Semi-Annual Report of ALTEO Nyrt. and its subsidiaries

for H1 2022

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ALTEO Group's Semi-Annual Report for H1 2022

Introduction

Pursuant to Act CXX of 2001 on the Capital Market, the Regulation of the Budapest Stock Exchange Ltd. on Regulations on Listing and Continued Trading (hereinafter: "**Regulation**"), Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: "**MF Decree**"), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and **hereby discloses *"The Management Report and Analysis" on the consolidated semi-annual profit and the consolidated Semi-Annual Interim Financial Statements for H1 2022*** (hereinafter collectively: "**Semi-Annual Report**"; the Company and the consolidated entities specified in Section 2.10 of the Semi-Annual Report are hereinafter referred to as "**Subsidiaries**"; the Subsidiaries and the Company hereinafter collectively: "**Group**" or "**ALTEO Group**").

The consolidated Semi-Annual Report of the Company has been prepared based on Annex 2 to the MF Decree, according to the requirements set forth in Act C of 2000 on Accounting, in accordance with the International Financial Reporting Standards published in the Official Journal of the European Union.

The data contained in the consolidated Semi-Annual Report of the Company for H1 2022 were not audited by an independent auditor.

The Semi-Annual Report of ALTEO Nyrt. and its Subsidiaries for H1 2022 contains the following reporting systems:

The Management's report and analysis, management report

Interim consolidated condensed report according to IFRS 34

Statements of the issuer

1 The Management’s report and analysis for H1 2022

The results registered in H1 2022 have confirmed ALTEO’s strategy and recent successful investment projects. Compared to other more pro-cyclical sectors, ALTEO’s profitability was only moderately affected by the COVID pandemic, as a result of the risk management measures taken by the Company and the fact that the negative impact of the pandemic was far outweighed by excellent results. Another impactful event of the first half of 2022 was the Russian-Ukrainian conflict and its ensuing consequences for the macroeconomy and energy markets. As yet, ALTEO’s profitability has not been adversely affected; however, these circumstances have led to a significant increase in core activity working capital financing, as well as to the intensification of certain risks. For more details on this, see Section 2.13.

In 2022, both the revenue and net after-tax profit of the Group increased significantly. A revenue growth of 92% was accompanied by a 186% growth in after-tax profit. Consolidated EBITDA increased by 90% year-on-year, primarily on account of the remarkable profitability of the virtual power plant controlling heat and electricity generation, which was positively supported by the expansion of gas engine capacities in 2020 and a significant growth in energy storage capacities in 2021. The dramatic rise in world prices also had a positive effect on EBITDA expansion, which was attributable to the Energy Production segment, as well as the outstanding, record result of the Retail segment.

With its short response time, high flexibility and the sound expertise of its employees, ALTEO has been able to profitably exploit the opportunities opened by current volatility in energy markets and higher price levels. At the same time, this environment full of opportunities also poses financing challenges for ALTEO due to increased requirements regarding working capital, deposits and guarantees.

The outstanding profits registered in recent years and the success of the investments implemented necessitated the revision of ALTEO’s strategic objectives communicated in 2019, and a new strategy was published by the Company on 1/17/2022. A key element of our new strategy is enhancing the role of circular economy and sustainability in ALTEO’s portfolio. On February 2, 2022, ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate, with results exceeding the industry average. The Company’s strategic objectives were further strengthened by new acquisitions in the first half of 2022.

In accordance with our strategy, ALTEO acquired a 100% stake in EDELYN SOLAR Kft. after the reporting period. As a result, ALTEO is expected to start the development of a solar power plant with a capacity of nearly 20MW, near Tereske, in the first half of 2023, after obtaining the necessary permits and approvals. Also after the reporting period, the Company signed a share purchase contract for the acquisition of a share of over 75% in Hungarian-owned FE-GROUP INVEST Zrt., which will lead to significantly higher levels of integration in ALTEO’s waste management activity. A 24.9% minority share in the target company will be acquired by Kék Bolygó Klímavédelmi Kockázati Tőkealap (Blue Planet Climate Protection Venture Capital Fund), which will exercise joint ownership with ALTEO over the Target Company. Signing the share purchase contract is the first step of the transaction; ownership of the FE-GROUP Zrt. shares will be transferred to the Company once the conditions set out the contract have been met, which is expected to happen within one month. In addition to paper, metal and electronic waste acceptance and recycling, the target company is engaged in complex waste management activities, with a revenue of over HUF 3 billion in 2021. The target company has been active in waste processing since 1994, and has ample comprehensive and integrated experience in the corporate and industrial submarkets, as well as in the residential and municipal submarkets to a lesser extent.

In H1 2022, ALTEO repaid its bond packages ALTEO 2022/I and ALTEO 2022/II, in an amount of HUF 2,344 million in total.

After a very successful year in 2021, ALTEO's General Meeting decided to pay a record dividend of nearly HUF 2 billion, which was paid on 6/27/2022.

ALTEO has simultaneously launched several employee share ownership programs, with the primary objective of increasing the financial motivation of existing human resources through strengthening the ownership approach to promote the Company's profitability.

1.1 Executive summary of the operating profit or loss statement

The following section presents the analysis of the comparative data of ALTEO Group for H1 2021 and H1 2022.

Consolidated Statement of Profit or Loss					
data in HUF million	*Ref.*	2022 H1 non-audited	2021 H1 non-audited comparison	Change HUF million compared to the previous year	Change % compared to the previous
Revenues	1	**37 988**	**19 781**	**18 207**	***92%***
Material expenses	2	(22 015)	(10 983)	(11 032)	*100%*
Personnel expenses	3	(2 526)	(2 189)	(337)	*15%*
Depreciation and amortization	4	(1 955)	(2 187)	232	*(11%)*
Other revenues, expenses, net	5	(1 796)	(528)	(1 268)	*240%*
Capitalized own production	6	157	133	24	*18%*
Operating profit or loss	7	**9 852**	**4 027**	**5 825**	***145%***
Net financial income	8	(356)	(565)	209	*(37%)*
Profit or loss before taxes	9	**9 496**	**3 462**	**6 034**	***174%***
Income tax expenditures	10	(1 425)	(642)	(783)	*122%*
Net profit or loss	11	**8 071**	**2 820**	**5 251**	***186%***
from which the owners of the Parent Company are entitled to:	*12*	*8 067*	*2 818*	*5 249*	*186%*
Of which the minority interest is entitled to:	*13*	4	2	2	*100%*
Base value of earnings per share (HUF/share)	14	**409,11**	**148,55**	**260,56**	***175%***
Diluted value of earnings per share (HUF/share)	15	**408,98**	**145,36**	**263,62**	***181%***
EBITDA*	16	**11 808**	**6 213**	**5 595**	***90%***

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

**In the opinion of the Company's management, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (from which financial items, taxes, depreciation, and profit effects recognized in no close relation to the business period - typically impairments - have been removed).*

The Group's **Revenues** increased by **92%** i.e. **HUF 18 billion to HUF 38 billion**, as compared to H1 2021. The rise in revenues was impacted by a number of factors:

- Revenue growth was predominantly realized in the **Heat and Electricity Generation segment**, driven mainly by a sharp rise in electricity prices, increasing capacity and regulatory revenues, higher heat feed-in tariffs, and a dynamic growth in revenues associated with the Renewable Production Management ("RPM") business, which had been limited in the base period. Management stability in the segment was strongly enabled by the gas engine capacity expansion projects and electricity storage facilities realized in previous years. **Active exploitation of the market volatility which** began in the second half of 2021 and **reached an extreme level in 2022 had a positive effect on profitability. The question is how long such extreme volatility can last.**
- Revenues from **the Energy Retail segment increased** significantly. At the same time as energy prices increased compared to the base period (apparent in both the revenue and material expenses lines), a portfolio optimization was performed as a result of changed world market conditions, leading to a significant volume reduction but, at the same time, also to a higher electricity revenue and margin level.

The particularly high revenue growth of HUF 18.2 billion (+92%) was accompanied by a HUF 11 billion (+100%) increase in **material expenses**. Correlations between revenue and material expenses are mainly, but not exclusively, attributable to the following economic effects.

- Compared to the base, the revenue growth achieved on the structured electricity market is coupled with an increase in material expenses that is higher in percentage, but lower in value. The growth is primarily attributable to higher gas costs in accordance with world market trends, which is typically associated with activities with a higher margin (capacity and regulatory market).
- The commercial segment is characterized by revenue growth being accompanied by a significant increase in COGS, the level of which, however, is below that of the revenue growth.
- As for our electricity production plants selling electricity within the subsidized system, material expenses increased more than the revenue growth, primarily due to the increased costs of scheduling and balancing energy.

The 15% (HUF 0.3 billion) rise in **personnel expenses** fundamentally reflects the impact of staff expansion, wage increases, and the recently launched ESOP programs.

The reduction **in depreciation and amortization**, amounting to 11% (HUF 0.2 billion), is due to a impairment of about HUF 340 million recognized with respect to two wind farms owned by ALTEO in the first half of 2021. The adjusted difference is due to the depreciation of transferred assets.

The balance of **other revenues, expenses, net** shows a HUF 1.3 billion increase in expenses. As far as other expenses are concerned, there is a notable increase resulting from higher world prices for CO2 emissions quota, while the Retail segment has seen the introduction of a new item with the Energy Efficiency Obligation Scheme (EKR) fee. The value of the periodic fee payable by producers under the METÁR system to compensate for the difference with the market price is also recognized here.

ALTEO Group closed H1 2022 with an operating profit of HUF 9.8 billion and an EBITDA of HUF 11.8 billion.

Net financial income increased by HUF 209 million. During the reporting period, ALTEO was not adversely affected by the significant changes in the interest rate environment compared to the base period, thanks to fixed interest rates on long-term liabilities. Costs were mitigated by interest from liabilities repaid in the intervening period. The interest revenue realized on available cash balances significantly exceeded previous year’s figure, primarily due to higher deposit interest rates.

In H1 2022, ALTEO Group realized a profit of HUF 9.5 billion before tax, which was 174% higher than the 2021 profit level.

Income tax expenses increased proportionately with the Group's profits. Income tax expenses exceeded the figure registered in the comparative period by HUF 783 million.

In H1 2022, the **Group's after-tax profit i.e. net profit was HUF 8 billion**, representing an increase of 186% over the comparative period.

1.2 Executive summary on comprehensive income

Consolidated Comprehensive Statement of Profit or Loss						
data in HUF million		2022 H1 non-audited	2021 H1 non-audited comparison	Change HUF million compared to the previous year	Change % compared to the previous year
Net profit or loss	17	**8 071**	**2 820**	**5 251**	***186%***
Other comprehensive income (after income tax)	18	**4 334**	**3 043**	**1 291**	***42%***
Comprehensive income	19	**12 405**	**5 863**	**6 542**	***112%***
from which the owners of the Parent Company are entitled to:	*20*	12 401	5 861	2 206	*38%*
Of which the minority interest is entitled to:	*21*	4	2	2	*100%*

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

The Group recognized the **cumulative effects** (including deferred tax) **of the end-of-period revaluation of hedges** in other comprehensive income. The **aggregate effect** of the revaluation of transactions as at the reporting date, recognized in the profits for the period, was an **unrealized profit of HUF 4.334 billion.** Transactions are recognized, depending on comprehensive income or transaction profit nature, against the balance sheet items of other financial assets or other financial expenses.

Changes in the consolidated **comprehensive income** were most affected by forward contracts, including the revaluation of open hedging positions to manage price changes for natural gas assets in kind involved in regulated heat energy sales. The majority of the Group's annual heat sales agreements are concluded at a fixed and regulated price level, the effect of which, however, cannot be included in other comprehensive income in accordance with the IFRS rules due to the impossibility of predicting the sales volume. The management estimates that fluctuations in the price of assets in kind required for regulated heat energy sales are eliminated through hedges by the Group under normal market conditions.

The business mechanism of hedges applied by the Group is as follows:

- The Group adapts its gas purchases to its regulated heat energy sales pricing system and concluded forward contracts to manage **foreign exchange rate volatilities**.
- The Group entered into interest rate swaps on some of its outstanding project loans in line with its risk management policy. **With interest rate swaps**, the Group aims to manage the interest rate risk on project loans.
- The Group presents the tax effect of the forward contracts shown in the comprehensive income by applying a corporate tax effect of 9%.
- Accounting principles are presented in Section 2.5.6 Uncertainty from estimates and disclosures on fair value measurement.
- Risks and uncertainties related to the resources of the Group are presented in Sections 2.13 and 2.5.6 c.

1.3 Executive summary on the performance of the segments

In relation to segment information, we present the detailed description, analysis and comparison of the segments in question. This is a segment-by-segment presentation of the main resources and risks for the business, related changes and uncertainties, as well as quantitative and qualitative information and indicators regarding performance measurement within the segments.

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES								
6.30.2022 *data in HUF million*	Energy production (outside the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy trading	Other	Administration costs	Items eliminated due to consolidation	Total
Sales revenues	**26 290**	**3 090**	**1 777**	**11 091**	**-**	**-**	**(4 259)**	**37 988**
Material expenses	(14 866)	(409)	(734)	(9 838)	(116)	(312)	4 259	(22 015)
Personnel expenses	(628)	(100)	(861)	(65)	(322)	(550)	-	(2 526)
Other revenues, expenses, net	(1 631)	(99)	-	(47)	(19)	-	-	(1 796)
Capitalized value of own production	59	-	99	-	-	-	-	157
EBITDA*	**9 223**	**2 482**	**280**	**1 141**	**(457)**	**(862)**	**(0)**	**11 807**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES								
6.30.2021 *data in HUF million*	Energy production (outside the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy trading	Other	Administration costs	Items eliminated due to consolidation	Total
Sales revenues	**10 295**	**2 703**	**1 487**	**6 839**	**-**	**-**	**(1 542)**	**19 781**
Material expenses	(4 869)	(309)	(597)	(6 347)	(126)	(277)	1 542	(10 984)
Personnel expenses	(453)	(104)	(771)	(57)	(338)	(465)	-	(2 189)
Other revenues, expenses, net	(637)	19	75	24	(1)	(6)	-	(528)
Capitalized value of own production	45	-	66	-	-	22	-	132
EBITDA*	**4 380**	**2 308**	**260**	**459**	**(466)**	**(727)**	**-**	**6 213**

* *For the definition of EBITDA, see Section 1.1 Executive summary of key operating results. The profit or loss obtained by distributing administrative costs among the segments is the profit category called EBITDA II, described in the following sections.*

1.3.1 Heat and electricity generation segment (market-based, outside the subsidized system)

This segment includes the **combined heat and electricity generation activity**, the **Virtual Power Plant**, as well as the **Renewable Production Management (RPM) business**. The Virtual Power Plant is responsible for planning and managing the Group's market-based renewable electricity generation, the electricity generation by cogeneration equipment in heating power plants, and production by external partners connected to the Virtual Power Plant. The Virtual Power Plant also grants access to the Ancillary Services market through the integration of the units managed. The profit that can be realized on the electricity production portfolio with the electricity production integrated through the Virtual Power Plant, with the related electricity management functions, and with the production and sale of structured electricity products, greatly exceeds the levels that can be achieved by implementing conventional production strategies.

Heat and electricity generation (market rate, outside the KÁT regime)				
data in HUF million	6.30.2022 non-audited	6.30.2021 comparison**	Change HUF million compared to the previous year	Change % compared to the previous year
Revenue	**26 290**	**10 295**	**15 995**	**155%**
Capitalized own production	59	45	14	30%
Material expenses	(14 866)	(4 869)	(9 997)	205%
Personnel expenses	(628)	(453)	(175)	39%
Other revenues, expenses, net	(1 631)	(637)	(993)	156%
EBITDA*	**9 223**	**4 380**	**4 843**	**111%**
Allocated administrative expenses	(340)	(242)	(98)	41%
EBITDA II*	**8 883**	**4 138**	**4 745**	**115%**

* *For the definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

The **revenue** of the segment was **155%** up compared to the base period.

The rapid revenue growth in the current year was predominantly caused by a sharp rise in electricity prices, increasing capacity and regulatory prices, higher heat feed-in tariffs, and dynamic growth in revenues associated with the RPM business, which had been limited in the base period.

In Q3 2020 ALTEO **launched a** smart, comprehensive and risk-free **scheduling service** to provide partners with a solution to the challenges faced by renewable energy producers. The market provided positive feedback for the business model underlying the new business line. The market share of the **Renewable Production Management** (RPM) business continued to rise compared to the base period, realized revenues and profits **increasingly contribute to the performance** of the segment.

In Q4 2021, the Group's **second electricity storage facility** was put into operation in **Kazincbarcika**, boosting ALTEO's electricity storage capacity to 11MW/9MWh.

Material expenses in the segment include three major items: purchased gas, electricity purchased from third parties, and the operating costs of the division responsible for the operation and maintenance of the power plant portfolio.

In the current period, the segment sold heat energy not only to district heating suppliers but also to industrial customers, including Heineken Hungária. With respect to these contracts, ALTEO continued to provide a stable and predictable performance.

The EBITDA II value of the segment for H1 2022 was HUF 8.9 billion, a 115% increase over the previous period, primarily attributable to the following factors:

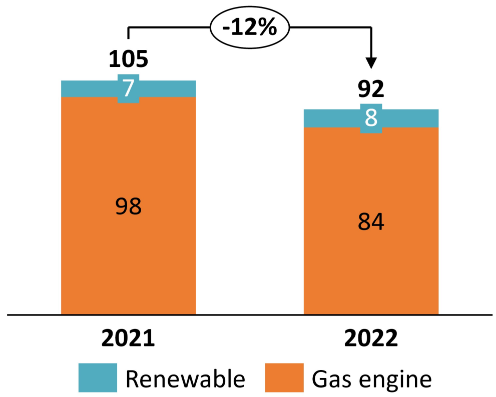
- The significant rise in electricity market prices was coupled with an increase in spark spreads (specific coverage available from electricity generation with gas engines), as a result of which the profit from schedule-based electricity generation significantly exceeded the profit of the base period.
- In H1 2022, the Virtual Power Plant realized higher margins on the balancing reserve capacity market relative to the prior period, under volatile market conditions.
- The Renewable Production Management (RPM) business showed a significant growth in this reporting period and has been increasingly contributing to the segment's results.
- The sales revenue of the FCR (formerly called primary) regulatory capacity generated by the electricity storage architecture increased by 282%, which was primarily due to the second energy storage unit put into operation in Kazincbarcika in Q4 2021.
- The achieved result arises from the aggregate effect of several external and internal factors. The extreme market prices (for both electricity and gas) had a positive effect on profitability in the current period. The availability of major industry producers, the increasing ratio of weather-dependent capacities and, simultaneously, the higher volatility of the demand-supply side of the electricity market continue to lead to the appreciation of flexible electricity production capacities.
- The intensive capacity expansion projects of the previous period as well as the improvement of the Virtual Power Plant and the expansion of the RPM business received positive feedback from the market.
- The losses incurred on the heat production and sales activities subject to price regulation have become marginal as compared to dominant operations.

Presentation of the markets of the heat and electricity segment

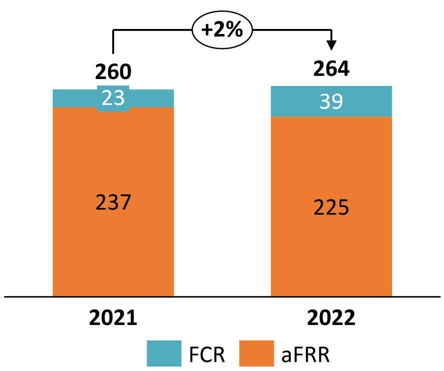
The quantitative impact of the sale of structured electricity products on the segment's profit

The **12% reduction in electricity production** is mainly caused by reduced production levels outside the heating season. With extremely high gas prices, production equipment with limited thermal coverage is less competitive in the market.

The renewable energy production volume is highly exposed to weather conditions, which were about the same as in the previous year for the purposes of generation.



Self-generated electricity sold by the Virtual Power Plant (GWh) in H1 2021 and H1 2022



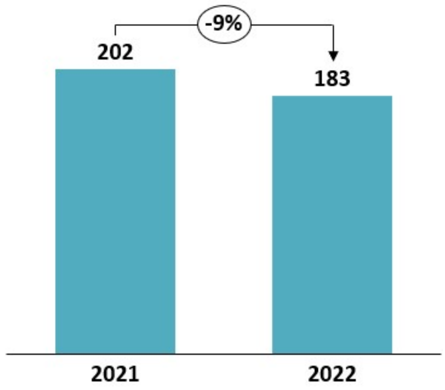
Electricity production capacities sold by the Virtual Power Plant in H1 2021 and H1 2022 (aFRR: GWh; FCR: GWh_{sym})

The balancing reserve capacity sold by the Virtual Power Plant saw a slight increase in terms of quantity and a significant gain in terms of unit price, which had a fundamental effect on the profit growth of the segment.

Impact of heat energy production (district heating) and sale on the segment's profit

The economic performance of the district heating subsegment under review closed at a level comparable to that of the previous period.

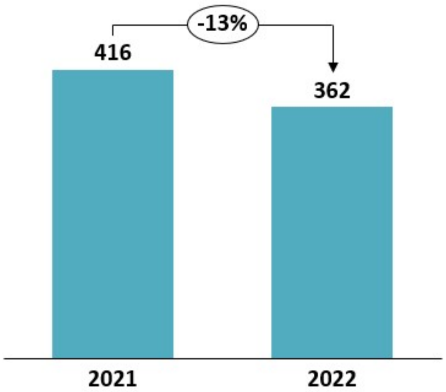
The **volume of heat energy sold by the segment decreased by 9%** during the period. The 78% increase in revenues generated from heat sales is attributable to the weather conditions and higher feed-in tariffs set by the authorities. As a result of the hedging policy applied by the Group, the costs to cover the estimated resource needs for retail heat sales to final consumers are fixed, ensuring low volatility for hedging in this the subsegment.



Amount of heat sold by the segment (GWh) in H1 2021 and H1 2022

Changes in the amount of natural gas used for electricity and heat energy production

The amount of natural gas used by the segment **decreased by 13%**, in parallel with the reduction of both heat and electricity production.



Amount of natural gas used by the segment (GWh_{GCV}) in H1 2021 and H1 2022

1.3.2 Electricity generation (within the subsidized[1] system) segment

Electricity production recognized in this segment comprises exclusively renewable energy assets (solar, wind, hydro, landfill gas) used for production within the KÁT balancing group and plants selling under the METÁR system.

Electricity production (within the subsidized system)				
data in HUF million	6.30.2022 non-audited	6.30.2021 comparison**	Change HUF million compared to the previous year	Change % compared to the previous year
Revenue	**3 090**	**2 703**	**387**	**14%**
Capitalized own production	-	-	-	n.a.
Material expenses	(409)	(309)	(100)	32%
Personnel expenses	(100)	(104)	5	(4%)
Other revenues, expenses, net	(99)	19	(118)	(628%)
EBITDA*	**2 482**	**2 308**	**174**	**8%**
Allocated administrative expenses	(88)	(48)	(40)	85%
EBITDA II*	**2 394**	**2 260**	**134**	**6%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

Revenue from the Group's **electricity production plants selling electricity within the subsidized system** rose by HUF 387 million. The portfolio produces at the same capacity as in the previous year, so the revenue growth is largely due to the indexation included in the KÁT price formula.

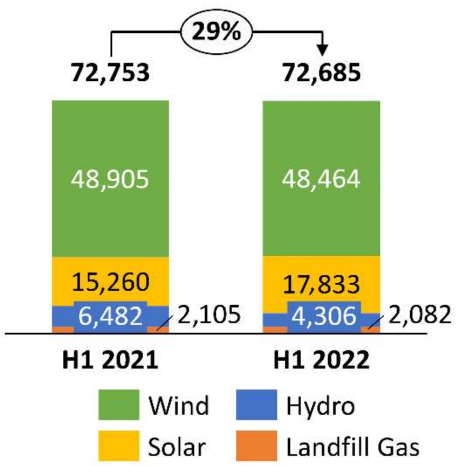
From the HUF 100 million increase in material expenses, HUF 74 million is due to a rise in scheduling and balancing energy costs, which is the combined effect of difficulties in planning due to changeable weather and the high regulation surcharge fee and balancing energy fee.

The key difference between the KÁT and the METÁR systems is that, while fixed electricity feed-in tariffs are set for producers by MAVIR as Buyer under the KÁT selling system, power plants selling under the METÁR system sell the electricity they produce to any buyer on the free market at free-market prices. Under METÁR system, after free-market sales, MAVIR makes price adjustments with a view to the difference between the contractual METÁR price and the price considered as market price as laid down by law in order to pay the corresponding amount to or collect such amount from producers (collectively: "price supplement"). From September 2021, market prices were higher than the contractual METÁR price for the Gibárt power plant; therefore, the Gibárt production unit recognized the cash flow to MAVIR as price supplement. The effect of the price supplement in H1 2022 amounts to HUF 97 million, which is included in other expenses.

[1] The term "subsidized energy market" corresponds to the previously used term "KÁT"; in this report, these two names are used by the Company interchangeably.

A major change was introduced in the legal environment for the segment by Government Decree 197/2022 (VI.4.) on windfall taxes. Power plants producing in the segment are not within the scope of the Decree.

The composition of the segment will change significantly from H2 2022. The KÁT licenses of the largest wind farm, the 25MW facility of EuroGreen Energy Kft., and the 1.5MW plant of EWind Kft. are about to expire and these will cease to produce for the MAVIR balancing group; from August, the Felsődobsza hydropower plant and the Altsolar projects, neutralizing landfill gas, will enter the free market environment. The power plants falling out of the subsidized system will be integrated into the Alteo Virtual Power Plant, and from that moment their results will be presented in the Heat and Electricity Generation segment (market-based, non-subsidized).



Quantities sold in H1 2021 and H1 2022 and their distribution (MWh)

The composition of the portfolio is identical to that of the previous year, and with same capacity, the amount of electricity sold equals that of last year. No major malfunction disrupted production either last year or this year. On a positive note, the inverter problems experienced at the solar power plant in Balatonberény since the installation of the plant have been resolved; this, however, is offset by lower production of the hydropower plants compared to last year due to lower water discharge.

1.3.3 Energy Services segment

The Energy Services segment includes power plant operation and construction services for third parties, maintenance services as well as waste management and e-mobility services. The Group also offers its customers engineering, project development and project management services, as well as main contractor construction services related to energy investments and developments, under individual orders and contracts. Furthermore, it contributes to expanding the production capacity of the ALTEO Energy Production division offering project management support.

The greatest volume of services provided by the business line is used by major players in the Hungarian industry (e.g. MOL Petrolkémia, BorsodChem, Budapest Power Plant, FŐTÁV, Heineken, Uniper, etc.), for whom the reliable and stable operation of energy infrastructure is critical. The services provided to them are typically implemented in the framework of construction and/or long-term operation and maintenance contracts with high added value.

Energy services				
data in HUF million	**6.30.2022 non-audited**	**6.30.2021 comparison****	**Change HUF million compared to the previous year**	**Change % compared to the previous year**
Revenue	**1 777**	**1 480**	**296**	**20%**
Capitalized own production	99	66	32	49%
Material expenses	(734)	(591)	(142)	24%
Personnel expenses	(861)	(771)	(90)	12%
Other revenues, expenses, net	-	75	(75)	(100%)
EBITDA*	**280**	**260**	**21**	**8%**
Allocated administrative expenses	(374)	(369)	(5)	1%
EBITDA II*	**(94)**	**(110)**	**16**	**(14%)**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

This year, the segment realized a negative EBITDA II value of HUF 94 million. The negative value is due to higher allocated administrative costs related to the launch and ramping-up of the newly-launched businesses. ALTEO's management continues to consider the long-term value-creation of the new business lines to be ensured.

In the field of **operation and maintenance performed for third parties**, the cost level of the activity this year was similar to that in 2021. In 2022, the segment realized higher revenue and, overall, concluded an all round more profitable period.

In H1 2022, the **Enterprise and Project Development Division** performed only internal implementation works. As a result of the research and development project with state funding, ALTEO gained extensive experience in R&D activities and realized a direct government grant of approx. HUF 100 million. ALTEO's production capacity was boosted by the gas engine reconstruction projects supporting the Energy Production division. In addition, bearing in mind the changed economic situation, we created a Business Development group within the division to perform the sales activities required for securing external projects that underpin the results of the coming periods. Therefore, the division closed a less profitable period in 2022 due to lower revenue and higher operating costs. At the same time, it has improved prospects for profitability as a result of the R&D and business development activities.

Relying on years of professional expertise and experience, in 2022 the **maintenance business** grew its revenue from maintenance and repair carried out for external partners by almost one and a half times year-on-year, while external and personnel costs decreased. Consequently, the business recorded a considerably higher profit during the last period. The business has reached an important benchmark by successfully completing its first foreign project in H1 2022, the maintenance of a gas power plant for Uniper in Slovakia.

The performance of the **waste management business** has seen a significant boost by the agreements signed in 2021, which resulted in an increase in the volume of packaged waste. Our multinational customers are increasingly pressing for green solutions. The liquid waste market is driven by the raw material demand of biogas power plants leaving the KÁT system. The activity of the business has been less successful than in the first half of 2021. The management of ALTEO has high hopes that the acquisition of FE Group Invest Zrt. and the exploitation of existing synergies will yield significant growth for the business.

Compared to the previous period, in H1 2022 the **e-mobility business** generated a considerably higher revenue in B2B sales (supplying EV chargers to condominiums, hotels and other institutional buildings), that is, it has successfully entered this market segment. At the same time, due to high external costs typical for this market, the business performed only slightly better than in the same period in 2021. In addition, we are preparing for strategic cooperation with companies that have a large population outreach, ultimately allowing ALTEO to increase the number of its EV chargers with a view to improve its position in the public charger market.

1.3.4 Energy retail segment

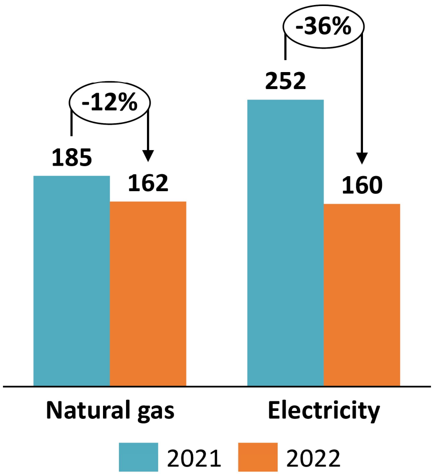
The Group's energy trading activity involves selling electricity and natural gas on the free market. The Group does not pursue any sales activities under universal service.

Retail energy trade				
data in HUF million	6.30.2022 non-audited	6.30.2021 comparison**	Change HUF million compared to the previous year	Change % compared to the previous year
Revenue	**11 091**	**6 839**	**4 252**	**62%**
Capitalized own production	-	-	-	n.a.
Material expenses	(9 838)	(6 347)	(3 491)	55%
Personnel expenses	(65)	(57)	(8)	13%
Other revenues, expenses, net	(47)	24	(71)	(300%)
EBITDA*	**1 141**	**459**	**682**	**149%**
Allocated administrative expenses	(59)	(68)	9	(13%)
EBITDA II*	**1 082**	**390**	**691**	**177%**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

The segment-based distribution of the value presented in the tables as administrative cost is represented by EBITDA II. See the subsections of 1.3.

As a consequence of the price explosion in the world market, the income and expense figures for the segment increased significantly compared to the same period in the previous year. Due to the repositioning of the segment, this does not entail an increase in the size of the portfolio. As a result of changed world market conditions, a portfolio optimization was performed for the electricity segment, which led to a significant reduction in volume, but also to a higher electricity revenue and margin level.



Changes in the volume of natural gas and electricity sold in 2021 and 2022 (GWh)

The profitability of the segment was further enhanced by the fact that ALTEO has been able to react to extreme volatility more rapidly than its major competitors, due to its dynamic and flexible operating methods. A further, moderate increase in the result is caused by the fact that the electricity booked, but not used by customers could be sold at high SPOT and balancing prices. The **volume of natural gas sold** decreased from 185GWh to 162GWh **(-12%)**, which is mainly the result of the unusually cold weather last year. The average sales price increased sharply (66%), which is attributable, on the one hand, to lower competition on the supply side and, on the other hand, high world market prices.

The **volume of electricity sold** decreased from 252GWh to 160GWh **(-36%)**, while the average sales price grew by 163%, in line with market and seasonal trends.

The segment's H1 2022 revenue increased by HUF 4.3 billion over the same period in 2021. **Within the segment, there was a significant increase in sales revenue from both natural gas and electricity as a consequence of world market conditions.** This revenue growth is largely attributable to the electricity trading business (HUF 3.4 billion), while the revenue increase for the gas trading activity is HUF 0.85 billion.

Material-type items are dominant in the expenses of the Energy Retail segment. Natural gas and electricity procured and resold is presented under material expenses. Nearly 40% of procured electricity originated from ALTEO's Heat and Electricity Production segment.

The segment's **EBITDA increased by HUF 691 million** in total compared to H1 2021.

1.3.5 Other segments

The Other segment presents activities that cannot be directly attributed to any of the business lines, in part or in whole. These include activities relating to administration, presence on the capital markets or those necessary for leveraging future growth potential.

Other segments *data in HUF million*	6.30.2022 non-audited	6.30.2021 comparison**	Change HUF million compared to the previous year	Change % compared to the previous year
Revenue	**-**	**-**	**-**	**n.a.**
Capitalized own production	-	-	-	n.a.
Material expenses	(116)	(126)	10	(8%)
Personnel expenses	(322)	(338)	16	(5%)
Other revenues, expenses, net	(19)	(1)	(18)	1 277%
EBITDA*	**(457)**	**(466)**	**9**	**(2%)**

** For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

The profit or loss of the Group's Other segment is determined by the human resource related and other material costs necessary to perform the above functions.

The cost increase of the segment is in line with the growth of the Group, somewhat mitigated by the 2022 reclassification of the intra-segment business development cost center.

Within other expenditures, the increase relative to the comparative period was primarily attributable to the support provided to UNICEF in the context of the war in Ukraine, and by the general cost increase corresponding to the Group's growth.

1.4 Executive summary on the consolidated statement of financial position

Consolidated Statement of Financial Position	6.30.2022 non-audited	12.31.2021 audited	Change HUF million compared to the previous	Change % compared to the previous year
data in HUF million				
Non-current assets	**31 029**	**31 371**	**(342)**	**(1%)**
Current assets	**35 207**	**29 390**	**5 817**	**20%**
of which OCI	*10 594*	*5 831*	*4 763*	*82%*
of which financial assets	*7 871*	*3 679*	*4 192*	*114%*
TOTAL ASSETS	**66 236**	**60 761**	**5 475**	**9%**
Equity	**29 257**	**19 009**	**10 248**	**54%**
of which OCI	*9 641*	*5 306*	*4 334*	*82%*
Long-term liabilities	**25 069**	**24 491**	**578**	**2%**
of which OCI	*953*	*525*	*429*	*82%*
of which credit, loans, bonds, leasing	*20 748*	*20 929*	*(181)*	*(1%)*
Short-term liabilities	**11 910**	**17 261**	**(5 351)**	**(31%)**
of which credit, loans, bonds, leasing	*684*	*2 970*	*(2 286)*	*(77%)*
TOTAL EQUITY and LIABILITIES	**66 236**	**60 761**	**5 475**	**9%**

The Group's closing balance sheet total was HUF 66,236 million as at June 30, 2022. The balance sheet total was HUF 60,761 million as at December 31, 2021. The balance sheet total **increased by 9%**.

Assets

The change in the assets of the Group is attributable mostly to the HUF **5.8 billion increase in current assets, in particular the HUF 4.2 billion growth in cash.**

Note: The items highlighted in the OCI (other comprehensive income) line show the MTM (Marked To Market) value after the revaluation of hedging transactions as financial instruments at the end of the period in the corresponding lines of the statement of financial position.

Trade receivables, other receivables and accruals follow seasonal trends, as well as the general price increase in the energy market, resulting in a decline of HUF 1.4 billion.

Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 2.3.

Liabilities and equity

The Group continued to repay its debt and leases, and bond payables due within the year have been paid.

The Group's **trade payables** and changes in other short-term liabilities and accruals also follow the seasonality of heating power plants. On account of the seasonality underlying the Group's activities, the portfolio of trade payables was lower in the end-of-year winter period than in the summer.

For a presentation of changes in **equity**, see Section 2.4 Consolidated statement of changes in equity.

Interim Consolidated Financial Statements prepared according to the International Financial Reporting Standards for the reporting date June 30, 2022

2 Disclosures of the Interim Consolidated Financial Statements under IAS 34

2.1 Interim consolidated statement of income

Consolidated Statement of Profit or Loss					
data in HUF million	*Ref.*	2022 H1 non-audited	2021 H1 non-audited comparison	Change HUF million compared to the previous year	Change % compared to the previous
Revenues	1	**37 988**	**19 781**	**18 207**	***92%***
Material expenses	2	(22 015)	(10 983)	(11 032)	*100%*
Personnel expenses	3	(2 526)	(2 189)	(337)	*15%*
Depreciation and amortization	4	(1 955)	(2 187)	232	*(11%)*
Other revenues, expenses, net	5	(1 796)	(528)	(1 268)	*240%*
Capitalized own production	6	157	133	24	*18%*
Operating profit or loss	7	**9 852**	**4 027**	**5 825**	***145%***
Net financial income	8	(356)	(565)	209	*(37%)*
Profit or loss before taxes	9	**9 496**	**3 462**	**6 034**	***174%***
Income tax expenditures	10	(1 425)	(642)	(783)	*122%*
Net profit or loss	11	**8 071**	**2 820**	**5 251**	***186%***
from which the owners of the Parent Company are entitled to:	*12*	*8 067*	*2 818*	*5 249*	*186%*
Of which the minority interest is entitled to:	*13*	4	2	2	*100%*
Base value of earnings per share (HUF/share)	14	**409,11**	**148,55**	**260,56**	***175%***
Diluted value of earnings per share (HUF/share)	15	**408,98**	**145,36**	**263,62**	***181%***
EBITDA*	16	**11 808**	**6 213**	**5 595**	***90%***

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

Consolidated Comprehensive Statement of Profit or Loss					
data in HUF million		2022 H1 non-audited	2021 H1 non-audited comparison	Change HUF million compared to the previous year	Change % compared to the previous year
Net profit or loss	17	**8 071**	**2 820**	**5 251**	***186%***
Other comprehensive income (after income tax)	18	**4 334**	**3 043**	**1 291**	***42%***
Comprehensive income	19	**12 405**	**5 863**	**6 542**	***112%***
from which the owners of the Parent Company are entitled to:	*20*	12 401	5 861	2 206	*38%*
Of which the minority interest is entitled to:	*21*	4	2	2	*100%*

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

The results are analyzed in detail in Sections 1.1 and 1.2.

2.2 Consolidated statement of financial position

ALTEO Group **closed H1 2022** with a balance sheet total of **HUF 66 billion**.

Consolidated Statement of Financial Position

data in HUF million		6.30.2022	12.31.2021	Change between 6.30.2022 and 12.31.2021	
		non-audited	Comparison, audited	HUF million	%
Non-current assets	Ref.*	**31 029**	**31 371**	**(342)**	***(1%)***
Property, plant and equipment	22	25 357	25 738	(381)	*(1%)*
Other intangible assets	23	2 393	2 517	(124)	*(5%)*
Operation contract assets	24	990	1 052	(62)	*(6%)*
Rights of use	25	1 777	1 767	10	*1%*
Deferred tax assets	26	20	71	(51)	*(72%)*
Long-term deposits or loans given	27	492	226	266	*118%*
Long-term participation in associate	28	-	-	-	-
Current assets and assets held for sale		**35 207**	**29 390**	**5 817**	***20%***
Inventories	29	1 293	1 077	216	*20%*
Trade receivables	30	5 780	4 425	1 355	*31%*
Emission allowances	31	1 258	2 396	(1 138)	*(47%)*
Other financial assets	32	12 641	8 627	4 014	*47%*
Other receivables and accruals	33	6 362	9 156	(2 794)	*(31%)*
Income tax receivables	34	2	30	(28)	*(93%)*
Cash and cash equivalents	35	7 871	3 679	4 192	*114%*
TOTAL ASSETS		**66 236**	**60 761**	**5 475**	**9%**
Equity	36	**29 257**	**19 009**	**10 248**	***54%***
Equity attributable to parent company interests	*37*	**29 243**	**18 999**	**10 244**	***54%***
Issued capital	*38*	249	242	7	*3%*
Share premium reserves	*39*	5 371	5 375	(4)	*(0%)*
Reserve for share-based payments	*40*	(414)	(207)	(207)	*100%*
Hedge reserve	*41*	9 641	5 307	4 334	*82%*
Retained earnings	*42*	14 396	8 282	6 114	*74%*
Non-controlling interest	*43*	14	10	4	*40%*
Long-term liabilities		**25 069**	**24 491**	**578**	***2%***
Debts on the issue of bonds	44	12 658	12 658	-	-
Long-term loans and borrowings	45	6 367	6 583	(216)	*(3%)*
Finance lease liabilities	46	1 723	1 688	35	*2%*
Deferred tax liabilities	47	1 847	1 488	359	*24%*
Provisions	48	897	944	(47)	*(5%)*
Deferred income	49	567	594	(27)	*(5%)*
Other long-term liabilities	50	1 010	536	474	*88%*
Short-term liabilities		**11 910**	**17 261**	**(5 351)**	***(31%)***
Short-term bond payables	51	-	2 312	(2 312)	*(100%)*
Short-term loans and borrowings	52	446	420	26	*6%*
Short-term finance lease liabilities	53	238	238	-	-
Advances received	54	-	9	(9)	*(100%)*
Trade payables	55	2 765	4 547	(1 782)	*(39%)*
Other short-term liabilities and accruals	57	7 407	9 328	(1 921)	*(21%)*
Income tax liabilities	58	1 054	407	647	*159%*
TOTAL EQUITY and LIABILITIES		**66 236**	**60 761**	**5 475**	**9%**

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

Analysis of major components in the statement of financial position and their changes

Non-current assets:

The value of non-current assets decreased by HUF 0.43 billion. There were no major individual investments in the current period, the decline can be attributed to recognized depreciation and amortization.

Current assets:

The HUF 5.8 billion portfolio of **current assets** represents a 20% increase over the 2021 closing value.

The **114% increase in the portfolio of cash** was a major component in the changes of current assets. The Group plans to use the cash mostly for investments and capital expenditures. **Changes in cash balance** are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 2.3.

Within current assets, **trade receivables amounted to HUF 5.8 billion, while other receivables, accrued income and deferred charges stood at HUF 6.4 billion**; in aggregate, they produced a **decrease of HUF 1.4 billion.** The decrease is attributable to natural seasonal fluctuations. For more information on the interim seasonal events and their occurrence in the activities of the ALTEO Group, see Section 2.5.6 on Seasonality.

The HUF 1.2 billion portfolio of **emission allowances** represents a 47% decline, which resulted from the performance of the annual return obligation of the CO2 quota and its de-recognition.

Other financial assets from the valuation of forward transactions closed at HUF 12.7 billion, with a **HUF 4 billion increase in asset value.** The significant change in the balance is attributable to the differences between the revaluation of hedging derivative transactions outstanding on the reporting dates as well as the change in the composition of positions on the reporting date. The impact of hedges is presented in the section on comprehensive income, see Section 1.2.

Equity components:

The **equity** of the Group **showed a HUF 10.3 billion increase in H1 2022**. The growth of equity resulted from the profit of 2022 and the effects of hedging transactions. For more information, see Section 2.4 of the Equity table.

Long-term liabilities:

The Group’s **long-term liabilities** rose by HUF 0.6 billion (**2%**).
The amount of **provisions** decreased by HUF 47 million.

Deferred tax liabilities increased by HUF 359 million as a result of the mechanism introduced to offset the income tax effect of different depreciation rates and other items of taxation and accounting between years.

Under **other long-term liabilities** a change in liabilities was recognized at HUF 474 million. A major element of the change was the HUF 139 million stated for the ESOP program in 2022–2023, as well as an amount of HUF 102 million recognized for the program in 2022–2024.

Long-term **finance lease liabilities** rose by HUF 35 million to HUF 1,723 million. The liabilities relating to rights of use as regulated in IFRS 16 are presented in this line; namely, the liabilities relating to the right of lease of the land belonging to the wind turbines of the Bőny and Bábolna wind farms, as well as the new liabilities arising from the renewal of the right of use of the land belonging to the Zugló and Kazincbarcika heat power plants, and liabilities relating to the rights of use of other leased property, office space and vehicles.

Short-term liabilities:

Short-term liabilities declined by a total of HUF 5.4 billion. The most important element in the decline was the pay-out of bond payables due within a year. **Short-term loans and borrowings** showed a balance of HUF 0.5 billion.

The aggregate amount of **trade payables** and **other short-term liabilities and accruals** dropped by HUF 3.7 billion compared to the previous year. Due to the seasonality inherent in the Group’s activities, the portfolio of trade payables and related accruals is lower in the end-of-year winter period than in the summer.

2.3 Consolidated statement of cash-flows for the 6-month-period ending on June 30, 2022

The Group closed the first six months of 2022 with a **cash increase of HUF 4.1 billion.** The Group's business operations generated an increment of **HUF 10.1 billion**, while **HUF 1.3 billion** was spent on investment **projects.**

The Group presents the cash-flow changes arising from changes in the statement of financial position (indirect cash-flow).

Consolidated Statement of Cash Flows	Ref.		
data in HUF million		6.30.2022 HUF million	6.30.2021 HUF million
Profit or loss before taxes	9	**9 496**	**3 462**
(Interest income) and interest expenses, net	-	441	495
Depreciation	4	1 955	2 187
Recognition of impairment in profit or loss	-	-	78
Scrapping of production and other machinery	-	2	(3)
Provisions recognized (released)	-	(47)	-
Provisions for asset retirement obligations recognized and (released) – IAS 16	-	#N/A	-
Deferred income increase (decrease)	49	(27)	(42)
Exchange rate effect of other comprehensive income	-	#N/A	3 079
Share-based payment cost	-	(207)	101
Changes in deferred taxes	26; 47	410	264
Effect of income taxes on profit or loss	10	(1 425)	(642)
Net cash-flow of business activity without change in current assets	-	**15 038**	**8 980**
Change in inventories	29	(217)	(122)
Changes in emission allowances	31	1 138	734
Change in trade receivables, other receivables, accrued income and deferred charges	30; 33	1 467	809
Change in other financial assets	32	(4 014)	(3 222)
Change in trade payables, other liabilities, accrued expenses and deferred income	-	(3 255)	(394)
Advances received (final settlement -)	54	(9)	(11)
Cash flow from business activities (use of funds)		**10 149**	**6 773**
Interests received on deposits and investments	-	87	(6)
Purchase of production and other machinery, and intangible assets	-	(1 185)	(1 104)
Investment in acquiring businesses (net of cash)	-	-	-
Change in lease assets	-	-	129
Long-term loans or deposits given - lending	-	(245)	-
Long-term loans or deposits given - repayment	-	-	13
Cash flow of investment activities (cash outflow)	-	**(1 341)**	**(968)**
Interest paid on bonds and loans	-	(226)	(217)
Assumption and prepayment of long-term loans and borrowings, financial liabilities, lease liabilities	-	(195)	(1 378)
Bonds issued	-	-	-
Capital increase, purchase of own shares	-	-	(19)
Dividend payment	-	(1 953)	(455)
Cash flow from financing activities	-	**(4 717)**	**(2 070)**
Changes in cash and cash equivalents	-	**4 091**	**3 735**
Opening cash and cash equivalents	35	**3 679**	**3 455**
Cash exchange gains/losses	-	**101**	**(37)**
Closing cash and cash equivalents	35	**7 871**	**7 154**

**Ref:* *Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

2.4 Consolidated statement of changes in equity for the 6-month-period ending on June 30, 2022

In contrast with other tables in the report, this table is **shown in HUF thousands**, in consideration of the presentability of the low-amount items in the capital structure.

Data in HUF thousand	Issued capital	Share premium reserves	Share-based payments reserve I.	Share-based payments reserve II.	Retained earnings	Hedge reserve	Equity attributable to the shareholders	Non-controlling interest	Total equity
*Ref**	38	39	40		42	42	37	43	36
12.31.2020	**232 972**	**4 962 084**	**62 819**	**-**	**2 882 216**	**399 801**	**8 539 892**	**7 765**	**8 547 657**
Implementation of employee share award program through shares	48	4 252					4 300		4 300
Purchase of own shares	(3 118)	(290 601)					(293 719)		(293 719)
Dividend payment					(455 275)		(455 275)		(455 275)
Capital movements related to the Employee Share Ownership Program (ESOP)									
Employee Share Ownership Program implementation	7 221	267 160					274 381		274 381
Employee Share Ownership Program option value		62 819	(62 819)				-		-
Own shares transferred to ESOP	5 112	(5 112)	-				-		-
Cash transferred to ESOP		(100 000)					(100 000)		(100 000)
Non-controlled ESOP participation		575 020	(575 020)				-		-
Receivable from ESOP		6 618					6 618		6 618
Recognition of share benefits against profit or loss			261 274				261 274		261 274
Transfer between capital element		(106 871)	106 871				-		-
Comprehensive income					5 855 184	4 906 630	10 761 814	2 266	10 764 080
Aggregate amount of rounding difference					2		2		2
12.31.2021	**242 235**	**5 375 369**	**(206 875)**	**-**	**8 282 127**	**5 306 431**	**18 999 287**	**10 031**	**19 009 318**
Implementation of employee share award program through shares	16	2 645					2 661		2 661
Capital increase through private placement	6 815	1 129 927					1 136 742		1 136 742
Dividend payment (approval)					(2 015 942)		(2 015 942)		(2 015 942)
Capital movements related to the Employee Share Ownership Program (ESOP)							-		-
Cash transferred to ESOP I.			(298 540)				(298 540)		(298 540)
Cash transferred to ESOP II.				(1 136 742)			(1 136 742)		(1 136 742)
Dividend paid to ESOP					63 145		63 145		63 145
Recognition of share benefits against profit or loss			91 280				91 280		91 280
Comprehensive income					8 066 929	4 334 435	12 401 364	3 968	12 405 332
Aggregate amount of rounding difference		(1)			-		(1)		(1)
6.30.2022	**249 066**	**6 507 940**	**(414 135)**	**(1 136 742)**	**14 396 259**	**9 640 866**	**29 243 254**	**13 999**	**29 257 253**

**Ref: Presentation of the relationships between the Statement of financial position, Statement of profit or loss, Cash-flow and Equity tables of the Interim Statements*

Statement of changes in equity in the period of 1/1/2022 – 6/30/2022

Implementation of the employee share award program: In the context of ALTEO's employee program in 2021, the awardees of the program received share benefits. Under the Company's employee share award program, the Company distributed 1,267 ALTEO ordinary shares in January 2022 to employees who were eligible under the Company's recognition plan.

Capital increase by way of private placement: The ALTEO ESOP Organization implemented a capital increase of HUF 1.137 billion in the framework of a private placement involving 545,200 shares.

Dividend payment

Based on ALTEO's 2021 annual report, the General Meeting approved dividend payment in its resolution of April 19, 2022. In H1 2022 dividends of HUF 2,015 million were distributed. The Board of Directors resolved to **pay dividends** from the available retained earnings supplemented with the profit after taxation of the Company in the previous fiscal year calculated in accordance with Section 39(3a) of Act C of 2000 on Accounting, and the subsidiary dividends established for 2021, which corresponds to **HUF 103 gross** per share (excluding treasury shares owned by the Company). Furthermore, the General Meeting authorized the Board of Directors to adopt the resolutions specified in Article 18 of the Articles of Association, and any other decisions necessary in relation to the payment of dividends with due regard to effective legislation.

Capital movements related to the Employee Share Ownership Program (ESOP):

Pursuant to the provisions of IFRS 12, the Issuer presents the asset items of the ALTEO ESOP Organization in its consolidated statements. The Issuer manages the following ESOP programs:

ESOP Program II (2020) (Share-based payments reserve I)
Remuneration Policy of the ALTEO ESOP Organization for 2024 (Share-based payments reserve II)
Remuneration Policy of the ALTEO ESOP Organization for 2025 (Share-based payments reserve II)

Cash transferred to ESOP: Under the 2024–2025 Remuneration Policy of the Employee Share Ownership Program Organization (hereinafter: **ALTEO ESOP Organization**), ALTEO transferred HUF 1.435 billion in cash to the ESOP Organization as collateral for the shares to be issued.

The Remuneration Policies for 2024 and 2025 are accounted for in profit or loss in accordance with IFRS 2, as fair value liabilities recognized as pro rated personnel expenses.
Until the Liabilities are settled, the Company provides coverage for these outstanding and future liabilities by realigning the Reserves. The HUF 1.435 billion capital component stated in the accounts is intended to cover the benefits of the remunerated employees. Once the benefits are transferred, they are stated in the Issuer's books as financially settled liabilities.

Dividends paid to ESOP: The ALTEO ESOP Organization is entitled to receive dividends on the treasury shares received and on the ALTEO shares obtained from the capital markets for cash.

Recognition of employee share benefits against profit or loss: The vesting period of ALTEO's 2020 **Employee Share Ownership Program** Remuneration Policy will end in the current year. In relation to the Program, expenditures of HUF 91 million were recognized against equity for H1 2022.

Comprehensive income:

In line with its hedging strategy, the ALTEO Group entered into forward transactions in order to hedge transactions to be realized in the coming years. As of the reporting date, the aggregated fair value of open forward transactions was HUF 4.3 billion.
The increment deriving from the after-tax **profit for the parent company** amounted to **HUF 8.06 billion** in H1 2022.

2.5 Other financial information

2.5.1 Disclosure obligations of the IAS 34 16A, IFRS 8 Operating Segments

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

6.30.2022 *data in HUF million*	Energy production (outside the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy trading	Other	Administration costs	Items eliminated due to consolidation	Total
Sales revenues	**26 290**	**3 090**	**1 777**	**11 091**	**-**	**-**	**(4 259)**	**37 988**
Material expenses	(14 866)	(409)	(734)	(9 838)	(116)	(312)	4 259	(22 015)
Personnel expenses	(628)	(100)	(861)	(65)	(322)	(550)	-	(2 526)
Other revenues, expenses, net	(1 631)	(99)	-	(47)	(19)	-	-	(1 796)
Capitalized value of own production	59	-	99	-	-	-	-	157
EBITDA*	**9 223**	**2 482**	**280**	**1 141**	**(457)**	**(862)**	**(0)**	**11 807**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

6.30.2021 *data in HUF million*	Energy production (outside the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy trading	Other	Administration costs	Items eliminated due to consolidation	Total
Sales revenues	**10 295**	**2 703**	**1 487**	**6 839**	**-**	**-**	**(1 542)**	**19 781**
Material expenses	(4 869)	(309)	(597)	(6 347)	(126)	(277)	1 542	(10 984)
Personnel expenses	(453)	(104)	(771)	(57)	(338)	(465)	-	(2 189)
Other revenues, expenses, net	(637)	19	75	24	(1)	(6)	-	(528)
Capitalized value of own production	45	-	66	-	-	22	-	132
EBITDA*	**4 380**	**2 308**	**260**	**459**	**(466)**	**(727)**	**-**	**6 213**

* *For a definition of EBITDA, see Section 1.1 Executive summary of key operating results.*

The segment-related information provided to the Chief Decision Officer was made available and disclosed in Section 1.3 of this document – Executive summary on the performance of the segments. That section includes a description of the deviations in the segmentation basis or the measurement basis of the segment result as compared to the data included in the latest annual financial statements.

The aggregate "Totals" of segment data correspond to the descriptions and amounts stated in the consolidated interim statements of income presented in this document.

"Items eliminated due to consolidation" represent the turnover between individual segments.

Measures of the segment result: revenue, EBITDA (interoperable segment measures and financial indicators), kWh, Mwh, Gwh, natural measures (non-interoperable segment measures, non-financial indicators)

Employee headcount describes the Group, rather than being a financial indicator.

The assets and liabilities of individual segments are not presented to the Chief Decision Officer; consequently, there is no content to be displayed as part of the statements.

The Group presents the key clients of each segment in accordance with the economic interests of the Group.

2.5.2 The basis for preparation of the financial statements

These interim financial reports *were prepared in line with the IAS 34 Interim Financial Reporting standard*. *The Group exercises the option available to it under IAS 34,* whereby it does not repeat any data or information disclosed prior to the date of the financial statement. These interim financial statements are to be interpreted together with the financial statements for the business year ended on December 31, 2021 (hereinafter: complete financial statements). Moreover, the contents of any significant events or disclosures published through the Group's disclosure points are deemed disclosed. By exercising this option, the Group avoids all unnecessary repetitions in its interim statements, whereby the Group believes to improve the transparency of its financial statements. In consideration of the integrated nature of the report, the content of Section 1 is not repeated in the content of the section on IFRS 34.

Along with its financial reports, the Group ensures the appropriate availability of such disclosed data. *The Group's interim financial statements* do not contain any information that has already been presented in the end-of-year financial statements – prepared in accordance with the IAS 1 Presentation of Financial Statements standard – and published in the Group's places of disclosure.

In relation to its interim financial statements, the Group's management makes the declarations and statements stipulated in Decree No. 24/2008 (VIII. 15.) of the Minister of Finance on the detailed regulations on information provision obligation relating to securities traded on the stock exchange in its Semi-Annual Report.

2.5.3 Accounting policies and changes to standards

The Group's accounting policies are identical with those disclosed for the reporting date of 12/31/2021. The Group does not repeat the data disclosed up to the H1 2022 report, and makes a clear reference to such data when omitting such repetition [IAS 34.10A].

2.5.4 Impact of construction and installation contracts

Revenues relating to ongoing projects are presented by the Group in accordance with the rules of the IFRS 15 standard. The Group registers its costs concerning the construction/installation contracts separately for each project. Using the costs incurred during the implementation of the projects as the projection base, revenues and claims from customers are shown in relation to the analysis and probability of the stage of completion and the envisaged (expected) profit.

2.5.5 Changes in the reporting system

The Group's management is committed to the transparent presentation of the Group statement of financial position, profits and segment profit or loss. The comprehensibility of presentation and the segmenting of activities are reviewed each year and in each report. No changes were made in the reporting period.

2.5.6 Uncertainty from estimates and disclosures on fair value measurement

The Company's management uses estimates in several areas when preparing its financial statements. Pursuant to IAS 34, the Group is required to disclose its information on fair value measurement. These accounting estimates reflect the management's best and most up-to-date knowledge in all cases. The purpose of accounting estimates is to generate the financial statements of the reporting period with the best possible information content available at the time of the preparation of the report. Any changes in the values of estimates have an effect on the reporting period and the subsequent period, but they have no retroactive effect.

In the preparation of the Group's financial statements, we relied on estimates for presenting assets and liabilities. The estimates applied give rise to uncertainties, and future changes in estimates may cause significant deviations in the following items:

- estimates concerning the depreciation of the fixed assets (e.g.: useful life),
- estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions),
- estimates concerning the evaluation of inventories and receivables,
- estimates concerning fair value,
- estimates relating to construction and installation projects (investment contracts),
- determination of the fair value of the contingent purchase price.

Reasons for the review of accounting estimates:

- changes in legal regulations,
- changes in the economic environment,
- changes in the operation, procedures of the company.

Procedures for the above estimates remained unchanged in the reporting period.

Material impacts of the above estimates in the current period:

- For the purposes of this report, the estimate for forward gas price transactions was prepared using the prevailing gas futures prices. Gas futures are TTF stock market prices quoted for the maturity date of the transaction. Public link: https://www.theice.com/products/27996665/Dutch-TTF-Gas-Futures/data?marketId=1660891&span=2

  The revaluation of gas price hedging transactions had a material impact. Gas prices disclosed as at 12/31/2021 increased significantly in 2022. (For example, at the reporting date of 12/31/2021, prices ranged between EUR 63.85 and 65.42/MW for the maturity date of Q4 2022, compared to prices disclosed at the date of the 2022 semi-annual report: EUR 149.355/MW for the maturity date of Q4 2022. Indeed, the price change exceeded 100%). Changes in the fair value measurement of hedging transactions are influenced by the changes in gas futures illustrated above.
- The valuation of interest rate swaps resulted from the change in BUBOR. Public link: https://www.mnb.hu/monetaris-politika/penzpiaci-informaciok/referenciamutato-jegyzesi-bizottsag/bubor

The changes in both estimation procedures were recognized in other comprehensive income. In view of the dynamics of market prices and changes in the environment, additional future changes cannot be ruled out; consequently, changes in estimates may exert a material impact in the coming periods as well.

For the impact on accounting, see Section 1.2 Executive summary on comprehensive income.

2.5.7 Seasonality, cyclicality, unusual activities

The Group publishes its financial statements in accordance with IAS 34. There are certain seasonal factors relating to its business to be aware of. Important factors relating to the interpretation of the periodical financial figures of ALTEO:

- the heating season (typically Q1 and Q4) is when a substantial portion of the revenue generated by the Group's heating power plants is realized
- the strong season for wind farms is Q1 and Q4
- the strong production season for solar power plants is Q2 and Q3
- the construction and installation activity of the Enterprise business line is adjusted to client needs based on individual orders and typically entails high-volume projects and accordingly, the comparability of individual periods is limited by the varying volume and type of orders in progress in the given period

The production of the power plants listed above is described in detail in Section 1.3.
The Issuer did not identify any events in its activity that may have an impact on assets, liabilities, equity, net P&L or cash-flows and can be deemed unusual due to their nature, amount or frequency.

2.6 Employee headcount

The Issuer's closing number of employees on 6/30/2022 was 294 persons. It's statistical headcount in H1 2022 was 284.3 persons on average.

2.7 EPS indicator

Calculation of earnings per share (EPS)	6.30.2022	12.31.2021
Number of shares for EPS	19 508 628	18 890 107
Number of shares for diluted EPS	19 515 085	19 386 274
Profit or loss attributable to controlled interests (HUF thousand)	8 066 929	5 855 184
Base value of earnings per share (HUF/share)	409,11	309,96
Diluted value of earnings per share (HUF/share)	408,98	302,03

As the ALTEO shares owned by the ALTEO ESOP Organization are eligible for dividend, they are also included in the diluted share number.

The change in the number of shares can be attributed to the equity transactions listed in Section 2.12.

2.8 Coronavirus-related measures, impact of the pandemic on ALTEO's H1 2022

The aim of ALTEO GROUP is to ensure as safe as possible working conditions for its staff and partners, the 100 percent operation of its power plants and the continuous servicing of its customers even in the event of the spread of the pandemic across the country. For this reason, we have introduced numerous precautionary measures that help minimize the risk of the transmission and further spread of the coronavirus both within and outside of the company.

In 2020 the coronavirus (COVID-19) pandemic had a truly substantial impact on ALTEO Nyrt.'s electricity trading business line only. In H1 2022 the economy did not grind to a halt.

In the **market of Energy Business and Services**, the impact of the pandemic was primarily apparent due to the prudence and deliberation observed in the investment and construction market as well as the market of pre-scheduled major overhauls. The operation of power plants in the segment was carried out reliably, with the appropriate precautionary measures in place.

2.9 The Company's details

The Company's name	**ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság**
The Company's abbreviated name	**ALTEO Nyrt.**
The Company's name in English	**ALTEO Energy Services Public Limited Company**
The Company's abbreviated name in English	**ALTEO Plc.**
The Company's registered office	**H-1033 Budapest, Kórház utca 6-12.**
The Company's telephone number	**+36 1 236 8050**
The Company's central electronic mailing address	**info@alteo.hu**
The Company's web address:	**www.alteo.hu**
The Company's place of registration,	**Budapest**
date of registration and	**April 28, 2008**
company registration number	**Cg.01-10-045985**
The Company's tax number	**14292615-2-41**
The Company's EU VAT number	**HU14292615**
The Company's statistical code	**14292615-7112-114-01**
Term of the Company's operation	**indefinite**

The Company's legal form	**public limited company**
Governing law	**Hungarian**
The Company's share capital	**HUF 249,143,425**
Date of the effective Articles of Association	**April 21, 2022**
The Company's core activity	**Engineering activities and related technical consultancy**
Fiscal year	**same as the calendar year**
Place of publication of notices	**The Company discloses its notices regarding regulated information on its website https://investors.alteo.hu/, on the website of the BSE www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by relevant legislation, the notices of the Company are also published in the Company Gazette.**
ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,931,474 shares of the Company have been listed on the BSE in Premium category.**
Other securities	**Bonds** **ALTEO NKP/2029: registered bonds with a fixed coupon rate, issued by private placement, having a face value of HUF 50,000,000 and 10 years maturity, total face value: HUF 8,600,000,000, listed on the BSE. ISIN code: HU0000359252**

	<u>ALTEO2031:</u> registered bonds with a fixed coupon rate, issued by public offering, having a face value of HUF 50,000,000 and a maturity of 11 years, total face value: HUF 3,800,000,000, listed on the BSE. ISIN code: HU000036003
The Company's Board of Directors	**Attila László Chikán, Member of the Board of Directors entitled to hold the title of CEO** **Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets** **Gyula Zoltán Mező, Chairman of the Board of Directors** **Zsolt Müllner, Member of the Board of Directors** **Ferenc Karvalits, Member of the Board of Directors**
The Company's Supervisory Board	**István Zsigmond Bakács, Chairman of the Supervisory Board** **Dr István Borbíró, Member of the Supervisory Board** **Péter Jancsó, Member of the Supervisory Board** **Dr János Lukács, Member of the Supervisory Board** **Attila Gyula Sütő, Member of the Supervisory Board**
The Company's Audit Committee	**István Zsigmond Bakács, Chairman of the Audit Committee** **Dr István Borbíró, Member of the Audit Committee**

	Dr János Lukács, Member of the Audit Committee
The Company's Auditor	**The Company's current auditor is BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: H-1103 Budapest, Kőér utca 2/A, C. ép., company registration number: 01-09-867785). The mandate of the auditor is for the period from April 30, 2020 until the date of adoption of the General Meeting's resolution on the report for the fiscal year ending on December 31, 2022 or until May 31, 2023, whichever occurs earlier. The auditor personally responsible for auditing the Company is Péter Kékesi.**
Shareholders of the Company with a share exceeding 5%	**WALLIS ASSET MANAGEMENT Zrt.** **ALTEO ESOP Organization**

2.10 Presentation of the companies involved in the consolidation

Subsidiaries mean the following companies (with specification of influence)

Name of Subsidiary, 6/30/2022	Activity	Rate of influence		
		6/30/2022	12/31/2021	6/30/2021
ALTE-A Kft.	asset management (holding)	100%	100%	100%
ALTEO Deutschland GmbH, being wound up	development of an energy production portfolio, as well as energy services for both wholesale and retail trade	100%	100%	100%
ALTEO Energiakereskedő Zrt.	natural gas trading	100%	100%	100%
ALTEO-Depónia Kft.	electricity production	100%	100%	100%
ALTE-GO Kft.	electricity production	100%	100%	100%
ALTEO-Therm Kft.	electricity production, heat energy production	100%	100%	100%
Domaszék 2MW Kft.	electricity production (solar power plant)	100%	100%	100%
ECO-FIRST Kft.	treatment and disposal of non-hazardous waste	66.67%	66.67%	66.67%
EURO GREEN ENERGY Kft.	electricity production (wind turbine)	100%	100%	100%
e-Wind Kft.[2]	electricity production (wind turbine)	100%	100%	100%
HIDROGÁZ Kft.[3]	electricity production, hydrogas utilization	100%	100%	100%
Kazinc-BioEnergy Kft.[4]	steam supply, air conditioning	100%	100%	100%
Monsolar Kft.	electricity production (solar power plant)	100%	100%	100%
Pannon Szélerőmű Kft.	electricity production (wind turbine)	100%	100%	100%
Sinergy Energiakereskedő Kft.	electricity trading	100%	100%	100%
Sinergy Kft.	steam supply, air conditioning, electricity	100%	100%	100%
SUNTEO Kft	electricity trading, electricity production	100%	100%	100%
Tisza BioTerm Kft.[5]	steam supply, air conditioning	100%	100%	100%
Tisza-BioEnergy Kft.[6]	steam supply, air conditioning	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
WINDEO Kft.[7]	electricity production (wind turbine)	100%	100%	100%

2.11 Changes in the structure of the Group

As an additional step in the process of streamlining the corporate structure of the ALTEO Group, on March 7, 2022, the Company decided to merge by absorption with its following subsidiaries. In the context of the merger, as of July 1, 2022 (day of legal succession) the following companies under the

[2] As of July 1, 2022 (day of legal succession), it merged into EURO GREEN ENERGY Kft. For more details in this regard, please see Section 2.11.
[3] As of July 1, 2022 (day of legal succession), it merged into EURO GREEN ENERGY Kft. For more details in this regard, please see Section 2.11.
[4] As of July 1, 2022 (day of legal succession), it merged into EURO GREEN ENERGY Kft. For more details in this regard, please see Section 2.11.
[5] As of July 1, 2022 (day of legal succession), it merged into EURO GREEN ENERGY Kft. For more details in this regard, please see Section 2.11.
[6] As of July 1, 2022 (day of legal succession), it merged into EURO GREEN ENERGY Kft. For more details in this regard, please see Section 2.11.
[7] As of July 1, 2022 (day of legal succession), it merged into EURO GREEN ENERGY Kft. For more details in this regard, please see Section 2.11.

Company's direct and exclusive control merged into EURO GREEN ENERGY Fejlesztő és Szolgáltató Korlátolt Felelősségű Társaság, operating with the Company as its sole member:

- WINDEO Korlátolt Felelősségű Társaság;
- e-Wind Szélenergetikai Korlátolt Felelősségű Társaság;
- HIDROGÁZ Energiatermelő Korlátolt Felelősségű Társaság;
- Kazinc-BioEnergy Korlátolt Felelősségű Társaság;
- Tisza-BioEnergy Korlátolt Felelősségű Társaság;
- Tisza BioTerm Korlátolt Felelősségű Társaság.

EURO GREEN ENERGY Kft. has become the general legal successor of the merged companies.

2.12 Presentation of significant events at the Company and its Subsidiaries between January 1, 2022 and the date of publication of this Semi-Annual Report

This section is intended to describe other financial information and events with a financial impact that are either prescribed by the applicable accounting standards or deemed by the management to be material for shareholders.

Any material information that may have a significant impact on the activity of ALTEO Group – outside of ordinary day-to-day business operations – has been disclosed by the Board of Directors continuously through the Company's official disclosure points.

2.12.1 Material events of H1 2022

2.12.1.1 Events at the Company relevant under company law

At the ordinary General Meeting of the Company held on April 19, 2022, the following resolutions were adopted:

a) The General Meeting **approved the Statement of Financial Position** proposed for acceptance by the Company's auditor regarding the Company's fiscal year ending on December 31, 2021, along with the separate Financial Statement (comprehensive income: HUF 6,262,118 thousand, total assets: HUF 34,833,009 thousand), the business (annual) report and the report of the Board of Directors prepared in line with the provisions of the Accounting Act applicable to entities preparing their annual report under the EU IFRS standards, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

b) The General Meeting **approved** the Consolidated Statement of Financial Position proposed for acceptance by the Company's auditor for the Company's fiscal year ending on December 31, 2021, along with its Consolidated Financial Statement (comprehensive income: HUF

10,764,080 thousand and total assets: HUF 60,760,748 thousand) and business (annual) report prepared in accordance with the IFRS standards, the report of the Board of Directors, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

c) The General Meeting **adopted** the **Corporate Governance Report** relating to the Company's 2021 operations with the proposed content.

d) The General Meeting adopted the Integrated Report of the ALTEO Group for 2021 with the proposed content.

e) The General Meeting decided to **pay** HUF 1,996,145,562 **as dividend** from the free retained earnings (dividend base) – calculated in accordance with Section 39(3a) of Act C of 2000 on Accounting – supplemented by the profit after tax of the previous financial year and the subsidiary dividends established after 2021, the details of which are available in Section 2.4 Consolidated statement of changes in equity.

f) The General Meeting has given the **discharge** to the members of the Board of Directors in accordance with Section 3:117 (1) of Act V of 2013 on the Civil Code, with the conditions described therein.

g) The General Meeting adopted the Company's Remuneration Report for 2021 with the proposed content.

h) The General Meeting acknowledged and accepted the information provided on **transactions involving treasury shares** with the proposed content.

i) The General Meeting **decided** to extend the **authorization** given to the Board of Directors regarding **treasury share transactions** for eighteen months starting from April 19, 2022 with the proposed conditions.

j) The General Meeting adopted the Company's **Articles of Association** in a consolidated structure with the amendments, with the proposed content.

With its Resolution No. 3/2022 (IV. 20.), based on the authorization granted by Resolution No. 13/2019 (IV. 26.) of the General Meeting, the Board of Directors of the Company decided to launch the process of **increasing the share capital** of the Company by adding **new shares** (hereinafter: **New Shares**) in a private placement (hereinafter: **Private Placement**) as per Section 14 of the Capital Market Act. In the framework of the Private Placement, the Company offered the shares to one investor only, the ALTEO ESOP Organization, in view of the Company's intention to provide the ALTEO ESOP Organization with the amount of ALTEO ordinary shares necessary to implement the Remuneration Policies for years 2024 and 2025, adopted by the Company as founder on the same day. Accordingly, during the Private

Placement process the Board of Directors designated the ALTEO ESOP Organization to receive all New Shares, and excluded the shareholders' subscription rights and any preferential rights for the New Shares.

Taking into account the preliminary statement of commitment submitted during the Private Placement, the Board of Directors set the issue price of New Shares at HUF 2,085 (i.e. two thousand and eighty-five forints). Accordingly, the Board of Directors decided to issue a total of 545,200 New Shares, and set the amount of the capital increase at HUF 6,815,000 (six million eight hundred and fifteen thousand forints) at face value.

By Resolutions No. 4 and 5/2022 (IV. 20.), the Board of Directors defined further details relating to the capital increase; it determined the details and deadlines for submitting the final statements of commitment and for paying up the capital; moreover, it decided on the modification of the Articles of Association, pending the success of the capital increase.

The ALTEO ESOP Organization has fulfilled its preliminary commitment in accordance with the conditions defined by the Board of Directors, and provided the full consideration for the total of 545,200 New Shares issued during the Private Placement in accordance with the requirements; consequently, **the Company's share capital, as registered in the company register, was raised to HUF 249,143,425.**

The New Shares were **created** on May 19, 2022 under an independent ISIN code (ALTEO22 shares; ISIN code: HU0000196902), given that these New Shares were not eligible for dividend for year 2021. After dividends for 2021 have been paid – eliminating the difference in nature between the New Shares and the ordinary shares of ALTEO Nyrt. –, on July 29, 2022 the New Shares were **converted** into ordinary shares of ALTEO Nyrt. in a proportion of 1:1 (ISIN code: HU0000155726).

Based on the Resolution of the General Meeting on the payment of dividend, the Company's Board of Directors **specified June 27, 2022 as the starting date of dividend payment,** and published the conditions of dividend payment through the Company's official disclosure points on May 2, 2022.

2.12.1.2 Events at the Company's subsidiaries relevant under company law in the period between January 1, 2022 and the date of publication of this Semi-Annual Report

Considering the number of its subsidiaries and the company law events affecting them, in this chapter the Company only addresses the major events of its subsidiaries relevant in terms of company law; thus, in particular, decisions regarding changes in personnel, establishments and branches will not be covered below.

In 2022 ALTEO Nyrt. adopted the annual reports of the subsidiaries for 2021. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
EURO GREEN ENERGY Kft.	HUF 1,300,000,000
Monsolar Kft.	HUF 32,000,000
Pannon Szélerőmű Kft.	HUF 1,100,000,000
SUNTEO Kft	HUF 40,000,000

2.12.1.3 Securities issued by the Company and their credit rating

2.12.1.3.1 Bonds repaid

On January 10, 2017 the Company issued a zero coupon bond with a total face value of HUF 650,000,000 (ISIN code: HU0000357405, name: ALTEO 2022/I). The Company's ALTEO 2022/I bonds were repaid and therefore ceased to exist on the maturity date, i.e. on January 10, 2022. In view of the repayment, the Company had no other obligations to the bondholders.

On June 7, 2019 the Company issued a zero coupon bond with a total face value of HUF 1,693,630,000 (ISIN code: HU0000359005, name: ALTEO 2022/II). The Company's ALTEO 2022/II bonds were repaid and therefore ceased to exist on the maturity date, i.e. on June 7, 2022. In view of the repayment, the Company had no other obligations to the bondholders.

2.12.1.3.2 Treasury share transactions

Under the Company's employee share award program, the Company distributed 1,267 ALTEO ordinary shares in February 2022 (through a transfer dated February 4, 2022) to employees who were eligible under the Company's recognition plan.

2.12.1.3.3 Share purchase by the ALTEO ESOP Organization

Based on its transactions announced on January 25, 2022, the ALTEO ESOP Organization has purchased 135,700 ALTEO ordinary shares from DAYTON-Invest Kft. (registered office: H-1055 Budapest, Honvéd utca 20; company registration number: 01-09-927201) and WALLIS ASSET MANAGEMENT Zrt. (registered office: H-1055 Budapest, Honvéd utca 20; company registration number: 01-10-046529) and, so now it is in possession of all the required shares, which can be distributed to eligible shareholders upon fulfillment of the criteria set out in the ALTEO ESOP Organization's Remuneration Policy for 2020.

2.12.1.3.4 Annual review of the credit rating

Scope Ratings GmbH carried out the annual review of the credit rating of the Company's bonds issued in 2019 and 2020 as part of the Bond Funding for Growth Scheme, as a result of which the credit rating of the bonds was maintained; in other words, the bond rating was confirmed at BBB-.

The credit rating agency also confirmed both the BB+/Stable issuer credit rating of the Company and its S-3 short-term debt rating. In addition, the credit rating agency assessed positively the Company's business model in terms of ESG in several aspects, noting among others that the Virtual Power Plant (providing systemic balancing energy) has a potential to contribute to the uptake in power plants which rely on weather-dependent renewable (primarily wind and solar) energy sources, as it provides spare capacity and balancing energy for the protection of the stability of the Hungarian electricity system.

2.12.1.4 Stock tracking

At the Company's request, Kalliwoda Research GmbH and ERSTE Befektetési Zrt. (Erste Group Research) started tracking ALTEO shares.

The analyses are available at the following links:

http://kalliwoda.com/pdf/ALTEO_Nyrt_Kalliwoda_Initiating_Coverage_2021_Q4.pdf

http://kalliwoda.com/pdf/ALTEO_Nyrt_Kalliwoda_Comprehensive_Update_2022_Q1_Kalliworda%20Research.pdf

https://www.erstemarket.hu/files/ALTEO_elemzes_20220530.pdf

2.12.1.5 Long-term trade and business agreements

ALTEO and BC-ERŐMŰ Kft. (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg. 05-09-007481; tax number: 11795346-4-05) agreed with regard to the operation and maintenance contract they concluded on September 29, 1999 as amended from time to time that, in order to continue their mutually beneficial long-term cooperation, they would conclude another long-term operation and maintenance contract for a term of 15 years following the expiry of their previous contract, and this **contract was signed on January 4, 2022**. The new contract secures energy supply for one of the major industrial companies in Hungary, BorsodChem Zártkörűen Működő Részvénytársaság (registered office: H-3700 Kazincbarcika, Bolyai tér 1.; company registration number: Cg. 05-10-000054), reinforcing ALTEO's leadership in the B2B energy service sector. Pursuant to the contract, in accordance with the terms and conditions therein, ALTEO will operate and maintain the power plant and steam boiler owned by BC-Erőmű Kft. until December 31, 2036.

2.12.1.6 Corporate strategy

A new five-year strategy for 2022-2026 has been published by ALTEO for information purposes. The fundamental goals and areas remain the same, but the Company has set itself much more ambitious milestones than before. The company strategy is available at the following link:

https://www.bet.hu/newkibdata/128662993/ALTEO_PPT_VallalatiStrategia2022_2026_final.pdf

2.12.1.7 ESG rating

In February 2022, ALTEO became the first company in the Hungarian electricity and energy sector to obtain an independent, international ESG certificate. More information on our ESG certification is available at the following link:

https://www.bet.hu/site/newkib/hu/2022.02./ALTEO_megszerezte_elso_ESG_minositeset_2022.02.02_128668992

2.12.1.8 Best of BSE Awards

ALTEO was successful in three categories based on its 2021 performance at the Best of BSE Awards, one of the most prestigious events of the Budapest Stock Exchange. ALTEO shared the title of Issuer of the Year with the **highest share price increase** in the premium category, and also won the **Responsibility, Sustainability**, Corporate Governance Award and the **Issuer Transparency Midcap Award.**

2.12.1.9 ALTEO ESOP Organization Remuneration Policies

ALTEO, as the Founder of the ALTEO ESOP Organization, has adopted the Remuneration Policies of the ALTEO ESOP Organization for 2024 and 2025 (hereinafter collectively: **Remuneration Policies**).

The purpose of the Remuneration Policies is to put in place a remuneration system that is in harmony with ALTEO's business strategy and is aimed at improving the performance of the ALTEO Group and hence, increasing shareholder value, in line with the related HR strategy, ALTEO's long-term interests and corporate values, while also providing employees and associates with an attractive long-term incentive program. The Remuneration Policies also facilitate the enhancement of employee engagement and help them become interested parties in representing ALTEO's values by making their remuneration subject to an increase in corporate performance and, consequently, to an expected increase in shareholder value.

The ALTEO ordinary shares required for the implementation of the Remuneration Policies were provided by the Company to the ALTEO ESOP Organization through the capital increase described in Section 2.12.1.

2.12.2 Events after the interim period not reflected in the interim statements

2.12.2.1 FE-GROUP acquisition

ALTEO – as Buyer – concluded a share purchase contract with the natural person owner of FE-GROUP INVEST Zrt. (registered office: H-1108 Budapest, Sírkert utca 2-4.; company registration number: 01-10-043873; hereinafter: **FE-GROUP**) – as Seller – in the subject matter of transferring to ALTEO the ownership right of its shares representing 75.1% of the HUF 1,000,000,000 share capital of FE-GROUP. Signing the share purchase contract is the first step of the transaction; the ownership of the shares of FE-GROUP will be transferred to the Company once the conditions set out in the contract have been met, which is expected to happen within one month. A 24.9% minority share of FE-GROUP will be acquired by the Blue Planet Climate Protection Venture Capital Fund, which will exercise joint ownership with ALTEO over FE-GROUP, as per the relevant percentages. In addition to paper, metal and electronic waste acceptance and recycling, FE-GROUP is engaged in complex waste management activities, with a revenue of over HUF 3 billion in 2021. FE-GROUP has been active in waste processing since 1994, and has ample comprehensive and integrated experience in the corporate and industrial submarkets, as well as in the residential and municipal submarkets to a lesser extent. The acquisition is fully in line with the Company's strategy, updated at the beginning of 2022, which sets the objective of further strengthening the Company's role in the circular economy and sustainable management.

2.12.2.2 EDELYN SOLAR acquisition

ALTEO – as Buyer – concluded a business share purchase contract with a number of natural person owners – as Sellers – of EDELYN SOLAR Korlátolt

Felelősségű Társaság (registered office: H-2183 Galgamácsa, Kiskút utca 11.; company registration number: Cg. 13-09-218939; hereinafter: **EDELYN SOLAR**) in the subject matter of transferring to ALTEO the ownership right of their respective business shares representing 100% of the issued capital of EDELYN SOLAR (HUF 3,000,000). Signing the business share purchase contract represents the first step of the transaction. The ownership of EDELYN SOLAR's business share will be transferred to the Company once the conditions detailed in the contract have been met. In H1 2023, EDELYN SOLAR is expected to start the development of a solar power plant with a capacity of nearly 20MW near Tereske, after obtaining the necessary permits and approvals. The implementation of the development is expected to roughly double the solar power plant portfolio of the ALTEO Group. The acquisition is fully in line with the Company's strategy, updated at the beginning of 2022, which sets the objective of further increasing renewable capacities.

The transaction was concluded on July 21, 2022.

2.13 The business environment of ALTEO and classification of risks according to their characteristics

As the risk factors associated with the ALTEO Group are described in detail in Sections III.3 and III.4 of the Consolidated Financial Statements constituting a part of the Consolidated Annual Report of

ALTEO Nyrt. and its subsidiaries – published by the Company on April 19, 2022 –, the risks presented in this section are limited to those which have changed in the meantime.

Additional information on the risk factors arising from the macroeconomic environment and the legal system

Increased current asset requirements

The economic environment has changed dramatically in recent months: energy prices have multiplied with soaring volatility, which generated enormous demand for deposits and bank guarantees compared to previous periods. In addition, due to less favorable business conditions represented by much shorter supplier payment terms and higher trade receivables resulting from the higher revenue, the Company's working capital financing needs have increased drastically. As a result, ALTEO must use a much larger proportion of its financial assets to finance the increased working capital and deposit needs than in previous years, which may divert funds from otherwise attractive investment opportunities. To ensure that the financing needs of the investments included in its strategy can be met smoothly, with sufficient security and liquidity reserves, ALTEO's management examines and keeps on the agenda various financing opportunities, such as raising funds in the capital market. In the opinion of the management, even amid increased capital costs, ALTEO has a strong financial position and potentially high-return investments that may justify additional capital market borrowing through the issue of bonds or even shares.

Regulatory challenges

As a consequence of the current economic and, in particular, energy situation, state regulation has also intensified. For instance, taxes have been imposed on windfall profit (albeit this has had no impact on ALTEO's business so far) and, contrary to previous practice, the gas price (i.e. the basis of the heat price) is now set by the Energy Authority for Q4 2022 only, rather than for the entire gas year. Similar state measures cannot be ruled out in the future until the situation settles.

Exposure to customers

As a result of the drastically increased energy prices, both our heat supply and retail revenue have increased significantly, resulting in a higher exposure to customers, although we have taken several risk mitigation measures (profile clarification, insurance).

2.14 Pending lawsuits

With regard to the letter of VPP Magyarország Zrt. (registered office: 1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number 01-10-048666), sent to Sinergy Energiakereskedő Kft. in 2018 – the content of which and the response to which by Sinergy Energiakereskedő Kft. are presented in detail in an announcement published on February 14, 2018 through the official disclosure points of the Company – on March 14, 2018, Sinergy Energiakereskedő Kft. requested the Hungarian Intellectual Property Office to establish that the six control procedures it uses in total in the course of operating the virtual power plant are not in violation of the patent "Decentralized energy production system, control tool and procedure, controlling the energy production of the system" registered for VPP Magyarország Zrt. as holder under number E031332.

Sinergy Energiakereskedő Kft. initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the alleged infringement claimed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of this document.

The Group has not identified any situation affecting its statement of financial position with respect to this case.

2.15 Authorization for publication of the Semi-Annual Report

This Semi-Annual Report was discussed by the Group's Board of Directors and authorized for publication on August 29, 2022.

3 Statements of the issuer

The Company declares that its ***consolidated Interim Financial Statements and Semi-Annual Report for H1 2022*** were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the Company's best knowledge, providing a true and fair view of the assets, liabilities, financial situation and profit or loss of the Company as an issuer and of the companies included in the consolidation. The Company also declares that its **consolidated Semi-Annual Report for H1 2022** provides a true and fair view of the situation, development and performance of the issuer and of the companies included in the consolidation, outlining the risks and uncertainties that are likely to arise in the remainder of the fiscal year. The Company declares that the data of this Semi-Annual Report were not audited by an independent auditor.

Budapest, August 29, 2022

On behalf of ALTEO Nyrt.:

Attila László Chikán	**Zoltán Bodnár**
Member of the Board of Directors, CEO	CFO