PannErgy Plc.

2018 HALF-YEAR REPORT

Financial report for the H1 period of 2018

3 September 2018

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

1. Executive summary

EBITDA improvement despite of moderated heat sales

Moderated volume at heat sales caused by unfavourable weather conditions

In 2018, PannErgy Group has continued the accomplishment of the objectives set out in its strategy on geothermal energy production and utilization. During the first half under review this has meant further fine-tuning of the conditions and operations of geothermal projects at four locations of the Group (Miskolc, Győr, Szentlőrinc and Berekfürdő) and further improvement of the efficiency. The operation was successful and achieved the criteria set out for continuous and optimum-level functioning. However, the unfavourable weather conditions – experienced during the period under review – caused that PannErgy Group's commercial activities achieved a **consolidated heat sales in the volume of 781,013 GJ during the first half of 2018, which represented a drop compared to the 844,915 GJ heat sales of the same period of the previous year. As a result of higher than average temperatures during April and May, the Company realized 95 TJ shortfall in its heat sales in the second quarter of 2018, as compared to the second quarter of the previous year.**

The second quarter of the year brought considerably higher than average temperatures, therefore the heat suppliers stopped their services earlier than in the previous heating season. In line with the above, the Company realized lower heat sales volume and lower revenue from sales.

Consolidated EBITDA improvement

Caused by the above unfavourable weather conditions, and in comparison to the corresponding period of the previous year, the Company realized **lower consolidated revenue from sales and lower gross profit, while the gross cash flow has stagnated**. The fall at gross profit has been primarily caused by the increase in indirect depreciation of the period – amounting for HUF 87 million. The increase in depreciation arises from two factors; on the one hand the **one-off effect** of a reclassification from indirect depreciation to direct cost category in the amount of HUF 48 million, on the other hand the capitalization of tangible assets during the current half-year and during the second half of the previous year.
Decrease in the administration and general costs, and increase in other incomes during the period under review resulted in a **business cash flow/EBITDA amounting for HUF 1,147 million, with 48% EBITDA ratio, both exceeding the results of corresponding period of previous year.** The achieved EBITDA level is in line with the time proportional EBIDTA targets and business-line estimates, despite of the fact, that the Company realized lower revenue from sales and lower gross profit in the second quarter.

Key profit figures (in HUF million)	H1 2018	H1 2017
Revenue from sales	**2,402**	**2,519**
Direct costs of sales	-1,867	-1,899
Gross profit	**535**	**620**
Gross cash flow	**1,210**	**1,208**
Indirect costs of sales	-237	-297
Other incomes and expenditures	174	120
Operating profit (EBIT)	**472**	**443**
EBITDA	**1,147**	**1,095**
EBITDA ratio	**48%**	**44%**

Key profit figures (in HUF million)	H1 2018	H1 2017
Financial profit	-439	-62
Foreign exchange loss from valuation at the end of the period	*-314*	*-46*
Profit before taxes	**33**	**381**
Consolidated net profit for the period	**24**	**355**
Return on equity (ROE) %	*0.25%*	*2.81%*
Return on sales (ROS) %	*1.00%*	*14.10%*
Earnings per share (Diluted EPS) (HUF))	*1.59*	*18.81*

Concession project in Győr

Apart from the general maintenance works after heating season, Pannergy Group (further also referred to as the Company) has only one significant investment project in progress, in relation to a concession project in Győr.

The Company's subsidiary, PannErgy Geothermal Power Plants cPlc. signed a concession agreement with the State of Hungary on exploration, extraction and utilization of geothermal energy in the area of Győr for a definite term of 35 years.

After the conclusion of the concession contract, PannErgy Geothermal Power Plants cPlc. formed a separate concession company for this project on 17 February 2017. This company, PannErgy Concession Ltd. examined the concession-based geothermal endowments of the region potentially found under 2500 meters. Following the geological research, the Company has determined the investment options for profitable broadening of heat capacities, and decided on drilling a new geothermal well in order to integrate it into the Geothermal Project of Győr.

On 26 January 2018, the Company received the final building permission on well drilling. Based on the permission, operations started on 17 April aiming to deepen the BON-PE-03 production at the site determined on the basis of the geological studies. In the drilling operations consisting of three sections of different dimensions, all three sections have been completed. Currently testing, measuring and cleaning processes are in progress in order to determine the precise geophysical and hydrodynamical results and exact capacity.

Treasury share transactions

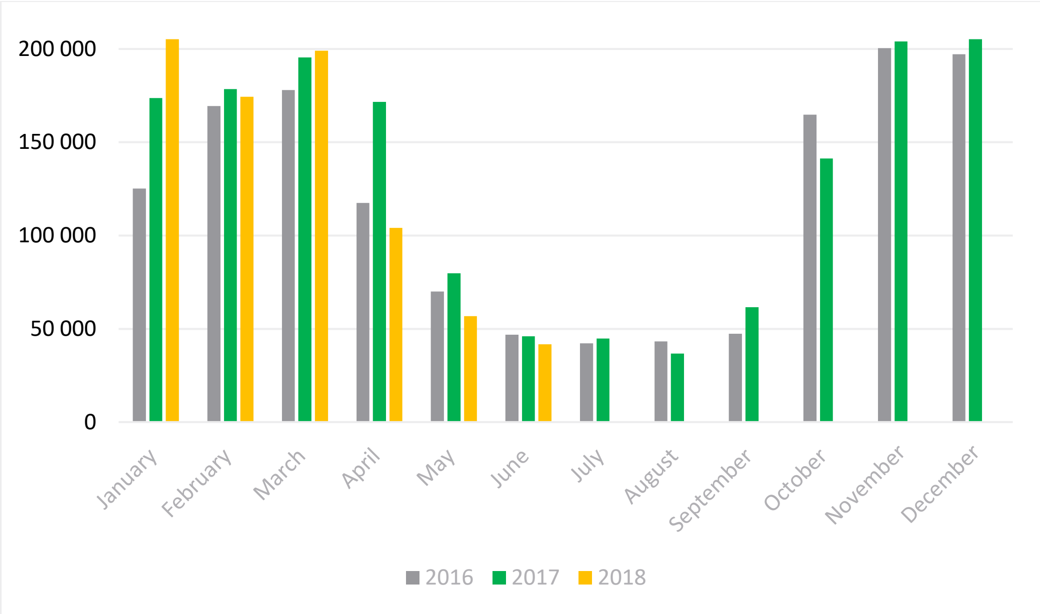
As of 30 June 2018, the Company held 2,634,637 treasury shares belonging to PannErgy Plc, being 741,001 less than the 3,375,638 treasury shares held on 31 December 2017 and on 30 June 2017, respectively. The decrease in the number of treasury shares during the period under review was in line with the current share option program for 2016–2019 period based on the Resolution of the Company's General Meeting 28 April 2016. The beneficiaries of the share option program called down the majority of the shares.

The Company did not undertake any transactions for share purchase in the first half of 2018, neither in the framework of treasury share repurchasing program for the period from 29 April 2017 to 27 April 2018, nor in the framework of the current program for the period 28 April 2018 to 27 April 2019 by the resolution of the Company's General Meeting held on 27 April 2018.

2. Projects and operating areas

2.1 Consolidated quantities of sold heat

In the first half of 2018, the consolidated quantities of sold heat (expressed in GJ):



The graph shows the aggregated heat quantities sold in the Miskolc, Győr, Szentlőrinc and Berekfürdő projects in a monthly breakdown, expressed in gigajoules.

The data of the graph in tabular format:

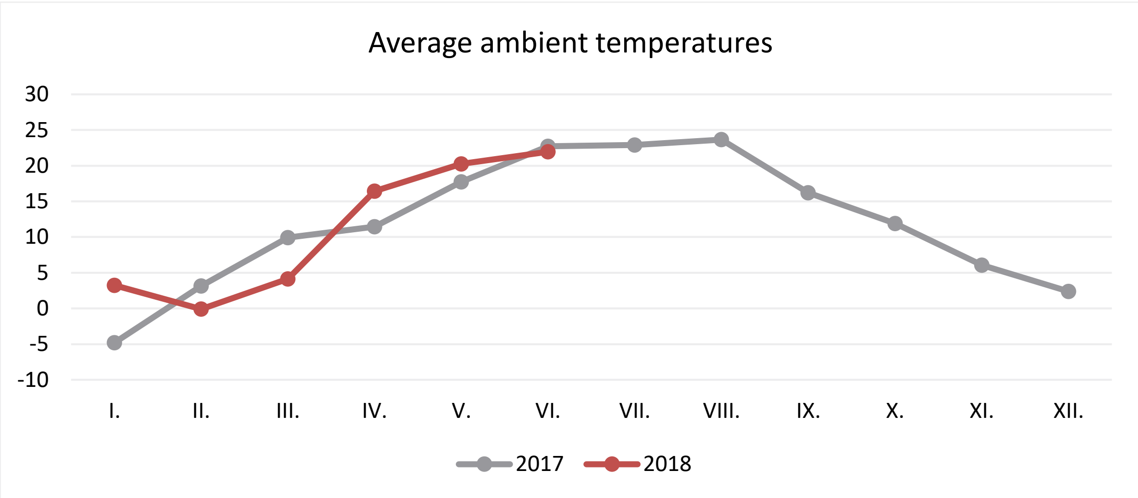
	2016	2017	2018
January	125,117	173,765	205,199
February	169,471	178,442	174,300
March	177,950	195,387	199,090
April	117,526	171,685	104,033
May	69,990	79,700	56,758
June	46,815	45,936	41,633
July	42,193	44,865	
August	43,294	36,709	
September	47,347	61,502	
October	164,818	141,270	
November	200,396	204,045	
December	197,237	205,251	

Comparing the half-year heat volume sales with the same period of 2017, the effect of different weather conditions can be observed. On the one hand, during the first quarter of 2018, the favourable weather conditions had positive effect on the heat volume sold. On the other hand, during the second quarter of 2018 heat service providers stopped services earlier due to higher average temperatures. As a consequence of the shorter heating period the sold heat volume lagged behind the figures of the same period of the previous year.

As a result of positive weather conditions mentioned earlier, PannErgy Group's consolidated heat sales quantities were 30,995 GJ higher during the first quarter of 2018, as compared to the first quarter of 2017. However, this increase could only partially compensate the 94,897 GJ drop in sales caused by adverse weather conditions during the second quarter of 2018. Due to above reasons, PannErgy Group's heat sales during the first half of 2018 lagged behind the base period with 63,902 GJ.

During the heating season, geothermal heat sales reach the ideal range when outdoor temperature is at 2–8 °C, and more specifically when daily minimum and maximum temperatures show minimum differences. The graph „Average ambient temperatures" shows that the average temperatures in January 2018 were more favourable than in last January, but February was colder compared to the second month of 2017, far from the ideal temperature range.
This March the average temperatures were lower again than in 2017 – when there was fractional heating with breaks on some days. Overall, the weather conditions in first quarter of 2018 were more favourable than in same period of the previous year.

The second quarter of the year brought considerably higher average temperatures early in April than a year before, and therefore the heat suppliers stopped heating services. Consequently, heat sales volumes in April and May lagged behind significantly compared to the base period.



2.2 Projects in operation

2.2.1. Geothermal Projects of Miskolc

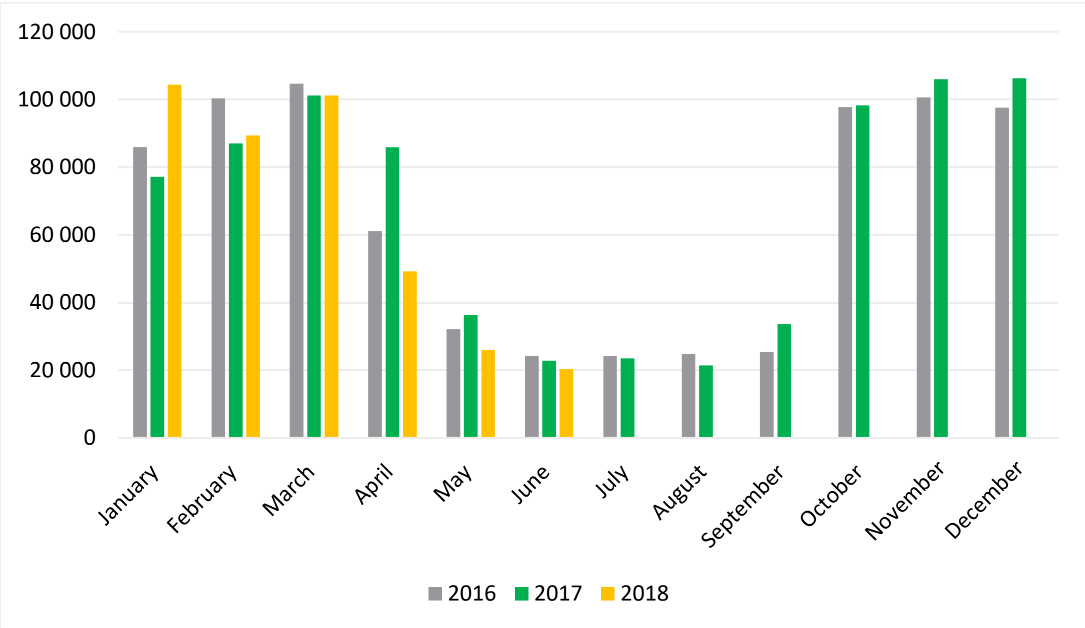
(Miskolc Geothermal Ltd., Kuala Ltd.)

In the first quarter of 2018, the Geothermal System of Miskolc sold 294,930 GJ heat energy, which was 11% above the 265,437 GJ level in the first quarter of 2017.

In the second quarter of 2018, the Geothermal System of Miskolc sold 95,602 GJ heat energy in total, which was 34% less than the value achieved in the corresponding period of 2017 as a result of the above-detailed weather conditions and the earlier termination of heating period.

Overall, the Company realized 390,532 GJ heat sales in the commercial operations of the Geothermal System of Miskolc during the first half of 2018, which is nearly 5% lagging in comparison to the 410,503 GJ heat sold during the corresponding period of the previous year.

The quantities of heat sold during the period in Miskolc were (GJ):



2.2.2. Geothermal Projects of Győr

(DD Energy Ltd., Arrabona Geothermal Ltd., PannErgy Concession Ltd.)

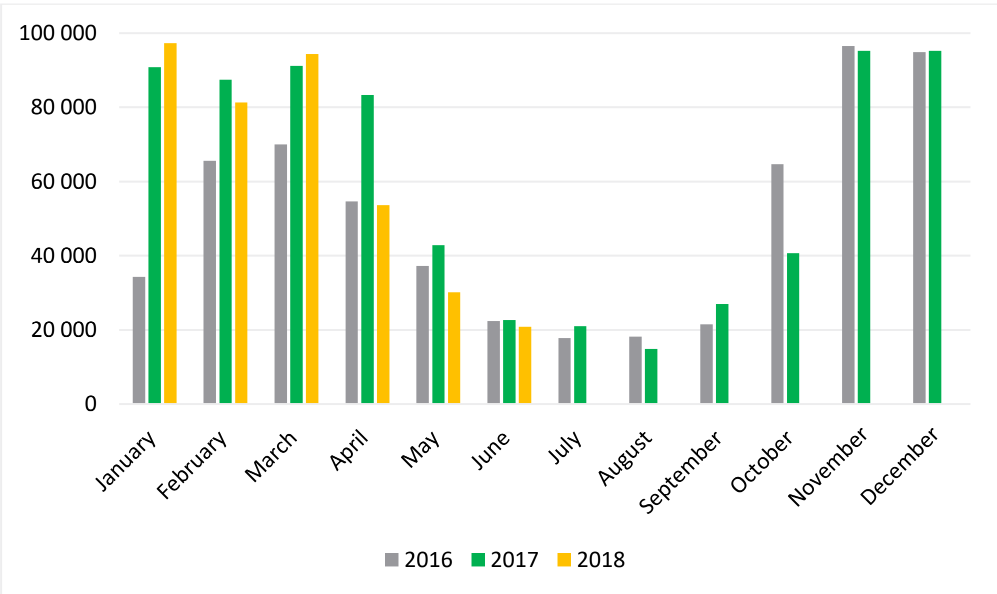
Following the first quarter when the weather conditions were favourable for geothermal business as a whole, the second quarter brought unfavourable turnaround for Geothermal System of Győr since the beginning of April. Similarly to Geothermal System of Miskolc the adverse weather conditions caused significant shortfall at the sold heat volume in second quarter.

In the first quarter of the year the sold heat volume was in line with the plans. Geothermal System of Győr sold 272,986 GJ heat energy, which is 1.3% higher compared to 269,488 GJ sales volume in the first quarter of the previous year.

Geothermal System of Győr sold altogether 104,562 GJ heat energy in the second quarter of 2018, which is 30% lower compared to 148,715 GJ realized in the second quarter of 2017. The above-detailed weather conditions caused the lower level of sales volume.

Overall, the Company realized 377,548 GJ heat sales in the commercial operations of the Geothermal System of Győr during the first half of 2018, which is nearly 10% lagging in comparison to the 418,203 GJ heat sold during the corresponding period of the previous year.

The quantities of heat sold during the period in Győr were (GJ):



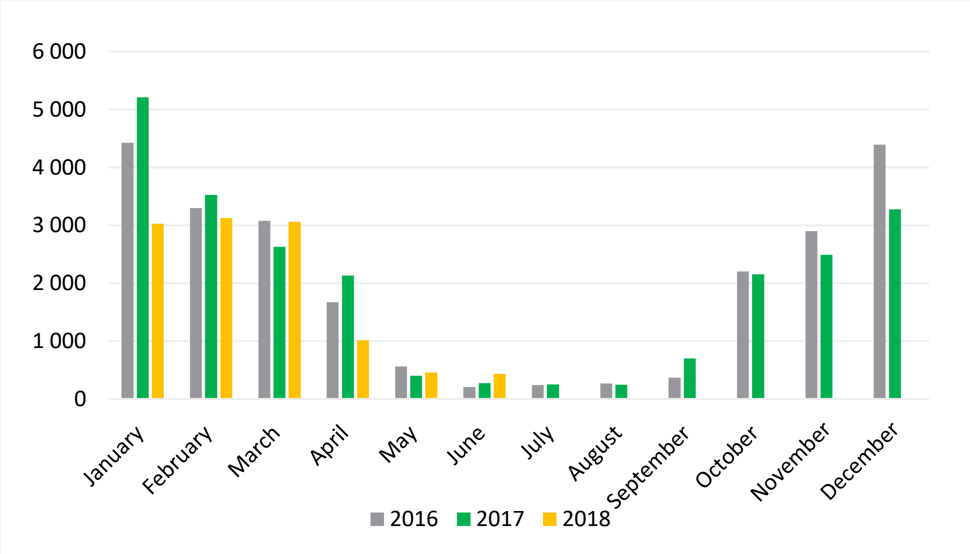
On 26 January 2018, the Company received the final building permission on well drilling. Based on the permission, operations started on 17 April aiming to deepen the BON-PE-03 production at the site determined on the basis of the geological studies. In the drilling operations consisting of three sections of different dimensions, all three sections have been completed. Currently testing, measuring and cleaning processes are in progress in order to determine the precise geophysical and hydrodynamical results and exact capacity.

2.2.3. Geothermal heating facility of Szentlőrinc

(Szentlőrinc Geothermal Ltd.)

Heat sales from the geothermal heating facility of Szentlőrinc were in line with the plans of the first quarter, the Company realized 9,207 GJ heat sales. Following the first quarter, heat sales volume dropped by 32% compared to the second quarter of previous year – mainly caused by April results. The second-quarter's heat sales volume was only 1,905 GJ, as a consequence of earlier end of heating period. The Company will perform a replacement of the well pump in summer maintenance period.

The quantities of heat sold during the period in Szentlőrinc were (GJ):



2.2.4. Geothermal methane utilization facility of Berekfürdő

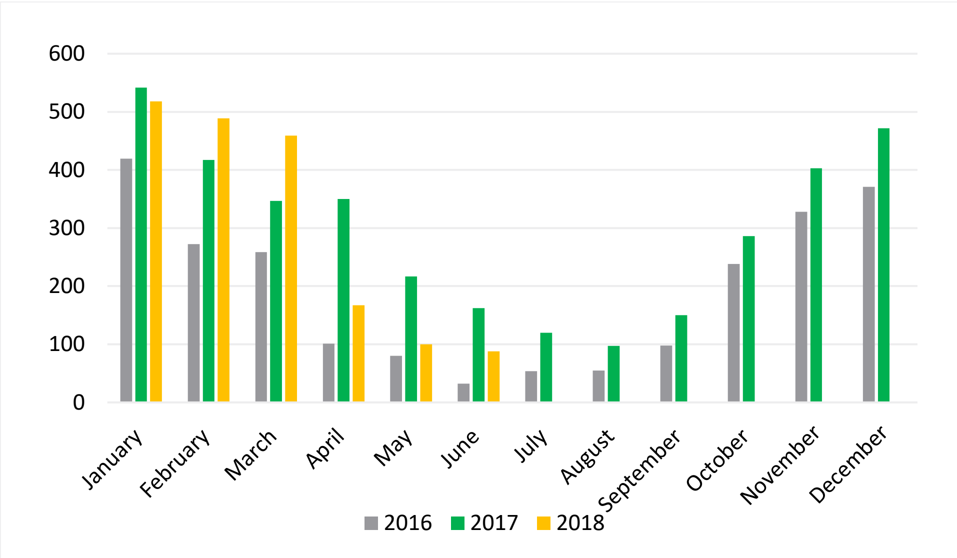
(Berekfürdő Energy Ltd.)

In the first half of 2018, the Geothermal Methane Utilization Facility of Berekfürdő produced 1,004 MWh electric power, which is lower than the 1,052 MWh of the first half of the previous year.

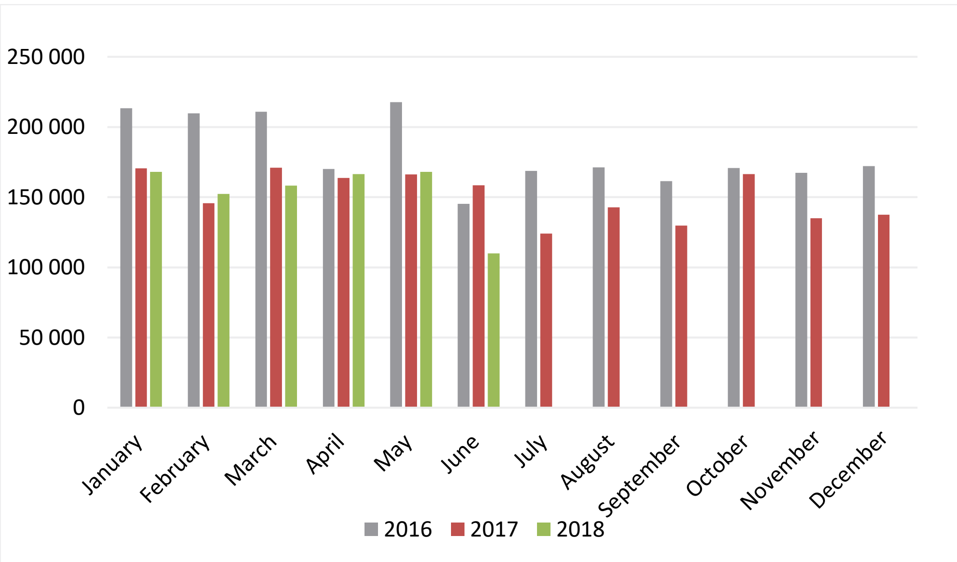
The volume of electric power sold was 927 MWh, which is also lower than the 992 MWh base data. On a daily basis the availability of the gas engines was 97.3% in the first quarter and 90.7% in the second quarter.

The sold heat volume was 1,821 GJ during the period under review, which lagged behind the 2,035 GJ heat volume in the first half of the previous year.

The quantities of heat sales during the period in Berekfürdő were (GJ):



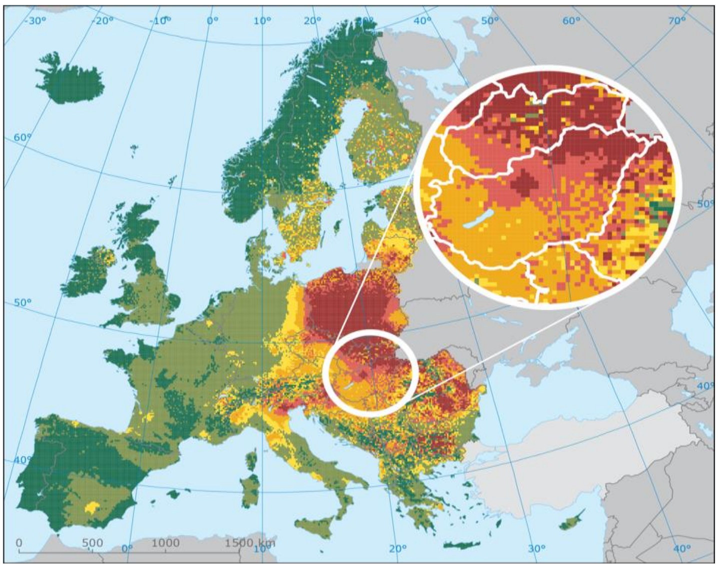
The quantities of electric power sold during the period in Berekfürdő were (kWh):



2.2.5. Environmental protection

The Company handles the high-standard management of environmental protection as a priority. In the field of geothermal energy, they work to introduce and broadly spread one of the most environmentally friendly way of energy production in Hungary. In parallel, considering both economic and technical aspects, the Company shoulders responsibility for the continuous improvement of the environmentally friendly characteristics of the project locations, as well as the environmentally friendly exploitation of natural resources. PannErgy Group is fully committed to the continuous improvement of environmental and energy performance, compliance with sustainability as an attitude. The Company has a strong focus on the social impacts of its activities, and has the goal to arrive fully responsible and sustainable operations. PannErgy Group's subsidiaries with geothermal operations undertake the impact assessments required by the relevant environmental regulations, as well as the performance of the necessary studies and compliance with the relevant legal regulations.
PannErgy Group's investments are in line with the national energy strategy, as well as the renewable energy utilization program that both serve the improvement of Hungary's competitiveness. The European Union directive pertaining to the EU members states sets a target where annually new energy savings corresponding to 1.5% of the ultimate energy consumption of the member states should be realized in the period until 2020 for reasons of competitiveness and supply safety. In comparison with the currently effective requirements, it poses more stringent expectations, as for the entire European Union the prescribed rate of savings has been increased to 20% instead of the earlier 9% target. In Hungary, the volume of energy from geothermal sources is to reach 12,000 terajoules by 2020. With its projects generating green energy, PannErgy Group is planning to approach 15% soon.

During the discussed period, the utilization of green heat energy generated by PannErgy Group's projects contributed to the Hungary's climate protection efforts by reducing the emission of CO2 as a greenhouse gas by 45,304 tons. One of the benefits of geothermal power is that it involves the emission of neither greenhouse gases, primarily CO2, nor other compounds having considerable environmental and health-related effects (carcinogens, mutagens, etc.). With respect to the fact that certain conventional fuels release very dangerous benzo[a]pyrene and other PAH compounds to the atmosphere, geothermal energy carriers do not contain such hazardous materials. In cities with larger exposures, the utilization of geothermal energy can contribute to the moderation of the emission of carcinogenic compounds, the reduction of the occurrence of tumorous diseases. From this perspective, the associated hazards that are present in Hungary are shown in the figure below:



Population-weighted concentration field of annual mean Benzo(a)pyrene (BaP)in (2012)

ng/m^3

- **< 0.12**
- **0.12-0.4**
- **0.4-0.6**
- **0.6-1.0**
- **1.0-1.5**
- **> 1.5**

Poor data coverage
Outside coverage

Resolution: 10x10 km

Source: Air quality in Europe – 2015 report, EEA 2015

3. Analysing of the financial results and positions in the period under review

3.1 Profit or loss in the period under review

In the first half of 2018, PannErgy Group realized sales in a total consolidated amount of HUF 2,402 million, which has fallen behind the HUF 2,519 million value in H1 of 2017 by 5% owing to the fact that in addition to the unfavourable weather conditions detailed in chapter 2.1. and earlier termination of heating period as its consequence, therefore the Company lost significant amounts in sales revenues during April and May.
From the HUF 2,402 million sales revenues, heat sales amounted for HUF 2,109 million, as opposed to the HUF 2,200 million of the corresponding period in the previous year, representing a 4% decrease.

Examining the contribution of projects to the revenues from sales, it is considered that the Geothermal Project of Győr contributed to PannErgy Group's business performance with HUF 1,162 million sales in the first half of 2018 compared to the HUF 1,203 million in the first half of 2017. Analysing the details, the sales by Arrabona Geothermal Ltd towards Győr-Szol Ltd brought about HUF 557 million compared with HUF 612 million in base period, whereas sales to DD Energy Ltd's automotive customer amounted to HUF 605 million, compared with HUF 591 million in the base period. Sales realized in the framework of the Geothermal Project of Miskolc towards heat-receiving partners added up to HUF 902 million, from which HUF 872 million was sold to MIHŐ Heat Distribution Ltd of Miskolc. These sales data have fallen behind the HUF 960 million at project level base data and the HUF 919 million base revenue from MIHŐ Heat Distribution Ltd. The reason of the shortfall in revenues from sales is the unfavourable weather conditions previously mentioned.

The Company's two smaller projects in Szentlőrinc and Berekfürdő showed slightly weaker performance as in the previous period: Szentlőrinc realized HUF 41 million sales revenues in the first half of 2018 compared with HUF 42 million in the first half of the previous year, whereas in Berekfürdő HUF 16 million turnover came from heat- and electric power sales, lagging behind the HUF 20 million base revenue from sales.

In addition to heat sales, HUF 238 million sales revenue was generated from electric power sales, including HUF 225 million revenue from the real-estate properties owned by the Company in Csepel and Debrecen, including revenue from electric power sales to co-owners of the related real-estate properties and rentees. These revenues are not related to Energy core business. The remaining revenue was generated by Geothermal methane utilization facility of Berekfürdő. The Company also realized HUF 49 million sales revenue from reinvoicing of other public utilities in the period under review. The total profit of re-invoiced / mediated services amounted to HUF 15 million in the period under review, while rents made up an amount of HUF 5 million. On the whole, it can be clearly stated that the net revenues associated with the management of the above-mentioned real-estate properties and the connected profit were negligible in comparison with geothermal heat generation and sales representing the core activities.

Similarly to the previous period, three customers went over 10% of the total amount of the Group’s consolidated revenue from sales, making up a combined 85% percent of all the sales in the reviewed period.

In the first half of 2018, the level of direct costs of sales decreased by 2% from HUF 1,899 million level of the previous half-year, to HUF 1,867 million. The change has primarily been driven by the lower level of direct costs closely related to less revenue from sales and the increase in direct depreciation of geothermal production equipments which is independent from the sales revenue. The abovementioned direct depreciation of geothermal production grow by 15%

compared with the corresponding period of the previous year. The increase is reasoned by two factors: 1) the one-off effect of reclassification from indirect depreciation to direct costs and 2) the capitalization of tangible assets during the current half-year and during the second half of the previous year. In addition, starting from 2018, the Company revised its amortisation policy at some asset-categories and amended the parameters of the related asset's depreciation (useful life, depreciation rate).
In addition to the above-detailed effects of depreciation changes, the PannErgy Group's electric power costs increased significantly.

Since the revenue from sales decreased compared to the same period of the previous year, while the direct costs of sales decreased by a smaller extent due to the above mentioned compensating impacts of depreciation changes, **the Company's gross profit ratio reduced from 25% as base data to 22% during the first half of 2018.**

For the above reasons, **the Group stated HUF 535 million under the heading of gross profit/margin in the first half of 2018, which represents a 14% lower value than** the HUF 620 million amount **in the same period last year.**

Administration and general costs, i.e. indirect costs amounting for HUF 237 million in the period under review, are significantly (20%) lower than the HUF 297 million figure in the first half of 2017. The Group reports such indirect costs as depreciation of assets not associated with energy-related activities, personnel expenditures, general office and administration costs, expert charges, banking and insurance expenses as well as noncapitalizable costs belonging to business development and new projects under the heading of indirect costs.

The significant reduction compared to the previous period has been generated primarily by the change in indirect depreciation. The Company reclassified some assets' depreciation to direct cost category after the revision of its amortisation policy in line with the assets' revised ability to gain revenues. The **one-off effect of the above reclassification is HUF 48 million**, being in line with the change at direct depreciation in first half of this year compared to the previous period.

In comparison to the base period, the period under review witnessed a downward tendency for nearly all indirect costs categories. After significant cost-cutting actions during the previous periods, the Company achieved further cost reduction during the first half of 2018 as well.

Personnel expenses underwent a decrease in an amount of HUF 5 million, the office and operating cost were dropped by HUF 4 million in the period under review, while the expert and counselling fees also decreased in an amount of HUF 3 million.

Beside the indirect cost elements listed above, further slightly decrease took place in the period under review with respect to the costs of presence as a public company and at the stock exchange stated as indirect costs. In this latter context, it can be noted that PannErgy Group continues to attribute importance to supporting sports and other social initiatives in the cities and settlements where its operating projects are located, their broader regions, and ultimately the final consumers of geothermal energy as part of its social corporate responsibilities.

The net balance of other incomes and expenditures was HUF 174 million profit in the period under review, compared to the HUF 120 million value of the base period.

Within the other expenditures in the amount of HUF 123 million, the most significant items were local taxes (primarily local business taxes) paid to local governments at the locations of geothermal projects in the amount of HUF 66 million. In addition, another remarkable expenditures are mining royalties related to geothermal heat production, the Company paid HUF

35 million in the first half of 2018, in this context. The Company has recorded provision in the amount of HUF 10 million in the period under review, based on the potential outcome of recently performed official audit by the authority on the utilization of state subsidies. The related estimates on the amount to be repaid potentially by the Company are booked as provision.
In addition to the above listed expenditures, it should be noted, that no significant extraordinary or one-off items (e.g. extraordinary write-off, impairment losses of tangible assets, intangible assets) occurred during the period under review.

Within the other incomes headline (HUF 297 million), the most remarkable part arises from state subsidies. State subsidies for development purposes are recognised in the period under review as other income. The booked income amounts are practically write-backs being proportional to the depreciation of the assets concerned in the given subsidy, and arise from state subsidy already awarded and received.
Moreover, within other incomes headline, significant amounts arise from damage compensation amounts received in relation to damage incidents of the past and current periods under review. Such other incomes relating to damage events amount for HUF 115 million, and are mainly in connection with e.g. contractual penalties, indemnifications received from/ or acknowledged by suppliers.

The Company's consolidated financial statements recognized HUF 25 million as other incomes relating to previous periods, mostly representing ex-post self-revision of certain taxes, having income impact in the period under review.

Due to the above mentioned factors an amount of HUF 472 million profit is stated as operating profit (EBIT) of the Company for the first half of 2018, exceeding the HUF 443 million profit of the first half of 2017 by 7%.

The business cash flow (EBITDA) indicated HUF 1,147 million inflow, which is favourable by HUF 52 million than the HUF 1,095 million EBIDTA in the same period of the previous year. In the first half of the year under review, HUF 675 million depreciation was accounted for, and its value exceeded the HUF 588 million value in first half of 2017 by 15% as a consequence of the previously detailed reasons. When determining the EBIDTA level, the Company takes the amount of extraordinary depreciation on intangible assets and tangible assets into account, which amounted for zero in the period under review, whereas in the previous year HUF 16 million was taken into consideration in relation to the depreciation.

The financial profit amounted to HUF 439 million loss in the period under review which was HUF 377 million less than the HUF 62 million loss in the same period of 2017 under the heading of financial profit.
This decrease in financial result has been fully **generated by the HUF 314 million non-realised foreign exchange loss at the end of the period** booked as a revaluation of foreign currency receivables and liabilities (in the consolidated financial statements). This significant loss of the period-end foreign exchange revaluation is caused by weakening HUF. The Hungarian Forint depreciated to a record low level against the Euro at the end of June. Independently of the technically booked, temporary, non-realised effects of the above mentioned FX revaluation, the Company is not exposed to any significant risk of FX rate fluctuations, having natural hedge position to mitigate the risk. Natural hedging means covering the largest possible proportion of foreign currency expenses (including foreign currency credit liabilities towards financial institutions) by foreign currency revenues.

Interest expenses continued to fall due to the refinancing in Miskolc Geothermal Project before the period under review. Compared to the first half of 2017, the interest paid within the period under review decreased by HUF 8 million, to HUF 134 million.

Based on the above, PannErgy Group's profit before taxes in the first half of 2018 was HUF 33 million, which is significantly less than the HUF 381 million profit before taxes recorded in the same period of the last year, and is mostly reasoned by expenditures on the non-realised, temporary foreign exchange loss at the end of the period in the amount of HUF 314 million, as an impact of Hungarian Forint's weakening under the reported period.

The Company recognized HUF 9 million as tax payment obligation, **therefore HUF 24 million profit was stated to be the Company's Net profit for the year** in the period under review , which is by HUF 331 million smaller than the HUF 355 million loss recognized in the same period of the last year.

3.2 Financial situation in the period under review

During the currently reported half-year period, the volume of fixed assets increased slightly by 2% compared with 31 December 2017 as base period. In the fixed assets, the value of intangible assets decreased by 5%, and the value of tangible assets rose by less than 1%, in comparison with the previous period. This increase is in line with new investments capitalized during the first half, and project works in progress, which was partially mitigated by the decreasing impact of regular depreciation.

The goodwill amount has been risen to HUF 518 million from HUF 517 million, in connection with the minority share acquired from Local Government of Szentlőrinc in Szentlőrinc Geothermal Ltd.

The real-estate properties owned by PannErgy Plc. in Csepel and Debrecen, were recorded as marketable properties by the Company in the consolidated financial statement at the end of the period, based on their „non-core business" qualification. There were not any sales transactions or other issues in the period under review, which would have justified any changes in amount or presentation method of these assets.

Deferred tax receivables in the amount of HUF 302 million were recognized among assets, and their value increased by 4%, i.e. HUF 11 million after the base period in view of PannErgy Group's calculations relating to discounted deferred tax recovery.

As of 30 June 2018, PannErgy Group recognized financial assets in an amount of HUF 601 million in its consolidated financial statements, in accordance with the requirements of the IFRIC 12 interpretation. This financial asset covers the costs incurred in an amount of HUF 556 million in relation to the preparations, assessment needed for the concession project that is set to be implemented in 2018 in connection with the Company's Geothermal Project of Győr, as well as the concession fee paid to the Hungarian State in an amount of HUF 45 million.

As of 30 June 2018, PannErgy Group recognized long-term receivables in an amount of HUF 175 million in its consolidated financial statements. These receivables presented at their amortized costs are connected with sales and purchasing transactions where a part of the purchase price is payable in the long term, and therefore the Company agreed with the buying partner on a schedule involving installments over one year.

The volume of current assets decreased by 32% in comparison with the corresponding value of the previous year, which can be mostly explained with reference to the decreasing volumes of receivables, securities and liquid assets.

In connection with the concession project of the Geothermal Project of Győr, inventories increased in the first half.

The remarkable reduction at trade receivables by 51% was caused by the higher base at the end of 2017, in line with the effect of seasonality. The range of the customers has not been changed at the Company.

The value of securities dropped considerably compared with the end of the previous financial year; it was caused by the fact that the securities having been deposited by PannErgy Group in an investment fund in line with the ongoing concession project in Győr were sold in the first half of 2018.

The volume of liquid assets has been decreased within current assets by the above mentioned investment financing needs of ongoing concession project, **at the end of the period the Company held liquid assets in a total amount of HUF 1,098 million, in contrast with HUF 1,289 million as data in the end of the previous year.**
Examining the details of the reduction of liquid assets, the ratio of utilizable liquid assets decreased to a higher extent, when compared to the HUF 699 million value in the previous period, and therefore **as of 30 June 2018 the Company held utilizable liquid assets in a total amount of HUF 557 million.**

The Company witnessed 5% decrease from the base value of its equity capital, which resulted first of all from decreasing value of repurchased treasury shares.

The amount of equity capital per share (calculated from the number of shares less treasury shares) rose to HUF 514 from HUF 510 in the previous year.

As of 30 June 2018, PannErgy Group recognized provisions in an amount of HUF 10 million. The Company has recorded provision in the amount of HUF 10 million in the period under review, based on the potential outcome of recently performed official audit by the authority on the utilization of state subsidies. The related estimates on the amount to be repaid potentially by the Company are booked as provision.

The volume of long-term loans significantly decreased after the previous year to HUF 8,433 million with the reason underlying the drop was that the effects of repayments in the period under review were partially compensated by the notable foreign exchange losses resulting from the revaluation of EUR-based investment loans at the end of the period and which takes a snapshot of a given moment.

The heading of other long-term, deferred incomes presents the long-term tranches of the non-repayable subsidies awarded to the geothermal projects in subsidy application schemes. In this respect, an amount of HUF 4,106 million is stated in the Company's consolidated financial statement, which represents 4% decrease in comparison with the previous year as a result of the write-backs in the year under review.

Within short-term liabilities, the balance of trade payables was HUF 767 million, which was 15% smaller than in the base period. Together with the short-term repayable installments of long-term loans, the overall value of short-term loans was HUF 1,199 million at the end of the period under review, bringing about 1% fall after the base period. Other short-term liabilities amounted to HUF 184 million as of the end of the period under review, which represented remarkable 65% decrease after the previous period, with the main associated cause being the decrease of tax and contribution liabilities and the accruals for the following period.

4. Interim consolidated financial statements prepared in accordance with international financial reporting standards

4.1. Consolidated statement of profit or loss by IFRS (in HUF million)

	H1 2018	H1 2017	Change %
Revenue from sales	2,402	2,519	95.4
Direct costs of sales	-1,867	-1,899	98.3
Gross profit	**535**	**620**	**86.3**
Gross profit ratio %	22.3%	24.6%	
from Indirect depreciation (geothermal assets)	*675*	*588*	*114.8*
Gross cash flow	**1,210**	**1,208**	**100.2**
Gross cash flow rate %	50.4%	48.0%	
Indirect costs of sales	-237	-297	79.8
Other incomes	297	238	124.8
Other expenditures	-123	-118	104.2
Operating profit (EBIT)	**472**	**443**	**106.5**
Operating profit rate (%)	19.7%	17.6%	
EBITDA	**1,147**	**1,095**	**104.7**
EBITDA rate (%)	**47.8%**	**43.5%**	
Financial incomes	64	108	
Financial expenditures	-503	-170	
Financial profit	**-439**	**-62**	
Profit before taxes	**33**	**381**	
Income tax	-9	-26	
Net profit for the year	**24**	**355**	
Profit/Loss, attributable to			
Shareholders of the Company	***29***	***350***	
Non-controlling interests	***-5***	***5***	
Earnings per ordinary share (HUF)			
Base	1.60	19.77	
Diluted	1.59	18.81	

4.2. Consolidated statement of financial position by IFRS (in HUF million)

	30 Jun 2018	31 Dec 2017	Change %	30 Jun 2017
Fixed assets				
Intangible assets	772	811	95.2	852
Goodwill	518	517	100.2	-
Tangible assets	19,434	19,379	100.3	20,229
Investment properties	-	-	-	274
Marketable properties	343	343	100.0	-
Long-term investments	23	23	100.0	23
Marketable investments	-	-	-	150
Financial assets (concession agreement)	601	65	924.6	-
Deferred tax assets	302	291	103.8	372
Long-term receivables	175	204	85.8	15
Total fixed assets	**22,168**	**21,633**	**102.5**	**21,915**
Current assets				
Inventories	123	121	101.7	146
Trade receivables	667	1,369	48.7	860
Other receivables	398	391	101.8	206
Prepaid income taxes	6	20	30.0	47
Securities	-	200		-
Liquid assets	1,098	1,289	85.2	753
Total current assets	**2,292**	**3,390**	**67.6**	**2,012**
TOTAL ASSETS	**24,460**	**25,023**	**97.8**	**23,927**
Equity				
Subscribed capital	421	421	100.0	421
Reserves without comprehensive income for the period	11,476	11,260	101.9	11,386
Comprehensive income for the year	29	488	5.9	350
Treasury shares	-2,474	-3,170	78.0	-3,170
Non-controlling interest	20	25	80.0	13
Total equity	**9,472**	**9,024**	**105.0**	**9,000**
Long-term loans, leases	8,433	8,795	95.9	8,198
Other long-term deferred incomes	4,106	4,271	96.1	4,426
Provisions	10	-		18
Total long-term liabilities	**12,549**	**13,066**	**96.0**	**12,642**
Trade payables	767	900	85.2	773
Short-term credits	51	48	106.3	59
Short-term part of long-term credits	1,148	1,160	99.0	971
Other long-term deferred incomes	289	291	99.3	280
Deferred tax liabilities	-	-	-	-
Other short-term liabilities	184	534	34.5	202
Total short-term liabilities	**2,439**	**2,933**	**83.2**	**2,285**
TOTAL LIABILITIES AND EQUITY	**24,460**	**25,023**	**97.8**	**23,927**

4.3. Consolidated statement of changes in equity (in HUF million)	Subscribed capital	Equity for the parent company			Profit reserve	Other reserve	TOTAL	Minority participation	EQUITY TOTAL
		Treasury shares	Share premium	Capital reserve					
Statement of changes in equity - 2017									
Balance as of 31 December 2016	**421**	**-3,101**	**6,266**	**4,250**	**1,817**	**-947**	**8,706**	**183**	**8,889**
H1 2017 Profit for the period					350		**350**	5	**355**
Change in the participation of external members								-175	**-175**
Exchange rate difference from consolidation									
Share capital increase in subsidiaries									
Treasury shares		-69					**-69**		**-69**
Share option program									
Decrease/Increase in treasury shares									
Balance as of 30 June 2017	**421**	**-3,170**	**6,266**	**4,250**	**2,167**	**-947**	**8,987**	**13**	**9,000**
Statement of changes in equity – 1st half of 2018									
Balance as of 31 December 2017	**421**	**-3,170**	**6,266**	**4,250**	**2,188**	**-956**	**8,999**	**25**	**9,024**
H1 2018 Profit for the period					29		**29**	-5	**24**
Change in the participation of external members									
Exchange rate difference from consolidation									
Share capital increase in subsidiaries									
Treasury shares									
Share option program					-272		**-272**		**-272**
Decrease/Increase in treasury shares		696					**696**		**696**
Balance as of 30 June 2018	**421**	**-2,474**	**6,266**	**4,250**	**1,945**	**-956**	**9,452**	**20**	**9,472**

4.4. Consolidated statement of other comprehensive income for the period (in HUF million)

	H1 2018	H1 2017	Change %
Net profit for the period	**24**	**355**	**6.8%**
Other comprehensive incomes			
Exchange difference from the HUF conversion of the reports of foreign subsidiaries			
Exchange difference from the HUF conversion of affiliated companies and companies under common management			
Marketable financial assets with deferred taxes			
Cash flow hedging transactions with deferred taxes			
Share from the comprehensive income of affiliated companies			
Other comprehensive incomes in the period with tax implications			
Total comprehensive income for the year /attributable to	**24**	**355**	**6.8%**
Shareholders of the Company	**29**	**350**	**8.3%**
Non-controlling interests	**-5**	**5**	

4.5. Consolidated statement of cash flows (in HUF million)

	H1 2018	H1 2017
Liquid assets from operations		
Profit before taxes	**33**	**381**
Adjustments in relation to the profit before taxes and the cash flow of business operations		
Amortization and depreciation of tangible and intangible assets	675	636
Effect of deferred taxes	-11	14
Income tax expenditures	-9	-26
Exchange gain/loss on credits	353	16
Increase in provisions	10	-
Interest payable/received	129	141
Share option program valuation, effect of reserve change	187	-38
Changes in minority expenditures	-5	-170
Changes in working capital elements		
Increase/decrease of prepaid income taxes	14	-12
Increase/decrease of inventories	-2	2
Increase/decrease of receivables	695	987
Increase/decrease of liabilities	-483	-526
Interest received	5	1
Interest paid	-134	-142
Net liquid assets originating/used from operations	**1,457**	**1,264**
Liquid assets from investments		
Acquisition of investments in private companies	-	-3
Increase/decrease of existing investments	-	-175
Acquisition of tangible and intangible assets	-692	-200
Acquisition of concession project	-536	-
Sales of tangible and intangible assets	-	-
Other long- and short-term deferred incomes	29	-
Changes in long-term receivables	-167	-139
Liquid assets from investment operations	**-1,366**	**-517**
Financial operations		
Increase/decrease of long-term loans	-715	-661
Increase/decrease of short-term loans	-9	-68
Difference from consolidation, other changes in reserves	-	66
Acquisition of treasury shares	-	-68
Sales of treasury shares	242	-
Increase/decrease in securities	200	-
Liquid assets used for financial operations	**-282**	**-731**
Net increase/decrease of cash and cash equivalents	**-191**	**16**
Cash and cash equivalents as of 1 January	**1,289**	**737**
Cash and cash equivalents as of 30 June	**1,098**	**753**
Total liquid assets	**1,098**	**753**

5. Other financial statements, detailed information

5.1. Direct costs of sales (in HUF million)		
	H1 2018	**H1 2017**
Indirect depreciation (geothermal assets)	675	588
Maintenance, operating costs, facility management costs, rental costs, maintenance materials	506	609
Electric power costs	307	294
Costs of goods sold, mediated services	233	251
Reinjection expenses	124	138
Insurance expenses (directly related to the production)	16	12
Other direct costs	6	7
Total direct costs of sales	**1,867**	**1,899**

5.2. Indirect costs of sales / administration and general costs (in HUF million)		
	H1 2018	**H1 2017**
Office and operating expenses	58	62
Expert fees, accounting and auditing changers	52	55
Direct personnel expenditures	52	57
Costs relating to public and stock exchange presence, as well as social commitments	49	50
Bank charges	18	16
Insurance fees	6	5
Other authority fees, duties	2	4
Indirect depreciation (real-estate properties, machines, equipment)	-	48
Total direct costs of sales / administration and general costs	**237**	**297**

5.3. Other incomes and expenditures (in HUF million)		
	H1 2018	**H1 2017**
Subsidies received for development purposes	155	149
Incomes relating to damage incidents (damages, penalties)	115	-
Other incomes relating to previous periods	25	-
Imposed fines, damage compensations	-	86
Miscellaneous	2	3
Total other incomes	**297**	**238**
Local taxes, duties to local governments	66	56
Mining royalties	35	37
Provisions	10	0
Penalties, fines, damages paid, default interests	10	1
Extraordinary depreciation, write-off of assets	-	16
Innovation contribution	-	7
Miscellaneous	2	1
Total other expenditures	**123**	**118**
Profit of other activities	**174**	**120**

5.4. Financial profit (in HUF million)

	H1 2018	H1 2017
Foreign exchange gains in relation to FX accounts	32	1
Foreign exchange gains in relation to receivables	16	2
Gains on foreign exchange derivatives	8	1
Interest income	5	1
Foreign exchange gains on FX credits, loans	2	60
Foreign exchange gains in relation to liabilities	1	5
Write-backs relating to the share option program	-	38
Total financial incomes	**64**	**108**
Foreign exchange losses on FX credits, loans	355	9
Interest expense	134	142
Foreign exchange losses in relation to liabilities	12	2
Foreign exchange losses in relation to receivables	2	9
Foreign exchange losses in relation to FX accounts	-	4
Losses on foreign exchange derivatives	-	4
Total financial expenditures	**503**	**170**
Financial result (loss)	**-439**	**-62**
From: foreign exchange loss from the conversion at the end of the period (non-realized exchange loss)	**-314**	**-46**

5.5. Changes in important foreign exchange rates (HUF/EUR)

	30 Jun 2018	31 Dec 2017	30 Jun 2017
HUF/EUR exchange rate (Official Euro exchange rate by Magyar Nemzeti Bank (The central bank of Hungary)	328.60	310.14	308.87

In the period under review an loss of HUF 439 million was accounted for in respect of the financial operation. Seeing details of this loss the impact of foreign exchange loss of the conversion at the end of the period is HUF 314 million. PannErgy Group has some currency monetary items differed from the functional currency, and these foreign currency assets and liabilities were revaluated to the Hungarian Forint at period end' exchange rates. The unrealised financial losses on this revaluation were recognized among financial expenditures by the consolidated statement of profit or loss.
The significant loss of the period-end foreign exchange revaluation is caused by the forint weakening, the Hungarian Forint depreciated to a record low level against the Euro at the end of June.

Independently of the technically booked, temporary, non-realised effects of the above mentioned FX revaluation, the Company is not exposed to any significant risk of FX rate fluctuations, having natural hedge position to mitigate the risk. Natural hedging means covering the largest possible proportion of foreign currency expenses (including foreign currency credit liabilities towards financial institutions) by foreign currency revenues. In reference to the Company the foreign currency is Euro in any cases.

5.6. Liquid assets and cash equivalents (in HUF million)	30 Jun 2018	31 Dec 2017
Bank and Petty cash	557	699
Separate or blocked liquid assets	541	590
Fixed-term deposits	-	-
Total liquid assets and cash equivalents	**1,098**	**1,289**

Bank and petty cash headlines include amounts hold on bank accounts, where the approval by the financial institution is contracted prerequisite for purposes other than the business operation of the account holder.
Separate, blocked liquid assets represent such amounts held on bank accounts, which are collateral in accordance with the related loan contract and these amounts are not accessible for the borrower.

5.7. Long-term credits, loans (in HUF million)	30 Jun 2018	31 Dec 2017
EUR-based loans secured with collateral	6,138	7,370
HUF-based loans secured with collateral	3,443	2,534
Liabilities from finance lease	-	51
Short-term part (payable within one year) of long-term loans, reclassified to other short-term liabilities	-1,148	-1,160
Total long-term credits, loans	**8,433**	**8,795**

The decrease in long-term credits, loans during the period under review is the consequence of the scheduled redemption repayments in the amount of HUF 715 million, this redemption impact was be partially compensated by non-realised exchange rate loss of EUR-based loans in the amount of HUF 353 million, this loss impact of the period-end exchange rate is temporary.

The liabilities from finance lease has been early repaymented in first half of 2018, due to the final payoff the PannErgy Group doesn't register financial leases in this half-year report.

Weighted average interest rate of long-term credits, loans

The basis of the interest rates of the EUR-denominated loans at the geothermal project companies of Győr and Miskolc – as irrespective of the funding financial institution involved – is the 3-monthly EURIBOR. With respect to this fact and the contracted interest premium, the weighted average interest rate of the EUR-based loans secured with collateral as of 30 June 2018 was 2.47%, this equals to data on 31 December 2017; taking into account the interest rate fixing impact of interest swap transactions. Without interest swap transactions the weighted average interest rate of the EUR-based loans would be 1.99% as of 30 June 2018. The abovementioned swap transactions ensure significant security at financial planning processes and interest risk reduction.
The collateralized HUF-based loans either carry fixed 2.5% interests, or based on the 3-monthly BUBOR. Their weighted average interest rate was 3.11% in the period under review, which

indicates nearly the same in comparison to the figure in the end of the previous year. Without interest swap transactions the weighted average interest rate of the HUF-based loans would be 2.39% as of 30 June 2018.

Maturity of long-term credits, loans

All the long-term credit, loans have term beyond 5 years compared to 30 June 2018. By virtue of the contracted debt service under the loans, HUF 1,148 million represents liabilities paid within one year (till 30 June 2019), HUF 4,567 million represents liabilities expiring in one to five years, whereas HUF 3,866 million has maturity over five years.

5.8. Short-term credits, loans (in HUF million)

	30 Jun 2018	31 Dec 2017
Short-term part (payable within one year) of long-term loans	1,148	1,160
Short-term bank loans	-	-
Bank overdrafts	-	-
Other short-term credits from non-financial institutions	51	48
Total amount of short-term credits, loans	**1,199**	**1,208**

5.9. Deferred incomes from subsidies (in HUF million)

	30 Jun 2018	31 Dec 2017
Other long-term deferred incomes	4,105	4,271
Short-term maturity amount of long-term deferred incomes	289	291
Total amount of deferred incomes from subsidies	**4,394**	**4,562**

In relation to Company's geothermal energetic projects, under the heading of other long-term deferred incomes the Company states the long-term part (beyond one year) of the non-repayable subsidies awarded to the geothermal projects, while the short-term parts are recognized among short-term liabilities; these latter amounts are stated under other incomes in the consolidated statement of profit or loss with respect to the reversing in proportion of the depreciation for these assets, which are concerned by the state subsidy.

5.10. Details of state subsidies (in HUF million)

Legal entity within the Group	Project ID	Allowance of investment costs	Subsidy awarded	Subsidy called off	Deferred incomes from subsidies
Szentlőrinci Geotermia Ltd.	KEOP-4.2.0/B-09-2009-0026	883	442	427	358
Berekfürdő Energia Ltd.	KEOP 4.4.0/A/09-2009-0009	250	125	125	67
DoverDrill Mélyfúró Ltd.	GOP-1.3.1-11/A-2011-0192	232	104	104	54
Miskolci Geotermia Ltd.	KEOP 4.7.0-2010-0001	632	316	314	243
Miskolci Geotermia Ltd.	KEOP 4.2.0/B-11-2011-0007	2,856	1,000	1,000	809
Miskolci Geotermia Ltd.	GOP-1.2.1/B-12-2012-0005	323	162	148	69
Kuala Ltd.	KEOP 4.7.0/11-2011-0003	619	309	309	280
Kuala Ltd.	KEOP-4.10.0/B-12-2013-0012	2,836	1,000	1,000	822
DD Energy Ltd.	KEOP-4.10/B-12-2013-0010	3,997	1,000	1,000	851
Arrabona Geotermia Ltd.	KEOP-4.10/B-12-2013-0011	3,509	1,000	992	841
PannErgy Geotermikus Erőművek Ltd.	PIAC_13-1-2013-0006	889	442	442	0
Total subsidies as deferred incomes in the financial statements as of 30 June 2018					**4,394**

All the above projects targets are project implementations, whereas the project objectives for KEOP state subsidy applications focus on the utilization of geothermal energy, whereas for GOP subsidies asset procurement or system development.

The subsidies received in association with the PIAC_13 state subsidy announcement was fully already accounted in previous periods as incomes in connection with the selling of the know-how developed in subsidy project, as well as the depreciation of the assets that were purchased in association with developments until the closing of the project.

5.11. Changes in intra-group, consolidated results and turnovers (in HUF million)	H1 2018	H1 2017
Elimination from statement of profit or loss		
Revenue from sales	1,787	962
Direct costs of sales	1,212	754
Indirect costs of sales	45	45
Other incomes	6	19
Other expenditures	5	28
Financial results	218	122
Elimination from statement of the financial position		
Intangible assets	163	21
Tangible assets	2,104	2,299
Inventories	0	0
Items for upcoming period among other receivables	518	723
Long-term loans given	5,430	6,518
Other receivables, short-term loans	11,819	10,311
Items for the upcoming period among other payables	518	723
Long-term liabilities	6,913	7,954
Other short-term liabilities	10,336	8,882

6. Business segment information

The accounting policies and presentation principles for segment information adopted in the preparation of the this interim consolidated financial statements are consistent with those followed in the preparation of the PannErgy Group's consolidated financial statements and annual report for the year ended 31 December 2017 and half-year report for 2017.
By virtue of the same principles for segment definition it can be concluded that **one operating segment, Energy can be identified at PannErgy Group.** The segment that was formerly defined as Assets Management would not be identified as a separate segment by the Company in accordance with the requirements of the IFRS 8 Operating segments standard, and in particular the managerial approaches to segments, as well as the criteria relating to the presentation of the operating segments. In summary of the above details, it has been ascertained that one operating segment (Energy) can be identified at the company. For this reason, the Company is to satisfy the disclosure requirements in relation to the entire business entity.
In the case of the Company, it means that the data of the Energy segment for the year under review and the base figures correspond to the financial information relating to the entire business entity, and it is properly presented in these interim consolidated financial statements.

Notwithstanding the above, the Company shall draw up and publish detailed information on the relevant data of management activity of the real-estate properties in District XXI of Budapest (Csepel) and Debrecen. These real-estate properties do not belong to geothermal heat production and sales as PannErgy Group's core business. The Company is committed to sale of these industrial facilities and connected office premises formerly serving Pannonplast Plc's plastics manufacturing operation, therefore these has been presented as marketable properties in consolidated statement of the financial situation. To the realization, the Company manages the facilities, it means primarily invoicing of the electric power and other public utility fees to coowners of the facilities and much lesser extent invoicing related public utility fees and rental fees.

In terms of revenues, the turnover associated with the abovementioned real-estate properties amounted to HUF 251 million in the first half of the year, representing a 11.7% ratio in the total amount of PannErgy Group's revenue from sales in the period under review. As a major proportion of these revenues is from the invoicing of mediated service items, meaning that they are connected with the re-invoicing of the public utility fees (primarily electric power) relating to the real-estate properties for coowners and rentees. The revenue from sales as public utility fees and rental fees are HUF 24 million in the period. It should be noted that the revenues without mediated services compared to PannErgy Group’s consolidated half-year revenues from sales are negligible (1%), and the profit from the real-estate property management is only HUF 20 million, which is only 4% of the operating profit of the period.

7. Other information

7.1 Accounting policies

The accounting policies adopted in the preparation of the current interim condensed consolidated financial statements are consistent with those followed in the preparation of the PannErgy Group’s consolidated financial statements and annual report for the year ended 31 December 2017 except for the adoption of new and amended standards (IFRS 9 and IFRS 15) as set out below.

The PannErgy Group implemented the *IFRS 9 – Financial Instruments* standard covering the classification, measurement and derecognition of financial instruments, new impairment methodology and a new hedge accounting model from 1 January 2018. Transition to IFRS 9 did not have material impact on allowances for doubtful receivables in 2018.
The adoption of *IFRS 15 – Revenue from Contract with Customers* standard’s regulations did not have material impact on presentation of Company’s revenues from sales, the comparison with the base period as benchmark did not require related corrections.
The other new standards and amendments do not affect significantly the Company’s consolidated results, financial position or disclosures.

PannErgy Group states figures in the consolidated financial statements in Hungarian Forint currency, as rounded up to HUF million, with exceptions specifically indicated.

7.2 Functional currency

The functional currency is the currency defined in the *Standard IAS 21 The Effects of Changes in Foreign Exchange Rates*, meaning that it is the currency of the primary economic environment where the business entity operates, and that may be different from the currency of presentation.

The functional currency of the Company is Hungarian Forint, which is the currency of the primary economic environment. The Company does not pursue business operations in any other environment that would justify the use of a functional currency other than Hungarian Forint. Accordingly, the effects of changes in the exchange rates are not discussed in the consolidated financial statements.

7.3 Key performance indicators, quantity and quality indicators

Similarly to previous periods, the Company sets the following quantity and quality key performance indicators (KPIs) for the evaluation / measurement of its operation:
Consolidated heat sold (GJ), Gross cash flow, EBITDA

The consolidated quantities of sold heat has been identified as quantity and quality indicator as well, since the quantity of sold heat presents fairly the quality of geothermal production and the subsequent processes before the heat sales. The Company has not identified any other quality indicators.

Definition of the gross cash flow and the EBITDA categories that are parts of the consolidated financial statement:
Gross cash flow is the sum of the gross margin and direct depreciation not involving any movement of cash.
EBITDA (profit before interest, taxes and depreciation) covers the operating profit plus the amount of direct depreciation (within Direct costs of sales), the amount of indirect depreciation (within Indirect costs of sales), as well as the amount of the extraordinary write-off, impairment losses of tangible assets, intangible assets (within Other expenditures).

7.4 Deferred tax

PannErgy Group has amount of HUF 302 million deferred tax assets position on 30 June 2018.
An amount of HUF 302 million of deferred tax assets recognized among fixed assets covers the 9% corporate income tax relating to the negative tax base that remained unused (loss carry-forward) in association with the subsidiaries belonging to PannErgy Group, as well as other deferred tax-modifying items under IFRS. The deferred tax assets are based and covered by checked return calculation, this means HUF 355 million gross deferred tax assets, which further decreases the amount of deferred tax liabilities associated with development reserves by HUF 53 million. As these deferred tax assets and liabilities are incurred against the same tax authority, these amounts of netted in accordance with the relevant IFRS requirements, and therefore the consolidated financial statements recognize HUF 302 million as deferred tax assets

7.5 Details of the effective income tax

The calculation of the difference between the expected income tax established as the product of the specific profit before taxes recognized in the PannErgy Group's profit & loss account and the income tax rates that are applicable to the Company on the one hand, and on the other hand corporate income tax effectively stated in the profit & loss account are as follows:

Details of the effective income tax (in HUF million)

	H1 2018	H1 2017
Profit before taxes (business entities one by one)	**374**	**248**
Corporate income tax calculated on the basis of the effective tax rates that are applicable to the profit of the companies	34	33
Effect of different tax rates (by virtue of minimum corporate tax base)	33	1
Tax implications of non-deductable expenditures, effects of differences in depreciation and other tax-decreasing items	12	6
Tax benefits, reductions	-48	-18
Utilization of negative tax base from previous period	-11	-10
Corporate income tax in the year under review	**20**	**12**
Change of deferred tax assets according to Group-level deferred tax calculation	**-11**	**14**
Corporate income tax (as per the consolidated statement of profit or loss)	**9**	**26**

7.6 Outlook for the strategy and goals

Dependence on fossil energies can be moderated and in some cases eliminated by utilizing other, alternative energy resources, such as geothermal heat. One of the most significant, still minimally exploited treasures in the Carpathian Basin, and specifically Hungary, is a network of geothermal resources lying under the ground, the utilization of which would make heat and even electric power readily available in an environmentally friendly manner. The growth of demands for energy seems to be unstoppable, while the volume of both domestic and global, conventional sources is limited.

The expert-like and effective geothermal energy production results in the exploitation of a huge pool of resources that have just minimally utilized so far, while being one of the cleanest and most environmentally friendly ways of power generation. Today, the European Union does not only welcome these new forms of energy production, but also tries to orient the member states, including Hungary, by establishing strict programs and targets.

At the core of PannErgy Group's strategy is its aspiration to become the dominant business operator for geothermal heat utilization in the region, maintain this position, and at the same deliver environmentally friendly supplies at high operating safety, without geopolitical risks. PannErgy Group is committed to the energy-related exploitation of one of Europe's largest active geothermal water resource. Geothermal heat can serve households and industrial users in the long run, and with PannErgy's environmentally sparing investments considerable reduction in energy expenses can be achieved.

PannErgy has not just become a company showing the broadest competence and experience in implementing geothermal investments, but at the same time has emerged as one of the largest groups involved in the generation and utilization of geothermal energy in recent times.

Among short-term future goals, the expansion of production capacities in both the Geothermal System of Győr and Geothermal System of Miskolc is handled as a priority alongside the further optimization of the system and the resulting maximization of the volume of sold heat.

The Company also wishes to make its still unutilized capacities and the associated saving benefits available to new partners. Industrial utilization calls for such particular expertise and experience in project management that – in the Company's opinion – in the field of the use of geothermal energy is accessible only to PannErgy Group in Hungary at the highest level.

7.7 Key risks at the Company, related uncertainties and changes

A particular feature of geothermal developments is the presence of remarkably high geological risks, which the Group aspires to mitigate by obtaining and integrating the broadest possible range of geological and other professional, scientific information.
The identified key risks at PannErgy Group, are set out in summarised form below:

Foreign exchange risk
The Company also performs activities settled in foreign currencies, and there are contracted customers to which EUR-denominated amounts are invoiced based on the agreements pertaining to invoicing. It similarly has EUR-denominated liabilities; they are basically EUR-based long-term investment loans demanded for the implementation of the geothermal projects, and furthermore with a number of foreign and domestic suppliers settlements and invoicing are carried out in EUR currency. The assets and liabilities denominated in foreign currencies carry the risk arising from the changes of foreign exchange rates, and in particular Euro rates, which PannErgy Group strives for mitigating on the broadest possible scale with natural hedge,

primarily by hedging the largest possible proportion of the above-mentioned EUR-based revenues with credit liabilities also in Euro currency.

Beyond the abovementioned general hedge practice the Company trades several FX forward transactions in order to cover the foreign exchange risk of some significant purchases to be incurred in the future in foreign currencies.

Share trade price risk
The share trade price risk is to be considered in view of the marketability of repurchased treasury shares and the valuation of the actual share option program.

Interest risk
PannErgy Group is exposed to interest risks primarily due to long-term loans taken out for investment purposes. The Company carries cash flow-rated interest risks as a result of loans with variable interest rates, which is just partly counterbalanced by liquid assets with also with variable interest rates. Because of the loans with variable interest rates, the Company is exposed to fair value-related interest risks, which are partially eliminated for interest swap transactions concluded for the entire term of the above-mentioned long-term loans, by which the contract-based variable interests are partially swapped to fixed interests.
PannErgy Group dynamically analyses its exposure to interest risks. In this process, it simulates various financial models with respect to refinancing, the renewal of the existing positions, opportunities to have access to alternative funding sources. The Company uses these scenarios to calculate the effects of the changes in the specific interest rates on the profit. In the individual models, the Company takes the same changes in interest rates into consideration for all the currencies concerned. The models are worked out only for the liabilities that represent that key interest-bearing positions.

Credit risk
Credit risk is the risk of financial losses arising from the potential non-performance of any contracted obligation by the customer or partner. From the perspective of the Company, it primarily means the risk associated with the non-payment of customers. It is to be noted that the Company performs sales for a concentrated group of a small number of customers, which means a low level of diversification.
Credit risks are managed on the group level. The entities of PannErgy Group are responsible for managing and analysing the credit risks that can be associated with new customers still before offering payment and delivery conditions within the framework of the normal course of operations.
At PannErgy Group, credit risks originate from the credit-related exposures that are connected with liquid assets and cash equivalents, deposits held with banks and financial institutions, as well as sales to customers, including outstanding receivables and transactions where the Company has made any commitment.
For the rating of customers, the Company does not involve any independent rating agency directly, but the creditworthiness and credit limits of the customers are determined by PannErgy Group's Finance and Treasury Team with respect to their respective financial positions, financial data, historic experience and other factors. The Company regularly monitors the utilization of credit limits, and the customers make all payments in consideration of their purchases via bank transfer. During the reporting period, there were no overdrafts in the credit limits, and according to the management no losses can be anticipated from these customer performances.

Liquidity risk
Liquidity risk represents the risk that the Company becomes unable to fulfill its financial obligations in a timely manner. The purpose of liquidity management is that sufficient resources should be provided for the fulfillment of liabilities upon their respective due dates. The

Company's approach to liquidity management is that as far as it is possible there should always be adequate liquidity provided for the fulfillment of liabilities at their due dates under both ordinary and stressed circumstances without suffering unacceptable losses or putting the Company's reputation at risk. Adequate liquidity can be realized by shaping the terms of funding sources in alignment with the lifecycle of the project. Cash flow forecasts are prepared by PannErgy Group's Finance and Treasury Team, and additionally the rolling forecasts relating to the fulfillment of the Group's liquidity requirements are monitored in order to ensure the availability of sufficient liquid assets for operations, while in connection with the credit limits that are not drawn down sufficient margin is intended to be maintained so that the Company should not surpass its credit limits from time to time, and could meet the debt service indicators that are undertaken vis-á-vis financial institutions. These cash flow forecasts based on the financial settlement of trade payables, credit repayments, as well as contracted and other incomes do take PannErgy Group's financial plans into account, alongside the satisfaction of the contracted financial indicators, external regulatory and legal requirements.

Regulatory risk

From among the general types of regulatory risks, a factor to be specifically highlighted in relation to the Company is that the selling price of a determining part of the heat energy sold by certain project companies involved in heat production and sales is subject to official price setting, and thus is regularly reviewed by the competent price setting organization, which can potentially modify or limit the Company's profitability. Consequently, considerable uncertainties arise with respect to the future selling prices.

Technological risk

The exploitation of geothermal energy carries unforeseeable risks as a result of both the incalculable availability of the geothermal energy carrier medium and the potential tolerance of equipments and assets involved in the management of this medium to the unusual operating environment.

7.8 Acceptance of the Company’s consolidated report relating to PannErgy Group’s business operation in 2017

The Company held its ordinary annual general meeting on 27 April 2018, with its resolutions published via the official media of disclosure. The annual General Meeting approved the Company's consolidated financial statements and annual report for 2017 prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as adopted by the EU. with the identical amount of assets and liabilities being HUF 25,023 million (balance sheet total) and profit according to the balance sheet being HUF 488 million (profit), as proposed by the Board of Directors. Simultaneously with the acceptance of the consolidated annual report, the annual ordinary General Meeting did not approve dividend payments.

7.9 Headcount information

PannErgy Group’s average statistical headcount data during the first half of the year and base periods:

Headcount	30 Jun 2018	31 Dec 2017	Change	30 Jun 2017
PannErgy Plc.	0	0	0	-
Group level (with consolidated subsidiaries)	35	28	7	29
Total	**35**	**28**	**7**	**29**

The above figures show the average statistical headcount of PannErgy Group's employees, reflecting an increase in comparison to the base period. The reason of this increase is the ongoing geothermal project under concession contract, the new employees are working on the field. The number of the employees will be decreased to the same level as June 2017 in second half of this year because the PannErgy Group will finish this project.

As of 30 June 2018, the Group's permanent employee headcount of was 23 people after 20 employees on 30 June 2017. The differences between the average statistical headcount and the actual employee headcount as of the end of the period come from part-time employments at the individual group entities.

7.10 Changes in the Company's capital, management and organization

As of 31 December 2017, the amount of the registered, subscribed capital was HUF 421,093,100, which did not change in the first half of 2018. The financial statements state the amount of the registered, subscribed capital in consideration of all the shares issued, whereas the number of shares is calculated with the deduction of repurchased treasury shares.

As of 30 June 2018, the Company held 2,634,637 treasury shares belonging to PannErgy Plc, being 741,001 less than the 3,375,638 treasury shares held on 31 December 2017 and on 30 June 2017, respectively. The decrease in the number of treasury shares during the period under review was in line with the current share option program for 2016–2019 period on based Resolution of the Company's General Meeting on 28 April 2016. The beneficiaries of the share option program called down 741,001 shares in first half of 2018, the shares were transferred to them after the payment of HUF 349.02 as option price by shares.

The Company did not undertake any transactions for share purchase in the first half of 2018, neither in the framework of treasury share repurchasing program for the period from 29 April 2017 to 27 April 2018, nor in the framework of the current program for the period 28 April 2018 to 27 April 2019 by the resolution of the Company's General Meeting held on 27 April 2018.

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

Information associated with senior officers is provided in details in Form TSZ2 in Chapter 10.2.

7.11 Share-based payments

At its annual ordinary General Meeting held on 28 April 2016, the Company approved the set of conditions for the new share option program for 2016–2019 with its full details – beyond the provisions hereunder – being available at the Company's website.

Key conditions of the share option program:

The beneficiaries can acquire conditional call options for altogether 900,000 shares against the Company provided that the associated option agreements are concluded. They are American options, and can be exercised until 30 April 2019; the option rights become exercisable upon reaching certain stock exchange price levels, in different phases:

The option price corresponds to the turnover-weighted average price during the 60 trading days preceding the opening of the Option (1 May 2016), i.e. will be 349.02 HUF per share.

If in the period of the option program the stock exchange rate exceeds the fixed 349.02 HUF/share price by 15%, i.e. it reaches the HUF 402 rate, then the call option will open for 300 000 shares;

If in the period of the option program the stock exchange rate exceeds the fixed 349.02 HUF/share price by 30%, i.e. it reaches the HUF 454 rate, then the call option will open for another tranche of 300,000 shares, that is altogether for 600,000 shares;

If in the given period the stock exchange rate exceeds the fixed 349.02 HUF/share price by 45%, i.e. it reaches the HUF 506 rate, then the call option will open for another tranche of 300,000 shares, that is altogether for 900,000 shares representing the total volume allocated to the share option program.

<u>Evaluation of the share option program:</u>
The Company take into consideration all the three opening stages were taken into account at fair value calculation of the share option program as of 30 June 2018, In line with the market conditions considered for the determination of the fair value, with the use of the Black-Scholes model (closing share price as of 31 December 2018: HUF 660 per share, volatility (12 months): 34.7%, risk-free interest rate: 2.5%), the fair value of the options for the total portfolio of 109,999 shares that meet the market conditions of the provision of the options, but still have not been called down by means of the option declaration is HUF 25 million totally.
Based on this, altogether HUF 25 million is recognized in the Company's consolidated financial statements as of 30 June 2018 in relation to the evaluation of the share option program as other short-term liabilities against capital reserves. The reason of the settlement under the heading of capital reserve with respect to the fact that the set of conditions for the program was fully met during the period under review solely in connection with share-based criteria that were also associated with the call-down of options, and therefore in the framework of the program, following 30 June 2018 the treasury shares to be released by the Company would decrease capital reserves.

The beneficiaries of the share option program called down 741,001 shares in first half of 2018, the shares were transferred to them after the payment of HUF 349.02 as option price by shares. The related exchange differences has been accounted for capital reserves according to abovementioned facts, it did not influence the profit of the period under review.

7.12 Publicity

The Company makes regular and extraordinary disclosures among others at its website (www.pannergy.com). At the following websites associated with its projects ((www.miskolci-geotermia.hu, www.gyori-geotermia.hu, www.szentlorinc-geotermia.hu), PannErgy Group publishes professional information connected with the implementation and operation of the projects. The publications, public information disclosed by PannErgy Plc. can substantially assist the comprehension and evaluation of the Company's operation and economic situation, and therefore they are important amendments to the information shown in this interim, half-year report.

After the balance sheet date, the following key events presented in the table included in the *11.1 Announcements published in the period under review (ST1) (until 3 Sept. 2018)* chapter of the *11. Datasheets relating to extraordinary information* of this interim half-year report took place with dates falling between 1 January 2018 and 3 September 2018. Based on the given references, comprehensive information is available at the Company's official places of publication.

8. Data sheets related to financial statements

Company's name:	PannErgy Public Limited Company
Address of the Company:	Hungary, H-1117 Budapest, Budafoki street 56.
Sector classification:	Energy, Asset management
Period:	H1 period of 2017
Telephone:	+36 1 323 23 83
Fax:	+36 1 323 23 73
E-mail address	info@pannergy.com
Investor relations:	Szabó Valéria

8.1 General information on the financial figures (PK1.)

	Yes	No
Audited		X
Consolidated	X	

Accounting principles	Hungarian		**IFRS**	**X**	Other	

8.2 Business entities under consolidation by PannErgy Plc. (PK2.)

Name	Capital net worth / Share capital (HUF Million)	Share (%)[3]	Voting rights [1] (%)	Ratio of consolidation [4]	Classification [2]
Kuala Ltd.	3.00	90.00	90.00	90.00	F
PannErgy Geothermal Plant Ltd.	2,072.70	100.00	100.00	100.00	F
TT Geothermal Ltd. [5]	5.00	100.00	100.00	100.00	F
Szentlőrinc Geothermal Ltd.	5.00	100.00	100.00	100.00	F
Miskolc Geothermal Ltd.	5.00	90.00	90.00	90.00	F
Berekfürdő Energy Ltd.	24.10	100.00	100.00	100.00	F
DoverDrill Ltd.	86.00	100.00	100.00	100.00	F
PannErgy Concession Ltd.	3.00	100.00	100.00	100.00	F
DD Energy Ltd.	3.10	100.00	100.00	100.00	F
Arrabona Geothermal Ltd.	3.10	100.00	100.00	100.00	F

[1] *Voting rights allowing participation in decision-making at the general meeting of any business entity under consolidation;*
[2] *Full (F); Joint venture (J); Associated(A);*
[3] *% values to be interpreted indirectly ;*
[4] *The ratios of ownership and voting rights show the ratios of direct ownership and voting rights in PannErgy Plc and PannErgy Geothermal Power Plants Ltd. The ratio of consolidation and the ownership share are identical as of the date of 30 June 2018, because the former minority participation in PannErgy Geothermal Power Plants Ltd has been acquired by PannErgy Ltd.*
[5] *The share capital of TT Geothermal Ltd. is HUF 6 million with the registration by Company Registry Court of Budapest on 2 July 2018. The capital increase in an amount of HUF 1 million is based on PannErgy Plc's non-material contribution with tangible assets as contribution subject. PannErgy Plc. acquires 16.67% share in TT Geothermal Ltd. with this capital increase, at the same time PannErgy Geothermal Plants Ltd's share changed to 83.33% from previous 100%. The ratio of consolidation relating TT Geothermal Ltd. is not affected by this capital increase since the PannErgy Group's direct and indirect share is same, 100%.*

8.3 Off-balance-sheet commitments, contingent, pending liabilities (PK6)

Commitments for investments and performance of the contracts

The Company has only one commitments for investments and performance of the contract, that is based on the concession agreement signed on 31 June 2017 in relation only to the area of Győr, in an amount of HUF 812 million. Based on Act CXCVI of 2011 on National Assets, Act XVI of 1991 on Concessions and Act XLVIII of 1993 on Mining, and on behalf of the State of Hungary the Minister for National Development, as the minister in charge of mining affairs, announced an open tender for certain specific, closed areas in Hungary towards the exploration, extraction and utilization of geothermal energy in the framework of concession agreements. The concession tender relating to the area of Győr was awarded to PannErgy Plc's subsidiary, PannErgy Geothermal Power Plants Ltd. In line with the foregoing, PannErgy Geothermal Power Plants Ltd. signed a concession agreement with the State of Hungary for a definite term of 35 years (with a non-recurrent renewal option for another term of 17 and half years) in relation to the area of Győr, towards the exploration, extraction and utilization of geothermal energy. By relying on the rights acquired with the concession agreement, PannErgy Concession limited formed by PannErgy Geothermal Power Plants Ltd. for this project in 2017 examined the concession-based geothermal endowments of the region potentially found under 2,500 meters, and thereafter decided on the drilling of a new geothermal well, where the amount of construction is expected to be over the above-mentioned, minimally HUF 812 million as the amount of the commitment for investments and performance of contracts.
The related acquisitions of the unfinished concession project in an amount of HUF 601 million were recognized among tangible assets by the Company’s financial statements.

With respect to the legal and accounting classification of the project to be implemented during the effective term of the concession agreement and in observance of the contracted conditions, the project is in line with the interpretation given in IFRIC 12, based on which the value of the investment so far realized in the framework of the project will be presented among fixed assets, as financial assets in the consolidated statement of financial position, where the presented value corresponds to, i.e. covered by the value of the discounted cash flow foreseen to occur over the 35-year term of the concession agreement in proportion to the rate of the completion of the investment from time to time.

Obligations undertaken for asset management transactions

During asset management transactions (selling and purchasing participations, other assets), the company assumes guarantees for the economic purport of the transaction. From these assumed guarantees, the Company's management – in view of their expectations formulated to the best of their knowledge – does not see the occurrence of substantial performance obligations to be likely.

Other pending liabilities

PannErgy Plc. and its subsidiaries have the following pending liabilities towards external partners at the end of the period:

Restrictions of title on assets associated with funding by financial institutions

For external financing agreements that were made by the Pannergy Group entities during the period, various forms of guarantees collaterals (pledge, suretyship) were undertaken in an amount of HUF 3,443 million and EUR 18,680 th (HUF 6,138 million) towards the funding financial institutions, banks. The outstanding principal amounts of these financing agreements consistently decreased as a result of the repayments made in the meantime, and therefore the effective amounts of the connected pending commitments were under the presented contracted values.

Commitments made in relation to tenders

Pursuant to Government Decree 358/2014 (Dec 29) and the associated legal regulations, in relation to subsidies provided from the European Regional Development Fund, the European Social Fund and Cohesion Fund from 1 January 2015 beneficiaries are not obliged to furnish guarantees if they have at least one closed full business year, and are registered in the database of the National Tax Administration (NAV) as taxpayers without public debts. Therefore, with one single exception, PannErgy Group is exempt from the provision of such guarantees in connection with tenders and applications. For the amount of state subsidy provided to the PIAC_13 Market-oriented research and development activities, PannErgy Geothermal Power Plants Ltd. made a commitment in relation to the state subsidy scheme in an amount of HUF th 442,000, which remains effective during the maintenance period of the project.

Other pending obligations undertaken (joint and several suretyship)

PannErgy Geothermal Power Plants Ltd. has joint and several suretyship obligations in connection with the Geothermal Project of Miskolc towards one of the heat-receiving customers with respect to potential future damage incidents; the limit amount is HUF 100 million for Miskolc Geothermal Ltd., and has no limit value for Kuala Ltd.

In association with the selling of the reinjection well in 2015 and the transfer of the contracted rights relating to reinjection services, PannErgy Geothermal Power Plants Ltd. has undertaken joint and several suretyship towards the customer for the payment of the expected revenues of reinjection services and the payment of any revenue lost in case the volume of reinjection services fails to reach the quantities undertaken in the contract.

9. Data sheets on the share structure and owners

9.1 The Company's ownership structure, shareholdings and voting rights (RS1.)

Classification of shareholders	Share capital total = Introduced series					
	1 Jan 2018			30 Jun 2018		
	%[2]	%[3]	units	%[2]	%[3]	units
Domestic institutions	22.92	27.30	4,825,567	25.10	28.69	5,283,936
Foreign institutions	21.08	25.10	4,438,071	21.49	24.56	4,525,933
Domestic private persons	31.24	37.21	6,578,283	32.17	36.77	6,772,626
Foreign private persons	0.23	0.27	47,698	0.23	0.26	48,125
Employees, senior officers	0.54	0.64	113,653	0.54	0.62	113,653
Own holding[4]	16.03	-	3,375,638	12.51	-	2,634,637
Owner belonging to the central budget[1]	7.96	9.48	1,675,745	7.96	9.10	1,675,745
International Development Institutions[3]	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL	100.00	100.00	21,054,655	100.00	100.00	21,054,655

[1] Public sector offices
[2] Ownership rate
[3] Voting rights allowing participation in decision-making at the general meeting of the issuing entity.
[4] Treasury shares: The property of the Company or its 100% subsidiary

9.2 Changes in treasury shares (in pcs) in the current period (RS2.)

	1 January 2018	30 June 2018
At corporate level	2,440,435	1,699,434
Subsidiaries *	935,203	935,203
Total	**3,375,638**	**2,634,637**

* Treasury shares owned by PannErgy Geothermal Power Plants Ltd., PannErgy Plc. has 100% ownership in this company.

Treasury share repurchasing program completed in the period under review

There wasn't any treasury share repurchasing transaction in the 1st half of 2018 in the framework of the treasury share repurchasing program by the Resolution 8/2017 (April 28) of the Company' General Meeting held on 28 April 2017. This program concerned the period from 29 April 2017 as starting date to 27 April 2018, as completion date.

Treasury share repurchasing program started in the period under review

Within the meaning of Resolution 7/2018 (April 27) of the Company's General Meeting held on 27 April 2018, PannErgy Plc. launched a new treasury share repurchasing program with the 28 April 2018 as starting date and 27 April 2019 as completion date. In the framework of the program PannErgy Plc. is entitled to purchase treasury shares up to an amount of HUF 1,000 million, at a share rate corresponding to at least HUF 1 and up to HUF 950 as the maximum. Within the relevant regulatory framework, the Board of Directors is entitled to acquire equity shares at a face value of HUF 20, in words twenty Hungarian Forints up to a limit where the total amount of treasury shares held may not exceed 25% of the total amount of the issued share capital at any moment during the term of the authorization. The shares may be purchased solely in trading at the stock exchange, The General Meeting didn't take a decision for further, detailed schedule.

In the framework of this completed treasury share repurchasing program, the Company didn't purchase any share during the first half of 2018.

Treasury share decrease in the period under review

In the framework of current treasury share repurchasing program, the Company didn't purchase any share during the first half of 2018.

9.3 List of shareholders holding over 5% of shares and their introductions (at the end of the period) as per their share in proportion to the registered capital (RS3.)

Name	Nationality [1]	Activity [2]	Quantity (pcs)	Share (%) [3]	Voting rate (%) [3,4]	Note [5]
Benji Invest Ltd.	D	I	2,424,010	11,51	13,16	P
Cashline Holding Ltd.	D	I	1,850,000	8,79	10,04	P
Hungarian National Asset Management Ltd.	D	B	1,675,745	7,96	9,10	P

[1] Domestic (D), Foreign (F)
[2] Trustee (T), Budgetary (B), International Development Institution (ID), Institutional (I), Business Entity (BE), Private individual (P), Employee, senior officer (D)
[3] Figures should be rounded off to two places of decimals
[4] Voting rights that entitle the holder to participate in decision making at the general meeting of the issuer.
[5] E.g.: strategic investor, financial investor, etc.

10. Data sheets on the organization and operations of the issuing entity

10.1 Number of employees (person) (TSZ1.)

	30 Jun 2017	31 Dec 2017	30 Jun 2018
PannErgy Plc.	0	0	0
Group level (with consolidated subsidiaries)	29	28	35
Total:	**29**	**28**	**35**

The above figures show the average statistical headcount of PannErgy Group's employees, reflecting an increase in comparison to the base period. The reason of this increase is the ongoing geothermal project under concession contract, the new employees are working on the field. The number of the employees will be decreased to the same level as June 2017 in second half of this year because the PannErgy Group will finish this project.

As of 30 June 2018, the Group's permanent employee headcount of was 23 people after 20 employees on 30 June 2017. The differences between the average statistical headcount and the actual employee headcount as of the end of the period come from part-time employments at the individual group entities.

10.2 Senior officers and employees in strategic position with influencing ability for operation of the Issuer (TSZ2.)

Type [1]	Name	Position	Assignment started	Assignment ends	Shares owned (no. of shares)
BD	Balázs Bokorovics	Member, Chairman of Board of Directors	31.08.2007.	indefinite	-
BD	Dénes Gyimóthy	Deputy chairman of Board of Directors, CEO in charge	31.08.2007.	indefinite	-
BD	Katalin Gyimóthy	Member of Board of Directors	28.04.2016.	indefinite	-
BD	Lilla Martonfalvay	Member of Board of Directors	28.04.2016.	indefinite	100,000
BD	Csaba Major	Member of Board of Directors	30.04.2013.	indefinite	-
BD	Attila Juhász	Member of Board of Directors	31.08.2007.	indefinite	-
BD	István Töröcskei	Member of Board of Directors	31.08.2007.	indefinite	-
Shares (pcs) TOTAL:					100,000

[1] Member of the Board of Directors (BD), Employees in strategic, influencing position (SP)

11. Datasheets relating to extraordinary information

11.1 Announcements published in period under review (ST1.) (to 3 Sept. 2018)

Date	Type of news	Subject, short summary
1 September 2018	Other information	Composition of share capital of the PannErgy Plc.
28 August 2018	Extraordinary information	PannErgy's Subsidiary awarded development grant
1 August 2018	Extraordinary information	PannErgy's subsidiary has entered into an agreement with the Japanese-owned GS Yuasa Hungary Ltd.
31 July 2018	Other information	Composition of share capital of the PannErgy Plc.
16 July 2018	Extraordinary information	Quarterly production report
1 July 2018	Other information	Composition of share capital of the PannErgy Plc.
14 June 2018	Extraordinary information	Articles of Associations
31 May 2018	Other information	Composition of share capital of the PannErgy Plc.
1 May 2018	Other information	Composition of share capital of the PannErgy Plc.
27 April 2018	Extraordinary information	Annual Report 2017
27 April 2018	Extraordinary information	Annual IFRS Report 2017
27 April 2018	Extraordinary information	Corporate Governance Report
27 April 2018	Extraordinary information	Resolutions of the General Meeting
16 April 2018	Extraordinary information	Quarterly production report
13 April 2018	Extraordinary information	General Meeting
1 April 2018	Other information	Composition of share capital of the PannErgy Plc.
20 March 2018	Extraordinary information	PannErgy has increased its stake in Szentlőrinc Geothermal Ltd. to 100%
20 March 2018	GM - Proposals	Resolutions of the Board of Directors of PannErgy Public Company Limited by Shares
20 March 2018	GM - Proposals	PannErgy Plc's Annual Report 2017
20 March 2018	GM - Proposals	PannErgy Plc's and its subsidiaries consolidated IFRS Financial statements and Annual Report 2017
20 March 2018	GM - Proposals	Proposals of the Board of Directors of PannErgy Plc.
20 March 2018	Other information	Composition of share capital of the PannErgy Plc.
13 March 2018	Extraordinary information	General Meeting – Invitation
28 February 2018	Other information	Composition of share capital of the PannErgy Plc.
27 February 2018	Extraordinary information	Treasury share and share option transactions
9 February 2018	Extraordinary information	Treasury share and share option transactions
6 February 2018	Extraordinary information	Treasury share and share option transactions
31 January 2018	Other information	Composition of share capital of the PannErgy Plc.
15 January 2018	Extraordinary information	Quarterly production report
12 January 2018	Extraordinary information	Announcement by shareholders
12 January 2018	Extraordinary information	Announcement by shareholders
1 January 2018	Other information	Composition of share capital of the PannErgy Plc.

Budapest, 3 September 2018

PannErgy Plc.
Board of Directors

DECLARATION

In association with PannErgy Group's consolidated financial statements for H1 of 2018 prepared in accordance with IFRS, pursuant to the statutory requirements set forth in Section 3.3.2 and 3.4 of Appendix 2 to Decree 24/2008 (July 15) of the Ministry of Finance pertaining to half-year reports, I, the undersigned Dénes Gyimóthy, acting chief executive officer hereby declare in representation of the Board of Directors that

prepared on the basis of the applicable accounting requirements and to the best of our knowledge, PannErgy Plc's consolidated financial statements for H1 of 2018 prepared in accordance with IFRS (consolidated half-year report) offers a realistic and reliable view of

- the assets, liabilities, financial standings, as well as profits and losses of PannErgy Plc. as a public issuer of securities and the business entities involved in the scope of consolidation,

- the situation, development and performance of PannErgy Plc. as a public issuer of securities and the business entities involved in the scope of consolidation,

- disclosing the significant transactions and issues during the statement period, and their effects to financial situation of PannErgy Plc. and the business entities involved in the scope of consolidation,

- and discloses the key risks and uncertainties in association with the remaining sixth months of the financial year.

The consolidated financial statements for the first half of 2018 have not been reviewed by an independent auditor.

Dénes Gyimóthy
representing the Board of Directors

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

Investor relations: Valéria Szabó ∘ +36 1 323-2383 ∘ fax: +36 1 323-2373 ∘ E-mail: info@pannergy.com