



**Proposal to the Ordinary General Meeting relating to Agenda Item 1
"Approval of the report of the Board of Directors on the Company's operations in the business
year of 2013 – the management, the Company's financial standing and business policy", as well
as Agenda Item 2, 3, 4**

Substantial elements of the report of the Board of Directors in connection with Agenda Item 1–4 of the General Meeting:

In the business year of 2013, as a holding company for asset management PannErgy Plc continued to act via its subsidiaries to implement its strategy formerly announced primarily for the utilization of geothermal energies. As a result, the subsidiaries operated the existing facilities without any major technical problem, and at the same time managed the investments in progress and preparations for the implementation of the planned facilities. During the summer, the geothermal heating facility of Miskolc started to operate with capacities that are regarded as significant even on a European scale, while in Győr we signed an agreement with AUDI Hungária Motor Kft., which was to ensure the commercial background for the creation of another large geothermal system in the region of Győr. Our projects in progress or under preparation have been awarded with a number of non-repayable supports from the European Union in a combined amount totaling up to several billions of Hungarian forints. In line with its strategy focusing on geothermal energy, at the beginning of 2013 PannErgy Group sold all its stake in Synergon Plc.

Concerning the results of the work of the Board of Directors, as well as the operation of PannErgy Plc and PannErgy Group, the Company prepared and published reports in conformance to the Hungarian accounting regulations and IFRS, and in the associated period released a number of public disclosures that were essential to judge and evaluate the Group's performance.

IFRS-based consolidated profit after taxes in the year under review was HUF –825,848,000 loss with the balance sheet total being HUF 16,739,197,000.

The profit according to the balance sheet under the Hungarian accounting regulations was HUF 39,221,000 profit with the balance sheet total being HUF 12,563,374,000.

The Company publishes extraordinary and other information in view of material issues concerning the shareholders, and such disclosures can be accessed on the website of the Company and Budapest Stock Exchange.

The Audit Committee operated at the Company has reviewed the Company's statements and the auditor's reports, as well as the financial reporting processes existing at the Company, and judged them to be acceptable.

With respect to the investment demand of the implementation of the geothermal strategy and the negative result in the year under review, the Board of Directors has not proposed the payment of any dividend.