

**Proposal to Agenda Item no. 1 to be discussed
by the Ordinary General Meeting
in connection with the “Report by the Board of Directors on the activities of the Company in the
business year of 2011 – approval of the report on the management, the asset situation of the
Company and its business policy”, as well as Agenda Item no. 2, 3 and 4**

Substantial elements of the report of the Board of Directors in connection with Agenda Item no. 1–4 to be discussed by the General Meeting:

“In the business year of 2010, as an asset management holding company PannErgy Plc continued the implementation of its strategy having been announced primarily for the utilization and exploitation of geothermal energies via its own subsidiaries. As a result, subsidiaries further expanded their geological and geophysical knowledge base, made additional preparations for the implementation of the planned facilities, and completed the heating plant in the case of Szentlőrinc. Within this context, the first geothermal production well was successfully drilled in Miskolc, which was an important milestone of the largest geothermal heat energy that had been launched so far in Hungary.

In view of the realization and management of other investments, Pannunion Plc and Synergon Plc showed outstanding business operations and economic performance as reflected in the public disclosures and information provided by these public limited companies.

In relation to the results of the work of the Board of Directors, as well as the operation of PannErgy Plc and PannErgy Group as a whole the Company has prepared and published consolidated reports in conformance with the Hungarian accounting rules and the IFRS requirements.

Under IFRS, the consolidated profit after taxes in the year under review was HUF 18,187,000 with a balance sheet total of HUF 19,492,836,000.

Pursuant to the Hungarian accounting rules, the amount of the retained profit showed HUF 321,842,000 loss, whereas the balance sheet total amounted to HUF 13,106,406,000.

The Company publishes extraordinary and other information to advise the shareholders of material issues, and they can be viewed on the website of the Company and the Budapest Stock Exchange.

The Audit Committee operated by the Company has reviewed the Company’s reports and the associated auditor’s reports, as well as the financial reporting procedures applied by the Company, and has found them to be acceptable.

With respect to the amounts of investments required for the implementation of the geothermal strategy and the negative financial result of the year under review (Group-level profit), the Board of Directors does not propose any dividend payment.”

