

PROPOSALS OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING RELATING TO AGENDA ITEMS

- 1-4. Report of the Board of Directors on the Company's operations in the business year of 2018
5. Corporate Governance Report
6. Decision on the evaluation of the work by the members of the Board of Directors in the business year of 2018 and the discharge to be granted to the members of the Board of Directors
7. Decision on the emoluments for the members of the Board of Directors
8. Authorization of the Board of Directors to purchase treasury shares
9. Election of the Company's auditor, the establishment of its remuneration
10. Amendment of the Company's Articles of Corporation in connection with agenda item no. 9.

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**Proposal to the Ordinary General Meeting
relating to "Agenda Item 1: Report of the Board of Directors on the Company's operations in
the business year of 2018
– the management, the Company's property 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 2018, PannErgy Group continued to implement its strategy announced earlier for the utilization of geothermal energies. As a result, the subsidiaries operated the existing facilities at the expected, high technical standards, and utilized the available geothermal resources at all the production sites such as in Miskolc, Győr and Szentlőrinc in particular. Green heat sales were up to an annual volume of 1436 TJ, and as a result consolidated sales revenues amounted to HUF 4,679,096,000. The Company reached consolidated EBITDA in an amount of HUF 2,231,113,000, a level that proved to be similar to that in 2017 with a consolidated net result, i.e. profit in 2018 again.

The year of 2018 did not turn out to be too fortunate with respect to the weather. 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 the smallest differences. In 2018, such circumstances could be observed only to a lesser extent than in the region as a whole. According to the Company's estimates, the annual impact of unfavourable weather conditions could have resulted in a negative gap of 100,000 GJ. In an annual perspective, it can be claimed that the annual heat sales of the previous heating season was primarily affected by the end of heating season 2017/2018, which was a substantially negative effect compared to the previous heating period, as the heating season ended unusually early, on 8 April 2018. On the other hand, heat sales in the summer did not witness considerable differences or losses, because weather has little effect on this period. In addition to the given trends in the outdoor temperature, Miskolc saw minor technical difficulties that also influenced heat generation unfavourably. The heat volume sold in 2018 was 6.5% lower than that of the base period, but the more efficient operation of the plant, as well as the higher authority-regulated sales prices that were effective from 1 October had beneficial influence on the profit. Owing to this fact, the EBITDA value in 2018 approximated the level expected by the management.

Concerning the investments implemented in 2018, the key project was the deepening of the third production well of Győr featuring special technological elements and the associated research activities, followed by the extension of the above-ground system. The expanded capacity of the system will become fully available in the following, 2019/2020 heating season.

For 2019, the Company is planning further investments for the improvement of efficiency and safety with the goal to utilize the energy that is inherent in the geothermal sources that have been physically reached to the farthest possible extent, with utmost cost-efficiency. The Company hopes to open opportunities for the broadening of the service offering towards existing



customers, as well as supplying geothermal energy to new consumers. The Company continuously looks for and examines these opportunities.

In 2019 and 2020, the Company is looking forward to selling 1620 TJ and 1658 TJ heat, respectively. The planned EBITDA range for 2019 is HUF 2320–2380 million, which corresponds to approximately 4–7% growth in comparison with the base value. The planned EBITDA range targeted in the business year of 2020 is HUF 2580–2640 million, indicating nearly 11% further increase. A substantial factor in the EBITDA growth is the outcome of the planned repurchasing of the third reinjection well in Miskolc, which is estimated to improve the amount of the consolidated EBITDA by HUF 164 million annually. The quarterly quantities of heat sales that belong to the EBITDA plans are presented in the Business and Management Report of the “Consolidated financial statements and annual report of PannErgy Plc and its subsidiaries for 2018, prepared in conformance to the IFR Standards”.

During 2018, PannErgy Plc's closing share price increased by 13%, from HUF 671 to HUF 758.

In line with the resolution of the Ordinary General Meeting held on 27 April 2018, the Company started to execute its treasury share repurchasing program on 28 December 2018 for the acquisition of maximum 8000 ordinary shares in stock exchange trading on any trading day at the stock exchange with the additional condition that such purchasing transactions may not exceed 50% of the daily trading volume at the stock exchange in order to minimize the impact on conventional trading. In the framework of its share option program for the period of 2016–2019, the Company sold 741,000 treasury shares in the period under review.

During 2018, in proper consideration of transparency requirements in the capital market, the Company published quarterly production reports and half-yearly reports in relation to its geothermal projects and overall operation.

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 individual reports in conformance to the EU IFRSs as well as EU IFRS-based consolidated reports for 2018, including business and management reports; moreover, in the associated period they released a number of public disclosures that were essential to judge and evaluate the Group's performance and the activities of the Board of Directors.

The EU IFRS-based consolidated net profit in the year under review was HUF 434,636,000 profit with the balance sheet total being HUF 25,810,702,000.

The EU IFRS-based individual net profit in the year under review amounted to HUF 164,867,000 profit with the balance sheet total being HUF 12,632,291,000.

The Company publishes extraordinary and other information pursuant to the effective legal regulations, in view of material issues concerning the shareholders, and such disclosures can be accessed at 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 expected investment opportunities and demands in 2019, the level of free cash and cash equivalent assets required for safe and prudent operations, and consequently the sustenance of the high-level financial and operating stability, no dividend payment has been proposed.

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PannErgy
Public Company Limited by Shares

Corporate Governance Report

**In compliance with the Corporate Governance Recommendations of the
Budapest Stock Exchange**

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any contradiction between these two versions, the Hungarian version shall
prevail.**

PannErgy Plc's Board of Directors

In its operations, PannErgy Plc strives for observing the relevant legal regulations, requirements of the MNB (Hungarian National Bank) and the provisions of the regulations of the Budapest Stock Exchange (BÉT). The Company's structure and the conditions of operations are included in the Articles of Corporation approved by the General Meeting. PannErgy Plc hereby discloses the following information in relation to issues of corporate governance:

Board of Directors

Instead of a Managing Body and Supervisory Board, the Company operates a Board of Directors for the implementation of standardized management, performing the tasks of the Managing Body and Supervisory Board required by law. Within the scope of the tasks assigned to the Managing Body, the Board of Directors determines the strategic guidelines of the Company and supervises the operation of the Company.

Currently the Board of Directors consists of seven natural persons as members, and they are elected by the General Meeting for a perpetual term. The Chairman of the Board of Directors is elected by and from among the Members of the Board of Directors. The Member of the Board of Directors bearing the title of Chief Executive Officer and Acting Chief Executive Officer is elected by and from among the Members of the Board of Directors.

The decisions of the Board of Directors are made by simple majority vote, and this body is deemed to form a quorum, if the majority of its Members from time to time are present. In the case of any tie vote, the vote of the Chairman of the Board of Directors decides.

The Board of Directors establishes its own rules of procedures, detailing the tasks belonging to its own scope of competence, as well as its own order of operations.

The Board of Directors is obliged to report to the General Meeting on the Company's management, asset position and business policy at the least annually.

The Board of Directors controls the Company directly; it is responsible for attending the business tasks, and the execution of the resolutions and decisions of the Board of Directors. The employer's rights over the employees of the Company are exercised by the acting Chief Executive Officer.

The goal of the managerial share option program in effect at the Company is to further strengthen the interests of the beneficiaries in increasing profitability and the shareholder value.

The Members of the Board of Directors are:

Balázs Bokorovics, Chairman –independent

Dénes Gyimóthy, Member – not independent

Katalin Gyimóthy, Member- not independent

Attila Juhász, Member – independent

Marianna Lilla Martonfalvay Member - independent

István Töröcskei, Member - independent

Csaba Major, Member – independent

The Member of the Board of Directors bearing the title of Management:

Dénes Gyimóthy – acting Chief Executive

The Board of Directors held 7 meetings in 2018 with an average attendance rate of 71,4% and made written resolutions without holding a meeting on several occasions.

Audit Committee

The General Meeting of the Company elected a three-member Audit Committee from the independent Members of the Board of Directors to execute its tasks, make well-grounded decisions.

The scope of competence of the Audit Committee covers the formulation of opinion on the reports prepared in conformance with the Accounting Act, evaluation of the operation of the financial reporting system, making of proposals in the person of the Auditor and its remuneration, preparation of the contract to be made with the Auditor, as well as the performance of tasks concerning cooperation with the Auditor.

The rules of operations and decision-making are determined by the Audit Committee itself.

The following persons are the Members of the Audit Committee:

Attila Juhász, Chairman

István Töröcskei, Member

Csaba Major Member

The Audit Committee held 1 meeting in 2018 with an attendance rate of 100%.

Other committees

There is no nominations committee and remuneration committee operating at the Company. These functions are fulfilled by Members of the Board of Directors.

Auditor

The Auditor of the Company is elected by the General Meeting for a term of 1 year.

Auditor of the Company: Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft.

The Audit Committee makes a written proposal on the person to act as the Auditor, and this proposal is put forward by the Presiding Chairman of the General Meeting electing the Auditor. If the person proposed by the Audit Committee is not elected to act as the Auditor by the General Meeting, the Audit Committee is required to place another proposal concerning the person for the position of the Auditor.

The tasks of the Auditor include the auditing of the business books of the Company, preparation of reports in connection with the review of the reports of the Company prepared in conformance with the Accounting Act to the General Meeting, as well as the proposals of the Board of Directors concerning the allocation of profit and the establishment of dividends, as well as the exercise of other rights and powers set forth in the relevant legal regulations and performance of tasks.

In 2018, the Auditor was not involved in any financial activity at the Company that was not connected with auditing.

The Company's policy in relation to the publication of announcements

In its policy for the publication of announcements, the Company acts in compliance with the effective legal regulations and the relevant rules of the stock exchange. It publishes its announcement via its own website and the website of the Budapest Stock Exchange, as well as the website specified by the MNB. The publication of the announcements at the Company's website (www.pannergy.com) fulfills all the other disclosure obligations in cases when the relevant legal regulations and other requirements make the same possible.

The Company's policy in relation to insider trading

The Company acts in compliance with the effective legal regulations and the relevant rules of the stock exchange in connection with insider trading. The Company has proper regulations for policies concerning insider trading and keeps records of insider persons.

Exercising shareholder rights, attendance at the General Meeting

The registered capital of the Company consists of 21,054,655 dematerialized, registered equity shares with an individual face value of HUF 20 (twenty), and each of them granting identical membership rights; these shares make up a single share series.

At General Meetings, one equity share entitles its holder to cast one vote.

Under the commission of the Company's Board of Directors, the body authorized to keep the shareholders' ledger in conformance with the applicable laws keeps the Shareholders' Ledger on the shareholders and the authorized representatives of the shareholders.

Such persons may exercise shareholding rights in connection with the Company whose names are included in the shareholders' ledger. The authorized representative shall exercise

shareholding rights following their becoming recorded in the Shareholders' Ledger as the authorized representatives of the respective shareholders.

The rules of procedures for the identification of shareholders initiated in connection with the closing of the shareholders' ledger prior to any General Meeting are included in the effective regulations of the Central Clearing House and Depository (Budapest) (KELER).

The supreme body of the Company is the General Meeting consisting of all the shareholders.

The Annual Ordinary General Meeting shall be held once a year on the date set forth in the relevant legal regulations. The agenda of the Annual General Meeting includes, among other things, the following items:

- report of the Board of Directors on the activities performed by the Company in the previous year;
- acceptance of the Company's reports based on the EU IFRSs, and the proposal of the Board of Directors in relation to the division of the profit and the determination of dividends;
- establishment of the remunerations to be paid to the Members of the Board of Directors and the Auditor;
- approval of the corporate governance report to be submitted to the Budapest Stock Exchange;
- making of decisions on the evaluation of the work performed by the Members of the Board of Directors in the previous business year, as well as the discharge be granted to them.

The Board of Directors may summon an Extraordinary General Meeting if it is deemed to be necessary with respect to the operation of the Company.

The Board of Directors summons an Extraordinary General Meeting if the former General Meeting has resolved so, or in case the Auditor or the shareholders representing at least 5% of the votes – in this latter case with the proper specification of the related causes and aims – have requested it from the Board of Directors in writing.

The invitation to the General Meeting is published by the Board of Directors thirty at least (30) days prior to the date of the planned General Meeting in the manner prescribed in the Articles of Corporation of the Company in association with the publication of the announcements of the Company.

All such invitations to the General Meetings and related announcements specify the name and business seat of the Company, the venue, time and date of the General Meeting, the agenda of the General Meeting, as well as the conditions stipulated in the Articles of Corporation of the Company in relation to the way of exercising voting rights, requesting information and supplementing the agenda of the General Meeting and furthermore the

time and date of the repeated General Meeting if the original General Meeting does not form a quorum.

The General Meeting may decide on issues not included in the published agenda only if all the shareholders are present and give their unanimous consent thereto.

Shareholders representing at least one percent (1%) of the votes may – with the proper specification of the related causes and aims – request the Board of Directors in writing to include any issue in the agenda of the General Meeting, as well as they may submit resolution proposals concerning the agenda items.

Shareholders representing at least 1% of the votes may exercise their above-mentioned right within eight (8) days following the publication of the announcement on the summoning of the General Meeting. The Board of Directors is obliged to include the proposed issue in the agenda of the General Meeting and publish it within eight (8) days in a manner that is applicable to the publication of the announcement of the summoning of the General Meeting.

Within twenty-one (21) days prior to the date of the General Meeting, on its website the Company publishes the annual report prepared in conformance with the Accounting Act and the material data of report of the Board of Directors, as well as the summaries of the proposals and draft resolution connected with the agenda items of the General Meeting, furthermore summaries concerning the number of the shares and voting rights existing at the time of the summoning, and the remuneration statement.

The General Meeting forms a quorum if the shareholders representing more than half of the shares are present in person, or by way of their authorized representatives. Such authorizations for representation are to be granted in the form of public deeds or fully conclusive private deeds and submitted on the date and in the place specified in the letter of invitation to the General Meeting, but during the registration prior to the General Meeting at the latest. If it is requested by the shareholders, the Company sends the proper form of the letter of authorization to the mailing address or e-mail address of the shareholders.

The authorization for representation is valid for one General Meeting or for a definite period, but for a maximum period of twelve (12) months. The validity of the authorization for representation also covers the continuation of any suspended General Meeting and the repeated General Meeting if the original General Meeting has not formed a quorum.

The Members of the Board of Directors, the general manager, senior employee of the Company and the Auditor of the Company may not represent shareholders.

Should the General Meeting fail to form a quorum within thirty (30) minutes following the time specified in advance, the repeated General Meeting to be held with the same agenda is to be summoned within fifteen (15) days following the date of the original General Meeting, under the condition that at least 10 (ten) days must pass between the date of the summoning the repeated General Meeting and the date of the repeated General Meeting. The General Meeting repeated due to the lack of quorum is deemed to form a quorum as

irrespective of the number of the attending persons in the issues included in the original agenda.

Those persons are entitled to exercise their membership rights at the General Meeting who has been recorded in the Shareholders' Ledger of the Company on the basis of the identification of shareholders initiated in connection with the closing of the Shareholders' Ledger prior to the General Meeting.

The effective date of the identification of shareholders is the 5th (fifth) stock exchange day before the General Meeting, or any other effective date specified in the relevant regulations of KELER in force from time to time. Any alienation of shares after the effective date of the identification of shareholders, but before the General Meeting does not affect the membership rights to be exercised at the given General Meeting.

On the basis of the data of the Shareholders' Ledger, the Board of Directors of the Company ensures the practical opportunity for the shareholders or their authorized representatives to exercise the right to vote in line with the shares actually held at the venue of the General Meeting provided that their personal identities have been properly evidenced, and the attendance register has been signed.

Any shareholder having failed to pay up its due asset contribution to the Company may not exercise its right to vote.

At the General Meeting, votes are cast primarily by means of a voting machine (mechanical). If for any reason voting with the use of a voting machine is not feasible, votes may be cast by voting papers, by the manual counting of the votes. In this latter case, the General Meeting elects a vote count verification committee upon the related proposal of the Chairman of the General Meeting. The vote count verification committee consists of 3 (three) members. The vote count verification committee compiles a written report on the results of the counting of votes, and they are to be announced by the Chairman of the General Meeting and attached to the minutes of the General Meeting.

The Presiding Chairman of the General Meeting is the Chairman of the Board of Directors. In the case of any incapacitation of the Chairman of the Board of Directors, the Presiding Chairman of the General Meeting is elected by the General Meeting, from the persons attending the General Meeting with a simple majority of votes, upon the related proposal of the Board of Directors.

The Chairman of the General Meeting opens the General Meeting, ascertains that the General Meeting forms a quorum, appoints the person to take the minutes of proceedings, presides over discussions, grants and withdraws the right to speak, may order any break, drafts resolutions, orders voting and announces the results thereof, announces the resolutions of the General Meeting, ensures the taking of the minutes of proceedings and the attendance register, and finally closes the General Meeting.

The minutes of General Meeting are taken in compliance with the provisions of the Civil Code.

Remuneration Policy

In the definition of the Company's remuneration policy and principle, fundamental criteria included the review of the Company's economic and financial situation, as well as the financing demands of the ongoing and already commissioned projects. In line with the remuneration principle, the Company has not devised any share-based system of remuneration but relies on a scheme setting fixed amounts without variable components or other benefits for the members of the Board of Directors. For the shareholders, the Company will prepare a "Declaration on Remuneration" with information concerning the actual remuneration paid to the members of the Board of Directors and put it forward to the General Meeting.

Declaration of remuneration

The Company hereby advises the investors in relation to the persons occupying offices in the Company's Board of Directors ("BoD") during 2018, and the payments and allowances made in 2016 in relation to the respective positions.

Name	Office	Duration of the occupation of the office in 2018	Payments and allowances in total, 2018 (Gross amount)	Title of payments and allowances
BOARD OF DIRECTORS				
Balázs Bokorovics	Chairman of the BoD	01.01.2018–31.12.2018	2,340,000	Office-related emoluments
Dénes Gyimóthy	BoD member, Acting Chief Executive Officer	01.01.2018–31.12.2018	1,860,000	Office-related emoluments
Katalin Gyimóthy	BoD member	01.01.2018–31.12.2018	1,860,000	Office-related emoluments
Attila Juhász	BoD member	01.01.2018–31.12.2018	1,860,000	Office-related emoluments
Csaba Major	BoD member	01.01.2018–31.12.2018	1,860,000	Office-related emoluments
Marianna Lilla Martonfalvay	BoD member	01.01.2018–31.12.2018	1,860,000	Office-related emoluments
István Töröcskei	BoD member	01.01.2018–31.12.2018	1,860,000	Office-related emoluments
Total:			13,500,000	

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Corporate Governance Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, the Company makes a statement regarding the extent to which it has implemented in its own corporate governance practice the recommendations and proposals specified in the relevant sections of the Corporate Governance Recommendations issued by the Budapest Stock Exchange Ltd., by completing the following tables.

These tables provide an overview for the investors of the extent of the compliance - by the relevant company - with certain requirements set out in the Corporate Governance Recommendations at glance, and enable easy comparison of the practices of the specific companies.

The Recommendations contain both recommendations that are binding for all issuers and non-binding proposals. Issuers may derogate both from binding recommendations and non-binding proposals. In the event of derogation from the recommendations, issuers are required to publish and justify the derogation in their corporate governance reports ('comply or explain'). This enables issuers to take industry and company-specific requirements into account. Accordingly, even issuers derogating from the recommendations can comply with corporate governance requirements under specific circumstances. Concerning the proposals, issuers should indicate whether they apply a given guideline or not, and they can also explain any derogation from the proposals.

The basic principle and purpose of the corporate governance report is to have companies give a report of their previous business year and to reveal the measure of their compliance with the Recommendations. The Recommendations may, however, include recommendations and proposals relating to events which did not occur at the issuer in the given period. In accordance with the current practice, these 'event type' questions can be answered with 'YES' also when the relevant event did not occur in the business year (for instance, no dividend was paid, or no shareholders' comments were received for the proposals to be submitted prior to the General Meeting) if the Company would have responded to the occurrences of such events as set forth in the Recommendations, in line with the provisions of its Articles of Association or its practices. In a situation like that, the solution that comes closest to the principle of transparent operation is for the issuer to select YES and also to add an explanation that though the event in question did not occur in the previous business year, there are appropriate mechanisms in place to handle it.

Level of compliance with the Recommendations

The Company indicates whether it follows the relevant recommendation or not, and if not, briefly explains the reasons why it did not follow that specific recommendation.

1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

Yes

No

Explanation:

1.1.2. Are the Company's Articles of Association available on the Company's website?

Yes

No

Explanation:

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

Yes

No

Explanation:

1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

Yes

No

Explanation:

1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

Yes

No

Explanation:

1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

Yes

No

Explanation:

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

Yes

No

Explanation:

1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

Yes

No

Explanation: No supervisory board is operated

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

Yes

No

Explanation:

1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

Yes

No

Explanation:

1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

Yes

No

Explanation: It did not occur in the previous business year, but its proper handling is ensured

1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

Yes

No

Explanation: It did not occur in the previous business year, but its proper handling is ensured

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

Yes

No

Explanation: No supervisory board is operated at the Issuer

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

Yes

No

Explanation: There were no nominations by shareholders

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

Yes

No

Explanation:

1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

Yes

No

Explanation: With the exception of the minutes of the proceedings of the General Meeting, which the Company did not publish.

1.5.1.1. Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review

and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?

Yes

No

Explanation: The decision on the remuneration of the members of the Board of Directors is made by the General Meeting, whereas the decision on the remuneration of the operative management is made by the person exercising employer's rights at the given group entity, in consultation with the Board of Directors if it is necessary.

1.5.1.2. Were the tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position taken into consideration for establishing performance-based remuneration for the members of the management?

Yes

No

Explanation:

1.5.1.3. Were the remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members assessed by the Supervisory Board?

Yes

No

Explanation: The Issuer does not operate a remuneration committee. The Issuer operates an extremely small, efficient organization where the average headcount of employees is just little over 20 persons. No supervisory board is operated at the Issuer

1.5.1.4. Were the guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members approved by the General Meeting?

Yes

No

Explanation: The General Meeting decides on specific emoluments (and share option programs from time to time)

1.5.2.1. Does controlling the performance of and establishment of the remuneration for the executive management fall within the competence of the Board of Directors/Governing Board?

Yes

No

Explanation: Directly to the acting Chief Executive Officer.

1.5.2.2. Were the terms for extraordinary benefits provided to management members (and any major changes thereto) approved by the General Meeting in a separate agenda item?

Yes

No

Explanation: Management share option program

1.5.3.1. Did the General Meeting approve the principles of the stock-based remuneration schemes?

Yes

No

Explanation: It did not occur in the year review

1.5.3.2. Did shareholders receive detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section **Hiba! A hivatkozási forrás nem található.**)?

Yes

No

Explanation:

1.5.4. Does the Company have a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price?

Yes

No

Explanation:

1.5.5. Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?

Yes

No

Explanation: No supervisory board is operated at the Issuer

1.5.6. Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?

Yes

No

Explanation:

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

Yes

No

Explanation:

1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors ?

Yes

No

Explanation:

1.6.2.1. Does the Company have an internal publication policy in place which covers the processing the information listed in Section **Hiba! A hivatkozási forrás nem található.** of the Recommendations document?

Yes

No

Explanation:

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

Yes

No

Explanation:

1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

Yes

No

Explanation: The process of public disclosure is supervised and controlled by the acting Chief Executive Officer

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

Yes

No

Explanation: The process is under permanent operative supervision – no audits are conducted

1.6.3. Did the Company publish its annual company event calendar?

Yes

No

Explanation:

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

Yes

No

Explanation: The strategy has been published

1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

Yes

No

Explanation:

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

Yes

No

Explanation:

1.6.7.1. Did the Company publish its remuneration guidelines in line with the recommendations set out in Section **Hiba! A hivatkozási forrás nem található.?**

Yes

No

Explanation: Remuneration of the members

1.6.7.2. Did the Company publish its remuneration statement in line with the recommendations set out in Section **Hiba! A hivatkozási forrás nem található.?**

Yes

No

Explanation:

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

Yes

No

Explanation: As part of the annual report

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

Yes

No

Explanation: The Company and persons qualifying as insiders act in conformance to the relevant legal regulations and the Company's own rules pertaining to insiders

1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way?

Yes

No

Explanation:

1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

Yes

No

Explanation: It has not occurred

2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

Yes

No

Explanation:

2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

Yes

No

Explanation:

2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration?

Yes

No

Explanation:

2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

Yes

No

Explanation: No supervisory board is operated at the Issuer

2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

Yes

No

Explanation: Beyond the determined minimum number of meetings, meetings are summoned regularly

2.4.1.2. Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

Yes

No

Explanation:

2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

Yes

No

Explanation:

2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

Yes

No

Explanation:

2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

Yes

No

Explanation: There are not requirements or limitations in relation to regular attendees. Based on the usual practice of the board, employees whose invitation is justified for the discussion of the given agenda items are invited to the board meetings.

2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

Yes

No

Explanation:

2.5.2. Does the composition and size of the boards comply with the principles set out in Section **Hiba! A hivatkozási forrás nem található.** of the Recommendations?

Yes

No

Explanation:

2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

Yes

No

Explanation:

2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

Yes

No

Explanation: The Corporate Responsibility Report names all the members with the indication of their independent status, which is also confirmed by the members with the approval of the report.

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

Yes

No

Explanation: Only the activities of the acting Chief Executive Officer is evaluated directly, primarily in the light of the Company's annual, audited economic indicators

2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

Yes

No

Explanation: The Company follows the relevant statutory criteria

2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

Yes

No

Explanation: No supervisory board is operated at the Issuer

2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

Yes

No

Explanation: It has not occurred

2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

Yes

No

Explanation:

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

Yes

No

Explanation: It has not occurred, and is required only for conflicts of interests

2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes

No

Explanation:

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

Yes

No

Explanation: For case-by-case internal auditing activities, the Company relies on external, independent experts. No audit was conducted in the year under review

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes

No

Explanation:

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes

No

Explanation: As part of the auditor's report

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes

No

Explanation:

2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes

No

Explanation:

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

Yes

No

Explanation:

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes

No

Explanation: The key risks connected with the Company have been identified, on which the Company makes its decisions. The key risks connected with the Company are presented in the Company's annual report.

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes

No

Explanation: Principles are determined, and risks are managed on the level of the operative management, which the Board of Directors monitors during its activities, and intervenes as necessary.

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes

No

Explanation: As an extremely small organization, the Company continuously has insight into the operations of every field

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports ?

Yes

No

Explanation:

Level of compliance with the Proposals

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes

No

(Explanation:)

1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

Yes

No

(Explanation:) It has not been initiated

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes

No

(Explanation:)

1.3.1.1. Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes

No

(Explanation:)

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

Yes

No

(Explanation:)

1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.(Answer Yes, if not)

Yes

No

(Explanation:)

1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

Yes

No

(Explanation:)

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

Yes

No

(Explanation:)

1.4.1. In line with Section **Hiba! A hivatkozási forrás nem található.**, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

Yes

No

(Explanation:) During the past 8 years, the General Meeting has never supported any dividend payment

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section **Hiba! A hivatkozási forrás nem található.?**

Yes

No

(Explanation:)

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

Yes

No

(Explanation:) In relation to production results on a quarterly basis, and the financial and property standing after every period of 6 months

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

Yes

No

(Explanation:)

**PROPOSAL AND DRAFT RESOLUTION
IN RELATION TO AGENDA ITEM 6**

"DECISION ON THE EVALUATION OF THE WORK BY THE MEMBERS OF THE BOARD OF DIRECTORS IN THE BUSINESS YEAR OF 2018 AND THE DISCHARGE TO BE GRANTED TO THE MEMBERS OF THE BOARD OF DIRECTORS"

Upon the request of the members of the Board of Directors, the Company has put forward the following draft resolution to the General Meeting in relation to Agenda Item 6 of the General Meeting:

DRAFT RESOLUTION:

The General Meeting has resolved to grant the discharge defined in Section (1) of Article 3:117 of Act V of 2013 on the Civil Code and detailed in Paragraph 19.z) and 20.g) of the Company's Articles of Corporation to the members of the Board of Directors for the period starting on 28 April 2018 and ending on 12 April 2019/26 April 2019¹. By granting such discharge, the General Meeting confirms that the members of the Board of Directors have properly executed their management activities in the previous business year. The Company may have any claim against the members of the Board of Directors based on their violation of their managerial obligations in case the facts or data serving as the basis of the provision of this discharge are untrue or incomplete.

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¹ As appropriate for the actual date of the General Meeting



**PROPOSAL AND DRAFT RESOLUTION TO AGENDA ITEM 7
"DECISION ON THE EMOLUMENTS FOR THE MEMBERS OF THE BOARD OF DIRECTORS"**

In association with Agenda Item 7, the Board of Directors has proposed to the General Meeting to establish the emoluments of the Chairman of the Board of Directors to be a gross amount of HUF 195,000 a month from 13 April 2019/27 April 2019, and the emoluments of the individual members to be a gross amount of HUF 155,000.

DRAFT RESOLUTION:

The General Meeting has established the emoluments of the Chairman of the Board of Directors to be a gross amount of HUF 195,000 a month, and the emoluments of the other members to be a gross amount of HUF 155,000 from 13 April 2019/27 April 2019.

* * *

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PROPOSAL AND DRAFT RESOLUTION TO AGENDA ITEM

"8. AUTHORIZATION OF THE BOARD OF DIRECTORS TO PURCHASE TREASURY SHARES (PURSUANT TO ARTICLE 3:233)"

The Board of Directors proposes that the General Meeting should grant authorization to the Board of Directors to purchase treasury shares up to an amount of HUF 1,000,000,000 (in words one billion Hungarian Forints) at a share rate corresponding to at least HUF 1 and up to HUF 950 at the maximum.

The upper limit of the share price range corresponds to the maximum share price specified in the previous authorization for treasury share repurchasing.

The authorization shall be granted for a period starting on the day following General Meeting's approving decision and ending on 26 April 2020. The shares may be purchased solely in trading at the stock exchange.

The purchasing of treasury shares is justified by the fact that at the stock exchange the Company's shares are priced under the target share rate defined by OTP Bank Plc's analysts (HUF 1090 per share on 9 March 2019), and additionally the Company's cash-generating capacity is set to be improved. The Board of Directors intends to shape the intensity, scheduling and extent of the share purchasing move with the proper consideration of prudential requirements and economic potentials at any time, because with the recently achieved energy-producing capacities the Group should operate safely, with sufficient financial reserves. These reserves are to cover all the planned and unexpected or extraordinary investment, operating and financial expenditures.

DRAFT RESOLUTION:

The General Meeting has granted authorization to the Board of Directors to purchase treasury shares up to an amount of HUF 1,000,000,000 (in words one billion Hungarian Forints) at a share rate corresponding to at least HUF 1 and up to HUF 950 as the maximum. The authorization shall be valid in the period starting on 13 April/27 April 2019* and ending on 26 April 2020. The shares may be purchased solely in trading at the stock exchange.

* * *

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** as appropriate for the actual date of the General Meeting*



**PROPOSAL AND DRAFT RESOLUTION
IN RELATION TO AGENDA ITEM**

"9. ELECTION OF THE COMPANY'S AUDITOR, THE ESTABLISHMENT OF ITS REMUNERATION, THE DETERMINATION OF THE SUBSTANTIAL ELEMENTS OF THE CONTRACT TO BE CONCLUDED WITH THE AUDITOR ON THE BASIS OF THE AUDIT COMMITTEE'S ASSOCIATED PROPOSAL"

In association with Agenda Item no. 9, in line with the opinion of the Audit Committee the Board of Directors has proposed to the General Meeting that for the business year of 2019 (for the period ending on 30 April 2020) the Company should re-elect the current audit firm, i.e. elect Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft. (Venilia Vellum Auditing and Tax Counseling Ltd) to act as the Company's permanent auditor.

The Board of Directors has proposed Rózsa Bukri to be elected as the person assuming personal responsibility for the auditing activities.

DRAFT RESOLUTION:

For the business year of 2019 (for the period starting on 13/27 April 2019 and ending on 30 April 2020), the General Meeting has elected

Data of the company:

Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft.
Company registration number: 01-09-566797
Tax number: 12229888-2-41
Registration number at the Chamber of Auditors: 000340
Registered address: H-1026 Budapest, Szilágyi Erzsébet fasor 79. fsz. 3.

Data of the natural person:

Rózsa Bukri – member of the Chamber of Auditors
Membership number at the Chamber: 001130
Number of the auditor ID card: 002395
Address: H-1026 Budapest, Szilágyi Erzsébet fasor 79. fsz. 3.
Mother's name at birth: Rozália Kamrás
Born: Budapest, 06.07.1973
Tax ID: 8389020572

as the person in charge of auditing activities. The General Meeting has established the annual remuneration of the permanent auditor as a maximum amount of HUF 6,500,000 + VAT in relation to the auditing of the individual and consolidated annual reports, equally prepared in conformance to the EU IFRSs. The other essential conditions of contracting with the permanent auditor shall be identical to the terms and conditions agreed earlier. The General Meeting has requested the Audit Committee to prepare the contract to be concluded with the permanent auditor, and the Board of Directors to sign the contract.

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PROPOSAL AND DRAFT RESOLUTION
IN RELATION TO AGENDA ITEM

"10. AMENDMENT OF THE COMPANY'S ARTICLES OF CORPORATION IN CONNECTION WITH AGENDA ITEM NO. 9 "

This proposal of the Board of Directors has been drafted to initiate the amendment of the Articles of Corporation because of the election of the auditor in the framework of Agenda Item no. 9 for the business year of 2019.

DRAFT RESOLUTION

1. Pursuant to the Resolution no. [•]/2019 (IV.12.) / [•]/2019 (IV.26.)* of the General Meeting, the General Meeting has modified Section 47.2 of the Company's Articles of Corporation as follows (highlighted in *italics* and *underlined italics*):

"The Company's Auditor shall be:

name of the company: Venilia Vellum Könyvvizsgáló és Adótanácsadó Kft.
registered seat: H-1026 Budapest, Szilágyi Erzsébet fasor 79. fszt. 3.
company registration number: 01-09-566797
registration number at the Chamber: 000340
Chamber:

Person in charge of auditing activities:

name: Rózsa Bukri
name at birth: Rózsa Bukri
mother's name: Rozália Kamrás
place of residence: H-1026 Budapest, Szilágyi Erzsébet fasor 79. fszt. 3.
Registration no. at the Chamber: 001130
Title as from: *13 April 2019 / 27 April 2019.**
title until: *30 April 2020"*

* as appropriate for the actual date of the General Meeting

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