represented organic growth compared to the 2024 EBITDA of HUF 3,921 million, up 3% primarily owing to efficient operations and the commissioning of the third production well in Miskolc in the reporting period.

In its 2025 Q4 production report published on 15 January 2026, the Company indicated that it expected a moderate over-performance of the EBITDA target range, and realise EBITDA in the range of HUF 4,150 – 4,200 million. This was confirmed by the consolidated EBITDA performance recorded for the reporting period.

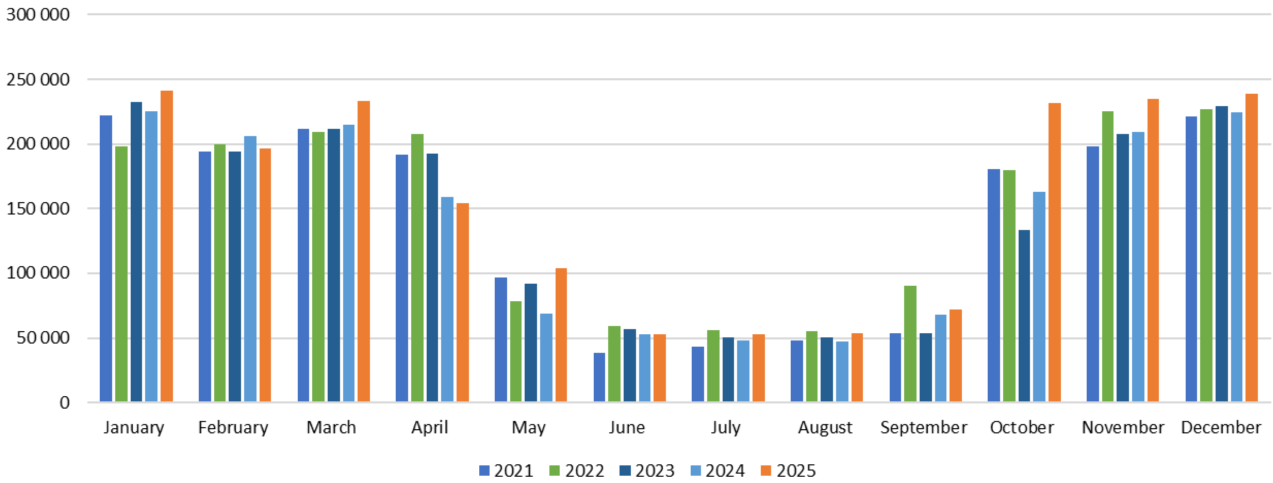
<u>The Company's EBITDA projection for the coming year (2026)</u>

The Company's management has set a consolidated IFRS EBITDA target range of HUF 4,300 – 4,450 million for the 2026 business year, with median EBITDA growth of 5% compared to HUF 4,182 million result of the 2025 business year. This increase is consistent with the projects implemented by the Company in recent years to improve the efficiency and capacity of existing projects and to ensure a higher level of operational safety. As a result, **PannErgy's growth is driven by the development and expansion of its existing business activity, with the EBITDA improvement resulting clearly from operational efficiency and internal growth.**

<u>Consolidated heat sales in excess of the target and the base</u>

In the first months of 2025, the Company focused on the successful commissioning of the third production well of the Miskolc Geothermal Project, bored in 2024. The technical integration was implemented smoothly, and thanks to this and other technical and heat market conditions that positively influenced heat sales, **PannErgy achieved heat input in 2025 that exceeded both the base period and the targets.**

Based on the weather and capacity conditions of the reporting period, **the PannErgy Group's consolidated heat sales in 2025 amounted to 1,865 TJ, which is about 6% higher than the 1,767 TJ consolidated heat sales of the previous year and 5% higher than the 1,771 TJ target.**



Consolidated volume of heat sold (GJ)

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

	2021	2022	2023	2024	2025	2025 Plan
January	221 966	197 923	232 696	225 521	241 489	
February	194 173	199 600	193 989	206 080	196 147	
March	211 762	209 267	211 365	214 659	233 192	
1st quarter	**627 901**	**606 790**	**638 050**	**646 259**	**670 828**	**653 982**
April	192 053	207 861	192 834	159 116	154 333	
May	96 333	78 637	92 125	68 687	104 216	
June	38 595	58 955	56 645	52 745	52 522	
2nd quarter	**326 981**	**345 453**	**341 604**	**280 548**	**311 071**	**287 272**
July	42 919	56 299	50 385	47 662	52 654	
August	48 023	54 838	50 659	47 099	53 336	
September	53 870	90 033	53 905	68 343	71 946	
3rd quarter	**144 812**	**201 170**	**154 949**	**163 104**	**177 937**	**163 099**
October	180 427	179 453	133 450	209 679	231 498	
November	197 872	224 871	208 031	224 674	234 939	
December	221 198	226 770	229 190	242 321	238 689	
4th quarter	**599 497**	**631 094**	**570 671**	**676 675**	**705 126**	**666 246**
Year total	**1 699 190**	**1 784 507**	**1 705 274**	**1 766 586**	**1 864 962**	**1 770 598**

Consolidated actual and target amounts of heat sales, in GJ

<u>Consolidated sales revenue of nearly HUF 9 billion, net profit for the reporting year exceeding HUF 1.5 billion</u>

Main financial management figures of the reporting period:

Main profit/loss data (HUF million)	2025	2024
Revenue from sales	**8,748**	8,140
Direct cost of sales	-6,162	-6,137
Gross margin	**2,586**	**2,003**
Gross cash flow	**4,848**	**4,081**
Gross cash flow rate	**55%**	**51%**
Indirect costs of sales	-798	-702
Other revenues and expenditures	71	542
Operating profit (EBIT)	**1,859**	**1,843**
EBITDA	**4,182**	**3,921**
EBITDA rate	**48%**	**49%**
Financial profit	-134	-356
Profit before taxes	**1,725**	**1,487**
Consolidated net profit for the reporting period	**1,707**	**1,405**
Earnings per ordinary share (diluted EPS) (HUF)	**121**	**93**

The Company's consolidated sales revenue for the reporting period is HUF 8,748 million, which is HUF 608 million (7%) higher than the corresponding value of the base period.

The increase in consolidated sales is partly attributed to higher energy emissions and partly to higher unit sales prices.

The significant increase in consolidated gross margin of 29% is consistent with both the upward effect on sales revenues of the heat sales performance in the reporting year, as detailed above, and the fact that direct costs of sales only moderately tracked the change in sales revenues. Electricity costs for heat generation and transport fell by 18% compared to the base period.

The gross cash-flow value of HUF 4,848 million, which exceeded the base period by HUF 767 million, was achieved with a gross cash-flow rate of 55%.

Administrative and general expenses rose by 13% to HUF 798 million, in line with the Company's organic growth and the inflation and sectoral price index environment prevailing in the period.

The balance of other revenues and expenditures is a profit of HUF 71 million, compared to the HUF 542 million profit recorded in the previous period.

In the previous period, accruals increasing other income represented a substantial amount related to the assignment, during the period concerned, of regulatory heat sales prices relating to district heat generation during various periods. At the end of the reporting period, such items were no longer recognised in other revenues because there were no significant changes in the price market, the inflation environment or other conditions between accounting periods that would have warranted the application of such adjustments.

Accordingly, the Company achieved an operating surplus of HUF 1,859 million in the reporting period. Due to the continuous need for projects aimed at improving efficiency, capacity and safety, the Company is constantly developing its tangible assets, for which scheduled and extraordinary depreciation charges of HUF 2,323 million were incurred (primarily) in the reporting period as non-cash expenditures.

Adjusting the operating result for this effect, the **consolidated EBITDA of the PannErgy Group amounted to HUF 4,182 million in 2025, which was achieved with an EBITDA rate of 48%. This outperforms the consolidated EBITDA performance of the base year by 7%.**

The Company incurred a financial loss of HUF 134 million in the reporting period, which is far more favourable than the financial loss of HUF 356 million in the base period. The positive variation is due to exchange gains realised on bank financing transactions during the reporting period on the one hand, and unrealised gains on revaluations at the end of the period, on the other. During the reporting period, the Company realised an exchange gain of HUF 228 million and, in relation to the end-of-period, unrealised revaluations, recognised a – not final – financial loss of HUF 31 million. In total, realised and unrealised exchange changes resulted in a financial P/L of HUF 197 million.

As a consequence of the above operational and financial developments, the Company achieved a consolidated net profit after tax of HUF 1,707 million in 2025, which is 21% higher than the consolidated profit of HUF 1,405 million in the base period.

<u>PannErgy's regulated district heating tariffs</u>

The **Company's determination of regulated district heating tariffs effective from 1 October 2025 followed the practice first introduced from 1 October 2024. In contrast to the previous practice applied before 1 October 2024, the Ministry Decree in effect set district heating producer tariffs not only in the form of a sales heat tariff for the heat volume sold, but also in the form of a split heat supply tariff for the heat volume sold, and a monthly supplier base tariff, i.e. using a so-called two-element pricing system.**

The **two-element regulated pricing has a positive impact on the predictability of the Company's performance**, and the impact on the Company's profitability due to changes in the demand for heat subject to the regulated price (e.g. weather, including climate change) has been minimised for the district heating partners.

The regulated prices defined for the district heating companies of the PannErgy Group in the reporting period and the base period are described in detail in Chapter 2.2 *Regulated district heating tariffs.*

<u>Significant projects commissioned and closed during the reporting period</u>

<u>Expansion of the Miskolc Geothermal Project with a third production well</u>

At the Miskolc Geothermal Project, the third geothermal production well was commissioned in January 2025, in line with the licensing process. Thanks to the CAPEX-level capacity expansion investment of over HUF 3 billion, the theoretical usable capacity of the Miskolc system may increase by 15%–20%, and will significantly improve the continuity of operations by increasing the number of production wells. This is because the third production well, similar to the system in Győr, also provides reserve capacity, so in the event of a failure, instead of replacing the well pump, which would take 7–12 days, heat production is restarted with a few hours of switching over – with a capacity significantly approaching the original – for the period when the failure is repaired.

These positive changes are already almost fully reflected in the 2025 consolidated heat sales and EBITDA performance.

In addition to the positive impact on the Company's profitability, it is important to emphasise that the resulting green reserve system is independent of fossil fuel sources, which, in the case of Hungarian geothermal systems, has so far only been achieved in the Győr Geothermal System, also owned by PannErgy.

Budapest environs project

In relation to the geothermal project to be implemented near Budapest, the Company's previously obtained exploration licence was revoked during the reporting period due to the expiry of the exploration period. In addition, certain mining-related regulations were amended to the effect that the entire geothermal thermal springs environment of Budapest was blocked, thus designating the target zone of the Company's geothermal project a closed area. Notwithstanding the withdrawal of the licence, PannErgy will consider the legal, professional and business opportunities and will be able to decide on the initiation of a possible geothermal project near Budapest based on the outcome of these assessments.

In line with the withdrawal of the project's licences and in view of the relevant accounting guidelines, the work-in-progress of HUF 57 million – which was incurred to date in the Budapest area project in relation to preparations and licensing – was written off as extraordinary depreciation in the reporting period. The related expense is presented among other expenditures.

Treasury share buyback programmes and reduction of share capital

On 31 December 2025 the Company held a total of 2,593,365 PannErgy Nyrt. treasury shares, 324,255 less than it held on 31 December 2024. The decline in the reporting period is the combined result of the cancellation of 2,000,000 treasury shares and the repurchase of 1,675,745 treasury shares during the reporting period. The latter took place under the share purchase agreements concluded with MVM Energetika Zrt. as detailed in Chapter 10 *Treasury share buybacks, buyback programmes during the reporting period* of the business and management report.

The closing share price at the end of the reporting period was HUF 1,910, 22% above the closing price on 31 December 2024.

Commissioned by the Budapest Stock Exchange, PannErgy Nyrt. is being analysed by an analyst of OTP Bank Nyrt. At the time of each announcement, the analyst updates the assumptions of the model applied, along with the 12-month target price.

In its most recent analysis published on 20 January 2026, OTP raised its target price for PannErgy shares to HUF 2,521 from HUF 2,322 included in its previous analysis of 16 October 2025, indicating a 29% upside potential.

General meeting closing the previous business year, dividend payment

On 25 April 2025, the General Meeting of the Company approved PannErgy Nyrt.'s audited consolidated and separate (parent company), unconsolidated annual reports for 2024, drawn up in accordance with the Union's IFRS standards. The General Meeting subsequently approved the Management Board's proposal regarding dividends, on the basis of which no dividend was paid.

2. PannErgy Group's profit or loss in 2025, key indicators of its business operations

The Company has successfully met the technical and financial targets set for 2025. Main indicators of the management of the reporting period:

Key profit/loss figures (in HUF million)	2025	2024
Revenue from sales	**8,748**	**8,140**
Direct cost of sales	-6,162	-6,137
Gross margin	**2,586**	**2,003**
Gross margin ratio %	*30%*	*25%*
Gross cash flow	**4,848**	**4,081**
Gross cash flow rate %	*55%*	*51%*
Indirect costs of sales	-798	-702
Other revenues	408	792
Other expenditures	-337	-250
Operating profit (EBIT)	**1,859**	**1,843**
Operating profit rate %	*21%*	*23%*
EBITDA	**4,182**	**3,921**
EBITDA rate %	*48%*	*49%*
Financial profit	-134	-356
Profit before taxes	**1,725**	**1,487**
Consolidated net earnings in the reporting year, as profit after taxes	**1,707**	**1,405**
Return on Equity, % (ROE)	15%	11%
Return on Sales, % (ROS)	20%	17%
Earnings per share (EPS), in HUF	**121**	**93**

Diluted earnings per share also amounted to HUF 121. Similar to the previous period, there is no difference in determining diluted earnings per share in the reporting period.

Detailed description of the Company's business operations in 2025:

In 2025, the Company's consolidated sales revenue rose by 7% to HUF 8,748 million compared to HUF 8,140 million in the same period of the previous year. The increase in consolidated sales revenue is almost entirely related to the heat sales activity. The main reasons for the increase are both the higher level of heat sales activity and the regulatory and commercial price increases imposed on heat-receiving partners. The consolidated heat sales volume in the reporting period amounted to 1,864,962 GJ, 6% higher than the 1,766,586 GJ recorded in the base period.

Looking at the breakdown of the HUF 8,547 million revenue from heat sales by project, the breakdown of by project shows that the Geothermal Project of Győr contributed revenues of HUF 4,971 million to the PannErgy Group's business performance, up 2% over the HUF 4,876 million revenues recorded in 2024. Arrabona Koncessziós Kft.'s sales to Győr-Szol Zrt. amounted to HUF 3,044 million of the total figure above, while DD Energy Kft.'s sales to its automotive industry customer amounted to HUF 1,922 million (compared to HUF 3,089 million and HUF 1,781 million, respectively, in the previous year). Sales to heat-receiving partners realised within the framework of the Geothermal Project of Miskolc added up to HUF 3,472 million in the reporting period, of which HUF 3,417 million was sold to MIHŐ Miskolci Hőszolgáltató Kft. These sales figures surpass the previous year's revenue of HUF 2,969 million from the Miskolc project, and the HUF 2,910 million revenue from MIHŐ Miskolci Hőszolgáltató Kft. Regarding the Miskolc project alone, this represents a sales revenue increase of 17% year-on-year.

Of the Company's two smaller volume projects, the Szentlőrinc project exceeded the previous period's revenue from heat sales, while the Berekfürdő project slightly fell short of the figure recorded in the previous period. The sales revenue of the Szentlőrinc operation increased by 10% from HUF 88 million in the previous year to HUF 97 million in the reporting period. In Berekfürdő, the revenue from heat tariffs amounted to HUF 7 million, falling short of the previous year's HUF 8 million.

For the Group's project in Berekfürdő, due to its technical characteristics and the heat market, electricity sales are a more important source of revenue than heat sales. PannErgy's revenue from electricity sales amounted to HUF 112 million reporting period, which is practically the same as in the previous year and is entirely attributable to the power plant in Berekfürdő.

Revenue from mediated and other services amounted to HUF 55 million in the reporting period, which is identical with the corresponding figure recorded in the base period. These are not related to geothermal energy, which is the core activity, but to the exploitation of the Company's properties in Debrecen. This activity also generated rental income of HUF 32 million, exceeding the value of the previous year by HUF 4 million (14%). Moreover, the Company recognised HUF 2 million as revenue from the sale of intangible assets and tangible assets stated in its books as assets held for sale.

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 96% of the total sales of PannErgy Group in the reporting period.

The direct costs of sales increased marginally in the reporting period, by less than 1% year-on-year to HUF 6,162 million from HUF 6,137 million.

The significant decline of 18% in the electricity costs for heat generation and transport was due to the lower level of electricity prices relative to the base period. Compared to the previous periods, the Company was able to conclude fixed-price purchase contracts for the purchase of electricity under more favourable market conditions in the reporting period.

The level of direct depreciation increased by 9% compared to the previous year due to a higher level of efficiency and safety improvement projects in the reporting year and the previous year.

The 8% increase in maintenance and operating costs and the 3% rise in facility management costs are attributable to the price increases tracking the price index changes characterising the reporting period, and to the expanding assets of geothermal projects. The increase is also linked to the steadily expanding assets of geothermal projects, the additional operational and maintenance tasks resulting from the efficiency and capacity improving projects and higher operational-efficiency requirements.

The significant increase of 9% in geothermal equipment insurance premiums is consistent with the rising asset value resulting from continued investment activity, as well as market trends in the corporate property insurance market.

The Company's gross margin amounted to HUF 2,586 million during the reporting period, as a combined result of the changes in sales revenue and direct costs, up 29% over the HUF 2,003 million value booked for the base period. The Company's gross margin rate was 30% during the reporting period (versus 25% in the base period).

The Group reports gross cash flow of HUF 4,848 million for 2025, up 19% over the HUF 4,081 million recorded in the previous year, with a gross cash flow ratio of 55%, exceeding the 51% value of the previous period.

The Company's administrative and overhead, i.e. indirect, costs amounted to HUF 798 million in the reporting period, which is 14% higher than the indirect costs of HUF 702 million in the previous year, in an inflation environment that was already declining in the reporting period compared to previous periods.

Indirect staff costs were up 19% year-on-year, in line with the labour market processes generally characterising the reporting period.

The number of employees of the PannErgy Group at the end of the reporting period remained unchanged compared to the same period of the previous year. On 31 December 2025, the number of employees was 13, identical with the 13 persons recorded on 31 December 2024. The average statistical headcount for the whole year was 18 in the reporting period, which is the same as in the previous period.

Costs of experts incurred in the reporting period include legal and consulting costs relating to the external financing of geothermal projects and to accounting and other back-office projects, expert costs relating to application schemes as well as general consulting fees to support operations and legal fees. Expert costs increased by 8% during the reporting period. In the category of consultancy costs the PannErgy Group's auditing costs amounted to HUF 23 million, in connection with the auditing of the annual reports and the interim statements of assets and liabilities. Of this, HUF 8 million was incurred by PannErgy Nyrt., the Group's parent company, in relation to the auditing of the separate report and the consolidated financial statements.

Office and operating costs grew by 17% in the reporting period year-on-year. This is mainly due to the fact that the Company's expenses of this kind (office rent, car rent, etc.) are mainly recognised on a euro basis and the exchange rate of the forint was typically higher in the reporting period, overall.

The balance of other revenues and expenditures is a profit of HUF 71 million, compared to the HUF 542 million profit recorded in the previous period.

In the previous period, accruals increasing other income represented a substantial amount related to the assignment, during the period concerned, of regulatory heat sales prices relating to district heat generation during various periods. At the end of the reporting period, such items were no longer recognised in other revenues because there were no significant changes in the price market, the inflation environment or other conditions between accounting periods that would have warranted the application of such adjustments.

The most substantial items (incurred in a total amount of HUF 174 million) of the HUF 337 million stated under other expenditures consist of local taxes, particularly, the local business tax paid to the local governments at the sites of geothermal projects. Another major item is the mining fee payable relating to geothermal heat production; under this heading the Company incurred expenditures of HUF 74 million in the reporting period.

Of the HUF 13 million included in other expenses in the reporting period, HUF 10 million was paid as a fine, based on the decision of the Magyar Nemzeti Bank (MNB) in respect of a market surveillance fine. This had no direct impact on EBITDA in the reporting period because, based on the information available, a provision of HUF 10 million was allocated in the base period based on the decision of the Magyar Nemzeti Bank (MNB) regarding the market surveillance fine, in accordance with the extraordinary information provided to the Company on 20 January 2025. In the reporting period this provision of HUF 10 million was released and is stated among other revenues.

Of the HUF 60 million stated as the extraordinary depreciation charge of tangible assets, HUF 57 million was related to the Company's project in the Budapest area, for which the permits and licences required for the implementation of the project were withdrawn by the relevant authorities during the reporting period.

The amount of other income from non-refundable investment grants received without a cash movement was HUF 300 million within the HUF 408 million other income, which includes the write-back of grants received previously and recognised as deferred income adjusted for depreciation in the reporting year.

Compensations and penalties relating to insured events that occurred and projects that were implemented in the reporting period and in the earlier period together amounted to HUF 93 million in the category of 'other revenues' during the reporting period. The items in this category included penalties, compensations or other damage-related income-type items received or acknowledged in relation to machine or equipment failures and service interruptions as well as ex-post discounts based on agreements.

As a result of the above factors, the Company achieved an operating profit of HUF 1,859 million in the reporting period, almost 1% above the previous year's level of HUF 1,843 million.

In the reporting period, the Company generated consolidated EBITDA of HUF 4,182 million with an EBITDA rate of 48%, which surpassed the EBITDA of HUF 3,921 million in the same period of the previous year and not only ensured the achievement of the Company's EBITDA target for 2025, but also exceeded it.

Scheduled depreciation of HUF 2.263 million and extraordinary depreciation of HUF 60 million were recognised during the reporting period. It is a total amount of HUF 2,323 million, 12% higher than the HUF 2,078 million recognised in 2024. The increase in depreciation is due to the fact that, amid the continuous need for projects aimed at improving efficiency, capacity and safety, the Company is constantly developing its tangible assets.

In calculating the EBITDA, the Company also takes into consideration the amount of the extraordinary depreciation recognised for intangible and tangible assets; in the reporting period, extraordinary depreciation of HUF 60 million was charged to other expenditures due to the closure of various geothermal projects in relation to licensing procedures.

The PannErgy Group recognises a loss of HUF 134 million for the reporting period as profit/loss on financial transactions, which is far more favourable than the financial loss of HUF –356 million in the base period. The positive variation is due to exchange gains realised on bank financing transactions during the reporting period on the one hand, and unrealised gains on revaluations at the end of the period, on the other. In the reporting period, the Company realised a total financial profit of HUF 228 million related to exchange rate differences on foreign currency items. A – not final – total financial loss of HUF 31 million was recognised in relation to unrealised revaluations at the end of the period. In total, realised and unrealised exchange changes resulted in a financial P/L of HUF 197 million. Other than the momentary unrealised impact of the revaluation the Company has only a moderate exposure to long-term foreign exchange risk in its operations thanks to its significant natural currency hedge position. This is because its foreign currency revenues largely cover its costs incurred in the same currency and its contractual bank debt servicing obligations, denominated in foreign currency, towards financial institutions disbursing investment loans. In the case of the Company, the currency of the FX items mentioned above is always EUR.

In addition to the impact of exchange rate changes, one of the most important items among these financial expenditures is the interest associated with credit and loan liabilities. HUF 391 million was booked for the reporting period under this heading, HUF 21 million more than the corresponding amount booked in the base period.

The Company generated interest income of HUF 91 million and yield income of HUF 8 million in the reporting period. A part of the interest income of HUF 45 million and the yield income of HUF 8 million were generated by transactions where the Company invested its uncommitted cash in short-term, low-risk assets, in line with the Group's cash flows.

Within interests received and other interest type revenues, HUF 46 million related to interest rate swaps on long-term loans.

The PannErgy Group's 2025 P/L before taxation amounted to a profit of HUF 1,725 million, surpassing the HUF 1,487 million profit posted for the previous year by 16%, owing to the circumstances described above. HUF 18 million was recognised as corporate tax liability in the reporting period, which is the net result of a HUF 85 million increase in the tax liability for the reporting year and a HUF 67 million increase in deferred tax receivables (charged to tax expenses), based on the individual tax calculations of the PannErgy Group companies.

As a consequence of the above, **the Company achieved an above-average consolidated net profit of HUF 1,707 million as profit after tax in the reporting period 2025, up 21% over the consolidated profit of HUF 1,405 million in the base period.**

Key data on the asset position (HUF million)	2025	2024
Fixed assets	**23,457**	**23,881**
Total current assets	3,494	4,802
Of which Liquid assets	*1,209*	*1,971*
Total assets	**26.951**	**28,683**
Total shareholders' equity	**11,729**	**12,564**

At the end of the reporting period, the net stock of fixed assets decreased by 2% compared to the base period, in line with the amortisation processes of the period, the amount of which exceeds the value of efficiency and safety improvement projects implemented in the reporting period.

The Company stated HUF 678 million as goodwill, similarly to the preceding period, For the most part, this is related to the minority interest acquired earlier in PannErgy Geotermikus Erőművek Zrt. in the amount of HUF 517 million. A further HUF 160 million of goodwill relates to the previous acquisition of minority stakes in the Company's project companies in Miskolc and HUF 1 million in the project company in Szentlőrinc.

Deferred tax receivables in the amount of HUF 172 million were recognised among assets. This implies an increase of HUF 67 million compared to the base period according to the PannErgy Group's calculations relating to deferred tax recovery.

The stock of current assets declined by 27% year-on-year, primarily due to the change in other receivables and liquid assets.

At the end of the reporting period, the Company stated inventories – maintenance materials and goods for use in the operation of the geothermal projects – in an amount of HUF 74 million.

Among its current assets the Company had liquid assets in an amount of HUF 1,209 million at the end of the period in contrast to the HUF 1,971 million stated in the previous year, which is consistent with the Company's cash flow processes and the bank financing transactions conducted in the reporting period.

The amount stated in Other receivables represented a year-on-year decline of 58%. The Group recognised HUF 142 million as other receivables from suppliers. These receivables cover compensations, ex post discounts and other settlements. Compared to the HUF 230 million outstanding at the end of the previous period, such receivables declined by 38%, in line with the financial settlement of the receivables.

In the previous period, accruals increasing other income represented a substantial amount – HUF 180 million – related to the assignment, during the period concerned, of regulatory heat sales prices relating to district heat generation during various periods. At the end of the reporting period, such items were no longer recorded because there were no significant changes (either in the electricity market or in the inflation environment) between individual accounting periods to justify them.

The amount of HUF 109 million of deferred items for the next period relates in full to the deferral of expenses, with no revenues deferred at the end of the period.

The Company's equity decreased by 6% year-on-year, as a result of a combined effect of the taxed profit generated during the reporting period, which increased the equity and the purchase and cancellation of treasury shares during the same period, which reduced the equity. **Equity per share (calculated for the number of shares less the portfolio of treasury shares) rose by 5% to HUF 875** from the previous year's HUF 833.

The decline in long-term forint-based loans was driven by scheduled and early repayments in the reporting period. The increase in euro loans is driven by euro-denominated borrowing for current investments.

Some special geothermal equipment and machines used for the Company's geothermal projects in Győr and Miskolc are provided and operated on a long-term lease basis. For these leased assets, long-term lease liabilities, recorded against the cost of the leased assets, are determined based on the present value of the lease fees paid during the lease term, in accordance with the requirements of the IFRS 16 Leases standard. The Company has revalued these liabilities in the reporting period in accordance with the requirements of IFRS 16, which is the reason for the increase in the financial lease liability.

Of the intra-year repayments of long-term loans reclassified to short-term loans, HUF 1,028 million relates to HUF loans and HUF 898 million to EUR-denominated loans.

The over-year part of the non-repayable grants won in the context of application schemes for the geothermal projects is shown in the other long-term deferred incomes line. In connection with this an amount of HUF 3,250 million is shown in the Company's statement of financial position, after an increase of 12% year-on-year, as a result of reversals recognised during the reporting period in proportion to amortisation.

Within current liabilities, the trade payables balance is HUF 1,328 million, 5% less than in the base period, in line with the more intensive investment activity in the base period.

The portfolio of short-term loans, including the intra-year portion of long-term loans, amounted to HUF 2,155 million at the end of the reporting period, 9% lower than the HUF 2,370 million in the previous year. This decline primarily reflects the impact of bank financing transactions and borrowing in the reporting period, and the appreciation of the forint in the case of euro-denominated loans.

Other short-term liabilities amounted to HUF 647 million at the end of the reporting period, of which the items due in the next period amount to HUF 246 million and the tax and contribution liabilities of HUF 379 million are the largest items.

Key indicators	2025	2024
Profitability indicators		
Return on assets, % (ROA)	6%	5%
Return on Equity, % (ROE)	15%	11%
Return on Sales, % (ROS)	20%	17%
Asset position indicators		
Ratio of fixed assets, %	87%	83%
Ratio of equity capital, %	44%	44%
Indebtedness rate, %	72%	69%
Financial indicators		
Liquidity ratio	79%	104%
Acid test ratio	77%	103%
Earnings per share (EPS), in HUF	**121**	**93**

The Company's profitability indicators and asset ratios improved compared to the previous period, consistent with the fact that the PannErgy Group's profit after tax for the reporting year exceeded the previous year's operating performance for the reasons described above.

2.1. *The PannErgy Group's core operations*

PannErgy Nyrt. is an entity listed on the Budapest Stock Exchange, and a premium share issuer. Its core activities involve the extraction, sale and utilisation for energy generation of one of Europe's most significant thermal water resources and, in particular, renewable geothermal energy. In connection with its geothermal energy generating operations the Company performs productive operations in Miskolc, Győr, Szentlőrinc and Berekfürdő. On 31 December 2025, PannErgy Group had 13 employees, while the annual average statistical headcount for 2025 was 18.

The Company is operating in a holding structure, under the control of PannErgy Nyrt. For the subsidiaries' detailed data see Chapter 7.

PannErgy Nyrt. has its registered office in Hungary at H–1112 Budapest, Boldizsár utca 2.

2.2. *Regulated district heating tariffs*

The PannErgy Group companies involved in the Miskolc, Győr and Szentlőrinc projects have district production licenses, and sell heat to district heating companies. Accordingly, they sell heat in a an environment regulated by the Hungarian Energy and Public Utility Regulatory Authority (MEKH). In this arrangement the heat sold by PannErgy Group to district heating companies is subject to the regulated tariffs announced for a pre-defined period in the EM Decree of the Minister for Energy.

In general, official price setting is carried out for the period from 1 October to 30 September. If necessary, it is also possible to resort to interim price-setting, as happened in the base period due to the high volatility of the energy market observed in the base and reporting periods.

Regulated heat tariffs in effect from 1 October 2025

On 1 October 2025, PannErgy Nyrt. informed the participants of the capital market that the regulated district heating producer tariffs to be applied from 1 October 2025 – also applicable to subsidiaries subject to PannErgy's district heating price regulation – were announced by the Minister of Energy in his Decree No. 29/2025 (IX. 30.) (hereinafter: Decree) published in volume 112 of 2025 of Magyar Közlöny (the Hungarian Official Journal). In contrast to previous practice, the Regulation set district heating producer tariffs not only in the form of a sales heat tariff for the heat volume sold, but also in the form of a split heat supply tariff for the heat volume sold, and a monthly sales base tariff, i.e. using a so-called two-element pricing system (treating the two seasonality periods separately for the supplier base tariff), as follows:

	Heat supply tariff (HUF/GJ)		Supplier base tariff (HUF/month)	
	Effective as of 1 October 2024	effective as of 1 October 2025	Effective as of 1 January 2025	effective as of 1 October 2025
Szentlőrinci Geotermia Kft.	HUF 304/GJ	HUF 328/GJ	HUF 6,144 thousand/month	HUF 11,721 thousand/month
Miskolci Geotermia Kft. and KUALA Kft. (base tariff for the two companies in total)	HUF 881/GJ	HUF 920/GJ	HUF 191,850 thousand/month	HUF 341,208 thousand/month
Arrabona Koncessziós Kft.	HUF 957/GJ	HUF 968/GJ	HUF 179,038 thousand/month	HUF 297,498 thousand/month

With the introduction of the two-element pricing from 1 October 2024, the sustainable profitability of the Company derived from the regulated pricing will become more predictable.

2.3. *Sale of heat to industrial and non-municipal government partners*

To enhance the diversification of the sale of heat the PannErgy Group is constantly seeking opportunities to boost its sales of geothermal heat to industrial partners as well, in the form of primary or secondary heat utilisation, besides the agreements concluded with heating utility partners.

The Company's major industrial consumers purchasing heat, include Audi Hungaria Zrt. in the case of the Győr Geothermal Project, while in the case of the Miskolc Geothermal Project they include Joyson Safety Systems Hungary Kft and GS Yuasa Magyarország Kft.

2.4. *Real property utilisation*

Besides its core operations comprising the production and sale of geothermal heat (Energy) at the end of the reporting period the Company only had industrial real properties, offices and land – originating from before the time of the 'Pannonplast - PannErgy' strategy shift – in the town of Debrecen.

The PannErgy Group presents its industrial properties in Debrecen – which are not directly or indirectly related to the Group's core operation, i.e. geothermal heat generation and sale – in its investment property portfolio. The Company intends to utilise them through lease arrangements. The Company's revenue from letting these properties amounted to HUF 32 million in 2025.

At the end of the period, the properties were presented in the Company's consolidated statement of financial position in an amount of HUF 77 million. Due to the fact that the amortisation recognised for the reporting period was below HUF 1 million, the value of these investment properties remained the same as in the previous period.

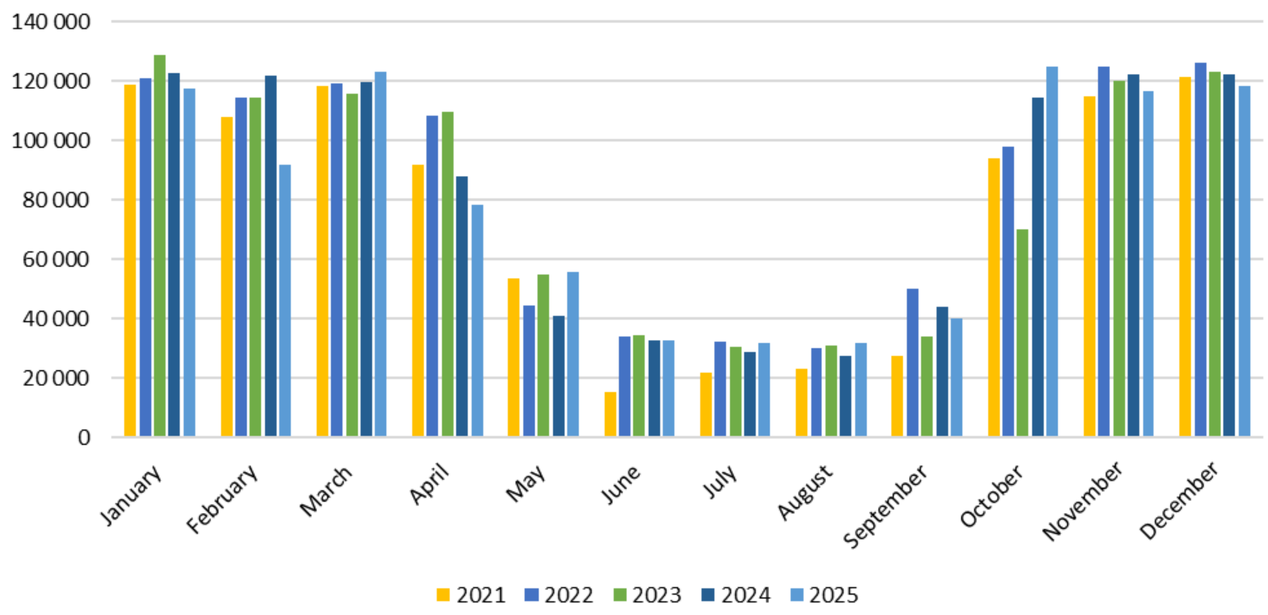
3. ACHIEVEMENT OF PANNERGY'S MAIN TARGETS SET FOR 2025, AND THE ASSOCIATED RISKS

3.1. *Győr Geothermal Project (DD Energy Kft., Arrabona Koncessziós Kft.)*

In the reporting period, the Győr Geothermal System sold 963,721 GJ of thermal energy to its partners, 2% less than the 985,325 GJ sold in the previous period. On a quarterly basis, the following findings apply to the heat sales activity:

- In 2025 Q1, 332,706 GJ of thermal energy was sold, slightly falling short of the average for the corresponding period in previous years. Compared to the base period, there was an 8% decline;
- The Geothermal System of Győr sold a total of 167,171 GJ of thermal energy in 2025 Q2, which is below the average of the corresponding period of previous years and also the historical value for the period. Compared to the base period, an increase of almost 4% is observed;
- In Q3 of the reporting period, 103,982 GJ of thermal energy was sold, exceeding the average for the corresponding period in recent years and 3% above the sales of heat in the same period in 2024;
- In 2025 Q4, the Group's two project companies in Győr sold a record 359,862 GJ of thermal energy, exceeding the corresponding period of the previous years and surpassing the sales of the same period in 2024 by 0.2%.

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



3.2. *Miskolc Geothermal Project (Miskolci Geotermia Kft., Kuala Kft.)*

In the reporting period, the Miskolc Geothermal System sold 877,778 GJ of thermal energy to its partners, exceeding the 759,281 GJ sold in the previous period by nearly 16%.

On a quarterly basis, the following findings apply to the heat sales activity:

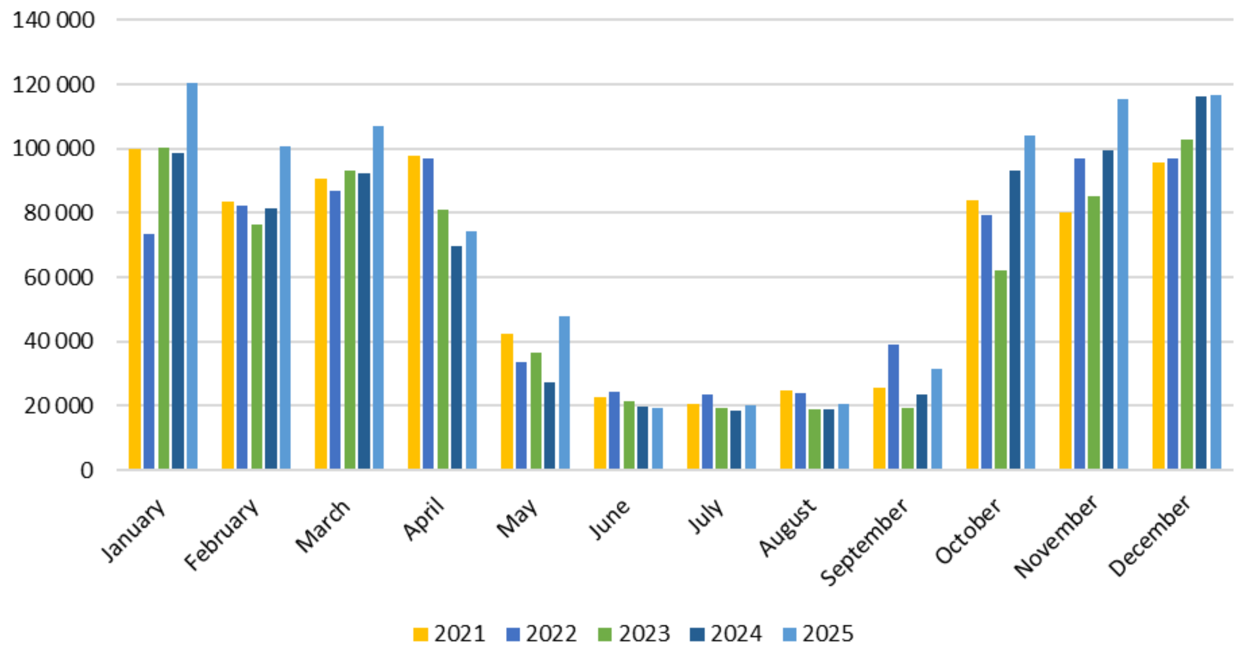
The Geothermal System of Miskolc sold a total of 328,026 GJ of thermal energy in 2025 Q1, which substantially exceeds the average of the corresponding periods of recent years, and is 20% higher than the heat sales achieved in the same period of 2024, which implies performance surpasses that of the base period.

The significant and unpredictable variability in weather conditions experienced in recent years continued this April, with a noticeable impact on the heat production performance in Q2. In Q2, the Miskolc project sold a total of 141,115 GJ of thermal energy, slightly exceeding the average of the corresponding period in recent years and 21.0% above the heat sales achieved in the same period in 2024.

Q3 showed an improvement year-on-year. In this quarter, the Company sold a total of 72,350 GJ of thermal energy, close to the average of the corresponding period in recent years, but 18% above the heat sales achieved in the same period of 2024.

In 2025 Q4, the Miskolc Geothermal System sold a record of 336,287 GJ of thermal energy in total, significantly exceeding the corresponding period of previous years and surpassing the heat sales in the same period of 2024 by 9%. In the second half of the reporting period, the newly installed third production well contributed to the outstanding performance with useful heat input.

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

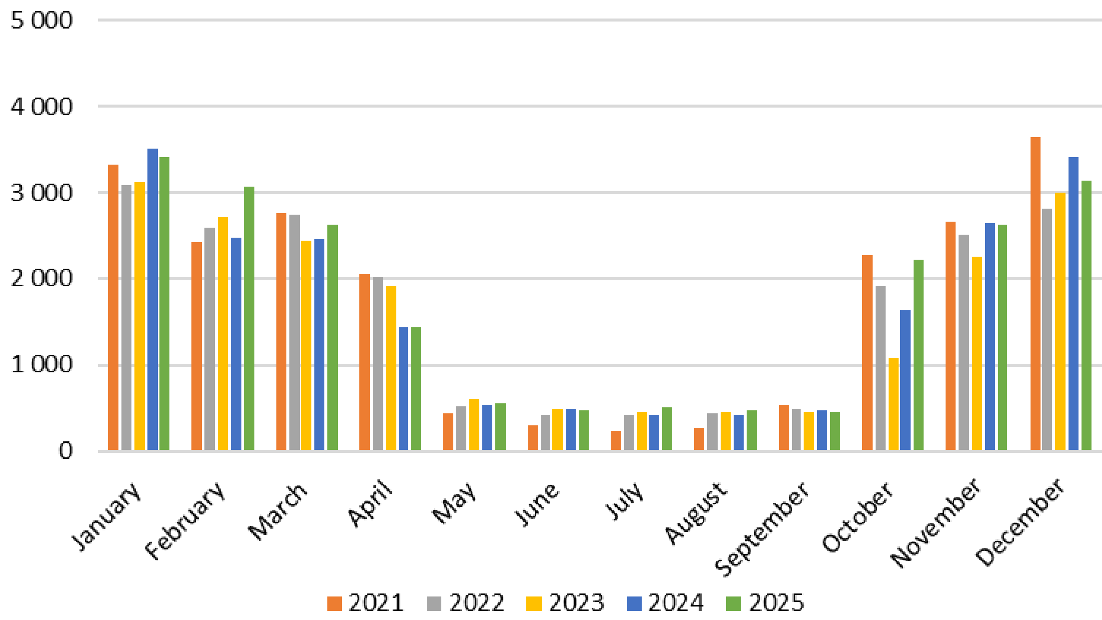


3.1. *The geothermal heating facility of Szentlőrinc (Szentlőrinci Geotermia Kft.)*

The 20,968 GJ of heat sold in Szentlőrinc was 5% higher than the 19,916 GJ sold in the base period.

The Geothermal Facility of Szentlőrinc can fully meet the heat demand of the local district 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 sold in Szentlőrinc were as follows during the reporting period (GJ):



3.2. *Geothermal methane utilisation facility of Berekfürdő (Berekfürdő Energia Kft.)*

The Geothermal Methane Utilisation Small Power Plant of Berekfürdő sold a total of 1,769 MWh electricity during the reporting period, exceeding the 2,084 MWh sold in the previous year. A total of 2,496 GJ of heat was sold in 2025, 21% more than the 2,064 GJ sold in the previous year. For the Group's project implemented in Berekfürdő, due to the technical characteristics of the project and the heat market, electricity sales are a more important source of revenue than heat sales. As a result of the project of Berekfürdő Energia Kft., the methane associated gas of the thermal wells located in Berekfürdő has been used for the production of electricity and thermal energy, and the resulting energy is subsequently sold. As a result, the PannErgy Group realised HUF 12 million in the reporting period, nearly the same as in the base period.

4. OVERVIEW OF THE ENERGY INDUSTRY, THE SECTOR OF OUR CORE OPERATIONS

Since 2007, the PannErgy Group has been committed to implementing its long-term strategy focusing on the utilisation of renewable energy sources. The focus of the strategy is to become the region's dominant company in the utilisation of geothermal energy, to maintain this position and to provide highly reliable environmentally friendly services that are free of geopolitical risks to the Hungarian population, as well as to the industrial and institutional market in Hungary, while continuing to create shareholder value. The Company is fully committed to the utilisation of one of the most active thermal water sources in Europe for the production of energy. Since geothermal heat can be utilised by households and industrial consumers in the long-term, the environmentally sound investment projects implemented by PannErgy could enable significant reductions in expenditures relating to energy and greenhouse gas emission quotas.

The increase in the demand for energy is unstoppable in the long term; however, both the domestic and the global resources are limited either in terms of volume or accessibility. Professional, effective 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 most environmentally friendly and cleanest form of energy generation. The European Union has not only come to welcome 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.

That said, it is important to note that the production of renewable energy from deep geothermal wells is involves numerous professional challenges hindering the implementation of projects and their safe and efficient operation. PannErgy enjoys a strong competitive advantage in this specialised field, with decades of experience and a proven track record of success in financial, operational and environmental projects.

Main milestones in the Company's history:

Year	**Event**
1922	PannErgy's legal predecessor is established.
1991	On 31 May 1991, the company – still a plastics company at the time – becomes a joint-stock company
1994	Among the first issuers to list shares on the Budapest Stock Exchange
2007	In November 2007, the Company changed its name to PannErgy and announced its new strategy already under the new name. The production and utilisation of energy from geothermal sources are at the heart of the new strategy.
2010	Acquisition of sole (100%) ownership of Berekfürdő Energia Termelő és Szolgáltató Kft. This acquisition allows PannErgy to expand its alternative energy portfolio with a power plant fuelled with methane obtained from thermal water, which would otherwise be significantly damaging to the environment, as well as the associated technological expertise.
2011	Drilling of a geothermal well in Szentlőrinc in 2009/2010, and then construction of a surface system. Commercial geothermic heat generation and the sale of energy go live on 1 January 2011 in Szentlőrinc. The project fully replaced Szentlőrinc's district heating system, which was previously based on crude oil, then on natural gas.
2013	In May 2013, production commenced at Central Europe's largest geothermal power plant, in the form of an investment project implemented by PannErgy. Geotermia Zrt.'s Miskolc project supplying the Avas district of Miskolc won the international GeoPower Market's 'Best Heating Project 2013' award.
2014	PannErgy had also implemented the second phase of the Geothermal Project of Miskolc by September 2014. The system – implemented by Kuala Plc. – then began to supply thermal energy in the town of Miskolc to the Downtown and the University heating districts as well.
2014	In addition to the district heating system of Miskolc, its primary heat consumer, the capacity of the Miskolc Geothermal System allowed the company to supply further consumers with environmentally friendly geothermal energy. This is how heating supply was established towards the Company's first industrial customer partner, Joyson (formerly Takata) Safety Systems Hungary Kft.

2014	PannErgy launched its second largest investment project – the Győr Geothermal Project – in the Kisalföld region in early 2014, by deepening four geothermal wells (two production and two reinjection wells) in the area of Bőny and Pér.
2015	November 2015 saw the inauguration of Győr-Moson-Sopron County's most significant and important energy investment – and not only among geothermal projects –, the Győr Geothermal Project. This project allowed PannErgy to significantly offset fossil fuel emissions by selling heat to Győr-Szol Zrt. and Audi.
2016	In 2016, the Company successfully completed its first major development investment programme for existing geothermal systems; as a result, its existing competences expanded significantly. Thanks to this development, the system became more resilient to the chemical and physical challenges of the well system in Győr; owing to the capacity upgrade, the maximum thermal water yield capacity of the Győr Geothermal System increased to 960 m^3/h.
2017	PannErgy concluded a concession contract in February 2017 with the Hungarian State for the exploration, extraction and utilisation of geothermal energy in the region of Győr, for a period of 35 years. Within the framework of the acquired contractual rights, the Company examined the geothermal potential of the concession area at a depth of 2,500 metres and decided to drill a new geothermal well to increase the recoverable heat capacity.
2018	The third production well in Bőnyi, BON-PE-03, was bored under the concession won the year before. With the surplus heat from the increased capacity, PannErgy has started to sell the surplus green energy to its existing customers.
2019	On 28 June 2019, the Company acquired sole (100%) ownership in Well Research Ltd., owner of the reinjection well (ID: KIS-PE-01B) at Kistokaj connected to the Geothermal System of Miskolc.
2020	Reliable heat generation during the pandemic, ensuring the achievement of the reporting year's planned EBITDA figures, and further investments in capacity expansion and efficiency improvements.
2021	PannErgy Nyrt. won the "Responsibility, Sustainability, Corporate Governance Award" within the framework of the "BSE Legends 2021".
2022	The planned projects of PannErgy – the third production well of the Miskolc expansion and the Budapest project – were awarded grants (the grant for the Budapest environs project was later revoked). Total annual heat sold in Győr in 2022 exceeded 1 million GJ (1,004,165 GJ) for the first time in PannErgy's history.
2023	The Company's consolidated annual EBITDA performance is close to HUF 4 billion, and its consolidated turnover is close to HUF 10 billion.
2024	The Ministry has set the official district heating tariffs applicable from 1 October 2024, in contrast to previous practice, not only in the form of a sales heat tariff for the heat volume sold, but also in the form of a split heat supply tariff for the heat volume sold, and a monthly sales base tariff, i.e. using a so-called two-element pricing system.
2025	The Company has successfully completed the drilling of the third production well for the Miskolc Geothermal Project, with the official commissioning following testing and trial operation in January 2025. With the new well, the usable capacity of the system could increase by up to 15%–20%, and its operational continuity will be significantly improved by the availability of spare capacity. The resulting green reserve system is independent of fossil fuel sources, which, in the case of Hungarian geothermal systems, has so far only been achieved in the Győr Geothermal System, also owned by PannErgy.

5. THE PANNERGY GROUP'S STRATEGY, ENVIRONMENTAL OBJECTIVES

The core element of the strategy of the PannErgy Group, the region's dominant company utilising geothermal heat, is to play a key role in countering climate change by its environmentally friendly services of high operational reliability, and to enable major reductions in energy related expenditures by implementing environment preserving capital projects.

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

5.1. *Sustainability management and environmental, social and governance (ESG) performance summary and report*

The PannErgy Group believes that it is extremely important to determine the influence and impact of its activities on the environment and on society as a whole. It will issue its ESG report in 2025 with that in mind.

PannErgy will prepare these non-financial reports **in accordance with the GRI Global Reporting Initiative** (one of the most recognised ESG standards worldwide) **specifically the GRI Universal Standards 2021**. **The completed ESG reports, including the ESG report for the 2025 reporting period, will be evaluated and validated for standards compliance by the GRI Global Reporting Initiative.**

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

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

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

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

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

Accordingly, it does not have specific environmental protection instruments, i.e. it does not have any instruments with the direct objective of reducing pollution, reducing emissions and preventing various forms of pollution.

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

PannErgy's consolidated greenhouse gas emission saving rate in 2025 was 64%, i.e. it still continued to save approximately 2/3 units of environmental emissions compared to fossil fuel emissions in the reporting period.

According to the Company's estimate, the Company offset (saved) 69 thousand tonnes of CO_2-equivalent GHG emissions in 2025, overall. Since the commissioning of the projects, cumulative savings may have surpassed 700,000 tonnes. For the calculation of the GHG emissions savings rate, in order to define the GHG emission of the Group, the Company considered the CO_2 impact of the electricity needs of geothermal heat generation (Scope 2) and the GHG emissions related to administrative central operation and project-level site operation (Scope 1).

6. The PannErgy Group's subsidiaries

PannErgy Nyrt., the parent company, has a 100% share of ownership in PannErgy Geotermikus Erőművek Zrt. the Group's technical/professional leader company, which in turn is 100% direct owner of all PannErgy project companies and group member companies. The PannErgy Group has subsidiaries only in Hungary and the member companies are operating in the territory of Hungary.

6.1. *The PannErgy Group's subsidiaries, ratios of participations and consolidation*

PannErgy subsidiaries	Share capital (HUF Mn)	Shareholding (%)	Voting rights (%)	Consolidation ratio (%)
PannErgy Geothermal Power Plants	2,073	100.00	100.00	100.00
DoverDrill Mélyfúró Kft.	86	100.00	100.00	100.00
Arrabona Koncessziós Kft.	6	100.00	100.00	100.00
Szentlőrinci Geotermia Kft.	5	100.00	100.00	100.00
Miskolci Geotermia Kft.	5	100.00	100.00	100.00
DD Energy Kft.	3	100.00	100.00	100.00
Kuala Kft.	3	100.00	100.00	100.00
Berekfürdő Energia Kft.	3	100.00	100.00	100.00
Geo2Business Kft.	3	100.00	100.00	100.00

6.2. *Key 2025 data of PannErgy's consolidated subsidiaries based on their separate, unconsolidated reports (HUF millions)*

PannErgy subsidiaries	Equity	Subscribed capital	Sales revenue	Business profit or loss	Profit after taxes	Headcount
PannErgy Nyrt.	8,346	320	81	-310	4	1
PannErgy Geothermal Power Plants Ltd.	3,260	2,073	92	182	14	6
Arrabona Koncessziós Kft.	3,708	6	3,630	433	414	2
DD Energy Kft.	3,122	3	3,132	689	651	2
DoverDrill Kft.	985	86	172	-26	5	1
Miskolci Geotermia Kft.	737	5	2,112	494	292	5
Kuala Kft.	1,089	3	2,420	601	482	1
Szentlőrinci Geotermia Kft.	48	5	97	34	18	-
Berekfürdő Energia Kft.	689	3	119	50	89	-
Geo2Business Kft.	9	3	52	35	1	-

7. THE COMPANY'S OWNERSHIP STRUCTURE, SENIOR OFFICERS

7.1. *The Company's ownership structure as of 31 December 2025*

Shareholders	Total share capital = Introduced series					
	31.12.2024			31.12.2025		
	%	%	shares	%	%	shares
Domestic institutions	34.08	40.67	6,133,935	41.28	49.27	6,605,089
Foreign institutions	9.39	11.21	1,690,867	9.96	11.88	1,593,506
Domestic private individuals	28.94	34.55	5,209,879	30.22	36.07	4,835,158
Foreign private individuals	0.33	0.39	58,885	0.38	0.45	60,256
Employees, senior officers	1.72	2.05	309,505	1.93	2.31	309,505
Own holding	16.21	0.00	2,917,620	16.21	0.0	2,593,365
Owner belonging to the general government system	9.31	11.11	1,675,745	0.0	0.0	0
International Development Institutions						
Other	0.02	0.02	3,564	0.02	0.02	3,121
Total	**100.00**	**100.00**	**18,000,000**	**100.00**	**100.00**	**16,000,000**

7.2. *Shareholders with a stake of over 5% in the Company as of 31 December 2025*

Name	Investor category		Number of shares	Shareholding (%)	Impact (%)
Bertalan Juhász – Attila Juhász (Benji Invest Kft./FCI Kompozit Kft.)	Domestic	Company	3,186,010	19.91	23.76
Kálmán Rencsár (Soltút Kft.)	Domesti	Company	1,903,741	11.90	14.20

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

Changes in the number of treasury shares held by the PannErgy Group in the year under review:

	31.12.2024	30.06.2025	31.12.2025
At company level	1,982,417	2,002,417	682,417
Subsidiaries [1]	935,203	1,890,948	1,910,948
Total [2]	**2,917,620**	**3,893,365**	**2,593,365**

[1] PannErgy shares held by PannErgy Geothermal Power Plants Ltd., the Company's 100% subsidiary

7.4. *Executive officers of the Company*

The Company’s executive officers are the members of the Management Board and the CEO. Details of the Company's executives and the shares they hold as at 31 December 2025:

Name	Position	Date of taking office	Mandated until	Number of shares held
Dénes Gyimóthy	Member, Chairman	31.08.2007	indefinite term	-
István Jaksa	Chief Executive Officer	13.12.2022	indefinite term	2,505
Katalin Gyimóthy	Member	28.04.2016	indefinite term	-
Attila Juhász	Member	31.08.2007	indefinite term	-
Kálmán Rencsár	Member	30.04.2020	indefinite term	307,000
Gábor Briglovics	Member	16.04.2021	indefinite term	-
Total number of shares held				**309,505**

The Company has no (strategic) employees influencing its operations.

PannErgy Group's Consolidated annual statements prepared in accordance with the international financial reporting standards and the annual report are signed by Dénes Gyimóthy, Chairman of the Management Board, as authorised by the Management Board.

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

- establishing and amending the Articles of Association,
- the election, removal and remuneration of the members of the Company’s Management Board,
- adopting a decision on the evaluation of the work carried out by the members of the Management Board in the previous financial year and on granting the discharge they are entitled to.
- making decisions about increasing share capital by issuing new shares or raising the share capital via assets exceeding the share capital – with the exception of decisions about issuing

new shares or raising the share capital via assets exceeding the share capital based on authorisation granted by the General Meeting to the Management Board,
- making decisions about the acquisition of treasury shares – with the exception of treasury share acquisition on the basis of an authorisation granted by the General Meeting or the Civil Code to the Management Board – and about accepting public tender offers received for treasury shares,
- reducing the share capital, unless otherwise provided for in the Civil Code.

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

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

8. Headcount information

The average statistical headcount figures of the PannErgy Group during the reporting year are as follows:

Own staff	31.12.2025	31.12.2024	Change
PannErgy Nyrt.	2	1	+1
Related parties	16	17	-1
Total	**18**	**18**	**-**

In 2025, the average statistical headcount of the PannErgy Group was 18, the same as in the previous year. On 31 December 2025 the number of staff working for the PannErgy Group was 13; the difference between the average statistical headcount and the number of employees at the end of the period is attributable to part-time employment across group members and the increased headcount during the year.

9. Distribution of dividends

In consideration of the Management Board's report and the Audit Committee's and the auditor's comments, by Resolution No. 2/2025 (IV. 25.) on 25 April 2025 the Company's General Meeting approved the Company’s separate (parent company), unconsolidated 2024 balance sheet and profit and loss statement, prepared in accordance with the EU IFRS standards, with total assets of HUF 10,009,596 thousand and the same amount as total liabilities and an after-tax P/L (profit) of HUF 148.041 thousand, which figures are consistent with the proposal and the auditor’s report. The General Meeting also approved the consolidated report on the business operations of PannErgy Nyrt. Group in 2024, prepared in accordance with the EU IFRS standards, with HUF 28,683 million for assets and liabilities (total assets), and a net result (profit) of HUF 1,405 million.

After the approval of the consolidated and separate reports, by its Resolution No. 3/2025 (IV. 25.) the General Meeting approved the Management Board's proposal to the effect that PannErgy shall not pay dividends for the year 2024.

Before making this decision, the Management Board carefully considered the anticipated investment possibilities and needs for the year 2025, as well as the necessity of holding free cash and cash equivalent assets required for safe and prudent operation. Based on the investigation, they decided that in order to maintain financial and operational stability, the Company would transfer its entire after-tax profit to retained earnings instead of paying dividends.

10. TREASURY SHARE BUYBACKS, BUYBACK PROGRAMMES DURING THE REPORTING PERIOD

On 31 December 2025 the Company held a total of 2,593,365 PannErgy Nyrt. treasury shares, 324,255 less than it held on 31 December 2024. The decline reflects the combined effect of the cancellation of treasury shares during the capital reduction and the acquisition of treasury shares in the reporting period.

On 31 March 2025, the Company announced the main terms of a share purchase agreement concluded between PannErgy Nyrt. and its wholly owned subsidiary PannErgy Geothermal Power Plants Zrt. and MVM Energetika Zrt., under which the Company acquired the stake of MVM Energetika Zrt. in PannErgy at a price of HUF 1,512 per share (a total of 1,675,745 ordinary shares). The first phase of the transaction – involving the purchase of 975,745 ordinary shares of PannErgy – was completed on 31 March 2025. The second phase of the transaction, the purchase of the remaining 700,000 shares, took place on 4 September 2025, following the fulfilment of the preconditions set by the parties.

In order to increase other components of the Company's equity, by its Resolution No. 8/2025 (IV. 25.), on 25 April 2025 the Company's General Meeting approved the reduction of the Company's HUF 360,000,000 share capital by HUF 40,000,000 to HUF 320,000,000. In the course of the reduction of the share capital to HUF 320 million, 2,000,000 treasury shares were cancelled. The competent Court of Registration registered the capital reduction on 27 July 2025. The cancellation of the shares took place on 27 July 2025, corresponding to a closing price of HUF 1,530; accordingly, shares were derecognised in an amount of HUF 3,060 million.

The stock exchange closing price of PannErgy shares was HUF 1,910 per share at the end of the reporting period, compared to the closing price of HUF 1,560 per share on the last day of the base period; accordingly, on the last day of the reporting period the price was 22.4% higher than the closing price at the end of the previous year.

<u>The treasury share buyback programme concluded during the reporting period</u>

PannErgy Nyrt.'s regular annual General Meeting closing the business year 2023 – held on 30 April 2024 – authorised the Management Board by its Resolution No. 9/2024 (IV. 30.) to purchase treasury shares up to an amount of HUF 1,500 million at a price of minimum HUF 1 and maximum HUF 1,997 per share, provided that the ratio of the treasury share portfolio to the total number of shares issued does not exceed 25% at any time during the term of the authorisation. The authorisation covers the period starting from 2 May 2024 and ending on 17 April 2025 and is strictly limited to share purchases on the stock exchange. The purchase price equals to the current market price corresponding to the prevailing bid and ask prices, and must not exceed HUF 1,997 per share according to the resolution of the General Meeting.

Under this share buyback program, the Company's wholly owned subsidiary, PannErgy Geotermikus Erőművek Zrt. purchased 975,745 treasury shares on 31 March 2025 in the framework of a fixed (LIS) transaction on the Budapest Stock Exchange.

The treasury share buyback programme commenced during the reporting period

PannErgy Nyrt.'s regular annual General Meeting closing the business year 2024 – held on 25 April 2025 – authorised the Management Board by its Resolution No. 9/2025 (IV. 25.) to purchase treasury shares up to an amount of HUF 1,500 million at a price of minimum HUF 1 and maximum HUF 2,072 per share, provided that the ratio of the treasury share portfolio to the total number of shares issued does not exceed 25% at any time during the term of the authorisation. The authorisation shall be valid for the period starting on 28 April 2025 and ending on 10 April 2026. Shares can be acquired through both stock exchange and over-the-counter transactions. The purchase price equals to the current market price corresponding to the prevailing bid and ask prices, and must not exceed HUF 2,072 per share according to the resolution of the General Meeting.

As part of this current share buyback program, on 4 September 2025, 700,000 shares of treasury stock were purchased on the Budapest Stock Exchange in a fixed (LIS) transaction.

Under the programmes described above, a total of 1,675,745 treasury shares were repurchased in 2025.

11. Main risks faced by the Company, associated 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 impacts of the risks relating to operational activities and their management are discussed in Note 42. *Financial risk management* in the 2025 consolidated financial statements.

The Company works out a Responsible Corporate Governance Report in accordance with the Responsible Corporate Governance Recommendations released by the Budapest Stock Exchange. The report contains corporate governance information and is adopted by the Company's supreme body simultaneously with the adoption of the annual consolidated report.

Information regarding the expected developments of the Company can be found in the Business and Management Report, in *Chapter 1. Executive summary* and *Chapter 6. The PannErgy Group's strategy, environmental objectives*, with details about the Company's expected financial results, investment activity and sustainability activities and development in the upcoming periods. The effects of the economic environment on these developments will be explored in *Chapter 42.11. Macroeconomic environment of the reporting period* of the consolidated financial statement, detailing the effects of the GDP, the inflation environment and the interest rate environment forecasts for the upcoming periods.

12. Publicity

The Company posts regular and extraordinary notices on its website at (www.pannergy.com), among other things. The publications and public information released by PannErgy 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.

Following their disclosure, these consolidated financial statements will be available on the Company's website and on the website of the Budapest Stock Exchange as an official publication

13. Main events during the period covered by the consolidated statement of financial position

No material events or significant developments that would have an impact on the Company's 2025 financial year, or the reported results and balance sheet figures for that period in the consolidated financial statements occurred after the reporting date for the consolidated financial statements.

References to the events concerned are presented in the following table. Based on the references the complete information is accessible at the Company's official places of disclosure.

Date	Type of news	Subject, brief content
17 March 2026	Extraordinary information	General Meeting invitation
1 March 2026	Extraordinary information	Voting rights, share capital
10 February 2026	Extraordinary information	Intra-group share purchase and sale
1 February 2026	Extraordinary information	Voting rights, share capital
15 January 2026	Extraordinary information	Quarterly production report
1 January 2026	Extraordinary information	Voting rights, share capital
15 December 2025	Extraordinary information	Corporate events calendar
30 November 2025	Extraordinary information	Voting rights, share capital
2 November 2025	Extraordinary information	Voting rights, share capital
30 October 2025	Extraordinary information	Information on the transfer of shares by a person closely associated with a person performing managerial responsibilities
30 October 2025	Extraordinary information	Treasury share transaction within the Group
15 October 2025	Extraordinary information	Quarterly production report
1 October 2025	Extraordinary information	Regulated heat tariffs in effect from 1 October 2025
30 September 2025	Extraordinary information	Voting rights, share capital
19 September 2025	Extraordinary information	Semi-annual report
4 September 2025	Extraordinary information	Own share transactions – Closing of the transaction to acquire MVM's stake in PannErgy
31 August 2025	Extraordinary information	Voting rights, share capital
18 August 2025	Extraordinary information	Change in the extent of voting rights regarding treasury shares
14 August 2025	Extraordinary information	Designation of the entire geothermal thermal springs area of Budapest as a closed concession area, revocation of the exploration licence
12 August 2025	Extraordinary information	Information on the acquisition of shares by a person closely associated with the person performing managerial responsibilities
7 August 2025	Extraordinary information	Articles of Association
31 July 2025	Extraordinary information	Voting rights, share capital
31 July 2025	Extraordinary information	Registration of a share capital decrease
15 July 2025	Extraordinary information	Quarterly production report
1 July 2025	Extraordinary information	Voting rights, share capital

5 June 2025	Extraordinary information	Disclosure of Transactions by Persons Discharging Managerial Responsibilities
5 June 2025	Extraordinary information	Owner's announcement
1 June 2025	Extraordinary information	Voting rights, share capital
11 May 2025	Extraordinary information	Articles of Association
1 May 2025	Extraordinary information	Voting rights, share capital
25 April 2025	Extraordinary information	Annual Report 2
25 April 2025	Extraordinary information	Annual Report 1
25 April 2025	Extraordinary information	ESG Report
25 April 2025	Extraordinary information	Remuneration report
25 April 2025	Extraordinary information	FT Report
25 April 2025	Extraordinary information	General Meeting Resolutions
15 April 2025	Extraordinary information	Quarterly production report
10 April 2025	Extraordinary information	General Meeting
2 April 2025	Extraordinary information	Information on the transfer of shares by a person closely associated with a person performing managerial responsibilities
2 April 2025	Extraordinary information	Treasury share transaction within the Group
2 April 2025	Extraordinary information	Owner's announcement
1 April 2025	Extraordinary information	Information on the acquisition of shares by a person closely associated with the person performing managerial responsibilities
1 April 2025	Extraordinary information	Own share transactions exceeding the voting right threshold
31 March 2025	Extraordinary information	Voting rights, share capital
31 March 2025	Extraordinary information	PannErgy to acquire MVM's stake in PannErgy in the form of own share transactions
19 March 2025	Extraordinary information	Proposals to the General Meeting 2
19 March 2025	Extraordinary information	Proposals to the General Meeting 1
4 March 2025	Extraordinary information	Invitation to the General Meeting
2 March 2025	Extraordinary information	Voting rights, share capital
31 January 2025	Extraordinary information	Voting rights, share capital
20 January 2025	Extraordinary information	Resolution of the Magyar Nemzeti Bank on the prohibition of unlawful conduct and imposition of a market surveillance fine against the Issuer
15 January 2025	Extraordinary information	Quarterly production report
6 January 2025	Miscellaneous information	Extension of the market maker agreement

14. DATE OF AUTHORISATION OF DISCLOSURE

The Company's Board approved the financial statements and authorised their disclosure on 26 March 2026.

Dénes Gyimóthy
On behalf of the Management Board

PannErgy Nyrt.
Declaration of the issuer
2025

Pursuant to Sections 2.4 and 3.4 of Annex 1 to Decree No. 24/2008 (VIII. 15.) of the Minister of Finance

Budapest, 26 March 2026

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

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

DECLARATION

I, Dénes Gyimóthy, acting CEO, issue the following declaration on behalf of the Management Board in relation to the 2025 IFRS consolidated financial statements and business as well as management reports of the PannErgy Group, pursuant to the statutory requirement laid down in Sections 2.4 and 3.4 of Annex 1 to Decree No. 24/2008 (VIII. 15.) of the Minister of Finance:

- prepared to the best of our knowledge and in accordance with the applicable accounting regulations and the IFRS rules, the 2025 separate IFRS annual report of PannErgy Nyrt. disclosed simultaneously with the consolidated financial statements and business and management report provides a true and fair view of the assets, liabilities, financial position, profit or loss of PannErgy Nyrt. as a public securities issuer; moreover,

- the business report attached to the annual report provides a fair view of the position, development and performance of PannErgy Nyrt. as a public securities issuer, presenting the key risks and uncertainties;

- the 2025 consolidated financial statements (aggregated consolidated annual report) 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 fair view of the assets, liabilities, financial position, profit or loss of PannErgy Nyrt. as a public securities issuer, and the consolidated entities; and,

- the business and management report attached to the 2025 consolidated financial statements (aggregated consolidated management report), prepared in accordance with the applicable IFRS requirements, provides a fair view of the position, development and performance of PannErgy Nyrt. – as a public securities issuer – and the consolidated entities, while also presenting the key risks and uncertainties.

Dénes Gyimóthy
On behalf of the Management Board