



PannErgy Plc.

Preliminary annual management  
report 2015

11 March, 2016

**IMPORTANT DISCLAIMER**

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## Executive Summary

In 2015, the PannErgy Group has realized a significant consolidated heat production and revenue increase and had a profitable operation.

By the implementation of the Győr Geothermal Project in the last quarter of 2015, the Company Group has reached its new milestone. Besides, the Project is the most significant climate protection investment in the Győr-Moson-Sopron county in Hungary. Few years ago, the PannErgy Group as a pioneer has firstly decided on investing in the eco-friendly, geopolitically independent geothermal energy production, serving the Hungarian population and corporate users. The successful change in the core business activity is also proven by the fact that after the Miskolc Geothermal project established in 2013, the PannErgy Group has built and established in Győr the second largest geothermal system in the Carpathian Basin, enjoying the confidence of Audi Hungaria Motor Ltd., the city of Győr - the most dynamically developing city of Hungary and Győr-Szol Ltd. – the district heat supplier of Győr. As a result of the successful cooperation with the heat off-taker partners, the usage of natural gas effected by the hectic world market price changes was partially replaced by geothermal energy in Győr, therefore meeting the the city's environmental objectives.

## Major events in the last quarter of 2015

- Construction works of the Győr Geothermal Project, started at the beginning of 2014 - partially financed by European Union funds - has been completed. On 24 November 2015, the Győr Geothermal Project - with the total cost of HUF 10.2 billion - was ceremoniously handed over by the inauguration of Bőny Heating District. In November 2015, the two subsidiaries of PannErgy Plc., Arrabona Geothermal Ltd. and DD Energy Ltd. have launched the test operation of the Győr Geothermal Project. Activation of the investment took place after the termination of the test operation, on 13 December 2015 and 14 December 2015;
- Part of the project no. KEOP-4.10.0/B-12-2013-0011, Arrabona Geothermal Ltd. has drawdown a HUF 403 million grant. By December 2015, 99.2% of the total obtained subsidy was paid-off;
- DD Energy Ltd. has drawn down 100% of the grant gained in previous period in the project no. KEOP-4.10.0/B-12-2013-0010 and final settlement for the project was submitted;
- In the Issue no. 141 of 2015 of the Hungarian Official Gazette, in the form of Decree 54/2015. (IX. 30.) of the Ministry for National Development, the Minister for National Development announced the officially fixed feed in district heat tariffs (heat selling prices) applicable to PannErgy's subsidiaries with effect from 1 October 2015. Based on that, the official heat selling tariff in effect from 1 October 2015 for Szentlőrinci Geothermal Ltd. is 3 654 HUF/GJ, for Miskolc Geothermal Ltd. and KUALA Ltd. 2 450 HUF/GJ and for Arrabona Geothermal Ltd. is 2 650 HUF/GJ;

- In October, the subsidiary of PannErgy Plc., CSRG Energy Ltd. has acquired 40% shareholder stake in GEO-WENDUNG Ltd. CSRG Energy Ltd. acts as a strategic investor in the capital increase of GEO-WENDUNG, simultaneously with the capital increase of a Hungarian private equity fund. The total amount of the investment is HUF 250 million;
- In October 2015, the subsidiary of PannErgy Plc., DoverDrill Ltd. has sold its own real estate and reinjection well. The selling price of the reinjection well and certain related utilization rights of the well located at the suburban area of Kistokaj was HUF 1 690 million. The buyer undertakes to utilize the thermal well for servicing the Miskolc Geothermal system;
- As per the decision of PannErgy Geothermal Power Plants Ltd. as the owner and as per the related order of the Court of Company Registration of Miskolc, DoverDrill Ltd. and Gödöllő Geothermal Ltd. have merged. The method of merger is fusion, by Gödöllő Geothermal Ltd. as merging company is merging into DoverDrill Ltd. as the takeover company. By this merger, Gödöllő Geothermal Ltd. is terminated and the general legal successor is the takeover company, DoverDrill Ltd. Following the merger, the PannErgy Group has revaluated the prospects related to the Gödöllő Geothermal Project. As a result of this process it became ascertain to discontinue the Project with its originally planned content, and a new technical concept has been developed, which does not require the availability of geothermal water but would allow a significantly lower power generating capacity.



I.  
PannErgy Plc's consolidated – non-audited – preliminary annual interim  
report under IFRS and management report for 2015



## 1. Projects and operating areas

### 1.1 Projects in operation

#### Geothermal Project of Miskolc

*(Miskolc Geothermal Ltd., Kuala Ltd.)*

During the analysed period, the Geothermal System of Miskolc was operated without operational disturbances. The Company has taken several measures to reach higher capacity of the geothermal system. Reinjection capacity has increased, analysis of exact data is in progress. Major system related maintenance works were the renewal of the heat exchanger block of the C/2 heat centre of the University of Miskolc and - as part of the preparation work for the heating season - the maintenance of the Mályi 1 and Mályi 2 wells.

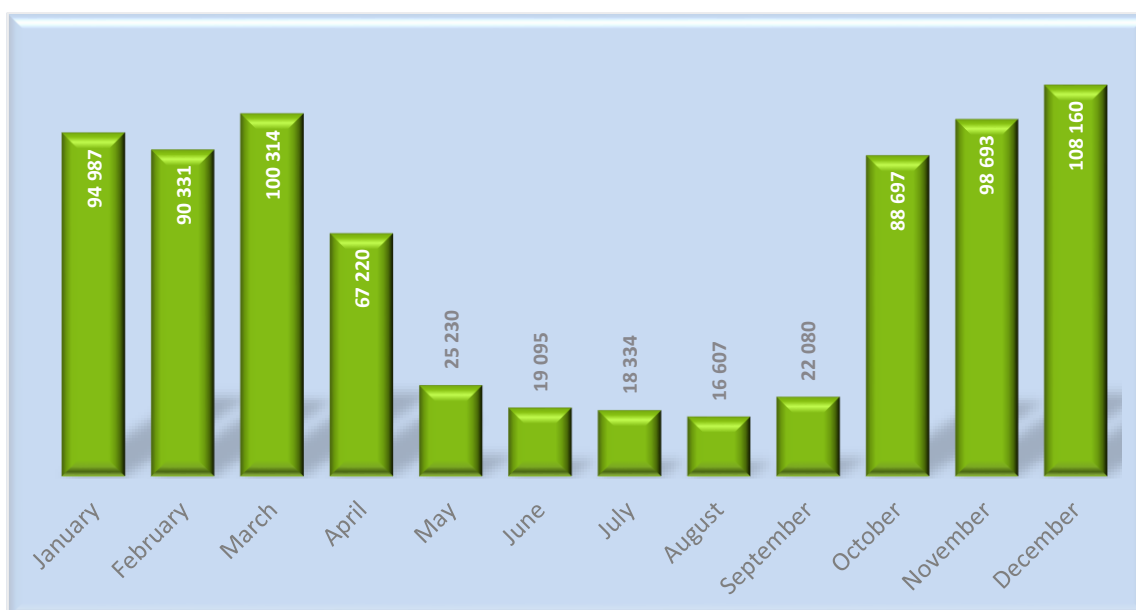
The related companies, Miskolc Geothermal Ltd. and KUALA Ltd. have both fulfilled its obligations arising from the long term heat energy supply agreement towards its contractual partners (MIHŐ Miskolci Hőszolgáltató Ltd., Takata Safety Systems Hungary Ltd. és a Miskolci Agrokultúra Ltd.).

Based on the continuous operating experiences, the PannErgy Group together with MIHŐ Miskolci Hőszolgáltató Ltd. successfully carries out the development and harmonization of systems of operation in order to achieve further increase in geothermal heat supply and to minimize the natural gas based power generation, thereby also significantly contributing to the successful operation of Miskolc Geothermal Project. As a result of these efforts and thanks to MIHO Ltd.'s commitment to expand its network, in 2015, the proportion of renewable energy consumption has reached 56%.

In the analysed year, Miskolc Hőszolgáltató Ltd. has started the connection of the Miskolc Semmelweis University and Educational Hospital and Szent Ferenc Hospital to district heating, which was completed by commencement of the heating season. By the connection of the Hospitals to the Avas heat district, the annual geothermal heat energy feed by Miskolc Geothermal Project into the Miskolc district heating system may increase by 40 000 GJ.

Starting from the analysed period, Miskolc Geothermal System has the possibility to supply secondary "waste" heat to Geo-Wendung Ltd., because in November 2015, the project developer has established the geothermal energy based district heat system supplying agricultural and industrial area of the Kistokaj surroundings.

In collaboration with the district heating supplier of the City of Miskolc, MIHŐ Miskolci Hőszolgáltató Ltd., demand assessment of the South Industrial Park and precise definition of geothermal potential are taking place in order to develop the geothermal energy consumption of Miskolc South Industrial Park.

**The volume of heat sold during the period (GJ):****Geothermal Projects of Győr**

(DD Energy Ltd., Arrabona Geothermal Ltd.)

On 24 November 2015, the Győr Geothermal Project was launched. The investment consists of two production wells, two reinjection wells, almost 17 km lengths of heat transmission pipeline system and the Heat Distribution Centre of Bőny. The total value of the investment was HUF 10.2 billion, which was realized by 2 times HUF 1 billion non-refundable European Union grants, partially by own resources and thirdly, by involving Eximbank credit line financing. Eximbank, as the sole financier has granted credit in the total value of EUR 20.3 million. The total annual transmissible heat quantity of the completed Győr Geothermal System is 1 100 – 1 200 terrajoule.

Through the long-term heat supply agreement with the district heating supplier Győr-Szol Ltd., the PannErgy Group is supplying geothermal energy to the heating systems of 24 266 households and 1 046 other consumers, furthermore, the energy supplied by the Distribution Centre of Bőny will be able to cover minimum 60% of the heat energy need of the AUDI manufacturing unit.

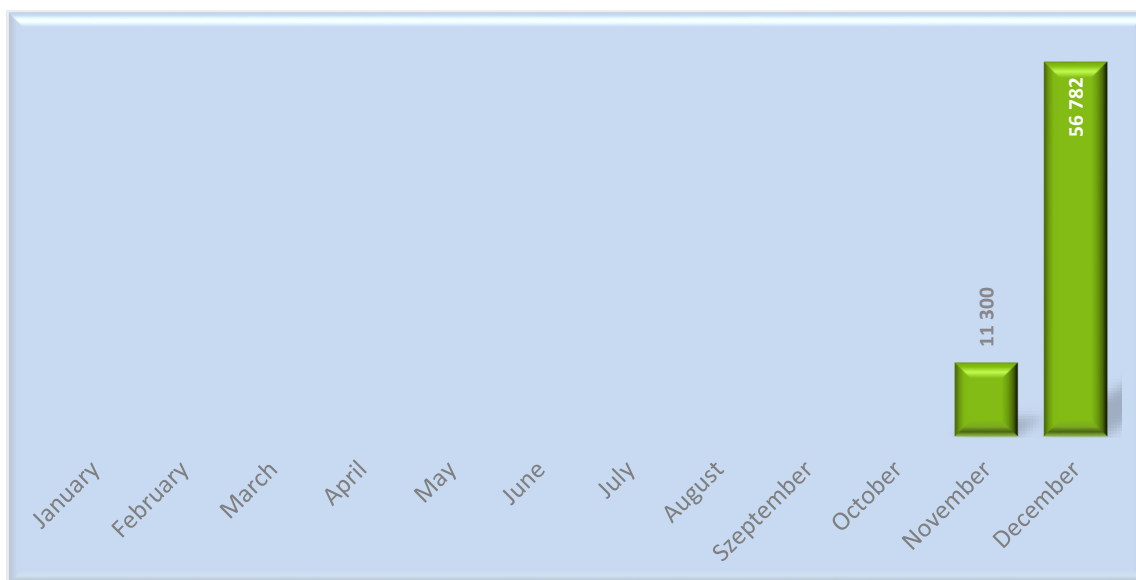
Following the test operation in November, the project was activated in December and started its commercial operation. For the optimal operation, the Company is performing continuous instrumental physical and chemical analysis on the geothermal fluid coming in and passing through its geothermal system. In order to understand the geothermal reservoir, wells and the whole geothermal system, physical parameters – temperature, wellhead pressure, yield and liquid level - are continuously measured and recorded. Due to the “lively” nature of the geothermal systems, it is the peculiarity of the wells bounded to geothermal systems, that the quantity and quality of the geothermal fluid may alter from time to time. The recently running water analysis results have evinced that during the continuous production process, physical and chemical attributions of the geothermal fluid in the production wells have undergone significant alterations compared to previous forecasts.

Due to the changes in water quality and maximum load during the heating season, the intervention into the Győr Geothermal System was needed in the form of system shutdowns in order to perform the technical amendments.

In the first 6 months of continuous operation, the heat sales was below the planned figures, due to the interventions in the form of system shut downs to perform technical amendments. During the analysed period 68 082 GJ heat has been sold.

As part of the short term goals, the Company is aiming to make available the free capacities and the saving advantages of the Győr Geothermal System for new potential partners. By the Győr Geothermal Project, a complex, expandable service system was established, which is capable of supplying households as well as industrial and agricultural needs.

**The volume of heat sold during the period (GJ):**

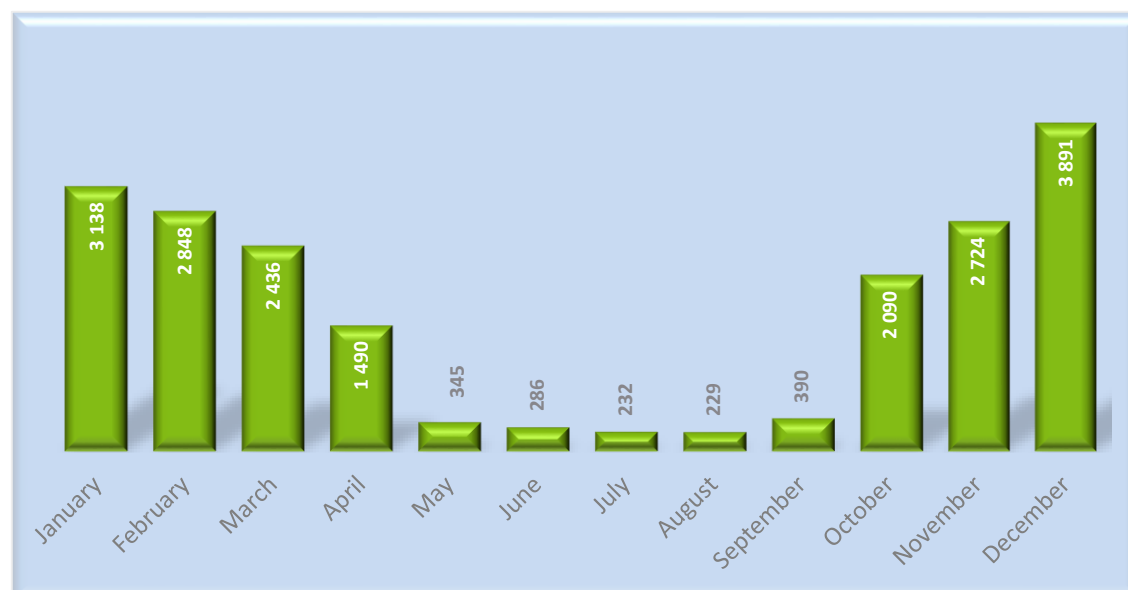


**Geothermal heating facility of Szentlőrinc**

*(Szentlőrinc Geothermal Ltd.)*

Similarly to previous years, in 2015, the Szentlőrinc Geothermal heating facility was operating without problems and operated with 100% availability.

**The volume of heat sold during the period (GJ):**



### Geothermal methane utilization facility of Berekfürdő

*(Berekfürdő Energy Ltd.)*

In the 2015 operating period, the small gas engine power plant generated a total volume of 2 350 MWh electricity and 2 199 GJ heat energy from the usage of gas utilization gained from the thermal water. From the base calendar date, the availability of the gas motors was 98.73%, which was an appropriate for the operational safety.

## 1.2 Projects under construction

### Geothermal Project of Gödöllő

*(Gödöllő Geothermal Ltd.)*

In December 2015, PannErgy has revalued the outlook of the Gödöllő Geothermal Project. Due to the experiences of the Győr Geothermal Project and the Gödöllő Geothermal Project related reappraised implementation risks (both geological and drilling risks, etc.), emerging commercial and business uncertainties, inter alia the extensive availability of the non-refundable European Union grants, availability of potential appropriate sized heat off-taking partners and the extent of the available regulatory off-take and commercial heat price it became ascertain to discontinue the Project with its originally planned content.

In line with the above, the Management of PannErgy is investigating the implementation of a new technical concept that does not require the availability of geothermal water. Nevertheless, compared to the original project, the new concept would allow a significantly lower power generating capacity, according to preliminary calculations, a quantity of 20-30 TJ/year. Task related to the implementation will be carried out within the PannErgy Group, by PMM Ltd. due to its extensive professional competencies gained in the past years.

## 1.3 Goals and strategy

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 unexploited treasures in the Carpathian Basin, and especially in Hungary, is a network of geothermal resources lying under the ground, the utilization of which would make heat and electric power readily available in an environmental friendly manner. The growth of demands for energy seems to be unstoppable, while the volume of both domestic and global sources is limited.

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

PannErgy is committed to the energy-related exploitation of one of Europe's largest active geothermal water resource. With the reliance on PannErgy's environmental friendly investments, geothermal heat can serve households and industrial users in the long run, thereby achieving considerable reduction in energy expenses. By implementing the projected investments, the Group plans to sell approximately 2 400 – 3 300 TJ green heat per year for partially households and partially industrial consumption. For household use, PannErgy has worked out a legally and economically stable business and funding model towards the utilization of the generated energy in the local district heating systems, yet it is necessary to consider



uncertainties caused by the regulatory risks. With the cooperation of local governments, the Company forms partnerships and creates jointly owned project companies, which allow the contracting parties to implement and subsequently operate the investments in the light of the mutual benefit.

Industrial utilization calls for such particular expertise and experience in project management that is – according to our opinion – only available to PannErgy in Hungary at the highest level, in the field of the utilization of geothermal energy. This is the advantage that the Company is aspiring to exploit to the farthest possible extent.

## 2. Financial analysis

### 2.1 Profit & Loss Account

**The PannErgy Group's consolidated sales revenue amounted to HUF 2 726 million** in 2015, which is 19% larger than the HUF 2 290 million value of the base period in 2014. Out of the total sales revenue of HUF 2 726 million, HUF 2 110 million sales revenue comes from heat sales, HUF 30 million from electricity sales, HUF 579 million from re-invoicing of the electric power consumption and other mediated charges, and HUF 7 million from rental fees paid by the tenants of the real-estate properties.

The primary reason for this growth was the increase in the heat sales of the Geothermal Project of Miskolc, which resulted in HUF 1 867 million sales revenues in the reporting period, representing a 20% growth, a change of HUF 310 million in comparison with the same period of the previous year, despite of the more than 20% cut of the official fixed tariff that became effective from 1st October 2014 in Miskolc.

The Győr Geothermal Project, which was started in November 2015, contributed by HUF 172 million to the total revenue of the PannErgy Group in 2015. From the HUF 172 million HUF 101 million arrives from the sales from Arrabona Geothermal Ltd. towards Győr-Szol Ltd., and HUF 71 million accounted for DD Energy Ltd. sales to Audi Hungaria Motor Ltd.

The Company's two smaller projects in Berekfürdő and Szentlőrinc showed rather varied performance in terms of sales revenues: in Szentlőrinc, 8 % increase was achieved in comparison with the base period, and thus the Company realized HUF 70 million sales revenues in 2015, whereas in Berekfürdő HUF 35 million turnover could be stated in 2015 with a 9 % drop in sales revenues from heating fees and electricity sales. This latter figure can be explained as a result of the reconstruction works in progress in the thermal baths of the settlement and the consequential loss of heat demand.

When compared to the same period of the previous year with the sales of HUF 601 million, HUF 540 million sales revenue was realised in the analysed period, coming from the rental fees paid by the tenants of the real-estate properties of Csepel and Debrecen that were under the Company's management. Major portion of the sale revenues is coming mainly from re-invoicing of the electric power consumption and other "mediated charges", lower proportion from rental fees. As compared to the previous year, the 10% decrease is the result of the additional real estate sales in 2015 following the ones that were sold by the Company in 2014.

Two customers went over 10% of the total amount of the Group's consolidated sales revenues, making up a combined 79% percent of all the sales.

In the current year, the level of direct costs increased from the base of HUF 1 739 million to HUF 2 044 million by 17.5% as a result of the considerably rising variable costs originating from heat sales and associated with the heating season, as well as the higher direct depreciation values of the investments that had already been capitalized.

In association with variable costs related to the heat sales, it is important to note that the heat generators of the district heat supply system of Miskolc have been jointly looking for options to have the maximum volume of geothermal heat fed into the district heating system under the given market and environmental circumstances. The geothermal heat fed into the system is settled via a compensation mechanism as a variably cost item among direct costs, and its actual value is largely dependent on the market prices of electric power and natural gas.

Consequently, the gross profit amounted to HUF 682 million in the period under review, which indicated a level 24% higher than in the same period of the previous year of HUF 551 million. The impact of the direct amortization costs is showing, that besides the increased gross margin by 24 %, the amount of the gross cash flow increased by nearly 29% compared to the previous period.

The indirect costs of sales totalled up to HUF 1 180 million in the period under review, which came to be substantially, by 56% higher than the HUF 758 million figure for the base period. Such indirect costs accounted by the Group included the depreciation of assets not directly associated with energy- related activities, personnel expenditures, general office and administration costs, expert charges, baking and insurance expenses as well as non-capitalisable costs belonging to business development and new projects.

The significant increase in indirect costs was driven by a one-off item, the R&D project and know-how developed as part of the PIAC\_13 grant scheme of fixed asset and intangible asset depreciation the Company's resulting in a HUF 617 million cost increase in the analysed period.

By eliminating the above item, indirect costs have decreased by HUF 195 million compared to the previous year. The significant drop was caused by several factors, for example, the decreasing number of ongoing projects, insource in accounting department, below the level personnel expenditures compared to the previous period and the elimination of one-off items from the base period.

The headcount of full-time employees at the Group was 40 at the end of the reporting period. The 3-employee decrease in comparison with the same period of the previous year was backed by transformation of certain activities having been performed by external service providers into in-house functions and by the employee increase due to the starting operations at Geothermal Project of Győr.

The balance of other expenditures and other incomes was HUF 871 million in the period under review, which is significantly higher than the HUF 54 million value in the base period. The reason of the HUF 817 million increase in the analysed period (within the third quarter) is arising from the sales of tangible assets in the total value of HUF 1 738 million (accounted as other revenues after deducting the book value), which compensates the extraordinary depreciation and amortization of HUF 1 114 million.

The Company has executed four major asset sales:

1. partial sale of a real estate in Debrecen in the value of HUF 44 million in September 2015;
2. sales of know-how developed as part of the PIAC\_13 grant scheme in the value of HUF 512 million, while in August 2015;
3. the sale of the truck-mounted drilling machine of DoverDrill Ltd. for the sale price of HUF 1 100 million in September 2015;
4. the sale of reinjection well and certain related utilization rights of the well established at the suburban area of Kistokaj in the value of HUF 1 690 million in October 2015.

Income originating from the subsidies was significantly increased by HUF 473 million. The HUF 442 million grant related to PIAC\_13 grant scheme was fully accounted as revenues due to the sale of the developed know-how and the write off the assets procured under the grant scheme. The recognised revenue partially offset the one off depreciation effect among to the direct costs. The other significant increase is caused by the HUF 87 million reversal of deferred income from grants related to the closed grant scheme of the drilling machine.



Among other expenditures, extraordinary other costs were also represented in the total value of HUF 1 114 million, of which HUF 886 million relates to the partial write-off of the Gödöllő Geothermal Project as described above and HUF 195 million is related to the value of the R&D development linked to the utilization of the drilling machine, which have been written off due to the asset sales.

**HUF 373 million profit was stated to be the operating profit (EBIT)** in the period under review, which is considerably larger than the HUF -153 million operating loss stated for the same period of the previous year.

**The operating cash flow (EBITDA) indicated HUF 1 614 million inflow**, which is HUF 1 132 million more favourable than the EBITDA in the same period of the previous year. In the current year under review, HUF 1 241 million depreciation was accounted, and its value exceeded the HUF 635 million base value by almost 100% as the almost solely consequence of the one-off depreciation of PIAC\_13 assets accounted amongst indirect costs.

**The financial profit amounted to HUF 160 million loss in the period under review**, which is better than the HUF 281 million loss in the same period of 2014 by HUF 121 million. This is caused by a more favourable outcome of the foreign currency loan related foreign exchange gains and losses and had a HUF 270 million effect compensating the higher interests paid and costs related to stock option plan. Based on the IFRS 2, in the reviewed period, the Company has accounted HUF 39 million of expense related to the valuation of share options being part of its Stock Option Plan.

**The consolidated net profit of the PannErgy Group for the period under review was HUF 213 million, which is significantly more favourable than the HUF -434 million loss than in the same period of the previous year.**

The Company has accounted HUF 183 million as the payable amount of its taxes, which is 92% higher than the amount in the respective period of the previous year of HUF 95 million.

**The consolidated net profit for the period under review was HUF 74 million**, which – due to the above-detailed reasons – was HUF 615 million more favourable than the HUF -541 million loss than in the same period of the previous year.

## 2.2 Balance Sheet

During the period under review, the value of fixed assets increased by 30%. The value of intangible assets decreased by 18% during the period, affected by the extraordinary write-off the R&D development related to the drilling machine. Whereas, the aggregate volume of tangible assets rose considerably, by HUF 5 274 million, by 34%, which mostly originated from the investments connected with the Geothermal Project of Miskolc and Geothermal Projects of Győr. There has not been any change in the evaluation of the expected outcomes of the started investments, and therefore it does not seem to be justified to account for impairment losses.

Deferred tax receivables accounted by the Company in the amount of HUF 435 million were recognized, and thus their value decreased by 17% and HUF 89 million after the base period, based on the deferred tax return calculation of the PannErgy Group.

The overall value of current assets showed a 78% growth when compared to the corresponding value of the previous period. Within current assets, trade receivables have increased due to the payment schedule of the asset sales in the third quarter. The value of Inventories associated with the investment operations of the Geothermal Projects of Győr has decreased.

Other receivables have increased by 78% compared to the base period, this latter category covers VAT, corporate income tax and other tax receivables from the tax authority, as well as advance payments to trade creditors.

As of the end of the period under review, the Company's securities held to expiry amounted to HUF 501 million.

The value of liquid assets similarly belonging to current assets also rose considerably in comparison with the base period, at the end of the period, the Company had HUF 1 120 million cash and cash equivalents. The outstanding increase has resulted from termination of the investment phase of the Geothermal Project of Győr, and from the financial settlement related to the significant value of asset sales in the third quarter.

The Company witnessed a nearly 1% decrease from the base value of its equity as a consequence of the results in the balance sheet belonging to the **previous** and reviewed period. The amount of equity per share (calculated from the number of shares less treasury shares) slid to HUF 510 from the HUF 507 base value.

After the base period, the 98% growth in long-term loans, to the amount of HUF 14 029 was driven by the project finance drawdowns simultaneously with the progress of the Geothermal Project of Győr. The relevant project finance loans were fully drawn down during the analysed period.

Under the heading of other long-term, deferred incomes stated the long-term tranches of the non-repayable grants awarded to the geothermal projects in grant application schemes. In this respect, an amount of HUF 4 872 million is stated in the Company's balance sheet, which represents 52% increase in comparison with the same period of the previous year, due to the grants related to the Győr Geothermal Project.

Within short-term liabilities, the HUF 1 696 million amount of trade payables showed 24% higher balance than in the base period. This growth was triggered by the intense investment activities that were associated with the Geothermal Projects of Győr. Deferred tax liabilities are related to development reserves.

The overall value of short-term loans was HUF 785 million at the end of the period under review, bringing about 42% increase after the base period. Other short-term liabilities amounted HUF 682 million at the end of 2015, which is a 47% decrease compared to the previous period. This growth points at the rising amounts of advance payments on grants drawn down in connection with the geothermal projects.

### 2.3 Segment-specific information

Based on IFRS 8, the Company can be divided into two segments: Energetics and Asset Management. The Company's core activity belongs to Energetics; the Group's Energetics segment mostly comprises group entities and activities involved in energy production, as well as operations supporting and serving energy-related investments.

Beyond the Energetics segment, the asset management activities designated as a separate segment in the earlier financial statement do not form a fully independent component any longer, but rather can be considered as an integrated complementary function.

It primarily focuses on the management of the real-estate properties in Csepel and Debrecen, which are not directly necessary for the operation of Energetics, as well as the handling and

control of the Group when it operates as a financial holding company and stock exchange issuer. However, taking into consideration that its share within the Company's sales revenues exceeds 10%, the presentation of Asset Management as an independent segment is still justified.

Segment-related information is shown in Chapter 4.



### 3. Financial statements (balance sheet, profit & loss account, cash flow, other statements)

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

	31.12.2015	31.12.2014	Change %
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	1 130	1 375	82.2
Goodwill	0	0	
Tangible assets	20 649	15 375	134.3
Investments	273	23	
Receivables from deferred taxes	435	524	83.0
Long-term receivables	19	2	
<b>Total fixed assets</b>	<b>22 506</b>	<b>17 299</b>	<b>130.1</b>
<b>Current assets</b>			
Inventories	312	993	31.4
Account receivables	1 029	307	335.2
Other receivables	1 319	740	178.2
Corporate tax advance payments	28	21	133.3
Securities held to expiry	501	0	
Cash and equivalents	1 120	357	313.7
<b>Total current assets</b>	<b>4 309</b>	<b>2 418</b>	<b>178.2</b>
<b>TOTAL ASSETS</b>	<b>26 815</b>	<b>19 717</b>	<b>136.0</b>
<b>Equity and liabilities</b>			
<b>Equity stake of the owners of the parent company</b>			
Subscribed capital	421	421	100.0
Treasury shares	-3 009	-3 009	100.0
Capital reserves	10 516	10 516	100.0
Retained earnings & profit for the period	1 963	1 889	103.9
Treasury share incentive option reserve	39	0	
Other reserves	-850	-850	100.0
<b>Equity of the parent company</b>	<b>9 080</b>	<b>8 967</b>	<b>101.3</b>
Minority interests	248	292	84.9
<b>Total equity</b>	<b>9 328</b>	<b>9 259</b>	<b>100.7</b>
Long-term loans	9 143	3 887	235.2
Other long-term deferred incomes	4 872	3 189	152.8
Provisions	14	15	93.3
<b>Total long-term liabilities</b>	<b>14 029</b>	<b>7 091</b>	<b>197.8</b>
Short-term liabilities			
Accounts payable	1 696	1 364	124.3
Short-term loans	785	552	142.2
Other long-term deferred incomes concerning one year	238	159	149.7
Corporate tax payable	20	4	
Deferred tax liability	37	0	
Other short-term liabilities	682	1 288	53.0
<b>Short-term liabilities in total</b>	<b>3 458</b>	<b>3 367</b>	<b>102.7</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>26 815</b>	<b>19 717</b>	<b>136.0</b>

Consolidated capital movements (million HUF)	Subscribed capital	Equity for the parent company			Profit reserve	Incentive option reserve	Other reserve	Total	Minority Part.	Equity total
		Treasury shares	Premium	Capital reserve						
<b>Balance as of 31 December 2013</b>	<b>421</b>	<b>-3 009</b>	<b>6 266</b>	<b>4 250</b>	<b>2 430</b>	<b>0</b>	<b>-850</b>	<b>9 508</b>	<b>269</b>	<b>9 777</b>
Profit after taxes of 2014					-541			-541	12	-529
Changes in the share of external members									11	11
Exchange rate difference from consolidation										
Share capital increase in subsidiaries										
Treasury shares repurchased										
Effect of treasury share incentive option program										
Sale of treasury shares										
<b>Balance as of 31 December 2014</b>	<b>421</b>	<b>-3 009</b>	<b>6 266</b>	<b>4 250</b>	<b>1 889</b>	<b>0</b>	<b>-850</b>	<b>8 967</b>	<b>292</b>	<b>9 259</b>

#### Statement of changes in equity in 2015

<b>Balance as of 31 December 2014</b>	<b>421</b>	<b>-3 009</b>	<b>6 266</b>	<b>4 250</b>	<b>1 889</b>	<b>0</b>	<b>-850</b>	<b>8 967</b>	<b>292</b>	<b>9 259</b>
Profit after taxes of 2015					74			74	-44	30
Changes in the share of external members										
Exchange rate difference from consolidation										
Share capital increase in subsidiaries										
Treasury shares repurchased										
Effect of treasury share incentive option program							39	39		39
Sale of treasury shares										
<b>Balance as of 31 December 2015</b>	<b>421</b>	<b>-3 009</b>	<b>6 266</b>	<b>4 250</b>	<b>1 963</b>	<b>39</b>	<b>-850</b>	<b>9 080</b>	<b>248</b>	<b>9 328</b>





STATEMENT OF GENERAL INCOMES (HUF million)	Q4	Q4	Change	2015	2014	Change
	2015	2014	%			
<b>Profit for the period</b>	<b>8</b>	<b>-158</b>	<b>-5.1</b>	<b>74</b>	<b>-541</b>	<b>-13.7</b>
<i>Other general incomes</i>						
Conversion difference						
Marketable financial instruments with deferred taxes						
Cash flow hedging transactions with deferred taxes						
Share from other general incomes of associated companies						
<b><i>Other general incomes in the period with tax implications</i></b>						
<b>Total general incomes for the period</b>	<b>8</b>	<b>-158</b>	<b>-5.1</b>	<b>74</b>	<b>-541</b>	<b>-13.7</b>



Consolidated profit & loss account under IFRS (HUF million)						
	Q4 2015	Q4 2015	Change %	2015	2014	Change %
Sales revenues	1 102	732	150.5	2 726	2 290	119.0
Direct costs of sales	-710	-577	123.1	-2 044	-1 739	117.5
<b>Gross profit</b>	<b>392</b>	<b>155</b>	<b>252.9</b>	<b>682</b>	<b>551</b>	<b>123.8</b>
<b>Gross profit rate %</b>	35.6%	21.2%		25.0%	24.1%	
Direct depreciation	128	132	97.0	624	465	134.2
<b>Gross cash flow</b>	<b>520</b>	<b>287</b>	<b>181.2</b>	<b>1 306</b>	<b>1016</b>	<b>128.5</b>
<b>Gross cash flow rate %</b>	47.2%	39.2%		47.9%	44.4%	
Indirect costs of sales	-819	-171	478.9	-1 180	-758	156
Other incomes	1 588	147	1 080.3	2 372	444	534.2
Other expenditures	-1100	-206	534.0	-1 501	-390	384.9
<b>Operating profit</b>	<b>61</b>	<b>-75</b>		<b>373</b>	<b>-153</b>	
Operating profit rate (%)	5.5%	-10.2%		13.7%	-6.7%	
<b>EBITDA</b>	<b>767</b>	<b>97</b>	<b>790.7</b>	<b>1 614</b>	<b>482</b>	<b>334.9</b>
EBITDA rate (%)	69.6%	13.3%		59.21%	21.05%	
Financial incomes	142	20	710.0	239	63	379.4
Financial expenditures	-130	-96	135.4	-399	-344	116.0
<b>Financial profit</b>	<b>12</b>	<b>-76</b>		<b>-160</b>	<b>-281</b>	<b>56.9</b>
<b>Profit before taxes</b>	<b>73</b>	<b>-151</b>		<b>213</b>	<b>-434</b>	
Corporate income tax	-91	-17	535.3	-183	-95	192.6
<b>Profit after taxes</b>	<b>-18</b>	<b>-168</b>		<b>30</b>	<b>-529</b>	
<b>Minority shareholding</b>	26	10	260.0	44	-12	
<b>Net profit of the period</b>	<b>8</b>	<b>-158</b>		<b>74</b>	<b>-541</b>	
<b>From the profit after taxes:</b>						
To capital shareholders of the parent company	8	-158		74	-541	
To minority shareholders	-26	-10	260	-44	12	
<b>Profit per equity share (HUF)</b>						
Base	0.48	-8.64		4.08	-29.59	
Diluted	0.48	-8.64		4.08	-29.59	

**Changes in intra-group, consolidated / screened turnovers and volumes (HUF million)**

	<b>2015</b>	<b>2014</b>
<b><u>Screening of profit &amp; loss account items</u></b>		
Sales revenues	9 838	3 622
Direct costs of sales	9 049	3 205
Gross profit	789	417
Indirect costs of sales	164	77
Other incomes	2 240	109
Other expenditures	3 005	67
Financial incomes/expenditures	17	176
Extraordinary income	1 095	194
Extraordinary expense	550	44
<b><u>Screening of balance sheet items:</u></b>		
Tangible assets	1 001	682
Inventories	0	3
Deferred income and accrued expenses	1 360	998
Long-term loans given	3 864	3 637
Other receivables	13 900	14 433
Accrued income and deferred expenses	1 161	965
Long-term accounts payable	7 743	6 502
Other short-term liabilities	10 220	11 601

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

	<b>2015</b>	<b>2014</b>
<b>Cash from operations</b>		
<b>Adózás előtti eredmény</b>	<b>213</b>	<b>-434</b>
<i>Adjustments in relation to the profit before taxes and operating cash flow</i>		
Depreciation of tangible and intangible assets	1 241	635
Effect of deferred taxes	89	52
Corporate tax expenditures	-183	-95
Exchange gains on loans	-102	126
Impairment losses of corporate holdings	1 114	77
Provisions released	-1	-2
Interest (gain/ loss), net	202	156
Loss on treasury share incentive option program	39	

Profit on the sales of tangible assets	-1 738	-259
Changes in minority participations	0	11
<i>Changes in working capital elements</i>		
Income taxes paid	46	57
Increase/decrease of inventories	681	-693
Increase/decrease of receivables	-1 301	-68
Increase/decrease of liabilities	-274	1 153
<hr/>		
Interests received	6	1
Interests paid	-208	-157
<b>Net liquid assets originating from / utilized in operations</b>	<b>-176</b>	<b>560</b>
<b>Cash from investments</b>		
Acquisition of investments in private companies	-250	0
Acquisition of tangible and intangible assets	-8 899	-3 422
Sales of tangible and intangible assets	3 253	324
Increase/decrease of long-term receivables	-17	1
Other long- and short-term deferred incomes	1 762	849
<hr/>		
<b>Cash from investment activities</b>	<b>-4 151</b>	<b>-2 248</b>
<b>Financial operations</b>		
Drawdown/repayment of long-term loans	5 351	1 183
Increase/decrease of short-term loans	240	196
Exchange difference from consolidation	0	0
Capital increase, exchange premium of minority participations	0	0
Acquisition of treasury shares	0	0
Sale of treasury shares	0	0
Increase in securities	-501	282
<hr/>		
<b>Cash from financial operations</b>	<b>5 090</b>	<b>1 661</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>763</b>	<b>-27</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>357</b>	<b>384</b>
<b>Cash and cash equivalents as of 31 December</b>	<b>1 120</b>	<b>357</b>
<b>Overdraft</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents according to the balance sheet</b>	<b>1 120</b>	<b>357</b>



**Other incomes and expenditures (HUF million)**

	2015	2014
Profit on the sales of tangible assets	1 738	261
Non-refundable grants related income	588	115
Received fines, penalties, damage refunds	18	51
Incomes carried forward from previous years	12	15
Release of provisions	1	2
Other non-disclosed items	15	0
<b>Total of other incomes:</b>	<b>2 372</b>	<b>444</b>
Extraordinary depreciation and amortisation	1 114	76
Fines, penalties, damage refunds, late interest paid	91	139
Expenditures relating to previous years	8	7
Local taxes	112	72
Mining fee	31	21
Innovation charge	14	8
Damages	4	1
Sponsorship	62	38
Other non-disclosed items	65	28
<b>Total of other expenditures:</b>	<b>1 501</b>	<b>390</b>
<b>Other profit/loss</b>	<b>871</b>	<b>54</b>

**Financial profit (HUF million)**

	2015	2014
Interest income	6	1
Capital gains on trading held securities	32	7
Foreign exchange gains on receivables	65	78
Foreign exchange gains on liabilities	34	12
Foreign exchange gains on bank deposits	4	3
Foreign exchange gains on loans	96	-38
Other financial income	2	0
<b>Total of financial income:</b>	<b>239</b>	<b>63</b>
Interest expense	208	157
Foreign exchange gain on receivables	35	4
Foreign exchange gain on liabilities	88	18
Foreign exchange gain on bank deposits	4	0
Foreign exchange gain on loans	23	159
Loss on treasury share incentive option program	39	0
Other financial expense	2	6
<b>Total of financial expenditures:</b>	<b>399</b>	<b>344</b>
<b>Financial profit/loss</b>	<b>-160</b>	<b>-281</b>

**Most relevant foreign exchange rates as of the end of the periods**

	31.12.2015	31.12.2014
	313.12	314.89

#### 4. Segment-specific information

Segment-specific sales and profit information (HUF million)			
2015	Asset management	Energetics	Total
<b>Net sales revenues</b>			
Sales to extra-Group customers	540	2 186	2 726
<b>Results</b>			
Operating profit	-222	595	373
Financial profit/loss	-46	-114	-160
Profit before taxes	-268	481	213
Corporate income tax	-6	-177	-183
<b>Profit after taxes</b>	<b>-274</b>	<b>304</b>	<b>30</b>
<b>2014</b>			
	Asset management	Energetics	Total
<b>Net sales revenues</b>			
Sales to extra-Group customers	601	1 689	2 290
<b>Results</b>			
Operating profit	-173	20	-153
Financial profit/loss	25	-306	-281
Profit before taxes	-148	-286	-434
Corporate income tax	-4	-91	-95
<b>Profit after taxes</b>	<b>-152</b>	<b>-377</b>	<b>-529</b>

Concerning the Energetics segment as the dominant business activity, further information is provided in the other details of this report pertaining to energetics. The profit of the Asset Management segment in the period under review deteriorated compared to the previous period mainly as a result significant real estate asset sales in the base period, highly compensating the loss generated by the Asset Management segment in the respective period.

Costs and expenses in the Asset Management segment can be divided into two main groups: Firstly, costs related to the facility management of the real estate properties under the Asset Management segment, which are covered by rental income and transmitted energy and other cost related income;

Secondly, holding management activity of the PannErgy Group, furthermore with PannErgy's public and stock exchange listed presence which are not having direct connection with energy projects.

In the reported period, significant expenses and expenditures were personal type expenses (including managing body member related) and outsourced operative administrative functions amounting to HUF 133 million, furthermore daily office operation and property protection expenditures amounting to HUF 39 million.

Further other costs and expenses (in HUF million):

- Audit, accounting consultancy and payroll fees	15
- Insurance fees	8
- Stock Exchange and public presence	7
- Depreciation	11
- Bank costs	4

## Segment-specific balance sheet information (HUF million)

<b>31.12.2015</b>	<b>Asset management</b>	<b>Energetics</b>	<b>Total</b>
Intangible assets, net	0	1 130	1 130
Tangible assets, net	356	20 293	20 649
Investments	23	250	273
Receivables from deferred taxes	57	378	435
Long-term receivables	18	1	19
Inventories	0	312	312
Accounts receivables	39	990	1 029
Other receivables and assets	50	1 269	1 319
Corporate tax advance payments	0	28	28
Securities held until maturity	501	0	501
Cash and equivalence	46	1 074	1 120
<b>Total assets</b>	<b>1 090</b>	<b>25 725</b>	<b>26 815</b>
Accounts payable	74	1 622	1 696
Long-term loans	21	9 122	9 143
Long-term deferred incomes	0	4 872	4 872
Short-term loans	9	776	785
Short-term deferred incomes	0	238	238
Provisions	0	14	14
Corporate tax payable	2	55	57
Other liabilities	26	656	682
<b>Total liabilities</b>	<b>132</b>	<b>17 355</b>	<b>17 487</b>
<b>Shareholders' equity</b>			<b>9 328</b>
	<b>Asset management</b>	<b>Energetics</b>	<b>Total</b>
<b>31.12.2014</b>			
Intangible assets, net	0	1 375	1 375
Tangible assets, net	383	14 992	15 375
Investments	23	0	23
Receivables from deferred taxes	65	459	524
Long-term receivables	0	2	2
Inventories	0	993	993
Accounts receivables	64	243	307
Other receivables and assets	57	683	740
Corporate tax advance payments	2	19	21
Securities held until maturity	0	0	0
Cash and equivalence	31	326	357
<b>Total assets</b>	<b>625</b>	<b>19 092</b>	<b>19 717</b>
Accounts payable	82	1 282	1 364
Long-term loans	30	3 857	3 887
Long-term deferred incomes	0	3 189	3 189
Short-term loans	8	544	552
Short-term deferred incomes	0	159	159

Provisions	0	15	15
Corporate tax payable	0	4	4
Other liabilities	24	1 264	1 288
<b>Total liabilities</b>	<b>144</b>	<b>10 314</b>	<b>10 458</b>
<b>Shareholders' equity</b>			<b>9 259</b>

#### Other segment-specific information (HUF million)

2015	Asset management	Energetics	Total
Procurement of intangible assets	0	10	10
Procurement of tangible assets	1	8 888	8 889
Procurements in total	1	8 898	8 899
Depreciation	11	1 230	1 241
2014	Asset management	Energetics	Total
Procurement of intangible assets	0	87	87
Procurement of tangible assets	0	3 335	3 335
Procurements in total	0	3 422	3 422
Depreciation	12	623	635
Scrapping	0	2	2



## 5. Other, complementary information

### 5.1 Accounting policy

The Company's accounting policy is identical to the one applied in the previous fiscal year, i.e. the associated details described in the supplementary notes to the consolidated annual report of 2014. When preparing these financial statements, the Company followed the same accounting policy and identical calculation methodology as in the most recent annual and half-yearly financial statements, e.g. in the base period.

The reports relating to PannErgy Group, such as the interim management report, have been denominated in Hungarian forint, as rounded to million HUF.

### 5.2 Functional currency

The functional currency of the Company and its subsidiaries is the Hungarian forint, because for the Company and its subsidiaries the principal environment of operations is the Hungarian economy.

### 5.3 Deferred taxes

PannErgy Group has the following deferred tax positions as of 31 December 2015:

Deferred tax asset: HUF 435 million  
Deferred tax liability: HUF 37 million

The HUF 435 million deferred tax receivables recognised among fixed assets covers the 10% corporate income tax relating to the negative tax base that remained unused in association with the subsidiaries belonging to PannErgy Group, as well as other deferred tax-modifying items under IFRS; the calculation of deferred tax receivables is based on the discounted deferred tax refunds of the subsidiaries concerned. The deferred tax liability recognised among short term liabilities covers R&D corporate tax reserve.

### 5.4 Calculation of the effective tax

The expected income tax established as the product of the profit before taxes in the Company's profit & loss account and the Company's corporate tax rate, as well as the corporate income tax actually stated in the profit & loss account are as follows:

#### Calculation of the effective tax (HUF million)

	2015	2014
<b>Profit before taxes (individual companies aggregated)</b>	<b>602</b>	<b>280</b>
Expected income tax calculated with the individual companies' corporate tax rate (10%, 19%)	156	63
Effect of different tax rates (minimum profit tax)	9	2
Effect of the changes in the tax rate		
Tax-related effect of non-deductible expenditures	34	38
Tax-free incomes		
Tax allowances	-44	-42

Deferred tax liabilities assessed in the year under review for any negative tax base not stated earlier	-61	-21
Write-off of tax receivables assessed earlier for negative tax bases	89	53
Negative corporate income tax base on the year under review for which deferred tax receivables have not been assessed	0	0
Changes in unstated, temporary differences	0	0
Tax-related effects of modifications in the previous years	0	2
<b>Income tax (as per the profit &amp; loss account)</b>	<b>183</b>	<b>95</b>

## 5.5 Grants

In relation to its energetic projects, under the heading of other long-term deferred incomes the Company states the long-term tranches of the non-repayable grants awarded to the geothermal projects in grant application schemes. The short-term tranches are presented as and among to short-term liabilities.

### Statement of grants (HUF million)

Group entity	Grant scheme/ Project ID	Eligible investment costs	Grant awarded	Grant drawn down	Deferred incomes from grants (liabilities)	Advance payment exposure
Szentlőrinci Geotermia Ltd.	KEOP-4.2.0/B-09-2009-0026	883	442	427	382	-
Berekfürdő Energia Ltd.	KEOP 4.4.0/A/09-2009-0009	250	125	125	86	-
DoverDrill Mélyfúró Ltd.	GOP-1.3.1-11/A-2011-0192	232	104	104	90	-
Miskolci Geotermia Ltd.	KEOP 4.7.0-2010-0001	632	316	314	290	-
Miskolci Geotermia Ltd.	KEOP 4.2.0/B-11-2011-0007	2 856	1 000	1 000	920	-
Miskolci Geotermia Ltd.	GOP-1.2.1/B-12-2012-0005	323	162	148	124	-
Kuala Ltd.	KEOP 4.7.0/11-2011-0003	619	309	309	295	-
Kuala Ltd.	KEOP-4.10.0/B-12-2013-0012	2 836	1 000	1 000	953	-
DD Energy Ltd.	KEOP-4.10/B-12-2013-0010	3 997	1 000	1 000	997	-
Arrabona Geotermia Ltd..	KEOP-4.10/B-12-2013-0011	3 509	1 000	992	973	-
PannErgy Geotermikus Erőművek Ltd.	PIAC_13-1-2013-0006	889	442	442	-	-
<b>Total amount of grants stated in the balance sheet</b>					<b>5 110</b>	

By type, all the above projects target project implementation, whereas the project objectives for KEOP grant applications focus on the utilization of geothermal energy, whereas for GOP grants asset procurement or system development. The whole grant amount received under the PIAC\_13 grant scheme was recognised as income due to the sale and write off of the developed R&D until the end of the reporting period.

## 5.6 Major risks of the business undertaking, as well as the associated changes and uncertainties

### Exchange risk

From among the Company's transactions concluded in foreign currencies, euro-denominated transactions have the largest share. As for liabilities, the Company is exposed to foreign exchange risks due to the investment loans outstanding in foreign currencies, as well as cash flow risks arising from the changes of interest rates. Such exchange risk can be mitigated by the future partially EUR based cash-inflow generated by the Győr Project sales.

The share price risk is to be considered in view of the marketability of repurchased treasury shares and the value of the managerial incentive share option program.

### Interest risk

The source of interest risk is the exposure originating from the changes in the interest levels of the interest-bearing assets held by the Company and the interest level of loans taken out.

### 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.

### Liquidity risk

Liquidity risk represent the risk that the Company becomes unable to fulfil its financial obligations in a timely manner. The purpose of liquidity management is that sufficient resources should be provided for the fulfilment 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 fulfilment of liabilities at their due dates under both ordinary and stressed circumstances without suffering unacceptable losses or putting the Company's reputation at risk. Certain projects of the Company are still in the investment phase, and therefore they do not generate incomes, consequently the Company needs to have a particularly close focus on the continuous maintenance of liquidity. Adequate liquidity can be realized by shaping the terms of funding sources in alignment with the lifecycle of the project.

### 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 the Group 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.



## 5.7 Acceptance of the annual report, dividends

The Company held its ordinary annual general meeting on 29 April 2015, with its resolutions published via the official media of disclosure. The annual General Meeting approved the Company's consolidated annual report for 2014 prepared in conformance to the requirements of the International Financial Reporting Standards (IFRS) with the identical amount of assets and liabilities being HUF 19 717 million (balance sheet total) and profit according to the balance sheet being HUF –541 million (loss), as proposed by the Board of Directors. Concurrently with the acceptance of the consolidated annual report, the annual ordinary General Meeting did not approve dividend payments. The Company holds its forthcoming ordinary annual general meeting on the 15 April 2016 or in case of indecisiveness on 28 April 2016.

## 5.8 Employees

Changes in the full-time headcount:

Own headcount	31.12.2014	31.12.2015	Change
PannErgy Plc.	8	6	-2
Group companies	35	34	-1
Total	43	40	-3

## 5.9 Changes in the Company's registered capital, management, organization

As of 31 December 2014, the amount of the registered capital was HUF 421 093 100, which has not changed so far in 2015. The financial reports state the amount of the registered capital in view of all the shares issued, whereas the number of shares is calculated with the deduction of repurchased treasury shares.

As of 30 September 2015, the Company had 2 775 377 treasury shares belonging to PannErgy Plc. 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 8.2.

## 5.10 Share related payments

The General Meeting of the Company, on April 30, 2013 has adopted the incentive Share Option Program for the management as described below. Further details about the program are available on the Company's official homepage.

### Main conditions of the Share Option Program

Pursuant to the Share Option Program the Company grants options (call option rights) to the Participants (or to persons or legal entities assigned by the Participant) for a 2 700 000 of ordinary shares of the Company. The Participant has the right to exercise the call options (American type) for a period until 29 April 2016 as set out below:

- The options can be exercised for a maximum of 900 000 pieces of the Option Shares, in the case if the stock exchange closing price of the shares on any business day prior to the day of exercising the Option exceeds the Option Shares Purchase Price (HUF 329.63/share) at least by 20%;

- The Option can be exercised for a maximum of 900 000 pieces of the Option Shares, in the case if the stock exchange closing price of the shares on any business day prior to the day of exercising the Option exceeds the Option Shares Purchase Price (HUF 329.63/share) at least by 40%;
- The Option can be exercised for a maximum of 900 000 pieces of the Option Shares, in the case if the stock exchange closing price of the shares on any business day prior to the day of exercising the Option exceeds the Option Shares Purchase Price (HUF 329.63/share) at least by 60%.

#### Valuation of the Share Option Program Valuation of the Share Option Program

On the third quarter of 2015, PannErgy share price has increased significantly compared to the previous reporting period – reached HUF 390 -, thus we judged the first 900 000 pieces tranche to be opened with high probability. Therefore by 30 September 2015 this tranche was valued and HUF 25 million financial expenditure and reserve was accounted for. For the 2<sup>nd</sup> and 3<sup>rd</sup> tranche, to reach the HUF 462 and HUF 528 share price during the remaining time of the programs we do not calculate with material probability based on the assessment of share prices since start of the program.

The real value of the options in accordance with the method above with the use of Black-Scholes formula (closing share price as at 31 December 2015: HUF 364 per share; volatility 25.8%; risk free rate: 2.0%) is HUF 43.71 per share, which results HUF 39 million value for the whole opened 900 000 pcs of first tranche option shares represented options. This value was accounted for the reporting period as financial expenditure and share option reserve among equity elements.

In the framework of the incentive share option program for external partners, call options in relation to altogether 40 000 PannErgy treasury shares could be exercised on the starting date of the report from an initial share price of 1 000 HUF/share, with interest increments, at the current call price from time to time. On 14 January 2015, the options expired without their having been called, and thus with no need for settlement.

### 5.11 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.

The 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.

In line with the energy politics of Hungary and the European Union, the Company's objective is to enforce environmental aspects in economic development. The underlying condition is the utilization of renewable energies at the largest possible scale, the shaping of a harmonic relationship between society and nature, indirectly having a positive influence on the source structure of domestic energy carriers by facilitating progress from the direction of renewables. 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. Research and development are part of PannErgy Group's environmental policy. 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.



## 5.12 Relevant events after the balance sheet date (until 9 March 2016)

Of the associated events, the Company releases extraordinary information that is to be known as part of the necessary element of the judgment and evaluation of the substances of this report.

After the balance sheet date, the following key events presented in the table below took place. Based on the given references, comprehensive information is available at the Company's official places of publication.

Date	Type of information	Subject
25 February 2016	Other information	IMPACTS AND MANAGEMENT OF ENERGY MARKET PRICES IN 2016
19 February 2016	Other information	PANNERGY'S ARRIVING AT OUTSTANDING DAILY HEAT SALES ON 16 FEBRUARY 2016
12 February 2016	Other information	INITIAL RESULTS AND EXPERIENCES OF THE GYŐR GEOTHERMAL SYSTEM

Concerning the operating and economic environment, it can be claimed that the current international conflicts and the incalculable movements of the values of various financial instruments, as well as the uncertainties of the regulatory environment can potentially exercise a negative influence on the Company, as well as its associated companies and their values.

## 6. Data sheets related to financial statements

Name of the Company: PannErgy Public Company Limited by Shares  
(PannErgy Nyilvánosan Működő Részvénytársaság)  
Address of the Company: H-1117 Budapest, Budafoki út 56.  
Sectorial classification: Energetics, Asset management  
Period: financial year of 2015  
Telephone: +36 1 323 23 83  
Fax: +36 1 323 23 73  
E-mail address: [info@pannergy.com](mailto:info@pannergy.com)  
Investor relations: Valéria Szabó

### 6.1 General information on the representation of the financial information (PK1.)

	Yes	No			
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Accounting principles	Hungarian		IFRS	<input checked="" type="checkbox"/>	Other

### 6.2 Business entities under consolidation (PK2.)

Name	Capital net worth/ Share capital (HUF M)	Share (%) <sup>3</sup>	Voting rights <sup>13</sup> (%)	Rate of consolidation <sup>4</sup>	Classification <sup>2</sup>
PMM Ltd.	100.00	100.00	100.00	100.00	L
Kuala Ltd.	3.00	90.00	90.00	83.78	L

PannErgy Geothermal Power Plants Ltd.	1 972.70	93.09	93.09	93.09	L
CSRG Ltd.	5.00	100.00	100.00	93.09	L
TT Geothermal Ltd.	5.00	100.00	100.00	93.09	L
Szentlőrinc Geothermal Ltd.	5.00	99.80	99.80	92.89	L
Miskolc Geothermal Ltd.	5.00	90.00	90.00	83.78	L
PannTerm Ltd.	155.00	100.00	100.00	93.09	L
Berekfűrdő Energy Ltd.	24.10	100.00	100.00	93.09	L
DoverDrill Ltd.	86.00	100.00	100.00	93.09	L
DD Energy Ltd.	3.00	100.00	100.00	93.09	L
Arrabona Geothermal Ltd.	3.00	100.00	100.00	93.09	L

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

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

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

<sup>4</sup> 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 difference between the rate of consolidation and the ratio of ownership originates from the minority shareholdings in PannErgy Geothermal Power Plants Ltd when they are considered, with the rate of consolidation reflecting the direct ratio of ownership;

<sup>5</sup> former name: Csurgói Geotermia Ltd.

### 6.3 Material off-balance-sheet items, contingent liabilities (PK6)

#### Forward positions, transactions

As of 31 December 2015, the Company did not have forward positions.

#### Obligations undertaken in relation to asset management transactions

During such 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 contingent liabilities

As of the reporting date, PannErgy Plc and its subsidiaries had the following contingent liabilities towards external parties:

#### *Restriction of title or right over machinery, equipment, devices, pledges in relation with bank financing transactions:*

As of the date of 31 December 2015, various types of guarantees undertaken in an amount of HUF 1 708 million and EUR 26 176 000 for external financing agreements that were made by associated companies. The outstanding principal amounts of these financing agreements consistently decreased as a result of the repayments made in the meantime, and therefore were under the presented contracted values.

#### *Contingent liabilities related to grants:*



Based on the Decree 358/2014 (XII. 29) and related regulations, from 1 January 2015, in case of grants deriving from European Regional Development Fund, European Social Fund, Cohesive Fund, beneficiaries having a minimum of one full closed business year and has no public debt according to the National Tax Authority database, are not obliged to provide security. Based on this, PannErgy Group is exempted – with only one exception – from the security provisions for such grants. PannErgy Geothermal Power Plants Ltd. has established grant suretyship related to the grant of PIAC 13 market-oriented research and development activity in the value of HUF 442 million.

#### *Other contingent liabilities*

PannErgy Geothermal Power Plants Ltd. also contracted for an unconditional payment guarantee towards one of its heat off-taker customer involved in the Geothermal Project of Miskolc for the liabilities that may be arising from possible future damages; in Miskolc Geothermal Ltd. up to the amount of HUF 100 million and in case of Kuala Ltd. without any limits.

During the preparation of the interim management report, PannErgy Geothermal Power Plants Ltd. undertook an unconditional guarantee related to sale of the reinjection well and the sale of the contractual rights of the reinjection services in case SPAs are not realized for some reasons; furthermore, PannErgy Geothermal Power Plants Ltd. has also undertaken unconditional guarantee towards its customer for the payment of the expected revenues and compensation for loss of income deriving from the reinjection services in case at normal operations, quantities of reinjection services does not reach the contacted quantity levels.

## **7. Data sheets on the shareholders and shareholder structure**

### **7.1 Ownership structure, shareholdings and voting rights (RS1)**

Classification of shareholders	Share capital total = Listed series					
	01.01.2015			31.12.2015		
	% <sup>2</sup>	% <sup>3</sup>	Pcs.	% <sup>2</sup>	% <sup>3</sup>	Pcs.
Domestic institutions	25.22	29.05	5 310 019	24.74	28.50	5 209 323
Foreign institutions	18.63	21.46	3 923 198	18.10	20.84	3 810 432
Domestic private persons	33.64	38.75	7 084 105	34.69	39.96	7 304 475
Foreign private persons	0.41	0.47	85 458	0.39	0.45	82 050
Employees. senior officers	0.94	1.08	197 253	0.94	1.08	197 253
Own holding <sup>4</sup>	13.18	-	2 775 377	13.18	-	2 775 377
Shareholder belonging to the central budget <sup>1</sup>	7.98	9.19	1 679 245	7.96	9.17	1 675 745
International Development Institutions <sup>3</sup>	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>21 054 655</b>	<b>100.00</b>	<b>100.00</b>	<b>21 054 655</b>

<sup>1</sup> State administrative body

<sup>2</sup> Ownership ratio

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

<sup>4</sup> Own property: The property of the Company or its 100 % subsidiary



## 7.2 Changes in the number of shares (pcs) in own holding in the reporting period (RS2)

	01.01.2015	30.06.2015	31.12.2015
At company level	1 840 174	1 840 174	1 840 174
Subsidiaries *	935 203	935 203	935 203
<b>Total</b>	<b>2 775 377</b>	<b>2 775 377</b>	<b>2 775 377</b>

\* The volume held by PMM Ltd., which company is owned in 100% by PannErgy Plc.

## 7.3 List and particulars of Shareholders with stakes over 5% at the end of the period (RS3.)

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Number (pcs)	Stake (%) <sup>3</sup>	Voting right (%) <sup>3,4</sup>	Notes <sup>5</sup>
Benji Invest Ltd.	D	I	2 424 010	11.51	13.26	P
ONP Holdings SE	F	I	1 814 640	8.62	9.93	P
Hungarian National Asset Management Ltd. (Nemzeti Eszköz-gazdálkodási Zrt.)	D	B	1 675 745	7.96	9.17	P

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

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

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

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

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

## 8. Data sheets on the organization and operations of the issuer

## 8.1 Changes in the headcount of full-time employees (pers.) (TSZ1.)

	31.12.2014	31.12.2015
PannErgy Plc.	8	6
Group companies	35	34
<b>Total:</b>	<b>43</b>	<b>40</b>

## 8.2 Senior officers and (strategic) employees controlling operations of the issuing entity (TSZ2)

Type <sup>1</sup>	Name	Position	Starting date of commission	End/termination date of the commission	Shareholding (pcs)
BD	Balázs Bokorovics	Member, Chairman	31.08.2007	for an undefined period of time	-
BD	Dénes Gyimóthy	Member, Deputy Chairman, acting CEO	31.08.2007	for an undefined period of time	170 000
BD	Gábor Briglovics	Member	31.08.2007	for an undefined period of time	3 600

BD	Csaba Major	Member	30.04.2013	for an undefined period of time	-
BD	Attila Juhász	Member	31.08.2007	for an undefined period of time	-
BD	István Töröcskei	Member	31.08.2007	for an undefined period of time	-
Total shareholding (pcs.)					173 600

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

## 9. Datasheets relating to extraordinary information (until 9 March 2016)

### 9.1 Extraordinary and other information published in the reporting period (ST1)

Date	Type of information	Subject
1 March 2016	Other information	COMPOSITION OF SHARE CAPITAL OF THE PANENERGY PLC.
25 February 2016	Other information	IMPACTS AND MANAGEMENT OF ENERGY MARKET PRICES IN 2016
19 February 2016	Other information	PANENERGY'S ARRIVING AT OUTSTANDING DAILY HEAT SALES ON 16 FEBRUARY 2016
12 February 2016	Other information	INITIAL RESULTS AND EXPERIENCES OF THE GYŐR GEOTHERMAL SYSTEM
11 February 2016	Other information	Photo poster contest about the Water
1 February 2016	Other information	COMPOSITION OF SHARE CAPITAL OF THE PANENERGY PLC.
31 December 2015	Other information	COMPOSITION OF SHARE CAPITAL OF THE PANENERGY PLC.
31 December 2015.	Extraordinary information	PANENERGY NYRT. 2016 CORPORATE EVENTS CALENDAR
18 December 2015	Extraordinary information	CHANGES IN THE GÖDÖLLŐ GEOTHERMAL PROJECT
1 December 2015	Extraordinary information	MERGER OF GÖDÖLLŐ GEOTHERMAL LTD. INTO DOVERDRILL LTD.
30 November 2015	Other information	COMPOSITION OF SHARE CAPITAL OF THE PANENERGY PLC.
24 November 2015	Other information	COMMENCEMENT CEREMONY OF THE GYŐR GEOTHERMAL PROJECT
19 November 2015	Extraordinary information	INTERIM MANAGEMENT REPORT – Q1-Q3 PERIOD OF 2015
12 November 2015	Extraordinary information	Test operation of Győr Geothermal Project has started
1 November 2015	Other information	Number of voting rights at PannErgy Plc
9 October 2015	Extraordinary information	Disinvestment of geothermal reinjection well and real estate
5 October 2015	Extraordinary information	Acquisition of share in GEO-WENDUNG Ltd.
1 October 2015	Extraordinary information	Merger of Gödöllői Geotermia Ltd. Into DoverDrill Ltd.
1 October 2015	Other information	Official feed in heat tariffs for district heat production for heating season 2015-2016 announced in relation to PannErgy's subsidiaries
30 September 2015	Other information	Number of voting rights at PannErgy Plc
30 September 2015	Extraordinary information	Sale of track-mounted drilling machine
17 September 2015	Extraordinary information	Successful result regarding to the fourth well drilling at Győr Geothermal Project
7 September 2015	Other information	Job offer for „system operator” position
31 August 2015	Other information	Number of voting rights at PannErgy Plc
25 August 2015	Extraordinary information	RS1 datasheet amendment of the published Half year financial and management report of 2015
19 August 2015	Extraordinary information	Half year financial and management report
6 August 2015	Other information	Implementation of the Geothermal Project of Győr is in progress as scheduled
1 August 2015	Other information	Number of voting rights at PannErgy Plc
24 July 2015	Extraordinary information	PannErgy has increased its stake in Gödöllő Geothermal Ltd

17 July 2015	Extraordinary information	Agreement with the Municipality of Csurgó
6 July 2015	Extraordinary information	High yield – positive results at the second well of Pér
3 July 2015	Extraordinary information	Withdrawal of the grant agreement
1 July 2015	Other information	Number of voting rights at PannErgy Plc
29 June 2015	Other information	Successful drilling of the second well in Pér
11 June 2015	Extraordinary information	Amendment of the investment loan agreement
10 June 2015	Extraordinary information	Technical amendment of the long-term heat energy supply contract made with GYŐR-SZOL Zrt.
1 June 2015	Other information	Number of voting rights at PannErgy Plc
21 May 2015	Other information	Drilling operations for the third well of the Geothermal Project of Győr have been launched
15 May 2015	Extraordinary information	Interim management report for M1–3 of 2015
11 May 2015	Extraordinary information	Summary report
5 May 2015	Extraordinary information	Excellent geothermal test results in Bőny
4 May 2015	Extraordinary information	Change in PannErgy Plc's senior management
30 April 2015	Extraordinary information	Annual report (IFRS, annual accounts, SB report, corporate social responsibility)
30 April 2015	Other information	Number of voting rights at PannErgy Plc
29 April 2015	Extraordinary information	Resolutions of the General Meeting
27 April 2015	Extraordinary information	Successful drilling of the second well around Győr
17 April 2015	Extraordinary information	General Assembly
11 April 2015	Other information	Number of voting rights at PannErgy Plc
27 March 2015	Extraordinary information	Proposals to the General Meeting – Resolutions
27 March 2015	Extraordinary information	Proposals to the General Meeting – Report of the Board of Directors on the Company's operations in the business year of 2014
27 March 2015	Extraordinary information	Proposals to the General Meeting – Report for 2014
27 March 2015	Extraordinary information	Proposals to the General Meeting – Consolidated report for 2014 (IFRS)
27 March 2015	Extraordinary information	Proposals to the General Meeting – Corporate social responsibility report
27 March 2015	Extraordinary information	Proposals to the General Meeting – Discharge to be granted to the members of the Boards of Directors
27 March 2015	Extraordinary information	Proposals to the General Meeting – Decision on the emoluments for the members of the Board of Directors
27 March 2015	Extraordinary information	Proposals to the General Meeting – Election of the auditor
27 March 2015	Extraordinary information	Proposals to the General Meeting – Amendment of the Articles of Association
27 March 2015	Extraordinary information	Proposals to the General Meeting – Articles of Association
23 March 2015	Other information	Photo competition organized for the World Water Day 2015
20 March 2015	Other information	The Geothermal Project of Miskolc is at 1 million GJ heat sales
17 March 2015	Extraordinary information	Declaration of remuneration
17 March 2015	Extraordinary information	Letter of invitation to the General Meeting
17 March 2015	Extraordinary information	Change in PannErgy Plc's Board of Directors
6 March 2015	Other information	Miskolc boasts of smaller ecological footprint for district heating
1 March 2015	Other information	Number of voting rights at PannErgy Plc
23 February 2015	Other information	District Heating Day
19 February 2015	Extraordinary information	Preliminary information concerning business operations in 2014
10 February 2015	Other information	Photo competition for the World Water Day 2015
1 February 2015	Other information	Number of voting rights at PannErgy Plc

1 January 2015	Other information	Number of voting rights at PannErgy Plc
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Budapest, 11 March 2016

*PannErgy Plc.*  
*Supervisory Board of Directors*



## II. Declarations

This report discloses PannErgy Group's consolidated, **non-audited** figures stated in line with the requirements of the International Financial Report Standards (IFRS).

In accordance with the relevant statutory requirements, it is hereby declared that based on the applicable accounting rules this report has been made to the best of our knowledge, and does not contain such errors that would lead to any untrue or unrealistic view of the property, financial and income standing, assets, liabilities, outlook, as well as profits and losses of the Company as of 31 December 2015.

This report provides a reliable view of PannErgy Group's current situation, development and performance, and discloses the main risks and uncertainties that affect the remaining period of the financial year.

Budapest, 11 March 2016

*PannErgy Plc.  
Supervisory Board of Directors*