



**PannErgy Nyrt.
Annual Report and Business Report
(prepared in accordance with the
International Financial Reporting
Standards as adopted by the EU)
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 separate report of the Company; the official separate report will be attached to the Consolidated Financial Statements 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 separate report attached to the Consolidated Financial Statements published in ZIP (specifically XHTML-XBRL) format.

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PannErgy Nyrt.

Annual Report
for the 2025 business year
compiled in accordance with the IFRS
standards adopted by the EU

31 December 2025

Budapest, 26 March 2026

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STATEMENT OF FINANCIAL POSITION

	Note no.	31 December 2025	31 December 2024
		HUF Th	HUF Th
Intangible assets	15	49	426
Assets embodying the right of use	16	45,624	32,947
Property, plant and equipment	16	665	991
Investment properties	16	76,501	77,235
Marketable properties	16	-	-
Long-term investments	17	4,604,949	4,604,949
Receivables from deferred taxes	31	54	-
Long-term receivables	18	3,813,594	4,811,191
Total fixed assets		8,541,436	9,527,739
Inventories	20	-	-
Trade receivables	21	17,474	17,765
Loans provided	22	-	-
Other receivables	23	777,890	434,954
Securities	24	-	22
Liquid assets	25	11,545	29,116
Total current assets		806,909	481,857
TOTAL ASSETS		9,348,345	10,009,596
Subscribed capital	26	320,000	360,000
Reserves	28	9,325,479	11,994,740
Net P/L of the reporting year		3,860	148,041
Reserve for repurchased treasury shares	27	-1,303,416	-3,092,571
Total shareholders' equity		8,345,923	9,410,210
Long-term loans, leases	29	861,763	487,919
Deferred tax liabilities	31	-	618
Provisions	30	-	10,000
Total long-term liabilities		861,763	498,537
Trade payables	33	24,537	36,814
Current borrowings	32	294	-
Short-term part of long-term credits and leases	32	14,607	11,621
Income taxes payable	34	-	-
Other short-term liabilities	34	101,221	52,414
Total short-term liabilities		140,659	100,849
TOTAL LIABILITIES AND EQUITY		9,348,345	10,009,596

STATEMENT OF PROFIT OR LOSS

	Note no.	2025	2024
		HUF Th	HUF Th
Revenue from sales	6	81,302	77,617
Direct cost of sales	8	-54,757	-64,735
Gross margin		26,545	12,882
Gross profit ratio %		32.6 %	16.6 %
Gross cash flow		26,545	24,851
Gross cash flow rate %		32.6 %	32.0 %
Indirect costs of sales	7	-318,167	-269,894
Other revenues	11	10,491	605
Other expenditures	10	-28,738	-21,680
Operating profit		-309,869	-278,087
Operating profit ratio %		-381.1 %	-358.3 %
EBITDA		-278,989	-243,667
EBITDA rate %		-343.2 %	-313.9 %
Financial profit	12-14	313,944	442,192
Profit before taxes		4,075	164,105
Income tax	35	-215	-16,064
Net profit for the year		3,860	148,041
Other comprehensive income		-	-
Total comprehensive income for the reporting period		3,860	148,041
Earnings per ordinary share (HUF)			
Basic	36	0.24	9.23
Diluted	36	0.24	9.23

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2025	2024
	HUF Th	HUF Th
Net profit for the year	3,860	148,041
<i>Other comprehensive income</i>		
<i>Other comprehensive incomes in the period with tax implications</i>	-	-
Total comprehensive income for the year	3,860	148,041
of which: Total comprehensive income attributable to the shareholders of the Company	3,860	148,041

STATEMENT OF CHANGES IN EQUITY

in thousand HUF

Description	Subscribed capital	Reserves	Repurchased treasury shares	Equity
Balance as of 1 January 2024	400,000	13,873,508	-4,711,161	9,562,347
P/L for 2024	-	148,041	-	148,041
Capital issue	-	-	-	-
Distribution of dividends	-	-	-	-
Cancellation of treasury shares	-40,000	-2,760,000	2,800,000	-
Repurchased treasury shares	-	-	-300,178	-300,178
Decrease in treasury shares	-	881,232	-881,232	-
Changes in the Accounting Policy	-	-	-	-
Balance as of 31 December 2024	360,000	12,142,781	-3,092,571	9,410,210
P/L for 2025	-	3,860	-	3,860
Capital issue	-	-	-	-
Distribution of dividends	-	-	-	-
Cancellation of treasury shares	-40,000	-3,020,000	3,060,000	-
Repurchased treasury shares	-	-	-1,068,147	-1,068,147
Decrease in treasury shares	-	202,698	-202,698	-
Changes in the Accounting Policy	-	-	-	-
Balance as of 31 December 2025	320,000	9,329,339	-1,303,416	8,345,923

STATEMENT OF CASH FLOWS

	Note no.	2025	2024
Liquid assets from operations		HUF Th	HUF Th
Profit before taxes		4,075	164,105
<i>Adjustments in relation to the profit before taxes and the cash flow of business operations</i>			
Amortisation and depreciation of tangible and intangible assets	15-16.	30,880	34,420
Effect of deferred taxes	31	-672	-123
Income tax expenditures	35	-215	-16,064
Exchange gain/loss on credits	14	-	-
Impairment of tangible assets, goodwill	10, 16	-	-
Changes in the fair value of properties	16	-	-
P/L on the valuation of tangible assets	16	-1,331	-1,891
Difference between provisioning and utilisation		-10,000	10,000
Expenditures of the share option programme	38	-	-
<i>Changes in working capital elements</i>			
Dividends paid	28	-	-
Increase/decrease in inventories	20	-	-
Increase/decrease in receivables	21-23	-328,972	-186,615
Increase/decrease in payables	32,33,34	42,866	-31,268
Increase/decrease in prepaid income taxes	23	-13,673	-35,346
Net liquid assets originating/used from operations		-277,042	-62,782
Liquid assets from investments			
Acquisition of investments in private companies	17	-	-
Increase/decrease in existing investments	17	-	-
Acquisition of tangible and intangible assets	15,16	-40,789	-1,209
Sales of tangible and intangible assets	15,16	-	-
Loans to related parties	44.3	-425,432	-186,000
Repayment of loans from related parties	44.3	1,423,029	340,000
Loans from related parties	44.3	-	-
Repayment of loans to related parties	44.3	-	-
Liquid assets from investment operations		956,808	152,791
Financial operations			
Increase/decrease in long-term loans	29	-	-
Borrowings from related parties	44.3	370,494	105,174
Borrowing / repayment of loans	44.3	294	-6,388
Purchase of treasury shares	27	-1,068,147	-300,178
Securities purchased	24	-	-
Securities sold	24	22	-
Liquid assets used for financial operations		-697,337	-201,392
Net increase/decrease in cash and cash equivalents		-17,571	-111,383
Cash and cash equivalents as of 1 January		29,116	140,499
Cash and cash equivalents as of 31 December		11,545	29,116

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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 providing clean and renewable energy solutions while providing the means – through the utilisation of geothermal energy as a renewable energy source – for sustainable development and value creation.

On 31 May 1991, the Company was transformed into a public company limited by shares, in line with Act XII of 1989 on the transformation of economic organisations. In 2007, PannErgy 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 Chapter 41.

PannErgy Nyrt. is a company listed on the Budapest Stock Exchange, a premium share issuer. As of 31 December 2025, the free-float proportion in PannErgy Nyrt. as an individual 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 core business of PannErgy Nyrt. as an individual company is to govern the PannErgy Group holding and carry out the related asset management as well as the utilisation of real properties relating to plastic manufacturing from the period before the strategy shift, particularly in the form of sale and, before such sale, by rental.

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

2. BASIS OF THE COMPILATION OF THE FINANCIAL STATEMENTS

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

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

The annual report of PannErgy Nyrt. was compiled on a cost basis except for financial instruments, certain financial assets, liabilities and assets classified as held for sale, which are presented in the balance sheet at fair value. PannErgy Nyrt. states figures in its annual report in Hungarian forints rounded up to HUF thousand, with exceptions specifically indicated.

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

3. INFORMATION ON THE PREPARATION OF THE ESEF REPORT

The European Securities and Markets Authority (ESMA) issued rules for the European Single Electronic Format (ESEF) effective as of the financial year starting on 1 January 2020 for companies listed on exchanges regulated by the European Union, including PannErgy 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.

The Company does not prepare its separate report in ESEF format in accordance with the relevant legislation, Commission Delegated Regulation (EU) 2019/815. The official separate report of the Company will be attached to the Consolidated Financial Statements published in ZIP (specifically XHTML-XBRL) format, as required by applicable legislation. Notwithstanding the above, the Company also publishes this separate report in PDF format, the content of which is fully identical with those of the separate report attached to the Consolidated Financial Statements published in ZIP (specifically XHTML-XBRL) format.

4. SUMMARY OF THE KEY ELEMENTS OF THE ACCOUNTING POLICIES

4.1. General description

The key accounting policies used in the course of the compilation of the IFRS annual report are described below. PannErgy Nyrt. consistently applies the accounting principles described and detailed herein in relation to all business years presented. Concurrently with their first application on 1 January 2025, the Company presents the figures for the previous year in the annual report also in accordance with the IFRS for the sake of comparability.

These accounting policies are in conformity with the key accounting policies used in the course of the compilation of the consolidated financial statements for 2025.

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

4.2. *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 approval 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 or consolidated financial statements of the Company.

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.

4.3. *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.

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

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

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

4.5. *Fair value measurement (SIGNIFICANT POLICY)*

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

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

The Company’s financial statements include only “level 1” type securities.

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

4.6. *Intangible assets (SIGNIFICANT POLICY)*

Based on the definition of assets within the conceptual framework principles of financial reporting and IAS 38 *Intangible assets*, the Company recognizes 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 by the Company at cost in the report because, due to the special nature of these assets, the notion of an active market is not applicable. These costs are reduced by accumulated amortisation and, where applicable, impairment, stated in line with the useful life of the asset.

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

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

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

Trademarks, licenses and purchased 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.

4.7. 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 Section 4.13.11 *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.

4.8. Recognition of research and development

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

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

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

4.9. Property, plant and equipment (SIGNIFICANT POLICY)

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

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

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

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

4.9.2 *Fixed assets held for sale*

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

- if the Company's supreme body 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.

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

The Company treats all long-term assets that do not fall into the category of investment properties or fixed assets held for sale in accordance with the requirements of *IAS 16 Property, Plant and Equipment*. These are long-term tangible assets (used over more than one business period) which

came under the Company's control as a result of past events and are expected to generate future economic benefits for the Company, the costs of which can be measured reliably and which are used by the Company for production or the supply of services or administration.

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

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

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

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

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

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

The Company does not recognise depreciation for land.

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

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

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

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

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

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

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

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

4.9.4 Investments

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

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

4.9.5 *Application of component accounting*

In the case of geothermal projects the Company does not generally 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.

4.10. *Investments*

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

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

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

4.11. *Goodwill*

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

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

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

4.12. Inventories

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

4.13. Financial instruments (SIGNIFICANT POLICY)

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

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

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

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

4.13.1 Initial recognition at fair value (SIGNIFICANT POLICY)

Pursuant to *IFRS 9*, the Company recognises all financial instruments at fair value initially, at the time of the transaction, that is, on the day when the Company commits itself to the purchasing or

selling of the instrument. The company includes in this value the transaction costs that are directly related to the acquisition or issuance of the financial instrument. Financial assets evaluated at fair value against the profit or loss are initially presented at fair value, while transaction costs are stated in the statement of profit or loss.

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

4.13.2 Receivables (SIGNIFICANT POLICY)

For the recognition of impairment, PannErgy Nyrt. – as an individual company – applies a model compatible with the IFRS 9 standard, 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. In practice, the Company does not engage in factoring; should such a situation arise, these receivables would be presented at fair value.

4.13.3 Loans provided (SIGNIFICANT POLICY)

The Company grants loans to other enterprises only on a case-by-case basis, almost without exception to related parties subject to consolidation. Due to the related party nature, and as the repayment of these loans depends on the group-level cash flow planning, the Company recognises no impairment for these loans. These financial assets to be held to maturity are valued in the statements at amortised cost. The Company has performed and documented the so-called SPPI classification tests/benchmark tests with regard to loans provided to non-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 its intended use or sale. Any income originating from the temporary investment of individual credits as yet unused in relation to the classified asset is deducted from the borrowing costs to be capitalised.

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

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.

4.13.4 *Hedging and derivative transactions (SIGNIFICANT POLICY)*

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

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

4.13.5 *Liquid assets (SIGNIFICANT POLICY)*

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

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

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

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

4.13.7 *Loans (SIGNIFICANT POLICY)*

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

4.13.8 *Trade payables (SIGNIFICANT POLICY)*

Trade payables include the amounts payable for goods and services received from suppliers in the ordinary course of business. Trade payables are classified as short-term liabilities if their settlement is due within one year. Otherwise, they are presented among long-term liabilities. Initially, 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.

4.13.9 *Other financial liabilities (SIGNIFICANT POLICY)*

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

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

4.13.10 *Deferred income*

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

Any state aid that has become repayable needs to be recognised as an adjustment to the accounting estimate. Accordingly, the long-term deferred income disclosed in a separate line in the

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

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

4.13.11 Determination of effective interest rates (SIGNIFICANT POLICY)

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.

This effective interest rate is set on the basis of the following:

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 75%–25% HUF/EUR rate, which is 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.

4.13.12 *Netting of financial instruments*

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

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

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

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

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

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

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

Profit reserve is the accumulated after-tax profit of former years recognised in the IFRS 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 other comprehensive income, as defined in *IAS 1 Presentation of Financial Statements*.

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

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

4.16. Repurchased treasury share (SIGNIFICANT POLICY)

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

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 the 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).

4.17. 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.

4.18. Current and deferred income tax (SIGNIFICANT POLICY)

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

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

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

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

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

Based on the interpretation of the definition of taxable profit as per *IAS 12*, the Company does not treat local business tax and innovation contribution as income taxes but rather as operating expenses, 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 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 of the end of the reporting period, the Company takes into consideration its non-recovered deferred tax assets and liabilities and checks the recovery of these with a discounted cash flow calculation relevant for its future profits.

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

4.19. 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.

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

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

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

4.20. Share option programme, share-based payments

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

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

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

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

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

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

4.21. Accounting for revenue from sales (SIGNIFICANT POLICY)

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

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

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

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

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

- 1) there are no customer contracts the conclusion of which would give rise to significant costs that would justify the capitalisation and subsequent depreciation of such assets;
- 2) each customer contract meets the requirement set out in the standard that the seller may recognise the revenue only when the good or service is transferred to the customer, at an amount it considers legitimate for such good or service. The invoicing of customers is based on long-term contracts, which clearly define the price, nature, place of delivery of the goods/services. In the past five years no major delay was encountered with regard to these contracts; with the exception of a single business relationship that generated negligible sales revenues, no impairment loss needed to be recognised.
- 3) the recognition of sales revenues complies with the 5-step model, that is, all contracts with customers are in writing, have commercial content (provide for economic benefits for the Company), clearly set out enforceable rights and obligations, the parties have accepted the contract and committed themselves to its performance, and there is a high probability that the Company would collect the consideration for the good/service transferred;
- 4) the Company treats obligations relating to the performance of contracts separately, treating any discounts (determined *ex ante* or *ex post*) as separate obligations. The performance obligation is always clearly set out in the contract, and revenues thus invoiced can be recognised;
- 5) in the customer contracts of the Company the price of the transaction is clearly set out and allocated to specific performance periods/dates, consequently the recognition of revenues is evenly spread out. In certain heat supply contracts the Company uses performance incentives regarding the commitment of the customer to increase its heat purchases; in this case, the discount related to the period is in each case deducted from the sales revenue of the period affected by the discount. The sales revenue of all transactions is identical with the invoiced amount; no discrepancies have been found. In the case of the above discount, based on the calculation formula set out in the contract between the parties, the amount of the discount to be deducted from the revenue of the period concerned and therefore recognised in that period (or subsequently, when a correcting invoice is issued) is clearly defined, consequently no estimates or probability calculations are necessary;
- 6) the customer contracts of the Company clearly match the price of a transaction and the transaction; there is no partial performance within transactions that would necessitate the allocation of prices. If the Company were to provide general discounts *ex post*, it would allocate it to the deliveries and transactions of the period covered by the discount, in accordance with the requirements of *IFRS 15*;
- 7) the members of the Company recognise revenues from sales when control over the asset or service sold is passed to the customer, and the customer is able to govern the use of and collect the benefits from such asset;
- 8) the Company sells no products with the right of repurchase, offers no related warranties, uses no buyer options or agency commissions.

4.22. Interest income and dividend income

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.

4.23. Leases (SIGNIFICANT POLICY)

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* removes the difference between the treatment of operating lease transactions and that of finance leases for the Company as lessee; in the statement of financial position lessees have to show an asset embodying the right of use under the transaction and a leasing liability, that is, the obligation to make the lease payments. 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 *IFRS 16 Lease* standard, as depreciation of the right-of-use asset and as the interest-type expenditure of the lease liability. Moreover, upon the occurrence of certain events (e.g. the lease term is modified, the amounts payable in the way of lease fees are modified as a result of changes in indices or interest rates affecting lease fee payments) the lessee must reevaluate the lease liability. The amount by which the lease liability is modified must be presented by the lessee as a change in the right-of-use asset. The standard stipulates exceptions for presentation regarding short term leases and ones with low-value underlying assets.

The present value of the lease payments is determined using the incremental interest rate, which is the interest rate that would be payable on a loan taken out to finance assets and the rate of which is presented in Note 4.13.11.

From 1 January 2024, the Company will present assets related to operating leases of motor vehicles that qualify as leases under *IFRS 16* separately as right-of-use assets in its financial statements.

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

4.24. Dividend payment (SIGNIFICANT POLICY)

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

4.25. State aid

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

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

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

4.26. Comparative information across periods (SIGNIFICANT POLICY)

The base year and current year figures are presented in the report with the same valuation. In order for the Company's IFRS annual report to comply with *IAS 1*, all of the financial statements of the Company include a comparative period.

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

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

4.27. Segment reporting

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

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

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

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

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

Of these indicators the Company identifies the consolidated quantity of heat sold as both a quantitative and a key 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 IFRS requirements, the preparation of the Company's IFRS annual report calls for the application of certain estimates and assumptions, which affect the amounts presented in the financial statements. The Company continually evaluates estimates and judgments based on past experience and other factors, such as expectations related to future events considered as reasonable under the circumstances.

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

5.1. *Events after the reporting date*

For events that occur between the date of the statement of financial position and the date of approval of the financial statements, the Company reviews whether the event concerned verifies the circumstances that existed at the reporting date, in which case the annual report needs to be modified. If the event implies circumstances that arose after the end of the reporting date, the only requirement is a disclosure, and only in material cases.

5.2. *Material error*

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

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

5.3. *Critical accounting estimates and assumptions*

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

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

The methodology of making accounting estimates may change; in the Company's interpretation a change of accounting estimates occurs when the carrying amount of an asset or liability or the amount of the asset's use in the period needs to be modified. Accounting estimates may be changed

based on the evaluation of the current position of the assets and liabilities and the assessment of the expected future benefits and obligations related to them. Changes in accounting estimates result from new information or new developments; accordingly, they do not qualify as the correction of an error.



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

	2025	2024
	HUF Th	HUF Th
Asset management	32,341	31,091
Property management	48,961	46,526
Total	81,302	77,617

6.2. Breakdown of sales revenues by geographical location

	2025	2024
	HUF Th	HUF Th
Revenue from domestic sales	79,706	76,102
Revenue from sales to the EU	1,596	1,515
Total	81,302	77,617

6.3. Breakdown of sales revenues by activity or service

	2025	2024
	HUF Th	HUF Th
Intercompany services	30,746	29,576
Mediated and other services	18,640	17,852
Rent for buildings and tangible assets	30,708	29,047
Sale of products	1,208	1,142
Total	81,302	77,617

The 5% increase in revenues reflects the higher level of mediated and re-invoiced services, as well as changes related to exchange rate in rental income invoiced in EUR.

6.4. Geographical breakdown of fixed assets related to sales revenues

	2025	2024
	HUF Th	HUF Th
Assets used in domestic production	122,839	111,599
Assets used in production within the EU	-	-
Assets used in production outside the EU	-	-
Total	122,839	111,599

The Company defines intangible assets, tangible assets and investment property as assets used in domestic production.

6.5. Concentration of sales revenue, information regarding key customers

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

	2025	As a percentage of total sales	2024	As a percentage of total sales
Total sales revenue from key customers	48,961	60.22 %	47,134	60.73 %
Revenue from sales	81,302	100.00 %	77,617	100.00 %

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

7. INDIRECT COSTS OF SALES

	2025 HUF Th	2024 HUF Th
Consultancy and audit fees	163,420	149,687
Indirect personnel-type costs	46,983	31,514
Insurance premiums	32,626	29,568
Indirect depreciation	30,880	22,451
Costs related to public and stock exchange presence	18,592	17,128
Office and operating costs	15,219	10,734
Banking costs	10,242	8,692
Other fees and duties payable to authorities	205	120
Total	318,167	269,894

PannErgy Nyrt.'s indirect operating costs for the reporting period show an increase of 18% compared to the previous year. As regards the details of indirect costs, all cost categories have increased, in line with the organic growth of the Group managed by the Company.

The increase in personnel-type costs is due to the change in headcount during the reporting period, as detailed in *Note no. 9 Headcount and wage costs*, while the increase in depreciation is due to the motor vehicles treated as right-of-use assets in the reporting period in accordance with *IFRS 16 Leases*.

8. DIRECT COSTS OF SALES

	2025	2024
	HUF Th	HUF Th
Costs of goods sold, mediated services	50,607	48,547
Direct depreciation (real property)	-	11,969
Facility maintenance costs, rental	3,417	3,118
Cost of maintenance materials	306	390
Electricity charges	118	172
Other indirect costs	309	539
Total	54,757	64,735

Direct costs of sales at PannErgy Nyrt. include primarily the re-invoiced utilisation costs of properties located in Debrecen, as well as the re-invoicing of services related to the holding activity. The decline in the reporting period is due to lower levels of mediated and re-invoiced costs, and the Company is gradually reducing its property utilisation activity that give rise to these 'pass-through' items.

The Company determines the depreciation of all its assets as indirect cost in the reporting period, according to this the scheduled depreciation of the real properties in Debrecen is indicated among the Indirect Costs of Sales.

9. HEADCOUNT AND WAGE COSTS

	2025	2024
Average statistical headcount (persons)	2	1
Wage cost (HUF Th)	37,963	25,129
Other personnel-type payments (HUF Th)	3,631	2,829
Taxes and contributions on wages (HUF Th)	5,389	3,556
Total	46,983	31,514

In terms of the average statistical headcount, PannErgy Nyrt. had 2 employees in the reporting period; the number of employees increased by 1 person relative to the base period.

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

10. OTHER EXPENDITURES

	2025	2024
	HUF Th	HUF Th
Aids granted to offset costs	14,000	8,000
Cost relating to insurance events	1,902	2,008
Local taxes, duties, fines	2,422	1,669
Waiver of shareholder's loans to subsidiaries	-	-
Fines, penalties, default interest, compensations paid	10,309	-
Provisioning	-	10,000
Other miscellaneous expenditures	105	3
Total	28,738	21,680

Consistent with its ESG strategy, the Company provided various grants to foundations in the amount of HUF 14,000 thousand. The most significant item within the HUF 28,738 thousand value of other expenditures for the reporting year is the HUF 10,000 thousand market surveillance fine imposed by the Magyar Nemzeti Bank, paid in the reporting period. Accident benefits amounting to HUF 1,902 thousand were paid in connection with claims from previous years.

11. OTHER INCOMES

	2025	2024
	HUF Th	HUF Th
Provisions released	10,000	-
Income relating to insured events	202	-
Incomes of another nature	289	605
Total	10,491	605

The HUF 10,000 thousand provision utilised in the reporting period is linked to the MNB market surveillance fine noted at other expenditures and the release of the provision allocated in the previous year in the reporting period. The Company's other income in the reporting period relates to a corporation tax credit for grants made in previous years for spectator sports.

12. FINANCIAL INCOMES

	2025	2024
	HUF Th	HUF Th
Interest received from related parties	392,204	463,564
Realised and unrealised FX gains	8,596	2,364
Gains on derivative transactions	-	37,019
Exchange gains on securities held for trading	2	2
Other financial incomes	-	-
Total	400,802	502,949

Interest income from related parties was mainly connected to the shareholder loans with PannErgy Geotermikus Erőművek Zrt.

13. FINANCIAL EXPENDITURES

	2025	2024
	HUF Th	HUF Th
Interest and interest-type expenses	73,842	55,995
Loss on derivative transactions	9,752	2,133
Realised and unrealised exchange losses	3,264	2,628
Other financial expenditures	-	1
Total	86,858	60,757

The Company incurred interest expense in the reporting period related to a short-term working capital loan. This loan was repaid during the reporting period and there was no principal outstanding at the end of the period.

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

The total amount of financially unrealised exchange rate differences related to FX revaluations at year-end is a total profit of HUF 6,611 thousand, related to the Company's EUR-based receivables and payables.

15. INTANGIBLE ASSETS

					HUF Th
<u>Gross value</u>	Goodwill	Valuable rights	Intellectual property	Other	Total
1 January 2024	-	523	1,885	-	2,408
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2024	-	523	1,885	-	2,408
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2025	-	523	1,885	-	2,408
<u>Accumulated depreciation</u>	Goodwill	Valuable rights	Intellectual property	Other	Total
1 January 2024	-	523	1,082	-	1,605
Increase	-	-	377	-	377
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2024	-	523	1,459	-	1,982
Increase	-	-	377	-	377
Sale	-	-	-	-	-
Impairment, write-off	-	-	-	-	-
Reclassification	-	-	-	-	-
31 December 2025	-	523	1,836	-	2,359
<u>Net value</u>					
1 January 2025	-	-	426	-	426
31 December 2025	-	-	49	-	49

16. TANGIBLE ASSETS

	HUF Th				
<u>Gross value</u>	Marketable properties	Properties for investment purposes	Property, plant and equipment	Right-of-use assets	Total
1 January 2024	-	159,309	1,542	62,670	223,521
Purchase	-	-	-	-	-
Capitalisation	-	-	1,209	-	1,209
Revenue from sales, contribution in kind	-	-	-	-	-
Reclassification, scrapping	-	-	-	-	-
IFRS 16 Lease Remeasurement	-	-	-	1,892	1,892
Reclassification	-	-	-	-	-
31 December 2024	-	159,309	2,751	64,562	226,622
Purchase	-	-	-	40,789	40,789
Capitalisation	-	-	-	-	-
Revenue from sales, contribution in kind	-	-	-	-	-
Derecognition, write-off	-	-	-395	-	-395
IFRS 16 Lease Remeasurement	-	-	-	1,331	1,331
Reclassification	-	-	-	-	-
31 December 2025	-	159,309	2,356	106,682	268,347
<u>Accumulated depreciation</u>	Marketable properties	Properties for investment purposes	Property, plant and equipment	Assets embodying the right of use	Total
1 January 2024	-	70,105	1,542	9,758	81,405
Increase	-	11,969	218	21,857	34,044
Sale	-	-	-	-	-
Reclassification, scrapping	-	-	-	-	-
31 December 2024	-	82,074	1,760	31,615	115,449
Increase	-	734	326	29,443	30,503
Sale	-	-	-	-	-
Reclassification, scrapping	-	-	-395	-	-395

31 December 2025	-	82,808	1,691	61,058	145,557
Net value					
1 January 2025	-	77,235	991	32,947	111,173
31 December 2025	-	76,501	665	45,624	122,790

PannErgy Nyrt. shows its industrial properties located in Debrecen in the category of investment properties; rather than making efforts to sell them, the Company utilises them essentially through leasing to tenants. The HUF 734 thousand decline in the reporting period reflects scheduled amortisation.

The HUF 45,624 thousand value of assets embodying the right of use at the end of the reporting period relates to long-term leases of motor vehicles, where the Company applies the rules governing the recognition of lease items (assets and liabilities) in the report pursuant to its accounting policy based on *IFRS 16*. Owing to the change in the effective interest rate compared to the previous period, lease liabilities were re-measured. After the re-measurement, the historical cost of the assets rose by HUF 1,330 thousand. Data for assets embodying the right of use are shown in a separate column for both the base period and the reporting period, unlike in the previous year, where they were shown together in the column for machinery and vehicles.

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

17. INVESTMENTS

	2025 HUF Th	2024 HUF Th
PannErgy Geothermal Power Plants Ltd.	4,604,949	4,604,949
Total	4,604,949	4,604,949

There were no changes in investments during the reporting period. After the reporting period, the Company acquired 100% of the shares of Szentlőrinci Geotermia Kft., a subsidiary of the Group, from PannErgy Geotermikus Erőművek Zrt. with effect from 10 February 2026.

18. LONG-TERM RECEIVABLES

As of 31 December 2025, PannErgy Nyrt. stated the following long-term receivables in its annual report.

	2025 HUF Th	2024 HUF Th
Shareholder's loans to subsidiaries	3,813,594	4,811,191
Total	3,813,594	4,811,191

In the previous period, PannErgy Nyrt. provided a long-term shareholder's loan (maturing in 2030) to PannErgy Geotermikus Erőművek Zrt., which is responsible for the professional and technical

management of the Group and the supervision of the geothermal project companies as direct owner, and to Kuala Kft. in connection with the drilling of the third production well in Miskolc.

19. LEASE RECEIVABLES

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

20. INVENTORIES

In the reporting period and in the base period, PannErgy Nyrt. had no stocks.

21. TRADE RECEIVABLES

	2025 HUF Th	2024 HUF Th
Trade receivables	17,474	17,765
Total	17,474	17,765

PannErgy Group sells its products and services to a small number of buyers, mostly on the basis of long-term contractual arrangements. The trade receivables are non-interest earning items, generally with a 30-day term. Trade receivables decreased by 2% year-on-year.

The Company's statement of its 2025 impairment provision matrix underlying the impairment charges applied in the reporting period:

	HUF Th								
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 ¹	Stage 2 impairment ¹	Stage 3 impairment ¹
Marketable financial assets (Available for Sale, AFS)	-	-	-			-	-	-	-
Investments available for sale	-	-	-	0%	0%	-	-	-	-
Long-term investments	-	-	-	0%	0%	-	-	-	-
Other invested financial assets (long-term securities)	-	-	-	0%	0%	-	-	-	-
Securities (short term)	-	-	-	0%	0%	-	-	-	-
Loans and receivables (Loans and Receivables, LAR)	-	-	-			-	-	-	-
Loans provided	-	-	-	0%	0%	-	-	-	-
Trade receivables	-	-	-	0%	0%	-	-	-	-
Other current receivables	-	-	-	0%	0%	-	-	-	-
Held to maturity financial assets (HTM)	-	-	-			-	-	-	-
Long term financial receivables	-	-	-	0%	0%	-	-	-	-

Liquid assets	-	-	--	0%	0%	-	-	-	-
Total	-	-	-			-	-	-	-

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

22. LOANS PROVIDED

At the end of the reporting period, the Company had no receivables from loans recognised among current assets, and no loans were granted to third parties or subsidiaries.

23. OTHER RECEIVABLES

	2025 HUF Th	2024 HUF Th
Next period's items	741,848	360,738
Other tax receivables	36,042	44,257
Receivable relating to derivative transaction	-	24,751
Advance payments and security deposits made and collaterals provided	-	5,203
Other receivables	-	5
Total	777,890	434,954

HUF 726,178 thousand of the items of the next period is associated with interest revenues from loans given to subsidiaries in the Group, the increase in the reporting period is in connection with the current liability arising from loans given to related parties. Among the items of the next period HUF 15,670 thousand relates to costs. Among other tax receivables, the most significant items are VAT receivables amounting to HUF 9,369 thousand and corporate tax receivables of HUF 25,651 thousand.

24. SECURITIES HELD FOR SALE

	2025 HUF Th	2024 HUF Th
Securities held for sale	-	22

The Company sold its securities held for sale during the reporting period.

25. CASH AND CASH EQUIVALENTS

	2025 HUF Th	2024 HUF Th
Bank accounts and cash on hand	11,545	29,116
Cash and cash equivalents	11,545	29,116

26. SUBSCRIBED CAPITAL

	2025	2024
	HUF Th	HUF Th
Subscribed capital	320,000	360,000

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

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

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

After the capital reduction conducted during the 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.

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

27. REPURCHASED TREASURY SHARE

	2025	2024
Number of repurchased treasury shares	682,417	1,982,417
Nominal value (HUF Th)	13,648	39,648
Fair value (HUF Th)	1,303,416	3,092,571

On 31 December 2025 the Company held a total of 682,417 PannErgy Nyrt. treasury shares, 1,300,000 less than on 31 December 2024.

The decrease in the reporting period was collectively due to the cancellation of 2,000,000 treasury shares and the purchase of 700,000 treasury shares.

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 PannErgy Group 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 and PannErgy Geothermal Power Plants Zrt. purchased the shares. The second phase of the transaction, the purchase of the remaining 700,000 shares by PannErgy Nyrt., 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.

The details of the treasury share buyback programmes effective in the reporting period are explained in Chapter 9 *Dividend payment, Treasury share purchase* of the Business Report.

The public disclosures contain more information on the Company's treasury share transactions.

28. RESERVES

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

	2025	2024
	HUF Th	HUF Th
Capital reserve	1,918,262	4,735,564
Retained earnings	7,407,217	7,259,176
Total	9,325,479	11,994,740

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

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

In the reporting period, the General Meeting of the Company decided that it would not pay dividends for the year 2024.

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 in respect of dividends, is the following:

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

More detailed information is provided regarding the dividend in the public disclosures. Details of dividend payments made during the reporting period are presented in Chapter 9 *Dividend payment*

of the Business and Management Report that was drawn up based on the 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 at 31 December 2025, which serves as the basis for calculating dividends for 2025 as a dividend payment limitation.

Equity figures based on the IFRS Financial Statements	31.12.2025 (HUF Th)
Subscribed capital	320,000
Reserves	9,325,479
– of which Capital reserves	1,918,262
– of which Retained earnings	7,407,217
Reserve for repurchased treasury shares	-1,303,416
Net P/L of the reporting year	3,860
Total shareholders' equity	8,345,923
Dividend payment limitation under Section 114/B of Act C of 2000 on Accounting	31.12.2025 (HUF Th)
Capital registered by the Court of Registration	320,000
Subscribed, unpaid capital	-
Capital reserve	1,918,262
Tied-up reserve (repurchased treasury shares)	-1,303,416
Tied-up reserve (other tied-up reserves / development reserves)	-
Revaluation reserve	-
Retained earnings	7,407,217
Net P/L for the year / Profit after tax	3,860
Total shareholders' equity	8,345,923
Of which Capital registered by the Court of Registration (= IFRS subscribed capital)	320,000
Dividend payment limitation, retained earnings available for dividend payment	6,107,661

29. LONG-TERM LOANS, LEASES

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

	2025 HUF Th	2024 HUF Th
Long-term loans to group member companies	851,026	480,532
Non-current lease liabilities	10,737	7,387
Total	861,763	487,919

At the end of the reporting period, the Company has long-term loans and borrowings to PannErgy Group member companies in the amount of HUF 851,026 thousand. These were included in current liabilities in the previous year, and the different presentation in the accounts is due to changes in contractual maturities.

At the end of the reporting period, the Company has non-current liabilities of HUF 10,737 thousand related to assets embodying the right of use. These liabilities arise from long-term leases of motor vehicles, which the Company recognises as liabilities under its accounting policy in accordance with *IFRS 16*. The portion of lease liabilities under lease contracts which are to mature within one year are recognised as short-term liabilities.

30. PROVISIONS

The Company has the following provisions at the end of the reporting period:

	2025 HUF Th	2024 HUF Th
Opening balance as at 1 January	10,000	-
Provisioning	-	10,000
Release of provisions	10,000	-
Total	-	10,000

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 fine was paid in the reporting period and accordingly, the provision allocated previously was released and recognised as other revenue.

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

31. DEFERRED TAX LIABILITIES

At the end of the reporting period, PannErgy Nyrt. stated a deferred tax liability of HUF 54 thousand. It is related to the difference between depreciation calculated under the accounting law and those calculated under the tax law.

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

	2025	2024
	HUF Th	HUF Th
Amounts recovered from deferred losses	-	-
The difference between the amount of the depreciation under the Accounting Act and the corresponding amount under the Tax Act	54	806
<i>Receivables from deferred taxes (gross)</i>	<i>54</i>	<i>806</i>
Development reserve provision	-	1,424
<i>Deferred tax liabilities (gross)</i>	<i>-</i>	<i>1,424</i>
Deferred tax to be recognised (net)	54	-618
Deferred tax recognised in previous year	-618	-741
Deferred tax recognised/reversed	672	123
Receivables from deferred taxes on 31 December	54	-
Deferred tax liabilities on 31 December	-	618

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

On 31 December 2025, the Company stated the following liabilities from short-term credits:

	2025	2024
	HUF Th	HUF Th
Short-term bank loans	294	-
Short-term loans to subsidiaries	-	-
Short-term part of long-term credits and leases	14,607	11,621
Closing balance on 31 December	14,901	11,621

The Company had no bank loans at the end of the reporting period. The amount shown here relates to current accounts with a negative balance at the end of the period.

The Company's shareholder's loans to related parties and subsidiaries were included in current liabilities in the base period. These are included in long-term liabilities in the reporting period, in accordance with the maturity provisions of the relevant contracts.

Based on its accounting policy that is consistent with the requirements of *IFRS 16*, the Company recognises the current portion of the related lease liabilities for assets embodying the right of use related to the long-term lease of motor vehicles, which represents the amount of lease payments

payable within one year from the date of the annual financial statements, in the amount of HUF 14,607 thousand as current liabilities at 31 December 2025.

33. TRADE PAYABLES

	2025 HUF Th	2024 HUF Th
Domestic and foreign trade payables	24,537	36,814
Total	24,537	36,814

Trade payables decreased slightly in the reporting period.

34. OTHER SHORT-TERM LIABILITIES

	2025 HUF Th	2024 HUF Th
Next period's items	92,176	45,152
Liabilities relating to shares	4,419	4,419
Wages and social security	3,598	2,078
Tax and contribution liabilities	707	462
Liabilities relating to derivative transactions	195	177
Liabilities relating to dividends	126	126
Total short-term liabilities	101,221	52,414
Income taxes payable (deducted and shown as a separate line item)	-	-
Other short-term liabilities, total	101,221	52,414

The most significant item – HUF 92,176 thousand – within other short-term liabilities is accrual-like items of the next period; these include HUF 83,181 thousand in interest on a loan from a related party, the rest being other non-interest costs relating to the reporting period.

Other current liabilities include a liability of HUF 4,419 thousand arising from the conversion of the Company's ordinary shares into dematerialised securities.

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

35. TAXATION, INCOME TAX**35.1. Income tax payable for the reporting year**

	2025 HUF Th	2024 HUF Th
Tax liabilities for the reporting year	887	16,187
Effect of deferred taxes	-672	-123
Total	215	16,064

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

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

35.2. Calculation of the effective income tax

The difference between the expected income tax figures calculated by multiplying the individual pre-tax profit figures stated in the statement of comprehensive income of PannErgy Nyrt. with the applicable income tax rates, and the corporate income tax figures actually stated in the statement of comprehensive income, is calculated as follows:

	2025 HUF Th	2024 HUF Th
Profit before taxes	4,075	164,105
The tax payable on the company's profit/loss at the applicable tax rate (9%)	367	14,769
Effects of different tax rates (minimum profit tax)	863	-
Tax implications of non-deductible expenditures, effects of tax base modifying items	-343	1,418
Use during the reporting year of the negative tax base carried over from previous years	-	-
Tax liabilities for the reporting year	887	16,187
Write-off of tax receivables assessed earlier	-672	-123
Income tax (as per the profit & loss account)	215	16,064

36. EARNINGS PER SHARE

	2025	2024
Profit after taxes (HUF th)	3,860	148,041
Number of shares issued less the number of treasury shares	15,317,583	16,017,583
Profit/loss per share (HUF)	0.24	9.23
Diluted profit / loss per share (HUF)	0.24	9.23

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

For the calculation of earnings per share, the company used the ratio of the profit for the given period to the time-weighted average number of shares for that period, reduced by treasury shares repurchased and held by Pannergy Nyrt. as an individual entity.

37. FINANCIAL INSTRUMENTS

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

	2025	2024
	HUF Th	HUF Th
Financial assets	9,213,907	9,868,881
<i>Financial assets available for sale (AFS)</i>	<i>4,604,949</i>	<i>4,604,949</i>
Long-term investments	4,604,949	4,604,949
<i>Loans and Receivables (LAR)</i>	<i>795,364</i>	<i>427,968</i>
Loans provided	-	-
Trade receivables	17,474	17,765
Other current receivables, prepaid income taxes	777,890	410,203
<i>Financial instruments held to maturity (Held to Collect)</i>	<i>3,813,594</i>	<i>4,811,191</i>
Long term financial receivables	3,813,594	4,811,191
<i>Financial instruments, Fair Value to Profit and Loss (FVTPL)</i>	<i>-</i>	<i>24,773</i>
Securities	-	22
Derivative transactions	-	24,751

	2025 HUF Th	2024 HUF Th
Financial liabilities	1,002,422	588,768
<i>Other financial liabilities</i>	1,002,422	588,591
Trade payables	24,537	36,814
Long-term loans, leases	861,763	487,919
Current borrowings	294	-
Short-term part of long-term credits and leases	14,607	11,621
Other financial liabilities	101,221	52,237
<i>Financial liabilities, Fair Value to Profit and Loss, (FVTPL)</i>	-	177
Derivative transactions – liabilities	-	177

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

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

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

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

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

38. SHARE-BASED BENEFITS

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

39. OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS

39.1. Contractual obligations and commitments for investment

At present the Company has no investment commitments.

39.2. Commitments relating to asset management transactions

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

39.3. Other contingent liabilities

38.3.1 Assets relating to funding by financial institutions, restriction of title

PannErgy Nyrt., as an individual company, did not have any bank loans at the end of the reporting period, and therefore no related collateral.

38.3.2 Contingent commitments relating to application schemes

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

38.3.3 Operative leases

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

	2025	2024
	HUF Th	HUF Th
Within 1 year	14,607	11,621
Over 1 year but within 5 years	10,738	7,387
Over 5 years	-	-
Total	25,345	19,008

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

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

40. FINANCIAL RISK MANAGEMENT

40.1. *Financial risk factors*

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

40.2. *Market risk*

39.2.1 *Exchange rate risk*

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

39.2.2 *Price risk*

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

39.2.3 *Cash flow and fair value interest risk*

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

40.3. *Lending risk*

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

Customers are rated on the basis of their creditworthiness and their credit limits are determined on the basis of their financial positions, financial data, historical performance and other factors, by the PannErgy Nyrt.'s Finance and Treasury group. The Company monitors draw-downs from the credit limits. Its customers always pay for their purchases by way of bank transfer. No credit limit was exceeded during the reporting period, and management does not expect losses from default on the part of the partners concerned. Buyers' debts (trade receivables) are assessed at the end of the year and actions are taken, as necessary, regarding each buyer individually.

40.4. Liquidity risk

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

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

40.5. Capital management

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

	2025	2024
	HUF Th	HUF Th
Subscribed capital	320,000	360,000
Total equity capital	8,345,923	9,410,210
Equity / Subscribed capital	26.08	26.14

40.6. Offsetting of financial assets and financial liabilities

In the case of financial assets and liabilities that are subject to a mandatory offsetting arrangement or a similar agreement the agreement between the Company and the other party permit offsetting of the given financial assets and liabilities only if both parties opt for this type of clearing. No such

agreement or decision is in place in PannErgy Nyrt.; therefore, financial assets and liabilities are cleared and settled in terms of gross amounts.

40.7. 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 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 the level of EBITDA – one of its most important operational metrics –, and forecasts EBITDA growth for 2026.

40.8. Risk of the adverse effects of climate change

The activity of the Company is not affected directly and significantly by the adverse effects of climate change; they do not exert a material impact on revenues that may jeopardise the level of revenues presented in these financial statements. In addition, the activity of the Company is climate-neutral in the sense that the utility and value of the assets required for its core activity – geothermal heat generation – are not affected by the potential negative effects of the climate change. The Company does not need to resort to extra projects to eliminate the adverse effects of climate change, nor does it incur any extra costs (e.g. maintenance) in this regard.

Moreover, it should be noted that the core element of the strategy of PannErgy Group – as the region's dominant company utilising geothermal heat – is to play a key role in countering climate change by its environmentally friendly services of high operational reliability, and to enable major reductions in energy related expenditures by implementing environment preserving capital projects. PannErgy Plc. uses clean and renewable energy solutions to build the future, giving every generation the opportunity to create value by applying the principles of environmental protection and sustainability. The Company has set itself the goal of becoming a market leader in the Central and Eastern European region through the use of geothermal energy, which provides significant economical and ecological value for now and in the future. The environmental strategy of PannErgy designed to mitigate or prevent the negative effects of the climate change is described in Chapter 5 *Strategy and Environmental Objectives of the PannErgy Group* of the Business Report.

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

- acts as a renewable energy producer and is engaged in carbon-saving activities;
- prepares a separate ESG/Sustainability Report in accordance with the requirements of the GRI Global Reporting Initiative, GRI Universal Standards 2021, in line with the regulations for listed companies;
- the ESG Report for 2025 is published at the same time as these consolidated financial statements, detailing information on carbon savings and emissions, with assumptions evaluated and disclosed;
- the non-financial information in the ESG report for 2025 is consistent with the information contained in these consolidated financial statements;

- this report does 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.

41. PARTICIPATIONS (DIRECT AND INDIRECT)

41.1. Consolidated subsidiaries

On 31 December 2025, the consolidated subsidiaries of the Company as the parent company and their direct and indirect ownership rates are as follows:

	Share capital (HUF Mn)	Ownership share (%) Indirect	Shareholding (%) Direct	Voting rights (%)	Consolidated ratio
PannErgy Geotermikus Erőművek Zrt.	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. Other than the above consolidated subsidiaries, the Company has no controlling influence or qualified majority in any other business association under the provisions of the Civil Code on business associations.

41.2. Changes affecting investments and participations during the reporting year

There were no transactions involving investments and participations 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.

42. SEGMENTS REPORT

In line with IFRS requirements, the Company needs to present its operating segments. PannErgy Nyrt. identified one operating segment in its separate EU IFRS financial statements (Assets Management); thus the Company has to fulfil disclosure obligations covering the whole of the business entity. In the case of the Company this means that the reporting year's and the basis year's data of the Asset management segment are the same as the financial information pertaining

to the entirety of the business entity, which are adequately presented in these separate financial statements.

43. EXPLANATION FOR RECLASSIFICATIONS RELATIVE TO BASIS PERIOD REPORT

The base data included in the 2025 annual report and separate financial statements of PannErgy Nyrt. are identical with the data included in the Company's separate financial statements and annual report for 2024.

44. TRANSACTIONS WITH RELATED PARTIES

44.1. Transactions with members of the Company's management

The members of PannErgy Nyrt.'s management are shareholders of enterprises that provide regular business management consultancy or long-term lease of vehicle type services for PannErgy Nyrt. In 2025 such services amounted to HUF 159,355 thousand, of which business management consultancy services were provided in the amount of HUF 98,818 thousand, and long-term leases were incurred in the amount of HUF 60,537 thousand.

44.2. Transactions with related parties

The Company performed the following transactions with related parties during 2025:

Data of transactions with related parties	2025 HUF Th	2024 HUF Th
Sales to related parties ¹	424,031	490,169
– To related subsidiaries	422,436	488,655
– To entities in an ownership relationship with the Group's management	1,595	1,514
Purchases from related parties ²	229,580	179,842
From related subsidiaries	91,785	73,801
From entities in an ownership relationship with the Group's	137,795	106,041
Amounts owed by related parties	4,556,282	5,171,953
From related subsidiaries	4,556,125	5,171,953
From entities in an ownership relationship with the Group's	157	-
Amounts owed to related parties	953,071	545,012
To related subsidiaries	953,071	536,933
To entities in an ownership relationship with the Group's management	-	8,079

¹ Of which HUF 391,691 thousand represents interest income from related parties presented as financial income.

² Of which HUF 56,290 thousand represents interest payable to related parties presented as financial expenditure.

44.3. Loans to and borrowings from related parties

PannErgy Nyrt. provided the following loans to related parties in 2025 and 2024. No loans were disbursed to management.

	2025	2024
	HUF Th	HUF Th
Opening balance of loans granted	4,811,191	4,965,191
New volume of loans to related parties	425,432	186,000
Repayment of loans from related parties	1,423,029	340,000
Waiver of loans to related parties	-	-
Closing balance of loans granted	<u>3,813,594</u>	<u>4,811,191</u>

The Company's loans to related parties decreased by HUF 997.597 thousand during the reporting period.

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

	2025	2024
	HUF Th	HUF Th
Opening balance of borrowings	480,533	375,358
Disbursements from related parties	1,770,593	117,990
Repayment of loans to related parties	1,400,100	12,815
Borrowings waived by related parties	-	-
Closing balance of borrowings	<u>851,026</u>	<u>480,533</u>

The Company's outstanding borrowings from related parties increased by HUF 370,493 thousand in the reporting period, in line with broader Group-level cash flow trends.

44.4. Remuneration of key executives

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

	2025	2024
	HUF Th	HUF Th
Short-term employee benefits	27,247	25,129
Termination benefits	-	-
Share-based benefits	-	-
Total	<u>27,247</u>	<u>25,129</u>

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.

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

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

45. ADDITIONAL INFORMATION

45.1. *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 approves the report of the Management Board for 2025.

In consideration of the report of the Management Board, the opinion of the Audit Committee and the auditor's report, the General Meeting has approved the Company's individual (parent company), non-consolidated balance sheet and profit & loss statement for 2025 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 9,345,923 thousand for assets and liabilities, and earnings after taxes, i.e. profit of HUF 3,860 thousand.

In consideration of the report of the Management Board, the opinion of the Audit Committee and the auditor's report, the General Meeting acknowledges and approves the EU IFRS consolidated financial statements of the PannErgy Nyrt. Group on its operations in 2025, showing an identical total of HUF 27,257 million for assets and liabilities (balance sheet total), and net earnings, i.e. profit of HUF 1,936 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."

45.2. *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 utca 21. 2. em. 7).

The auditor charged a fee of HUF 8,400,000 for the audit of the reporting year.

45.3. 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).

45.4. Members of the Company with controlling influence

PannErgy Nyrt. is a public limited company. In line with Chapter 7.2 *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.

45.5. Persons authorised to act on behalf of the Company

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

Name	Position	Address	Mandated from	Signature right
Dénes Gyimóthy	MB member, Chairman	94501 Komárno, Medercská ul. 748/73.	31.08.2007	independent
Katalin Gyimóthy	Member of the MB	H-8220 Balatonalmádi, Somfa utca 4.	28.04.2016	joint
Attila Juhász	Member of the MB	H-2251 Tápiószecső, Rákóczi út 6.	31.08.2007	joint
Kálmán Rencsár	Member of the MB	H-6320 Solt, Posta utca 51.	30.04.2020	joint
Gábor Briglovics	Member of the MB	H-2483 Gárdony, Barabás Miklós utca 10.	16.04.2021	joint
István Jaksa	Employee, Chief Executive Officer	H-1222 Budapest, Nap utca 28-30. 2. ajtó	13.02.2024	joint

45.6. 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, 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.

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

PannErgy Nyrt. has its registered office in Hungary at H-1112 Budapest, Boldizsár utca 2 (Budapest One Irodaház D. torony. 8. emelet). 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>).

46. EVENTS AFTER THE REPORTING DATE

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 occurred after the reporting date.

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

Date	Type of news	Subject, brief content
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

47. 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 Report 2025

Based on the EU IFRS annual report of
PannErgy Nyrt.

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 separate report of the Company; the official separate report will be attached to the Consolidated Financial Statements 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 separate report attached to the Consolidated Financial Statements published in ZIP (specifically XHTML-XBRL) format.

1. EXECUTIVE SUMMARY (REGARDING THE PANNERGY GROUP)

Showing organic growth, consolidated EBITDA is consistent with the budget

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.

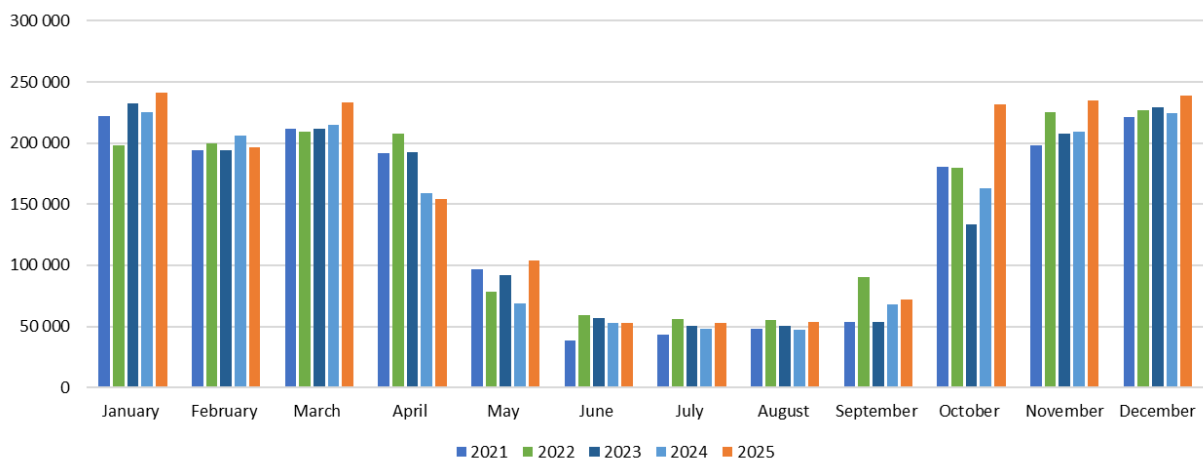
The Company's EBITDA projection for the coming year (2026)

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.

Consolidated heat sales surpassing budget figures and the base

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

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

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 almost 21% higher than the consolidated profit of HUF 1,405 million in the base period.

PannErgy's regulated district heating tariffs

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 in the Business and management report of the Consolidated financial statements*.

Significant projects commissioned and closed during the reporting period

Expansion of the Miskolc Geothermal Project with a third production well

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 and sale agreements with MVM Energetika Zrt., as detailed in Chapter 9. *Dividend payment, purchase of treasury shares* of the Business 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.

2. PROFIT OR LOSS OF PANNERGY NYRT. AS AN INDIVIDUAL COMPANY IN 2025, KEY INDICATORS OF BUSINESS OPERATIONS

Key profit/loss figures (HUF Th)	2025	2024
Revenue from sales	81,302	77,617
Direct cost of sales	-54,757	-64,735
Gross margin	26,545	12,882
Gross cash flow	26,545	24,851
Indirect costs of sales	-318,167	-269,894
Other revenues	10,491	605
Other expenditures	-28,738	-21,680
Operating profit (EBIT)	-309,869	-278,087
EBITDA	-278,989	-243,667
Financial profit	313,944	442,192
Profit before taxes	4,075	164,105
Net profit for the year (profit after tax)	3,860	148,041
<i>Return on Equity, % (ROE)</i>	<i>0.05</i>	<i>1.57</i>
<i>Return on Sales, % (ROS)</i>	<i>4.74</i>	<i>190.73</i>
Earnings per share (EPS), HUF	0.24	9.23

Diluted earnings per share amounted to HUF 0.24. As in the previous period, there is no difference in determining diluted earnings per share as no share option programme was running with shares not called at the end of the reporting period.

For the calculation of earnings per share, the Company used the ratio of the profit for the given period to the time-weighted average number of shares for that period, reduced by treasury shares repurchased and held by PannErgy Nyrt. as an individual entity.

Detailed description of the business operations of PannErgy Nyrt. as an individual company in 2025:

PannErgy Nyrt. earned a sales revenue of HUF 81,302 thousand in 2025, 5% above the 77,617 thousand figure posted for 2024.

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

In the reporting period, the rental income amounted to HUF 30,708 thousand, which is 6% more than the HUF 29,047 thousand reported in the previous year. These rental revenues are derived from rental contracts for the properties in Debrecen.

The holding control related expenditures of the Company increased by 18% relative to the previous year; in the reporting period; they amounted to HUF 318,167 thousand. This growth is consistent

with the organic growth of the Group governed by the Company. Within indirect costs, there was an increase in all cost categories.

Based on the above, the Company reports an operating result of HUF -309,869 thousand and EBITDA of HUF -278,989 thousand for the reporting period, as interest income from loans to related parties linked to asset management and holding management, which are its core activities, are recognised as income from financial transactions.

In the reporting period the Company realised interest income of HUF 392,204 thousand on its asset management and holding governance operation, in contrast with the interest income of HUF 463,564 thousand of the previous year. This interest income was mainly connected to the shareholder loans with PannErgy Geotermikus Erőművek Zrt.

Thanks to the significant interest income, the profit on financial transactions amounted to HUF 313,944 thousand in the reporting period.

For the reasons detailed above, after an income tax expenditure of HUF 215 thousand, the Company realised a net P/L of HUF 3,860 thousand in the reporting period.

Key data on the asset position (HUF Th)	2025	2024
Fixed assets	8,541,436	9,527,739
Total current assets	806,909	481,857
Of which Liquid assets	11,545	29,116
Total assets	9,348,345	10,009,596
Total shareholders' equity	8,345,923	9,410,210

The decrease in fixed assets in the reporting period was due to the repayment of loans extended to related parties, while the sharp increase can be also attributed to these loans to related parties. Deferred interest receivables related to the loans raised the Company's other receivables at the end of the period.

At the end of the reporting period, a deferred tax receivable of HUF 54 thousand is presented based on the deferred tax recovery calculations of PannErgy Nyrt. In the reporting period, the Company's deferred tax position turned from a deferred tax liability of HUF 618 thousand to a tax receivable after the recognition of a tax expense of HUF -672 thousand i.e. a tax expense that increased P/L.

The Company's equity decreased by 11% compared to the base, primarily as a result of the share cancellations and the reduction of capital in the reporting period, as well as the equity decreasing effect of treasury shares during the reporting period.

The Company had no bank loans at the end of the reporting period. The amount of HUF 294 thousand presented as short-term loans relates to current accounts with negative balances at the end of the period.

Key indicators	2025	2024
Profitability indicators		
Return on assets, % (ROA)	0.04	1.48
Return on Equity, % (ROE)	0.05	1.57
Return on Sales, % (ROS)	4.75	190.73
Asset position indicators		
Ratio of fixed assets, %	91.37	95.19
Ratio of equity capital, %	89.28	94.01
Indebtedness rate, %	12.01	6.37
Financial indicators		
Liquidity ratio	573.7	477.80
Acid test ratio	573.7	477.80
Earnings per share (EPS), HUF	0.24	9.23

3. INTRODUCTION TO THE COMPANY

3.1. Core activity of PannErgy Nyrt.

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

On 31 December 2025, PannErgy Nyrt. had 2 employees; the CEO performs his duties under an employment contract. Its executive officers, other than the chief executive officer – members of the Management Board – do not work under an employment relationship.

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

3.2. Real property utilisation

At the end of the reporting period, in addition to its core operations comprising the production and sale of geothermal heat (Energy) the Company has industrial/commercial real properties and offices originating from before the time of the 'Pannonplast - PannErgy' strategy shift in the town of Debrecen. The PannErgy Nyrt. shows its industrial properties in Debrecen, which are not directly or indirectly related to the Group's core operation, that is, geothermal heat generation and sale, in its investment property portfolio, which it intends to utilise through lease arrangements. These properties were presented in the Company's consolidated statement of financial position at cost less depreciation, in an amount of HUF 76,501 thousand. Their fair value amounted to HUF 117,000 thousand at the end of the period.

4. ACHIEVEMENT OF PANNERGY NYRT.'S MAIN TARGETS FOR 2025 AND THE ASSOCIATED RISKS

The main objective of the Company as the parent of the PannErgy Group for 2025 is to increase heat generation in relation to its holding governance activity as its core operation and, in this context, the improvement of the predefined group-level margin, cash flow and EBITDA. In 2025, as well, the PannErgy Group successfully achieved the objective laid down in its geothermal energy generation and utilisation strategy – aimed at the efficient utilisation of the capacities available at the various project sites in line with the prevailing weather conditions and at the dynamic selection of the operating condition(s) best supporting this objective.

The consolidated heat sales of the PannErgy Group for the year 2025 were 1,865 TJ, which is 6% higher than the 1,767 TJ of the base period and exceeds the target of 1,771 TJ for the reporting period by 5%.

The PannErgy Group's consolidated EBITDA reached HUF 4,182 million, in line with the 2025 EBITDA range expectation in the 2025 Q4 production report published on 15 January 2026, which expected to surpass, albeit moderately, the previously forecast EBITDA target range of HUF 4,000 – 4,150 million, reaching the range of HUF 4,150 – 4,200 million. This consolidated EBITDA value for the reporting year is **7% higher than the EBITDA value of HUF 3,921 million in the base period, with an EBITDA rate of 48%.**

In addition to the objectives described above, the key 2025 objective of PannErgy Nyrt. as an individual company was profitable financial management at group level. As in the previous year, the conditions for this were in place at the Company; the net profit in the reporting year was HUF 3,860 thousand, which is below the HUF 148,041 thousand P/L in the base period, but at the same time ensures stable, financially profitable operation.

5. THE COMPANY'S STRATEGY, ENVIRONMENTAL GOALS

The core element of the strategy of the PannErgy Group, the region's dominant company utilising geothermal heat, is to play a key role in countering climate change by its environmentally friendly services of high operational reliability, and to enable major reductions in energy related expenditures by implementing environment preserving capital projects. PannErgy Plc. uses clean and renewable energy solutions to build the future, giving every generation the opportunity to create value by applying the principles of environmental protection and sustainability. The Company has set itself the goal of becoming a market leader in the Central and Eastern European region through the use of geothermal energy, which provides significant economical and ecological value for now and in the future.

5.1. ESG Management, ESG 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. Accordingly, it published its first ESG report in 2021, ahead of the deadlines prescribed in the applicable legal regulations. Subsequently, the ESG Report 2023 (*"Sustainability Management and Environmental, Social and Governance (ESG) Performance Summary and Report"*) will also be issued simultaneously with the publication of the ESG Report 2022 and the current consolidated financial statements.

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

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 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.

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.

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 CO₂-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 CO₂ impact of the electricity needs of geothermal heat generation (Scope 2) and the GHG emissions related to administrative central operation and project-level site operation (Scope 1).

6. SUBSIDIARIES OF PANNERGY NYRT.

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

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

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

PannErgy subsidiaries	Equity	Subscribed capital	Sales revenue	Business profit or loss	Profit after taxes	Headcount
PannErgy 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
Miskolc 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					
	01.01.2025			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 at 31 December 2025

Name	Investor category		Number of shares	Shareholding (%)	Influence (%)
Bertalan Juhász – Attila Juhász (Benji Invest Kft./FCI Kompozit Kft.)	Domestic	Company	3,186,010	19.91	23.76
Kálmán Rencsár (Soltút Kft.)	Domestic	Company	1,903,741	11.9	14.2

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

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

	01.01.2025	30.06.2025	31.12.2025
Treasury shares	1,982,417	2,002,417	682,417

7.1. Executive officers of the Company

The Company's executive officers are the CEO and the members of the Management Board. Data of the members of the Management Board and their respective shareholdings on 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's (strategic) employee who has an influence on its operations is the CEO, who carries out his duties as an employee.

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

The information and regulations specified in Sections 95/A and 95/B of the Accounting Act listed in PannErgy 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 and separate financial statements.

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

8. HEADCOUNT INFORMATION

The average statistical headcount of the Company in 2025 was 2 employees, as opposed to the previous year, when it had 1 employee. In both periods, the salaries of employees (including the CEO who holds this position under an employment contract) and the fees and related contributions paid to the members of the Management Board are included in the Company's report as staff costs.

9. DIVIDEND PAYMENT, TREASURY SHARE PURCHASE

In consideration of the Management Board's report and the Audit Committee's and the auditor's comments, by Resolution No. 2/2025 (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 million and the same amount as total liabilities and an after-tax P/L (profit) of HUF 148.041 million, which figures are consistent with the proposal and the auditor's report. The General Meeting also approved the consolidated report on the business operations of PannErgy 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.

Treasury share buyback programmes:

On 31 December 2025 the Company held a total of 682,417 PannErgy treasury shares, 1,300,000 less than the 1,982,417 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, where the buyer was the Company's subsidiary, PannErgy Geotermikus Erőművek Zrt. 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 this case, the buyer was PannErgy Nyrt.

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.

The treasury share buyback programme concluded during the reporting period

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, PannErgy Nyrt. did not acquire treasury shares; however, 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 the Company purchased 700,000 shares of treasury stock 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.

10. MAIN RISKS FACED BY THE COMPANY, ASSOCIATED UNCERTAINTIES

PannErgy Nyrt.'s major risks are detailed in Chapter 40 *Financial risk management* of the Notes to the financial statements.

Information regarding the expected developments of the Company can be found in the Business Report, in *Chapter 1. Executive summary* and *Chapter 5. The company's strategy, environmental goals*, with details about the Company's expected financial results, investment activity and sustainability activities and development in the upcoming periods. The effects of the economic environment on these developments will be influenced by the GDP, the inflation environment and the interest rate environment forecast for the upcoming periods, as detailed in Chapter 42.11 *Macroeconomic environment of the reporting period* of the consolidated financial statement.

11. PUBLICITY

The Company posts regular and extraordinary notices on its website at (www.pannergy.com), among other things. The publications and public information released by PannErgy 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.

12. KEY EVENTS AFTER THE REPORTING DATE

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 occurred after the reporting date.

Events that took place after the reporting date, published and accessible at the Company's official places of disclosure, are listed in detail in Note 46 *Events after the reporting date* in the Notes to the financial statements.

13. 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



Budapest, 26 March 2026

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

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 separate report of the Company; the official separate 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 separate report published in ZIP (specifically XHTML-XBRL) format.

DECLARATION

On behalf of the Management Board I, Chairman Dénes Gyimóthy, hereby issue the following declaration in relation to the 2025 EU IFRS annual report and business report of PannErgy Nyrt., pursuant to the statutory requirement laid down in Section 2.4 of Annex 1 to Decree No. 24/2008 (VII. 15) PM of the Minister of Finance:

- the 2025 separate annual report, prepared to the best of our knowledge in accordance with the applicable accounting regulations and the EU IFRS standards, provides a true and fair view of the assets, liabilities, financial position and profit or loss of PannErgy Nyrt. as a public securities issuer, and;
- the business report attached to the annual report prepared in accordance with the applicable EU IFRS standards provides a fair view of the position, development and performance of PannErgy Nyrt. as a public securities issuer, presenting the key risks and uncertainties.

Dénes Gyimóthy
On behalf of the Management Board