ALTEO Nyrt.
consolidated

Financial Statements and Annual Report

for the Fiscal Year
2022

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Consolidated Financial Statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság and its consolidated subsidiaries

for the fiscal year ended on
December 31, 2022
in accordance with the International Financial Reporting Standards
as adopted by the EU

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These financial statements consist of 121 pages.

Explanation of the abbreviations used in the financial statements:

Abbreviation	Explanation
ARO	Recultivation under IAS16
BGS	Bond Funding for Growth Scheme – the bond program of the Central Bank of Hungary;
BoD	Board of Directors
BSE	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate
Capital Market Act	Act CXX of 2001 on the Capital Market
CGU	Cash-generating Unit
Company	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
EKR	Energy efficiency obligation schemes under Section 12/A of Act LVII of 2015 (Energy Efficiency Act)
Electricity Act	Act LXXXVI of 2007 on Electricity
EPS	Earnings per Share
ESOP	Employee Share Ownership Program
EUA	European CO2 Emission Allowances
FVTPL	Fair Value through Profit or Loss
Gas Supply Act	Act XL of 2008 on Natural Gas Supply
HAS	Hungarian Accounting Standards
HEPURA	The Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office);
HUDEX	Hungarian Derivative Energy Exchange. HUDEX was founded by HUPX Zrt. in order to comply with the new legal provision that the derivatives of gas and electricity traded on the HUPX and CEEGEX futures platforms are to be considered as financial assets.
HUF thousand	HUF thousand
HUPX	Electricity market organized by the power exchange – a trading system facilitating regional electricity trade operated by the organized electric power licensee (HUPX Zrt)
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
KÁT	The electricity taking-over system based on the rules set out in the Electricity Act, the Government Decree implementing the Electricity Act and Government Decree no. 389/2007 (XII. 23.) On the obligatory dispatch and purchase of electricity generated from waste or from renewable energy sources and co-generated electricity;
KELER	Központi Értéktár Zártkörűen Működő Részvénytársaság (Central Treasury Private Limited Company)
MAVIR	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság
METÁR	Mandatory offtake system for heat and electricity produced from renewable and alternative energy sources
O&M	Operation and Maintenance contract
PM	Ministry of Finances
SB	Supervisory Board

ESEF INFORMATION

Registered office	H-1033 Budapest, Kórház utca 6-12.
Legal form	Public limited company
Country	Hungary
Head office	H-1033 Budapest, Kórház utca 6-12.
Location of activity	H-1033 Budapest, Kórház utca 6-12.
Industry	Energy
Consolidating company	Alteo Nyrt

I Numeric reports of the financial statements

consolidated statement of income for the year 2022
and consolidated statement of other comprehensive income for the year 2022

I.1 Comprehensive income

Comprehensive income (Negative values are denoted by parentheses)	Note	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Revenues	1.	**103 027 053**	**44 249 448**
Material expenses	2.	(70 448 829)	(25 624 444)
Personnel expenses	3.	(5 951 649)	(4 192 237)
Depreciation and amortization	9.	(3 527 162)	(3 936 669)
Other revenues, expenses, net	4.	(6 764 862)	(1 795 605)
Capitalized own production	5.	358 915	242 826
Operating profit or loss		**16 693 466**	**8 943 319**
Finance income	6.	*3 010 721*	*384 928*
Financial expenses	6.	*(3 947 452)*	*(2 255 979)*
Net financial income	6.	(936 731)	(1 871 051)
Profit or loss before taxes		**15 756 735**	**7 072 268**
Income tax expenditures	7.	(2 913 444)	(1 214 818)
Net profit or loss		**12 843 291**	**5 857 450**
Of which the owners of the Parent Company are entitled to:	20.	*12 887 893*	*5 855 184*
Of which the minority interest is entitled to:	20.	(44 602)	2 266
Base value of earnings per share (HUF/share)	34.	**653,61**	**309,96**
Diluted value of earnings per share (HUF/share)	34.	**653,40**	**302,03**
EBITDA	33.	**20 220 628**	**12 879 988**

I.2 Other comprehensive income

Other comprehensive income (Negative values are denoted by parentheses)	Note	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Other comprehensive income (after income tax)		**(3 237 186)**	**4 906 630**
Effect of cash flow hedges on other comprehensive income	*20.4*	1 892 853	5 605 251
Reclassification into profit or loss due to the closing of cash flow hedge	*20.4*	(5 130 039)	(698 621)
Of which the owners of the Parent Company are entitled to:	*20.4*	(3 237 186)	4 906 630
From which the non-controlling interest is entitled to:	*20.4*	-	-
Comprehensive income		**9 606 105**	**10 764 080**

The notes constitute an integral part of the financial statements.

The references in the Notes refer to Chapters IV-V of the financial statements.

Consolidated statement of financial position
for December 31, 2022

I.3 Statement of financial position – Assets

Statement of financial position - Assets (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Non-current assets		**34 941 457**	**31 370 772**
Property, plant and equipment	9.	27 843 737	25 738 088
Other intangible assets	9.	2 417 675	2 516 820
Operation contract assets	9.	925 860	1 052 216
Rights of use	9.	2 016 580	1 766 502
Goodwill	9.	735 913	-
Deferred tax assets	8.	31 990	71 395
Long-term deposits or loans given	11.	969 602	225 651
Long-term participation in associate	12.	100	100
Current assets and assets held for sale		**65 078 937**	**29 389 976**
Inventories	13.	1 779 133	1 076 779
Trade receivables	14.	24 562 537	4 425 345
Emission allowances	15.	1 521 340	2 395 525
Other financial assets	16.	8 500 254	8 627 136
Other receivables and accruals	17.	12 057 221	9 155 718
Income tax receivables	7.	193 124	30 220
Cash and cash equivalents	18.	16 465 328	3 679 253
TOTAL ASSETS		**100 020 394**	**60 760 748**

The notes constitute an integral part of the financial statements.
The references in the Notes refer to Chapters IV-V of the financial statements.

statement of financial position continued on the next page

Consolidated statement of financial position for December 31, 2022

I.4 Statement of financial position – Equity and liabilities

Statement of financial position - Liabilities (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Equity		**26 602 862**	**19 009 318**
Equity attributable to the shareholders of the Parent Company		**26 602 913**	**18 999 287**
Issued capital	20.1	249 066	242 235
Share premium reserves	20.2	6 573 148	5 375 369
Reserve for share-based payments	20.3	(1 459 544)	(206 875)
Hedge reserve	20.4	2 069 245	5 306 431
Retained earnings	20.5	19 170 998	8 282 127
Non-controlling interest	20.6	84 949	10 031
Long-term liabilities		**26 716 632**	**24 490 928**
Debts on the issue of bonds	21.	12 658 274	12 658 274
Long-term loans and borrowings	22.	6 670 051	6 583 098
Finance lease liabilities	23.	1 848 597	1 687 704
Deferred tax liabilities	8.	2 248 154	1 487 761
Provisions	24.	1 247 765	944 136
Deferred income	25.	805 775	593 865
Other long-term liabilities	26.	1 238 016	536 090
Short-term liabilities		**46 615 900**	**17 260 502**
Short-term bond payables	21.	-	2 312 138
Short-term loans and borrowings	22.	7 185 732	419 778
Short-term finance lease liabilities	23.	391 600	237 744
Advances received	27.	1 499 254	8 989
Trade payables	28.	11 282 617	4 546 498
Other financial liabilities	29.	324 160	-
Other short-term liabilities and accruals	30.	24 885 619	9 328 196
Income tax liabilities	7.	1 046 918	407 159
TOTAL EQUITY and LIABILITIES		**100 020 394**	**60 760 748**

The notes constitute an integral part of the financial statements.
The references in the Notes refer to Chapters IV-V of the financial statements.

Consolidated Statement of Cash Flows for the year 2022

I.5 Statement of Cash Flows

Cash flow (Negative values are denoted by parentheses)	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand
Profit or loss before taxes		**15 756 735**	**7 072 268**
(Interest income) and interest expenses, net	6.	1 047 392	971 977
Depreciation	9.	3 527 162	3 936 669
Recognition of impairment in profit or loss	4.	354 801	132 601
Scrapping of production and other machinery	4.	2 298	12 612
Provisions recognized (released)	24.	265 959	93 643
Provisions for asset retirement obligations recognized and (released) - IAS 16	24.	(229 103)	(54 180)
Deferred income increase (decrease)	25.	211 910	157 001
Effect of other comprehensive income	20.4	(3 739 230)	4 682 760
Share-based payment cost	20.3	830 840	261 275
Changes in deferred taxes	7.	1 107 592	197 356
Effect of income taxes on profit or loss	7.	(2 913 444)	(1 214 818)
Net cash-flow of business activity without change in current assets		***16 222 912***	***16 249 164***
Change in inventories	13.	(552 051)	(634 157)
Changes in emission allowances	15.	874 185	(1 552 037)
Change in trade receivables, other receivables, accrued income and deferred charges	14.	(22 793 522)	(6 597 459)
Change in other financial assets	16.	126 882	(6 831 154)
Change in trade payables, other liabilities, accrued expenses and deferred income	28.	21 380 533	6 784 178
Advances received (final settlement -)	27.	1 490 265	(37 511)
Cash flow from business activities (use of funds)		**16 749 204**	**7 381 024**
Interests received on deposits and investments	6.	533 791	41 355
Purchase of production and other machinery, and intangible assets	9.	(3 598 491)	(3 534 766)
Investment in acquiring businesses (net of cash)	32.	(505 930)	-
Revenue from the sale of production and other machinery, and intangible assets	9.	3 268	8 870
Change in lease assets	10.	-	128 949
Long-term loans or deposits given - lending	11.	(744 309)	(131 395)
Long-term loans or deposits given - repayment	11.	-	-
Cash flow of investment activities (cash outflow)		**(4 311 671)**	**(3 486 987)**
Interest paid on bonds and loans	21., 6.	(895 240)	(770 035)
Assumption and prepayment of long-term loans and borrowings, financial liabilities, lease liabilities	22.	5 639 348	(2 361 869)
Bonds repaid	21.	(2 343 630)	-
Bonds issued	21.	-	-
Capital increase, purchase of own shares	20.1	1 133 865	-
Changes in ESOP cash and cash equivalents and other transactions with owners	20.3	(1 434 680)	(93 382)
Dividend payment	20.5	(1 933 001)	(455 275)
Cash flow from financing activities		**166 662**	**(3 680 561)**
Changes in cash and cash equivalents		**12 604 195**	**213 476**
Opening cash and cash equivalents	18.	**3 679 253**	**3 455 045**
Cash exchange gains/losses		*181 880*	*10 732*
Closing cash and cash equivalents	18.	**16 465 328**	**3 679 253**

The notes constitute an integral part of the financial statements.

The references in the Notes refer to Chapters IV-V of the financial statements

Consolidated Statements of Changes in Equity
for the period ended on December 31, 2022

Data in HUF thousand	Issued capital	Share premium reserves	Share-based payments reserve		Hedge reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
			I.	II.					
*Ref**	20.1	20.2	20.3		20.4	20.5		20.6	
1.1.2021	**232 972**	**4 962 084**	**62 819**	**-**	**399 801**	**2 882 216**	**8 539 892**	**7 765**	**8 547 657**
Implementation of employee share award 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)
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				-		-
Aggregate amount of rounding difference						2	2		2
Comprehensive income					4 906 630	5 855 184	10 761 814	2 266	10 764 080
12.31.2021	**242 235**	**5 375 369**	**(206 875)**	**-**	**5 306 431**	**8 282 127**	**18 999 287**	**10 031**	**19 009 318**
Implementation of employee share award 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)						(1 996 146)	(1 996 146)		(1 996 146)
Capital movements related to the Employee Share Ownership Program (ESOP)									
Cash transferred to ESOP I.			(300 000)				(300 000)		(300 000)
Cash transferred to ESOP II.				(1 136 742)			(1 136 742)		(1 136 742)
Receivable from ESOP		2 063				(2 874)	(811)		(811)
Dividend paid to ESOP		63 145					63 145		63 145
Recognition of share benefits against profit or loss			184 073				184 073		184 073
Fe-Group Zrt. acquisition									
Equity of non-controlling interest							-	119 520	119 520
Aggregate amount of rounding difference		(1)				(2)	(3)	-	(3)
Comprehensive income					(3 237 186)	12 887 893	9 650 707	(44 602)	9 606 105
12.31.2022	**249 066**	**6 573 148**	**(322 802)**	**(1 136 742)**	**2 069 245**	**19 170 998**	**26 602 913**	**84 949**	**26 687 862**

The notes constitute an integral part of the financial statements.

Negative values are denoted by parentheses.

The amount of issued capital is different from the value registered at the registry court. Differences are presented in Note 21 to the Separate Financial Statements.

II General information, significant accounting policies and the basis for the preparation of the financial statements

II.1 Statement of IFRS compliance

The management declares that the consolidated financial statements for the year 2022 were prepared in accordance with the International Financial Reporting Standards as adopted by the EU, based on the management's best knowledge, providing a true and reliable picture of the assets, liabilities, financial situation of the Group as an issuer, as well as of its profit and loss. Furthermore, the management declares that its consolidated financial statements for the year 2022 provide a true and fair view of the situation, development and performance of the issuer, outlining main risks and uncertainties. The management made this declaration in full awareness of its responsibility.

II.2 The activity of ALTEO Group

By today, the ALTEO Group, founded in 2008, has become an acknowledged comprehensive energy service provider in Hungary. The shares of the Company, having entered the Budapest Stock Exchange in 2010, have been listed on the Equities Prime Market of the BSE since 2018, but ALTEO is a member of the Hungarian stock exchange through its corporate bonds as well.

The corporate group is an energetics service provider and trading concern that represents a modern approach and is in Hungarian ownership. Its business activity covers energy production based on renewable energy carriers and on natural gas, energy trading, as well as personalized energy services, development projects and maintenance for corporate entities.

The company group considers spreading renewable resource-based electricity production in Hungary a priority task. Accordingly, we are striving for the development of an energy portfolio which strikes a careful balance between relying on renewable energy and small power plants burning hydrocarbons, as well as combining them with cogeneration technologies to achieve even higher efficiency. We are building a client-oriented, reliable and flexible energy trading business to provide assistance to small, medium and large corporations in our clientele in energy management, therefore minimizing environmental burdens and costs.

Our strategic goals are closely linked to our core values. When compiling our portfolio, our endeavor was to become a decisive energy service provider on several fronts through the optimal application of both wholesale and retail energy trading, decentralized energy production and efficient energy management. This way we provide our customers and partners with high quality and innovative services, and produce sufficient yields to our shareholders.

Global energy market trends have changed in recent years: decarbonization has become a priority, decentralization in energy production continued; innovative technologies emerged in the energy industry as a result of digitalization. ALTEO not only intends to become a competitive market actor, but also wishes to take the lead in the transformation of the energy market.

Its 2022 results confirmed ALTEO's strategy and the successful investments of the past period. ALTEO's profitability was only moderately affected by the COVID epidemic compared to other more procyclical sectors due to the risk management measures taken by the company and the fact that the negative impact of the epidemic was far outweighed by the excellent results achieved with other activities.

The outstanding performance of the virtual power plant in charge of heat and electricity generation has been positively impacted by the 18MW expansion of the power plant portfolio’s gas engine capacity in 2020. In 2021 prices in the global market increased significantly, which also affected the Group’s profitability. The Retail segment closed with an outstanding, record profit, reflecting the impact of rising global prices.

The results achieved in 2022, although partly stemming from one-off events, are good feedback to ALTEO’s management and demonstrate that the strategy presented earlier and revised in early 2022 is working. Environmental and social sustainability continues to have a crucial role in our strategy.

II.3 ALTEO Group

II.3.1 Group members, group structure

The Group consists of ALTEO Nyrt. (Parent Company) and the subsidiaries. The Group includes all entities which are directly or indirectly controlled by the Parent Company. In the Group, control is exercised based on ownership share.

The Group’s Parent Company is ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság, a company established (on April 28, 2008) under Hungarian law as governing law. As of September 6, 2010 the company was listed on the Budapest Stock Exchange.

The publicly issued shares of the Company are quoted on the Budapest Stock Exchange; the closing rate of the shares on the last trading day of 2022 (on December 30) was HUF 3200, the annual trading volume in 2022 amounting to 2,386,394 shares in the value of HUF 6,111 million.

Registered office and center of operations of ALTEO Nyrt.: H-1033 Budapest, Kórház utca 6-12.

Registered core activity of the Parent Company: Engineering activities and related technical consultancy (Hungarian NACE 7112).

The majority shareholder of ALTEO Nyrt. is Wallis Asset Management Zártkörűen Működő Részvénytársaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-10-046529).

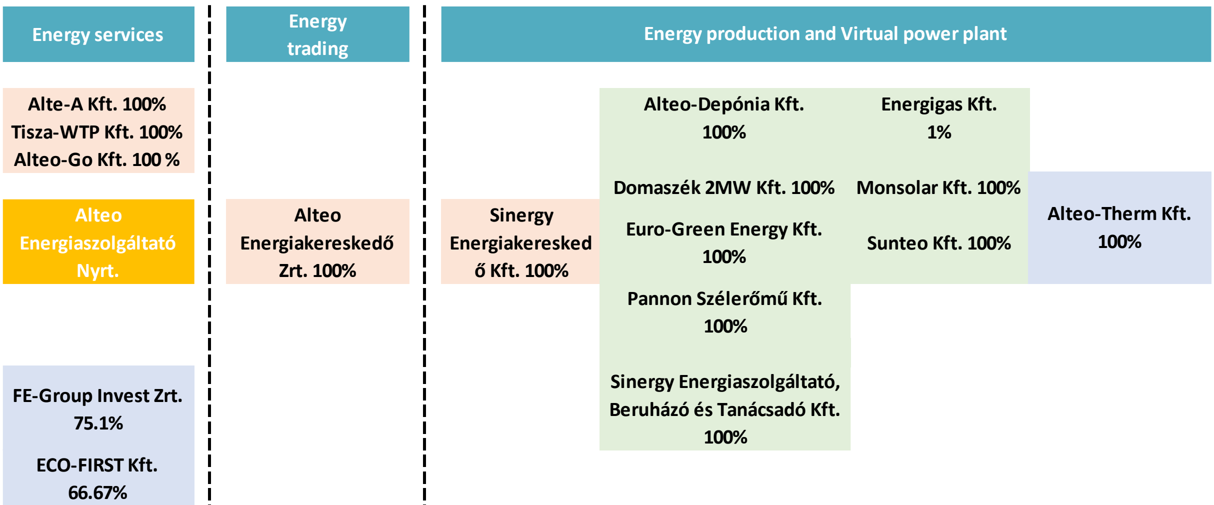
The Group’s ultimate Parent Company was WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-09-925865) as at December 31, 2022. The shareholders of this entity are all private individuals.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

Ownership structure of the Parent Company based on the share register as at December 31, 2022:

Present shareholders of the Company based on the share register as at	Face value (HUF		Ownership ratio (%)	
	2022	2021	2022	2021
Wallis Asset Management Zrt. and its subsidiaries	128 475	153 436	51,57%	63,32%
Consortium led by MOL RES Investments Zrt.	24 888	-	9,99%	-
ALTEO ESOP Organization	14 478	5 967	5,81%	2,46%
Members of the Board of Directors, the Supervisory Board and the Executive Board	11 429	11 564	4,59%	4,77%
Own shares	78	94	0,03%	0,04%
Free float	69 795	71 269	28,01%	29,41%
TOTAL	**249 143**	**242 329**	**100,00%**	**100,00%**

The ALTEO Group's organization and structure on the reporting date which include the companies with respect to which the turnover data of the current period and the balances of the statement of financial position closing the current period were filtered:



Disclosure on Subsidiaries

Name of companies in Group	Note	Registered office	Activity	Ownership acquisition date	Legal title	Rate of influence		Amount of equity (HAS) HUF thousand	Amount of revenue (HAS) HUF thousand
						12.31.2022	12.31.2021	12.31.2022	12.31.2022
ALTEO Energiaszolgáltató Nyrt.		**H-1033 Budapest, Kórház utca 6-12.**	**Engineering service**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
ALTE-A Kft.		H-1033 Budapest, Kórház utca 6-12.	property management	8.2.2011	Founding	100%	100%	10 308	-
ALTEO Energiakereskedő Zrt.		H-1033 Budapest, Kórház utca 6-12.	electricity and gas trade	12.5.2011	Founding	100%	100%	381 077	26 736 197
ALTEO-DEPÓNIA Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production	10.1.2008	Founding	100%	100%	128 083	285 101
Alteo-Go Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production, e-mobility services	5.4.2015	Purchase	100%	100%	6 215	183 545
Domaszék 2MW Naperőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	12.4.2017	Purchase	100%	100%	40 903	108 147
ECO First Kft.	3	H-1033 Budapest, Kórház utca 6-12.	treatment and disposal of non-hazardous waste	6.25.2019	Purchase	66,67%	66,67%	61 328	422 312
Edelyn Solar Kft.	5	H-2183 Galgamácsa, Kiskút utca 11	business and other consultancy activities	7.21.2022	Purchase	100%	N/A	1 493	-
Euro Green Energy Kft.	1	H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	5.28.2019	Purchase	100%	100%	2 061 085	2 347 073
FE-Group Zrt.	4	H-1101 Budapest, Sírkert utca 2-4	wholesale of waste and scrap, recycling	9.9.2022	Purchase	75,10%	N/A	377 789	3 880 648
ALTEO-THERM Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	12.31.2009	Purchase	100%	100%	3 485 759	52 349 030
Monsolar Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	11.6.2017	Purchase	100%	100%	46 784	228 412
Pannon Szélerőmű Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	10.14.2020	Purchase	100%	100%	1 453 900	1 040 236
Sinergy Energiakereskedő Kft.		H-1033 Budapest, Kórház utca 6-12.	Electricity trading	5.4.2015	Purchase	100%	100%	596 829	56 600 995
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (hydropower plant)	5.4.2015	Purchase	100%	100%	563 472	555 200
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (solar power plant)	1.30.2013	Founding	100%	100%	282 122	795 796
Tisza-WTP Kft.	2	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	5.4.2015	Purchase	100%	100%	101 735	1 756 936

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

1	Date of merger by absorption: 06/30/2022 Absorbed companies: e-Wind Kft., Hidrogáz Kft., Kazinc-BioEnergy Kft., Tisza-Bioterm Kft., Tisza-BioEnergy Kft.; Windeo Kft.
2	100% share; undertakings presented as lease assets
3	The Group has a 66.67% share in Eco-First Kft., thus the share of the group in the net assets of Eco-First Kft. is 66.67%, with that, however, the Group exercises control over this company.
4	The Group has a 75.1% share in FE-Group Invest Zrt., thus the share of the Group in the net assets of FE-Group Invest Zrt. is 75.1%, with that the Group exercises control over this company — Date of acquisition: 09/09/2022 As a result of the acquisition, Minaqua Kft, a wholly owned subsidiary of FE-Group Invest Zrt. that was absorbed by its parent company on 01/01/2023, became part of the Group.
5	Purchase of the 100% business quota of Edelyn Solar Kft 07/21/2022

The laws of Hungary are to be applied to the subsidiaries of the Group. The subsidiaries pay tax in accordance with the Hungarian regulations.

The subsidiaries of the Group are also included in the consolidation of other companies.

year	Member company	Consolidating entity
2022	Tisza WTP Kft.	Mol Petrolkémia Zrt., 100% shares

II.3.2 Acquisitions and divestments

year	Member company	Change in participations
2021	BC-Therm Kft.	Divestment of 100% business quota
2022	Edelyn Solar Kft	Acquisition of 100% business share
2022	FE-Group Invest Zrt.	Acquisition of 75.1% participation

II.3.3 Transformations

06/30/2022 – ‘Merger of subsidiaries producing energy in wind plants’

As the next step in the process to streamline the corporate structure of ALTEO Group as announced at the extraordinary General Meeting of ALTEO Nyrt. on November 08, 2017, the Company decided on the merger by absorption of its subsidiaries operating wind power plants. In the course of the merger

- Euro-Green Energy Kft. absorbed:
    - e-Wind Kft.
    - Hidrogáz Kft.
    - Kazinc-BioEnergy Kft.
    - Tisza-BioEnergy Kft.
    - Tisza-Bioterm Kft.
    - Windeo Kft.

The mergers by absorption were concluded on June 30, 2022.

II.4 The basis for preparation of the financial statements

These financial statements present the financial position, performance and financial situation of the Parent Company ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság and its consolidated entities (collectively referred to as: the Group). The Group first published consolidated financial statements prepared under the IFRSs in 2010.

The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board (IASB). The IFRSs were adopted by the Group as endorsed by the European Union. Where an IFRS does not provide detailed guidelines for certain rules, but the Accounting Act has such rules, the provisions of the Accounting Act shall be applied. Beside the above, the Group prepared the financial statements considering the provisions of Decree No. 24/2008 (VIII. 15.) of the Minister of Finance on the detailed regulations on information obligation in connection with the securities trade on the stock exchange.

These financial statements contain information for a comparable period. The comparable data included in the report were prepared based on the same principles as the ones applied to the data of the reporting period.

II.4.1 Going concern requirement

The management of the Parent Company is not aware of any information or data which would imply that the Group intends to terminate or significantly reduce its operations in the foreseeable future (within one year from the reporting date).

II.4.2 Preparation, approval and publication of the financial statements

The financial statements of the Group and the related business report are prepared and approved by the management of ALTEO Nyrt. acting on behalf of the Board of Directors. The Board of Directors publishes the finished financial statements and the business report and submits them to the General Meeting after having it reviewed by the Supervisory Board.

The Group publishes its financial statements at its places of disclosure.

II.4.3 The Group's places of disclosure

- www.alteo.hu
- e-beszamolo.im.gov.hu
- www.kozzetetelek.mnb.hu
- www.bet.hu

The persons authorized to jointly sign the consolidated annual report:

- **Attila László Chikán** (H-1144 Budapest, Gvadányi utca 15. 8. ép. B. lház. fszt. 2.) member of the Board of Directors, CEO
- **Zoltán Bodnár** (H-2045 Törökbálint, Honfoglalás utca 12.) Deputy CFO.

The person commissioned to control and lead the auditing tasks in accordance with Section 88 (9) of Act C of 2000:

- **Anita Magdolna Lénárt (registration number: 186427).**

II.5 Significant accounting policies

II.5.1 Presentation of the financial statements

The Group prepares consolidated financial statements involving its controlled entities and the Parent Company (hereinafter: financial statements). The Group's financial statements are comprised of the following (parts):

- consolidated statement of income
- consolidated statement of financial position

The Group has decided to present the statement of income and the statement of other profit or loss in separate statements.

- consolidated statement of other comprehensive income

Other comprehensive income includes items which increase or decrease net assets (i.e. the difference between assets and liabilities) and such decrease may not be recognized against any asset, any liability or profit or loss, but instead change an element of equity directly in respect of the broadly defined performance of the Group. Other comprehensive income does not include, among others, equity transactions which result in a change in the available equity and transactions conducted by the Group with the owner acting in its capacity as owner.

- consolidated statement of changes in equity;
- consolidated Statement of Cash Flows
- notes to the consolidated financial statements.
- **Management report**

  In the context of the financial statements but as a separate document, the Group prepares its ***Management Report*** in accordance with the disclosure requirements relating to publicly traded securities.

II.5.2 Currency, accuracy and period of the presentation of the financial statements

- The reporting period and the fiscal year of the Group is identical with the calendar year.
- The reporting date of the report is December 31.
- The functional currency of the reporting Group is the Hungarian forint.
- The presentation currency of the report is the Hungarian forint.
- Indicated as: HUF; the figures displayed are in thousand HUF unless otherwise indicated.
- The foreign currency relevant to the Group is the Euro. Foreign exchange rates:

Currency	2022.12.31	2022 average	2021.12.31	2021 average
euro (EUR)	400,25	391,33	369,00	358,53

II.5.3 Decisions regarding presentation

Changes in comparative data

The previous IFRS consolidated financial statement of the Group was drawn up for the fiscal year of 2021. The consolidated financial statements contain one set of comparative data, except when the figures for a period had to be restated or when the accounting policies had to be amended. In such cases, the opening figures of the statement of financial position for the comparative period are also presented.

In the event that an item needs to be reclassified for presentation purposes (e.g. due to a new line in the financial statements), the figures for the previous year are adjusted by the Group so as to ensure comparability.

At the time of preparation of the report on 2022, there were no changes in comparative data.

Determining the structure of the Group

(i) Subsidiaries

Starting from 2014, consolidation has been performed by the Group in accordance with the provisions of IFRS 10. Before preparing financial statements for each period, the Group verifies whether

- it still has control over the entities which were previously in the Group;
- it acquired control over any new entities.

If the existence of control is established, then that unit is consolidated regardless of its legal form (full consolidation). Consolidation is to be performed using the acquisition method.

The Group's ability to control means (after the effective date of IFRS 10) that it is able to direct the subsidiary (has power over it), it has exposure, or rights, to variable returns, and is able to determine the use of such variable returns. Rights existing as at December 31, 2022 that were exercisable at that time or convertible to voting rights and provided substantial rights (i.e. actually provided control and there were no limitations which could restrict the exercise of such rights) were considered by the Group for the purpose of determining the extent of such control.

Control (power) is assessed based on the following factors which are usually indicators of control. These factors shall be assessed in their entirety and conclusion shall be derived by examining the factors together, not separately:

- Any member of the Group or the Group collectively holds 50% of voting shares or initial contributions plus one vote and there are no express agreements that would restrict the Group when voting. Where a subsidiary entity which is not wholly owned possesses a share in another entity, such share is considered in its entirety when determining the full extent of the share (second-tier subsidiaries and below).
- If any member of the Group exercises the right to appoint senior executives (senior executives include managers, as well as members of the Board of Directors and the CEO).

- If there is an agreement which provides conclusive evidence that the Group is able to make significant decisions in respect of a given entity by itself.
- If there is an entity whose assets or capacities are fully and consciously allocated by the Group. Control is not deemed to exist if this situation arises but not as a result of the Group's conscious decisions.

Control is not deemed to exist by the Group if the Parent Company has a share of over 50% in an entity but operates the assets of that entity at the specific direction and on behalf of someone else, or if the capacities of that entity are fully allocated by someone else. The net assets of such entities are treated by the Group as if such assets were leased to someone else (IFRS 16), which means that these entities are not consolidated.

The ability to control is not deemed by the Group to exist if such control is only on someone else's behalf in such a way that the controlling entity (apparent parent company) does not bear any risks in connection with the controlled entity.

Entities which are insignificant and subsidiaries whose operations are different from the Group's scope of activities are not exempted from consolidation by the Group.

The reporting date of the subsidiaries' financial statements was the same as the Parent Company's reporting date, and the accounting policies adopted by the subsidiaries were identical to the Parent Company's accounting policies. The accounting policies of the entities which have recently joined the Group have been harmonized with the Group's accounting policies and accounting policies have been developed in connection with the newly introduced activities and accounting events.

(ii) Associates

Associates are presented by the Group using the so-called equity method. The compensation paid for the share is recognized by the Group at initial recognition as the initial value. If the amount paid for the share exceeds the fair value of the net assets, then this difference is treated by the acquirer as goodwill in such a way that this difference is not shown in a separate line in the statement of financial position; instead, the amount will be the same as the value of the share. Any negative difference is immediately credited by the Group to profit or loss as negative goodwill.

Subsequent to initial recognition, the part proportional to the comprehensive income for the current year is recognized by the Group as an increase or decline in the value of the share. The effect of the change is recognized by the Group in a separate line in the statement of profit or loss and other comprehensive income (share of profit of associate) up to the part which is derived from net profit or loss. Any change in the net assets of the associate against other comprehensive income is presented by the Group in other comprehensive income, also in a separate line (share of other comprehensive income of the associate).

Should the value of the share turn negative as a result of the year-end valuation, then a liability arising from this position is recognized by the Group only if it is subject to a legal or constructive obligation to meet its liability. If no such obligation exists, then the Group merely discloses the value of unrecognized loss.

In the statement of financial position, balances with entities of the Group are not eliminated, but the part of the profit recognized by associates that has an effect on the comprehensive income and is attributable to the Group, need to be eliminated proportionally. Goodwill arising with the acquisition of these investments will not be recognized separately, but will be included in the value of the share.

Definition of segments

The Group discloses operating segment information in the notes to the financial statements. Operating segments are determined in accordance with the strategic expectations.

(iii) Activity based segments

The activity of the ALTEO Group can be classified in the following main groups (segments):

Description of segment	Segment activity
Energy Trading	Retail trade in electricity and gas
Renewables-based energy production *(formerly: 'Subsidized' Electricity Production – 'KÁT')*	Energy production of renewable solar, wind and hydropower plants. *(formerly: Electric power production of power plants producing for the subsidized KÁT or METÁR system (utilizing renewable energy).*
Heat and electricity production and management *(formerly: Market-based heat and electricity generation)*	*Regulated heat and electricity production* *(formerly: Market-based heat and electricity generation, including the portfolio performance of the Virtual Power Plant.)*
Energy services	Operation, maintenance of energy generating assets and construction-installation activity.
Other	Other non-segment activities and central administration.

The principle of identifying segments is the formation of segment units by differences in risks and business models.

These activities are monitored by the strategic and operational decision-makers. The content and name of the single segments is continuously tracked by the management of the Group and is also clarified by the management of the Group as necessary. Since the management does not review the assignment of assets and resources to specific segments, the segment level breakdown of assets and resources is not published.

(iv) Geographic segments

The activity of the Group is limited to Hungary only, the management did not consider it necessary to establish regional segments for the area of the country.

II.5.4 Principles for performing consolidation

Treatment of business combinations

Business combinations include cases where the Group acquires control over a new entity and the goal of the transaction is to acquire the business operations of the acquiree and not only its assets. The acquisition of control is recorded as of the day after which any of the circumstances that result in the entity being treated as a subsidiary apply.

The value of goodwill or negative goodwill is determined for the date of the business combination. This value is the difference between the fair value of the assets transferred in return for the share (the consideration) and the fair value of the share of net assets acquired. The consideration includes previously held shares in the entity.

The consideration includes the following:

- money paid or due;
- the fair value of the stocks issued by the acquirer in relation to the combination (the fair value is derived from the stock price at the date of issue);
- the fair value of other assets transferred (reduced by any liabilities transferred);
- the fair value of any contingent consideration, i.e. the part of the consideration which is payable or refundable if certain future events occur (or do not occur).

If the actual amount transferred (returned) is different from the estimated value of the contingent consideration, then such difference is recognized by the Group in profit or loss in the period in which the value of the difference can be calculated.

Determining the acquired net assets

The assets and liabilities acquired as part of the business combination are measured at the fair value as at the date of the combination. The principles for determining fair value are described in the chapter on fair value. During valuation, assets and liabilities which are not included in the acquiree's separate financial statements but need to be recognized under the standards are recorded in the statement of financial position. In particular, this includes internally-generated intangible assets and owned by the acquiree; in addition, any contingent liabilities of the acquiree as at the date of the business combination are recognized (at fair value) as liabilities, regardless of the fact that these may not be recognized as liabilities in separate financial statements under IAS 37.

Goodwill

The difference between the consideration paid for the acquired subsidiary (cost of control) and the net assets acquired is recognized by the Group as an intangible asset which cannot be amortized, provided that such difference is greater than zero. If the value of the goodwill is negative, the procedure to be adopted is as follows:

- an organization that is different from the one that performed the original calculation (or, if none is available, a different person within the organization) recalculates the value of goodwill (does calculations and reviews the valuation, focusing on the undervaluation of liabilities and overvaluation of assets) and makes adjustments as required;
- if the result of the calculation is still a negative value, then such difference is credited to profit or loss in one lump sum as profit on a "bargain purchase" from the Group's perspective; such profit is attributable to the shareholders of the acquirer.

Measurement period

Determining the fair value of the assets acquired may take a long time. In accordance with the provisions of IFRS 3, the value of net assets acquired as well as the resulting goodwill or negative goodwill are finalized by the Group within one year from the date of acquisition (measurement period). The value of net assets and goodwill (negative goodwill) is recognized by the Group in the financial statements issued in the measurement period at a value that is based on its best estimate at the time of issue; however, such estimate may change considerably during the measurement period. In accordance with the rules under IFRS 3, these changes are treated by the Group not as corrections, but as adjustments relating to the measurement period. No such change happened in the current year. Note IV.32 contains further details on the acquisitions.

Impairment of goodwill

The Group recognizes goodwill when it participates in a business combination as a buyer and the value of assets handed over in order to obtain control (including the value of liabilities accepted from former owners) exceeds the fair value of its net assets concerning the purchased group. The Group assigns it to the cash-generating unit (Cash Generating Unit – CGU) and tests it every year whether the goodwill became impaired. In the course of the impairment test of the goodwill the recoverable amount of the CGU must be compared to the carrying amount of the CGU. If the recoverable amount is smaller than the carrying amount of the CGU then – if there are no clearly damaged assets – the goodwill must be written off first. The goodwill must not be reversed later. The recoverable value of CGU is the greater one of the value in use and the fair value less point-of-sale costs.

Treatment of non-controlling interests (NCI)

The net assets (assets and liabilities) of non-controlled interests are recognized by the Parent Company in their entirety. However, only the part of consolidated equity which is held after the acquisition and attributable to the Group is recognized by the Group as equity attributable to the Parent Company.

The value of the net assets of the subsidiaries attributable to non-controlling interests is recognized by the Group separately, in one line, as non-controlling interest. The non-controlling interest is part of the equity not attributable to the owners of the parent company.

Non-controlling interests are recognized by the Group in proportion to net assets (at carrying amount) at each reporting date and are not re-measured at fair value at the end of each reporting period.

Changes in the structure of the Group (in respect of existing shares)

In the event that the Group sells a part of its share in a subsidiary, the following procedure must be used:

- if control is retained (the entity remains a subsidiary), then the difference between the change in non-controlling interest and the selling price (compensation) is accounted for in equity (no profit or loss is realized) and is recognized separately as a transaction with owners in the statement of changes in equity;
- if control is lost, then the difference between the value of the derecognized net assets and the selling price (compensation) is recognized in the consolidated financial statements as profit or loss. Any share that is retained is measured at fair value as at the date on which control is lost and shown as associate or financial instruments.

If the Group acquires an additional share in an entity in which it already has a share, and

- if control is not obtained even after the increase in its share, then the Group continues to account for its share in the relevant entity as a financial instrument or associate;
- if control is obtained as a result of the increase in share through the transaction in question, then the Group applies the rules if IFRS 3 to this step, consolidates the assets and liabilities of the relevant entity and recognizes goodwill or negative goodwill according to the provisions of the standard;
- if a share is increased in such a way that the entity associated with the share was already controlled by the Group before the increase, then the Group reduces the amount of non-controlling interests and the difference between this reduction and the compensation received is recognized directly in equity as a transaction of owners; no profit or loss is recognized with respect to these transactions and the value of goodwill (negative goodwill) remains unchanged.

II.5.5 Transactions with owners

No profit or loss or other comprehensive income may be realized with respect to transactions with shareholders of the Parent Company in which the other counterparty is the Group. This rule is applicable to transactions where ***the parties involved in the transaction acted in their capacity as members or determined the terms of the transaction with a view to their capacity as members.*** Such items are accounted for directly in equity as dividend payment or additional capital contribution (designated as a transaction with owners).

Besides the above the Group recognizes the difference between the value of the share recognized among non-controlling interests and the value of the capital increase in the case of ownership share obtained through contribution among the Transactions with owners.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

II.5.6 Dividends

At its annual General Meeting, the Parent Company may decide on the payment of dividends. Dividend is paid only on the Company's registered, dematerialized ordinary "A" series shares with a face value of HUF 12.5, recorded with the identifier HU0000155726ISIN – excluding the treasury shares held by the Group, as well as other shares that do not entitle their holders to dividends pursuant to Section 3:298(3) of the Civil Code.

II.5.7 Accounting policies relating to the statement of profit or loss

Revenues

The Group accounted for its revenues in accordance with the rules of IFRS 15.

IFRS 15 established a unified model for revenues originating from contracts. With the help of the unified five step model the standard determines when and in what amount do revenues have to be recognized. This standard states explicit expectations for the situation when several elements are transferred to the customer at the same time. IFRS 15 describes two methods for timing the recognition of revenue: revenue accounted for at a given time and during a given period. The IFRS 15 standard also creates theoretical rules concerning what happens with the costs in connection with acquiring and providing – not recognized elsewhere – the contract. The standard does not contain revenue recognition rules for the financial instruments; those will be settled in IFRS 9.

According to the IFRS 15 standard, revenue elements shall be accounted for in accordance with the termination of performance obligations. Performance obligations shall be considered as terminated when an entity transfers the control over the goods or services to the buyer. Revenues must be accounted for when the Company realized them – that is, if the Company contractually performed towards its customers and the financial settlement of the claim (the realization of the economic advantage in connection with the transaction by the company) is likely, and the amount of that and the related costs can be adequately (reliably) measured.

Items collected on behalf of other entities and to be recharged later, and excluded from revenues

The Group does not recognize items collected on behalf of other entities to be recharged later as part of revenue because the Group has no control over these items. The Group identified the following as such items:

Name	Content of item
Value added tax	Value added tax within the meaning of Act CXXVII of 2007.
Energy tax	The tax within the meaning of Act LXXXVIII of 2003 on Energy Tax.
Excise duty	The tax within the meaning of Act LXVIII of 2016 on Excise Duty.
Electric power system usage fees	Distribution fees within the meaning of Item c) of Section 142 (1) of Act LXXXVI of 2007 on electricity: the distributor's base fee, the distributor's performance fee, the distributor's traffic fee, the distributor's reactive energy fee, the distributor's loss fee and the distributor's schedule balancing fee.

Name	Content of item
Financial assets	Financial assets within the meaning of Section 147 of Act LXXXVI of 2007 on electricity: the fee payable for the structural transformation of the coal industry, the fee payable for supporting the discount price electric power and the related production structure transformation fee.
HHSA fee	Based on the decision of the General Meeting of the Hungarian Hydrocarbon Stockpiling Association No. 2/2016. (XII. 16.) a membership contribution payable after mineral oil products and natural gas, according to the provisions of Section 40(2) of Act XXIII of 2013 on the safety stockpiling of imported mineral oil and oil products and of Sections 8(1) and (2) of Act XXVI of 2006 on the safety stockpiling of natural gas.
Products, services acquired for third parties in agent status and forwarded in unchanged form	If forwarding a given procurement (service or product) is done in the same form in unchanged amount by the Group and no practical risk arises on the part of the Group in connection with this, then reselling is done in an "agency structure" and the item is no part of the revenue. Usually, water rates invoiced forward under district heating service can be such transactions.

Customer contracts

In connection with the customer contracts, the Group applied the 5-step model specified in the standard. In most of the existing contracts, the date of performance is not different from the billing period, therefore, the realization of the revenues is not different from the actual billing. Regarding contracts where several elements are transferred to the buyer at the same time or as recognized revenue for a period, the Group performs the realization of the revenue – the allocation to contractual elements or periods – by taking into consideration the underlying economic content. The following contracts or contractual elements are included in this category:

- **General construction-installation contracts**: In the case of general construction-installation contracts, revenues are accounted for depending on the stage of completion of the project in question. The determination of the stage of completion shall be performed proportionately to the ratio of any actually occurred costs to the total planned costs. If, in the case of the project as a whole, a loss may be expected, that expected loss must be accounted for immediately. All the estimates concerning the revenues accounted for must be prepared considering all the information that is available at that moment. If the amount of the planned (expected) profit changes in the course of a given project, then it involves the adjustment of the revenues accounted for. If a given project is expected to generate loss, then accounting for the loss in full becomes necessary in the earliest period when the related information becomes available the first time. Estimates concerning the revenues accounted for must be prepared considering all the information available at the time of publishing the report in question.
- The overhaul component of **flat-rate operation and maintenance contracts** (at present, this is relevant only in the intra-Group contract cases): For the appropriate operation of certain

pieces of power plant equipment (e.g. gas turbines, gas engines etc.), overhaul repairs are required at predetermined intervals. If an operation and maintenance contract concluded with an external party contains such a periodical element, the proportion of the related revenue must be separated and shall be realized against the respective costs.

- **'Take-or-pay component in energy retail contracts:** Certain energy trade contracts may contain a provision determining that the consumer shall pay the contractual amount for the allocated reserve even if it was not consumed. If it can be safely assumed that the Group is entitled to such revenue and that revenue is realizable (enforceable), then that revenue must be settled. In the case of the Group, according to market experience, no such realizable revenue is available.

According to the opinion of the Group's management, the revenues to be settled do not differ from the invoiced amounts in the case of the following contracts:

- Energy retail transactions: Invoicing (settlement invoice) takes place on the basis of actual consumption.
- Energy wholesale transactions: The settlement takes place according to the contractual terms.
- Energy regulation, energy production: The settlement takes place on the basis of actual production.
- Open-book accounting: The settlement takes place for a given period on the basis of cost elements accepted by the parties.

The Group performs individual assessments and investigations of its buyers' contracts, with the exception of the retail business. Due to the individual character of the contracts, the portfolio method is not applicable, either to the contract portfolio or any part thereof.

Wherever a contract or a contractual element contains a significant financing element which is more favorable than the market practice, with the deferral of payment exceeding one year, then that financial component must be recognized separately. In such cases, only the present value of the invoiced consideration can be accounted for as revenue.

If, in connection with a long-term contract, costs directly related to that contract incur where the return is guaranteed by the contract for the full contractual period, these costs shall be recognized as assets related to that contract and amortized over the term of the contract. Such elements may include various legal, intermediation and contingency fees.

The Group **presents any proceeds from leases strictly related to its core activities as revenues**.

Expenses related to operation

In line with the presentation principles of the total cost method, non-finance expenses are to be classified as follows:

- material expenses;
- personnel expenses;
- depreciation and amortization.

If a specific transaction belongs to the scope of a specific IFRS, then its recognition takes place in accordance with that standard

Changes in the inventory of assets produced by the Company

The Group develops industrial equipment and facilities as well as control technology equipment, which are presented as assets produced by the Company.

Changes in the inventory of stocks produced by the Company

Expenditure allocated to the production of industrial equipment and facilities developed by the Group for third parties is presented as inventories until their delivery. From the perspective of heat and electricity produced by the Group, storage does not apply.

Other revenues and expenses

Other income recognized by the Group includes the consideration for sales that cannot be classified as revenue, as well as any income that cannot be considered finance income or an item increasing other comprehensive income. Other expenses include those that are directly related to operations and are not classified as financial expenses or do not reduce other comprehensive income. Other income and other expenses are recognized by the Group in the statement of profit or loss as net figures.

GHG emission allowance / revenue from sales of CO2 quota

The Group is allowed to sell its EUA quotas (emission allowances) under certain conditions. The profit on such sales is recognized as other income.

Finance income and expenses

The Group accounted for its finance income and expenses in accordance with provisions of IFRS 9.

Dividend income and interest income not eliminated upon consolidation are recognized as finance income. Interest income is accounted for in a pro-rated manner and dividend income may only be recognized if a final decision on dividend payment has been made by the entity disbursing such dividend. Interest expenses are calculated using the effective interest rate method and are classified as financial expenses. Exchange differences on foreign currency items (if not a part of other comprehensive income under IAS 21 – The Effects of Changes in Foreign Exchange Rates) are recognized by the Group in financial income. The Group shows financial income in its statement of profit or loss and other comprehensive income on a net basis.

Income tax expenses

The following are recognized as income tax:

- corporate tax (Act LXXXI of 1996 on Corporate Tax and Dividend Tax)
- income tax on energy suppliers (Act LXVIII of 2008 on Enhancing the Competitiveness of District Heating Services)
- local business tax (Act C of 1990 on Local Taxes)
- innovation contribution (Act LXXVI of 2014 on Scientific Research, Development and Innovation)

Offsetting

In addition to the requirements under IFRS, the impact of a transaction is recognized in the Group's financial statements on a net basis if the nature of the given transaction requires such recognition and the item in question is not relevant to business operations (e.g. sale of a used asset outside business operations).

Use of the EBITDA in the ALTEO Group

To facilitate the assessment of profit or loss, the Group management discloses the EBITDA figure with the content defined by the Group. The method of EBITDA calculation is presented below:

EBITDA = Net profit or loss +/- the following items:

+ finance income

+ Income taxes

Depreciation, amortization

Impairment of goodwill

where the Group modifies the net profit or loss with the following items:

Finance income: the Group adjusts the net income with all the items in the finance income (effective interest, exchange rate differences, etc.) so the Group fully neutralizes the effect of the finance income when calculating this indicator.

Income taxes: income taxes in the net profit or loss (current and deferred taxes alike) are neutralized by the Group when calculating the indicator.

Depreciation and amortization: the depreciation, amortization of assets belonging under IAS 16, IAS 40 and IAS 38 and assets recognized at the Group as assets and given to operating lease or concession is eliminated when calculating the indicator (they are "given back"). The non-systematic decrease of such assets (typically: impairment) is adjusted by the Group retroactively, similar to depreciation and amortization. (We do not adjust the impairment of other assets, e.g. financial instruments when calculating the indicator.)

EPS – earnings per share the shareholders are entitled to

When calculating earnings per share the "net profit or loss concerning the owners of the Parent Company" are divided for the shares in circulation. When calculating the diluted EPS indicator all the diluting factors (e.g. shares bought back, issued options, etc.) shall be considered.

II.5.8 Accounting policies relating to the statement of financial position and the recognition and measurement of assets and liabilities

Property, plant and equipment

Only assets which are used in production or for administrative purposes and are used for at least one year after commissioning are classified by the Group as property, plant and equipment (PPE). In terms of their purpose, the Group makes a distinction between production and non-production (other) assets.

The initial carrying amount of an asset comprises all items which are related to the purchase or creation of the given asset, including borrowing costs (for details, see the accounting policy on borrowing costs).

If an asset needs to be removed or demolished at the end of its useful life (or if the given asset is no longer used, it is sold or abandoned), then the costs incurred to retire it (Asset Retirement Obligation or ARO) are added to the initial value of the asset and a provision is recognized in this respect, given that the Group has at least a constructive obligation for the retirement. No provisions are made for ARO is the estimated expense of deconstruction is not significant, that is, it remains under HUF 500,000. Assets that belong together must be reviewed as a group and if the decommissioning costs of a group of assets that belong together is significant in total, then provisions must be made for ARO concerning the group of assets.

The Group estimates the ARO using a percentage coefficient between 0% and 10%. The Group used a discount rate of 8.57% for discounting in 2022.

The discounted liability is increased each year, taking into account the passing of time (unwinding of the discount) and future changes in the estimation of unwinding costs. The increase in the liability arising from the unwinding of the discount is accounted for as interest expense.

The Group uses the component approach, which means that the parts of a physically uniform asset which have different useful lives are treated separately, mainly in the case of production assets.

Fixed assets are measured subsequent to initial recognition using the cost model (initial value reduced by accumulated depreciation and accumulated impairment losses).

The depreciable amount is the initial cost reduced by the residual value. Residual value is determined if its amount is significant. Residual value is equal to the income that can be realized after the asset is decommissioned, reduced by the cost of disposal.

Depreciation is calculated on the basis of the depreciable value for each component.

The Group uses the hours of service for power plant equipment and the straight-line depreciation method for all other assets. The following depreciation rates are used for assets:

Asset group	Extent of depreciation
Land	non-depreciable
Buildings	1 – 6%
Power plant equipment	1 – 20% / or proportionate to production
Waste utilization equipment	1 – 20%
Non-production machinery	14–33%
Office equipment	14–50%

The Group reviews the useful life of each component and determines whether the asset can be utilized during its remaining useful life and whether the residual value is realistic. If not, then the depreciable amount and/or the residual value are adjusted for the future.

The value of a fixed asset is increased by significant repair projects which involve substantial cost and occur regularly but not every year. These projects are treated by the Group as a component of the given asset and its useful life is aligned with the next (expected) occurrence of such projects.

Income from the sale of a fixed asset is recognized among other items, with the remaining carrying amount of the asset deducted. Expenses arising upon the scrapping of fixed assets are also recognized among other items. Only expenses are accounted for in this case and no income.

For the presentation of Fixed assets, see Chapter IV.9 Fixed assets and intangible assets below.

Description of the accounting policy regarding investment property

The Group owns no investment property.

Other intangible assets and goodwill

The Group determines whether any of its intangible assets have indefinite useful lives. Goodwill is classified as an asset with an indefinite useful life; such items arise upon consolidation.

The Group performed development activities concerning the production of other intangible assets that meet the recognition requirements of IAS 38 in the year 2017 the first time. In the opinion of the management of the Group, know-how that can generate income may be realized as the result of the development activity. Costs incurred in the course of the development project are recognized among intangible assets. If no asset could be produced as the result of development that meets the relevant requirements of IAS 38, recognition of impairment becomes necessary.

The initial value of intangible assets is determined using the method described in the case of fixed assets.

Intangible assets with indefinite useful lives are not amortized; instead, they are subject to impairment testing in each period or when there is an indication of impairment (see impairment losses).

For all other intangible assets, the existence of any contractual periods which restrict the use of such rights must be considered. In such cases, the depreciation period may not be longer (though it may be shorter) than this period. By default, the term of the contract is accepted as the useful life.

For software and other similar intangible assets, amortization rates of 20% to 33% are used. Subsequent to initial recognition, intangible assets are uniformly measured using the cost model. The residual value of intangible assets is considered zero, unless proven otherwise.

The Group has identified the acquired KÁT eligibility of the acquired KÁT permit holders as an asset The Group amortizes KÁT permits in proportion to production until the expiry of the KÁT permit. The KÁT permit gives the right to the Group to put the production of certain power plants to the state (the state is obligated to buy at a guaranteed price). KÁT permits connected to projects developed internally cannot be recognized with values.

<u>Operation contracts (IFRIC 12)</u>

Accounting for concession assets according to the IFRIC 12 standard: The Contracts for district heat production, investment and long-term heat supply with the entity under service obligation as of the inclusion in consolidation of the heating power plants of the Group in Kazincbarcika, Tiszaújváros, Ózd, and Budapest Füredi utca are presented in accordance with the IFRIC 12 standard. At the time of purchase, no value was allocated to concession assets in the course of allocating purchase price. Accounting for revenues is performed based on the "Intangible assets" model according to the standard. The Group decided on recognition in view of the expiry of the Long-term Heat Supply Contracts, which expiry is regularly verified at the time the statement of financial position is prepared. If a contract is extended, that event increases the value of the investments made by the Group and of the concession agreement. Amortization of the concession contract is time proportionate, in accordance with the duration of the contract.

<u>Rights of use, leases (IFRS 16)</u>

Leases are contractual arrangements where the owner of an asset transfers the right to use that asset in return for a series of payments.

The IFRS 16 "Leases" standard entered into force on January 1, 2019. The Group applies the recognition exceptions provided by IFRS 16 for short-term leases and low value assets (below USD 5,000). No right-of-use asset and associated liability are recognized for leases where the indefinite duration and the related contractual termination conditions, or the absence of a fixed fee element, do not permit such a determination.

The leasing component must be separated in the case of complex sales or supply contracts where one of the contractual elements meets the standard's conditions.

For the initial recognition of a lease, in the case of establishment of the value of the right of use and the obligation, the existing comparative data of the ALTEO Group must be used when determining the market interest rate. If such data are not available, the statistics published by the Central Bank of

Hungary shall be taken into account. The right-of-use asset is amortized taking into account the same useful life as the lease term.

For contracts with a term of more than 12 months and high value, the initial cost of the right-of-use asset is determined by the Group at the discounted present value of payments due for the remaining lease term. For establishing the market interest rate the Company used the statistics published by the Central Bank of Hungary.

Leases and agreements that qualify as leases

The Group records assets and asset groups for which it transfers the right to use such assets and asset groups to other parties based on a contractual relationship and, at the same time, transfers control over such assets or asset groups. The latter means that, for the given asset or asset group

- the entire capacity is used by that other party;
- essentially all of the outputs are obtained by that other party;
- that other party has physical access;
- and the Group is essentially unable to change this situation or any change would be completely irrational from an economic perspective.

In such situations, in accordance with the provisions of IFRS 16 (formerly: IAS 17 and IFRIC 4), the Group does not recognize the underlying asset as an own fixed asset, but instead the contract is treated as a lease (despite the legal form) where the Group acts as a lessor in such cases.

In cases where the given asset group is organized in a separate legal entity, the subsidiary is not consolidated (i.e. individual assets and liabilities are not recognized); instead, the entire arrangement is treated as a lease contract.

Where the Group acts as a lessor, it

- recognizes the related receivable (which will first be the present value of future cash flows);
- splits subsequent cash flows into principal repayment and return using the implicit interest rate applied in the lease (the former reduces the asset, while the latter is recognized in profit or loss);
- and, if required, performs the foreign currency translation of the remaining asset according to the rules of IAS 21.

The return on the lease is recognized by the Group as revenue (in accordance with its content).

Policy on borrowing costs

In accordance with the provisions of IAS 23, borrowing costs are capitalized by the entity if the borrowing is attributable to a qualifying asset. For dedicated borrowings (those that are assigned to a specific purpose), the amount to be capitalized is determined using the effective interest rate of the borrowing. For general purpose borrowings, the capitalization rate is calculated manually.

The capitalization rate is the average of the effective interest rates of general purpose borrowings weighted by the time elapsed since the date of payment or, if later, the time elapsed since the start of capitalization and the amount of the payment.

An asset (project) is regarded as a qualifying asset (project) in the following cases:

- if a construction contract is involved that is longer than six months;
- if an asset is involved whose construction, preparation or transformation takes longer than six months (regardless of whether the asset in question is created by the Group or third parties).

The value of the given asset is irrelevant for the purpose of classification.

The capitalization of borrowing costs starts when an irrevocable commitment to acquire the asset or implement the project exists or is probable. For assets, this is usually when the cost necessary to build the asset is incurred; for projects, this occurs when the actual work begins or, if planning is also done by the Group, the start of the preparation of the plan subject to the licensing process.

The capitalization of borrowing costs is suspended if work is interrupted for a period of time that is longer than technologically reasonable.

The capitalization of borrowing costs is finished when the asset is ready or when the actual work on the project is completed or, if earlier, the asset created in the course of the project is in use or its use has been approved.

The Group discloses the capitalization rate used for determining the amount of the borrowing costs to be capitalized in the year of their capitalization, in Section IV.9.6.

Accounting for government grants

As a general rule, grants are recognized by the Group as income. Income is spread out over the periods in which the asset is used. The part that cannot be credited to profit or loss is recognized in liabilities as deferred income. Items to be credited to profit or loss are deducted from the related expenses where possible.

If a grant is related to expenses, then such grant is principally accounted for by reducing expenses. If this is not possible, it is recognized as other income.

Grants may be accounted for if

- it is essentially certain that the Group will meet the requirements for the grant, and
- it is certain that the Grant will be awarded to the Group.

In the event that a grant must be repaid subsequently, a liability is recognized when this becomes known by increasing the value of the asset or the expense.

If any advance is paid against the government grant, it must be recognized among liabilities. In the case of such a grant construct deferred income may only be recognized if the grant settlement is done.

In accordance with the above principle, the Group recognizes assets received without consideration as assets by recording deferred income (liability) against the asset (as a result, emission quotas received from the government without consideration is recognized as assets at their fair value).

Assets held for sale and discontinuing operations

Non-current assets whose carrying amount will be recovered principally through an imminent sale transaction rather than through continuing use are classified as assets held for sale. Assets held for sale also include so-called disposal groups which comprise assets and closely related liabilities that are expected to be disposed of subsequently as part of a transaction (e.g. a subsidiary to be sold).

This classification may be used if it is highly probable that the sale in question will be completed within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition, the activities necessary for the sale to take place are underway and the asset or disposal group is being offered at a reasonable price.

Assets held for sale are separately presented by the Group in its statement of financial position and their value is not included in either non-current or current assets. These assets are not depreciated by the Group and are measured at the lower of their cost on the reporting date and fair value less costs to sell. The resulting difference is recognized by the Group against profit or loss.

If an asset needs to be subsequently reclassified as a non-current asset due to the fact that the conditions of classification are no longer met, then after the reclassification the asset is measured at the lower of the value adjusted by the unrecognized depreciation and the recoverable amount. The resulting difference is recognized in profit or loss.

According to the provisions of the standard, the Group recognizes its discontinuing operations separately, if they are significant. It does not qualify as a discontinuing operation if the legal form of a given activity gets changed but the underlying economic content does not change significantly (e.g. the amount of heat sold earlier as “district heating supplier licensee activity” is sold later as “district heating producer licensee activity”).

Inventories

Inventories are stated in the financial statements at the lower of initial recognition cost and net realizable value. Inventories are classified as inventories expected to be recovered within a year and those expected to be recovered after more than one year. Fuels are assumed to be used up within one year. The Group determines the closing value of inventories based on their average cost and the value of inventories includes all costs which are required for the use of inventories in the intended manner and at the intended location.

Emission allowances

GHG emission allowance

The emission units allocated based on the National Allocation Plan (EUA) are accounted for by the Group as Current assets and assets held for sale. When determining the initial cost of emission units, the price on the date on which the units are credited is taken into account. Emission units are amortized on the basis of verified emission data at the time of use (charging the cost of revenues).

The Group records values maintained for satisfying the return obligation among short-term assets. The values to be returned within one year and received without consideration are shown at cost by the Company.

If the Company holds emission assets for trading purposes or for investment purposes, the Group subjects them to an impairment test at the reporting date. Emission units are tested by the Group for impairment at the end of each calendar year.

Emission allowances are traded on a regulated market. The Group does not participate in market trading actively with its assets received without consideration; nevertheless, it obtains any additional quota required from the market.

Rights related to the energy efficiency obligation scheme

According to the provisions of Act LVII of 2015 on Energy Efficiency (Energy Efficiency Act), starting from 1 January 2021, electricity traders are required to introduce programs that result in energy savings for end-users. The party subject to the obligation may fulfil its energy saving obligation either through energy efficiency investments or energy efficiency improvement measures in its own sector of activity or in another sector outside its own sector of activity, as well as through certified energy savings by other obligated parties, energy efficiency service providers that are not obligated parties or other third parties.

The volume (GJ) of the energy saved by another obligor is recognized by the Group in Inventories at cost.

Accounting for impairment losses other than financial instruments and identifying CGUs

The Group tests its assets and cash-generating units for impairment each year.

The Group specifies its cash-generating units as follows:

- Ancillary services asset group: the most significant CGU comprising several legal entities of the Group (Alteo-Therm Kft., certain assets of Sinergy Energiakereskedő Kft. and Alteo Nyrt.) is the entirety of power plant equipment generating heat and electricity from natural gas under the AVPP.
- Renewable power generation equipment by site (sites of Sunteo Kft., Domaszék 2MW Erőmű Kft., Pannon Szélerőmű Kft., Monsolar Kft, Euro-Green Energy Kft.)
- Inorganic waste management business line (Fe-Group Zrt)

- Electromobility business line (Alte-Go Kft.)
- Business lines with no substantial assets:
    - Retail trade (ALTEO Energiakereskedő Zrt.)
    - Renewable production management (as part of Sinergy Energiakereskedő Kft.)
    - External operation (certain assets of Alteo Nyrt.)
    - External maintenance (certain assets of Alteo Nyrt.)
    - Project implementation (certain assets of Alteo Nyrt.)

Testing consists of two stages. The first stage is to examine whether there are signs indicating that the assets in question are impaired. The following may be signs that a given asset is impaired:

- damage;
- decline in income;
- unfavorable changes in market conditions and a decline in demand;
- increase in market interest rates.

Should there be any indication that an asset is impaired, a calculation that allows the recoverable amount of the asset to be determined is performed (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use. In the absence of more precise estimations, the cost of disposal is deemed to be 10%.

If the value in use of a group of assets cannot be determined as it does not generate any cash flows itself (it is not in use), the test is performed with respect to the cash-generating units (CGUs).

If the value in use can only be determined with respect to the CGUs and impairment needs to be accounted for, impairment losses are split as follows:

- first, damaged assets are impaired;
- second, goodwill is reduced;
- third, the remaining amount of impairment losses are split among fixed assets (PPE) and intangible assets in proportion to their carrying amount prior to impairment.

The value of assets may not drop below their fair value reduced by their individual cost of disposal.

The Group tests the value of goodwill generated in the course of earlier acquisitions on every reporting date for impairment regardless of indications, as provided for in IAS 36. All the goodwill created in the course of previous acquisitions was already impaired.

Provisions

Only existing liabilities which are based on past events and have uncertain value and timing may be recognized as provisions. No provisions may be recognized for liabilities which are not linked to present legal or constructive obligations.

If the existence of a liability cannot be clearly identified, then a provision may only be recognized if its existence is more likely than not (probable obligation). If the probability is lower than this, a contingent liability is disclosed (possible obligation). Such items may not be shown in the statement of financial position; instead, they are presented in the notes to the financial statements.

Provisions are shown as liabilities and are classified as non-current and current liabilities. If the time value of money in respect of a provision is considered material (as it will be due much later), the expected cash flows are discounted. The time value of money is considered material if cash flows are still generated after 3 years or even later.

The following items are typically included in provisions:

- compensation payable in relation to legal cases;
- indemnification or compensation based on an agreement;
- warranty liabilities;
- asset decommissioning liabilities;
- severance pay and costs arising due to restructuring;
- CO_2 emission costs not covered by a quota.

If a decision needs to be made in respect of a specific obligation, then the value of the provision will be the most likely unique outcome, while the effect of all remaining outcomes must be reasonably taken into account. If the value of the provision needs to be estimated based on a set of data (guarantees, payments concerning a large number of persons), then the fair value (probability-weighted average) of the expected outcomes is used as the value of the provision.

If a contract has been signed by the Group where the costs arising from the contract exceed the benefits derived therefrom, then a provision is recognized for the lower of the legal ramifications of a failure to carry out the contract and the losses arising from executing the contract (onerous contracts).

A restructuring provision (e.g. for severance pay) may be recognized if there is a formal plan for the restructuring which has been approved and communicated to those affected. Provisions may only be recognized for costs associated with discontinued operations. But no provision can be recognized for continuing operations (e.g. cost of retraining or relocation).

Guarantee granted by ALTEO Nyrt. to customers or banks of subsidiaries are covered by the evaluation procedures governing provisions.

No provisions may be recognized for:

- future operating losses;
- “safety purposes” to cover unforeseeable losses;
- write-offs (e.g. for the write-down of receivables and inventories) – these reduce the value of the relevant assets.

If there is such a CO_2 emission position at the end of the period that is not covered by a quota, provisions must be recognized for the future liabilities. The amount of the provision needs to be determined considering the market price of the emission unit at the end of the period.

Employee benefits

The Group provides predominantly short-term employee benefits to its employees. These are recognized by the Group in profit or loss after they have vested.

Employee bonuses and other items of similar nature are shown in the statement of financial position if they result in liabilities, i.e.

- if they are subject to a contractual condition and such condition has been fulfilled (e.g. a given revenue level is reached); in such cases, the item is accounted for not in the period when the Group established that the contractual condition was fulfilled, but in the period when such condition was fulfilled (when the employees rendered the service entitling them to the benefit).
- if such an item is created as a result of a management decision instead of a contractual condition, then the item may be recognized when the decision is communicated to the group affected (constructive obligation).

The Group operates the prescribed contribution retirement benefit plan only as required by law or undertaken voluntarily, and the contribution is calculated on the basis of salaries paid; therefore, such contribution is accounted for at the same time as salaries.

The Group operates in a legal environment in which employees are entitled to paid leave. If for any member of the Group there is a legal possibility or an agreement between the employer and employees which provides that any unused leave may be carried forward to subsequent years, then a liability is recognized against employee benefits with respect to such unused leave accrued by the end of the year.

Financial instruments

Financial instruments are contracts which create financial assets for one party and financial liability or equity instruments for the other party. Financial instruments include financial assets, financial liabilities and equity instruments.

Financial assets and liabilities

Financial assets are classified by the Group as follows:

- Cash and cash equivalents
- Debt
- Equity instrument
- Derivative

Cash and cash equivalents

Cash includes petty cash, cash in bank, as long as the Group has unlimited discretion to dispose of such, as well as any other highly liquid deposit and security the original term of which does not exceed three months; overdrafts are regarded as cash equivalents until proven otherwise. These include equity instruments of another entity, contractual rights which entitle the Group to future cash flows as well as those which entitle the Group to exchange financial instruments at potentially favorable conditions. In accordance with its investment policy, the Group does not purchase instruments acquired in order to earn short term profits.

Cash subject to restrictions (current account balances, deposits) are recognized among other financial assets.

In the case of debt instruments:

Loans and receivables: this group includes financial assets with fixed (or at least determinable) cash flows that are not quoted in an active market and are not classified into any of the remaining three categories. The Group typically records the following items in this category:

- Loans given and deposits
- Trade receivables
- Advances given
- Other receivables

These assets are held by the Group not for trading purposes, and not for achieving short-term profits based on these instruments. These assets are priced at fair value and the follow-up valuation is performed based on amortized cost. The valuation of the assets is performed individually; at present, the Group has no assets with massive multiplicity or assets with similar characteristics in the case of which the portfolio method could be applied.

Equity instruments include shares in other companies

These assets are held by the Group not for trading purposes, and not for achieving short-term profits based on these instruments. These assets are recognized at cost and the follow-up valuation is performed at fair value against profit. The Group performs the necessary impairment tests, using the approved business plans and long-term assumptions as a basis. The carrying amount of the share is not substantially different from its fair value

Derivatives include all instruments whose value is a function of a change in an underlying variable; their initial investment need is negligible and their settlement takes place in the future. The derivatives of the Group are typically derivative transactions.

If the hedge accounting rules are met, they are recognized in Other comprehensive income on the basis of fair value.

Financial liabilities must be classified into the following groups:

Financial liabilities measured at fair value through profit or loss: derivatives and forward contracts acquired for trading purposes are included by the Group in this category. The Group does not typically engage in such transactions. If hedge accounting rules are applied, the valuation of interest rate swaps and forward foreign exchange contracts is recognized in Other comprehensive income.

Other financial liabilities: all other financial liabilities are classified into this category. Typical items include:

- trade payables;
- credit, loan and lease liabilities
- bond payables;
- advances received from customers.

Issued instruments that represent an interest in the residual assets of the Group and no repayment obligation is attached thereto are classified by the Group as equity instruments.

With regard to the financial asset and liability instruments, the Group classifies instruments as part of the initial valuation. The Group measures its financial asset and liability instruments at amortized cost. Transaction costs are capitalized by the Group.

In the case of a follow-up valuation based on amortized cost, the rules applicable to follow-up valuation of financial instruments are:

Items not resulting in interest expense or interest income

For initial measurement these items are measured at fair value. Fair value is the present value of the expected future cash flows. Where the time value of money is material, the item is discounted. For subsequent measurement purposes these items are measured at amortized cost.

The value of a receivable is reduced by write-offs if such receivable is not settled after 180 days from its due date or there is any other indication at the reporting date which requires impairment to be recognized. Receivables that have been overdue for more than one year may only be shown in the financial statements with a value assigned to them if there is an agreement on deferred payment or rescheduled payment and the debtor has provided collateral. This rule is not applicable to tax assets. Collective assessment is used for calculation of impairment in case of large portfolios of individually insignificant assets based on statistical data.

In the case of liabilities, rules concerning delay are, accordingly, not applicable. An item may not be reclassified as a long-term liability merely because the Group has failed to meet its payment obligation. Only an irrevocable contractual commitment may provide a basis for reclassification. Items which are repayable on demand (those that have no fixed maturity) are classified as short-term liabilities.

Items resulting in interest expense or interest income

These items are measured at amortized initial recognition cost. The principles for calculating amortized initial recognition cost are as follows: the Group determines the cash flows relating to the given borrowing or receivable. In addition to principal and interest rate payments, these cash flows also include all items directly associated with the given movement of cash (e.g. disbursement commission, contracting fee, fee for the certification of the contract by a public notary, etc.) and the interest rate (effective interest rate) at which the net present value of the cash flows will be zero, is determined. The interest expense for the period is calculated using this effective interest rate. Changes in interest rates for a floating rate instrument may be accounted for only with respect to the future. If impairment needs to be recognized with respect to such an asset (receivable), the last applicable interest rate is used by the Group as the effective interest rate.

The Group also issues bonds through public placement in order to fund its operations. Liabilities resulting from the bonds are recognized using the effective interest method, i.e. the effective interest rate is determined on the basis of all bond-related cash flows. For zero coupon bonds, the difference between the issue price and the redemption price is regarded by the Group as interest.

The Group derecognizes financial assets when substantially all of the risks and rewards of ownership of the asset are permanently transferred to another entity or the asset is repaid or expired.

Financial liabilities are derecognized when they are discharged (e.g. settled) or when they no longer need to be met for any other reason (e.g. expired or ended).

Definition of fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is the quoted market price at the end of the reporting period minus transaction costs. If no quoted price is available, the fair value of the instrument is determined using pricing models or discounted cash flow techniques. When using discounted cash flow techniques, the estimated future cash flow is based on the economic estimates of the Group, and the discount rate is a market rate that is effective, on the reporting date, for a given instrument under similar terms and conditions. When using pricing models, data are based on market valuations performed at the end of the reporting period.

IFRS 13 sets up a fair value hierarchy which categorizes the inputs used in the valuation techniques used to determine fair value into three levels:

- Level 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities (publicly available) that the Group can access at the measurement date.
- Level 2: Level 2 inputs are inputs other than quoted market prices included that are observable for the asset or liability, either directly or indirectly.
- Level 3: Level 3 inputs are unobservable inputs for the asset or liability. The estimation of the fair value of derivatives not traded on a regulated market is based on the amount that the

Group would obtain, under regular business conditions, upon the termination of the contract at the end of the reporting period, taking into consideration the effective market conditions and the current creditworthiness of the parties.

The Group measures the fair value of assets and liabilities based on the Level 3 inputs of the fair value hierarchy.

Expected impairment (ECL) model

IFRS 9 introduced the expected impairment model. The basis of determination is the expected impairment, as opposed to the objective, incurred (already happened) impairment. The expected impairment model brings the time of recognizing (occurrence) of impairments closer. The accepted model includes the simplified method that allows it for the entity to apply rules other than the complex ones in connection with certain financial assets (e.g.: trade receivables and similar instruments).

The expected credit loss model (ECL) is applied in light of non-payment experienced. The extent of the impairments relating to electricity is low in the retail business line, due to the receivable management processes developed in the past years. The Group performed the segmentation of its revenues and studied the recovery of billings on this basis.

In the current year the Company reviewed the rates to be used in the model and determined the ECL based on publicly available databases. These items are presented in detail in Section IV.18.

Hedge accounting

The Group has adopted the hedge accounting provisions of IFRS 9.

(i) Hedge transactions

In the case of cash flow hedge transactions, in accordance with IFRS 9, the difference in fair value, as of the reporting date, arising on hedge instruments satisfying hedging objectives is recognized in other comprehensive income, in the Equity hedge reserve line. The concerned part of the cash-flow hedge reserve is recognized in the statement of profit or loss when the hedged cash flow (e.g. interest) occurs or when the hedge fails to meet the hedging objective of the Group.

To qualify for hedge accounting, the relevant transaction must be formally designated and it must be assessed whether the hedge is effective. Effectiveness exists only when and as long as the aggregate effect of the hedge instrument and changes in the hedged item is within the range set by the Group.

Share-based payments

The Group motivates certain senior employees with share option benefits within the framework of an ESOP organization. The internal value of the share options in question must be accounted for as expense under the vesting period in accordance with the provisions of IFRS 2 against personnel expenses.

Upon the management's decision, the Group grants Shares to employees who have become entitled to these on the basis of the Group's recognition system. Such amounts granted as a reward are recognized in profit or loss on the date when the reward can be exercised. The benefit is to be distributed in the form of shares on a later date. The conversion of the amount of the benefit into shares takes place on the date of the grant of the shares based on the market value of the shares.

Current income tax expense and deferred taxes

The actual income tax for the current year is calculated by the Group in accordance with the tax laws that the given member is subject to and is recognized in current liabilities (or current receivables, as the case may be). In addition, deferred taxes are also estimated for each entity and are shown in long-term liabilities or non-current assets. Deferred taxes are calculated using the balance sheet method. Deferred tax assets are recognized only if it is certain that the item in question will be realized (reversed). Deferred taxes are determined using the tax rate effective at the expected date of reversal.

Description of the accounting policy regarding fair value measurement

Fair value measurement cases are described in detail in the pervious sections of II.5.8. Fair value disclosure procedures may be called for in the case of the following assets and liabilities:

- assets held for sale, discontinued operations
- financial instruments held for trade /sale
- assets obtained through business combination
- assets other than financial instruments (CGU)
- derivative transactions

Description of the accounting policy regarding the impairment of assets

Asset impairment cases are described in detail in the pervious sections of II.5.8. The recognition of impairment may be called for in the case of the following assets and liabilities:

- goodwill
- property, plant and equipment
- other intangible assets
- inventories, emission allowances
- receivables and financial instruments
- CGUs

II.5.9 General accounting policies relating to cash flows

The Group's statement of cash flows is based on the indirect method for cash flows from operating activities. Cash flows from investing activities and cash flows from financing activities are calculated using the direct method. Overdrafts are regarded as cash equivalents until proven otherwise.

Foreign currencies

Transactions denominated in foreign currencies

The Group presents its consolidated financial statements in HUF. Each entity within the Group determines its functional currency. The functional currency is the currency which reflects the operation of the entity in question the most accurately.

The points to consider are as follows:

- which is the currency in which the majority of the entity's income is derived;
- which is the currency in which the entity's costs are incurred;
- which is the main financing currency.

The above considerations are listed in order of importance.

An entity may incur exchange differences on translation only with respect to a foreign currency.

Each of the Group's entities classifies its assets and liabilities as monetary and non-monetary items. Monetary items include those whose settlement or inflow involves the movement of cash, and also include cash itself. Items relating to receivables or liabilities which do not involve the movement of cash (e.g. advances given for services or inventories) do not qualify as monetary items.

At the reporting date, monetary items denominated in foreign currency are revalued to the spot rate effective at the reporting date. For the purpose of translation, all entities use the exchange rate for the reporting date published by the Central Bank of Hungary.

Significance, faults and fault effects

According to the rules of the IFRS an item qualifies as significant if omission or false presentation of the item can influence the decisions of users made based on the financial statements. Considering significance the Company uses the value limit of the fault with a significant amount as defined in Act C of 2000 on Accounting.

An item is always significant if the total amount (regardless of sign) of faults and fault effects increasing or decreasing profits, equity, discovered in the year of discovering the fault, in the course of the series of reviews – concerning the same year – exceeds 2 percent of the Company's statement of financial position total of the financial year under review. If 2% of the statement of financial position total exceeds HUF 150 million, then the limit of significance is HUF 150 million. At the same time the management of the Company reserves the right to qualify an item of smaller amount significant, depending on the evaluation of the extent and nature of the omission or false presentation under the given circumstances. When evaluating an item the size and nature of the item in question or the combination of the two is the decisive factor.

With regards to their content, the faults can be omissions or false presentations in the financial statements of the entity for one or more previous periods, originating from not using or improper usage of reliable information. Such faults can be mathematical faults, faults in the application of the accounting policy, disregarding or incorrect interpretation of facts and the effects of fraud.

Earlier periodical faults shall be corrected with retroactive re-establishment, except if the effects or cumulative effects of the fault concerning individual periods are impossible to determine. Impossibility occurs if the Company cannot correct a fault or cannot apply a new rule retroactively even after doing everything that can be reasonably expected for the right application. The causes of impossibility can be for example uncertainties of calculations due to the lack of available data.

III Critical estimates used in preparing the financial statements and other sources of uncertainty

III.1 Critical accounting assumptions and estimates

Changes in accounting estimates is done by assessing the modification of the carrying amount of an asset or liability or the amount of the periodical use of the asset, performed based on the evaluation of the present situation of the assets and liabilities and the related expected future profits and commitments. Changes in accounting estimates are caused by new information or new developments, so, accordingly, these do not qualify as corrections. The changes in accounting estimates affect the report in the course of the preparation of which the future estimate was made (with no retroactive effect).

The Group generally measures its assets on a historical cost basis, except for cases where a given item should be measured at fair value under the IFRSs. In the financial statements the trading financial instruments, the derivatives and in certain situations the assets held for sale had to be evaluated at fair value.

In preparing its financial statements, the Group made critical estimates in connection with the following topics which, as a result, are sources of uncertainty.

- Estimates concerning the depreciation of the fixed assets (e.g.: useful life)

The useful lives and residual values of fixed assets and the related decommissioning liability can be determined using estimates. Due to the high value of fixed assets, even slight changes in such estimates can have a considerable effect. The fair value of assets acquired in the course of business combinations is determined on a discounted cash flow basis, which requires several complex assumptions. Subsequent changes in estimated amounts can have a direct impact on profit or loss.

Permits disclosed in relation to an earlier business combination (KÁT) represent a significant asset value. This permit makes it possible for the Group to sell certain previously produced energy to the state. Although reception is guaranteed; however, the related prices may change and also the extension of this permit and the requirements depend on factors outside the Group’s control. The permits were evaluated based on the presently available data, but the evaluation can change due to the above uncertainties.

The management of the Group uses estimates when preparing the financial statements. The estimates are always based on the best information available at that time.

The following significant items are determined using estimates.

Allocating the purchase price to assets in the case of acquisitions. The estimate concerning the distribution of the purchase price may change during the year of the measurement period if any new information arises.

The useful life of Power Plant equipment was determined considering the present market and regulatory environment. Possible negative changes in these factors may lead to impairment.

The present market and regulatory environment was also considered when determining the provision for the asset retirement obligation.

Revenues and profit or loss recognized in connection with the construction-installation projects were determined based on the present circumstances.

- The recovery of deferred tax assets recognized was accounted for based on the present market environment and tax legal regulations. Changes in any of these factors may modify actual recovery.
- Estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions)
- Estimates concerning the evaluation of inventories and receivables The management's judgement in calculating the impairment of trade receivables is a critical decision which directly impacts profit or loss.

Estimates concerning fair value

In the case of an obligation arising from a conditional purchase price, the management estimates applied influence the size of the obligation.

Tax assets and liabilities in the statement of financial position Deferred tax assets were recorded due to considerable deferred losses and are expected to be recovered according to the Group's plans; however, changes in the legal environment may result in a significant change in the value of such assets.

Changes or observations giving rise to the review of accounting estimates:

- Changes in laws,
- Changes in the economic environment,
- Changes in the operation or procedures of the companies.

The interest rate used for discounting could not be determined using actual market data; consequently, alternative methods had to be employed.

Many of the Group's assets can be tested for impairment at CGU level. Identifying CGUs requires complex professional judgement. In addition, when determining the recoverable value of CGUs, the Group's management is forced to rely on forecasts for the future which are uncertain by nature. The estimation of the recoverable value involves significant amounts even at the level of the financial statements.

The Group's profit or loss is heavily dependent on the global market price of energy carriers and indirectly on the exchange rates of the USD and the Euro in which the price of such commodities is denominated. The natural gas purchases of power plants are denominated in a currency other than the functional currency. The Group enters into forward contracts in order to hedge foreign exchange exposures. Similarly, the Group enters into hedge transactions to protect itself from changes in the price of energy carriers themselves.

For the electricity trade division, purchases are also made predominantly in EUR, while sales contracts are denominated mostly in HUF. The Group enters into hedging transactions and, where possible, uses foreign-currency-indexed customer price formulas in order to manage foreign exchange exposure.

Power plant units of the ALTEO Group:

- heating power plants (ALTEO-Therm Kft.),
- wind turbines (EGE Kft. Pannon Szélerőmű Kft.),
- hydropower plants (Sinergy Kft.)
- solar power plants (Domaszék 2MW Naperőmű Kft., Monsolar Kft. Sunteo Kft.)

The energy production of power plants relying on renewable energy sources depends on the weather, therefore, changes in certain elements of the weather (sunshine, wind force, temperature, water yield) can also have a significant impact on the efficiency of the units in question.

Certain entities in the Group are involved in the district heating production business.

Much of the capacities of certain power plants of the Group are devoted to one or two clients. Power plants where the Group has not signed long-term supply contracts with clients are exposed to the risk of clients being lost.

The Group's operation and profitability depends on the government regulation of the market, especially on the taxation policy adopted by the state.

The Group presents in detail the risks relating to its operation in Notes No III.3 and III.4.

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III.2 Changes in accounting policies, potential impact of IFRSs and IFRICs not yet effective as at the reporting date of the financial statements and earlier application

The Group's accounting policies applied earlier did not change, with the exception of the listed items.

New accounting policies as of January 1, 2022

The following standards and interpretations (and their respective amendments) became effective during the 2022 fiscal year

New and amended standards and interpretations published by IASB and accepted by the EU that become effective from this reporting period:

New and amended standards – to be applied for the financial years starting from January 01, 2022:	Effective date	EU endorsement	ALTEO Group
Annual IFRS developments: 2018-2020 cycle	01/01/2022	approved	none
Conceptual framework for financial reporting (amendments to IFRS 3)	01/01/2022	approved	none
IAS 37 Provisions, contingent liabilities and contingent assets (Amendment - Onerous contracts - Cost of contract performance)	01/01/2022	approved	none
IAS 16 Property, plant and equipment (Amendment - Revenue before use)	01/01/2022	approved	none

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements the following standards issued by IASB and adopted by the EU and amendments to the existing standards and interpretations were in issue but not yet effective.

The implementation of these amendments, new standards and interpretations would not influence the financial statements of the Company in a significant manner.

Application for subsequent business years:	Effective date	EU endorsement	ALTEO Group
IFRS 17 Insurance Contracts (issued on May 18, 2017, endorsed by the EU)	01/01/2023	approved	there will be no effect
Disclosure of material accounting policy information amending IAS 1 and IAS 8, and IFRS Practice Statement 2	01/01/2023	approved	there will be no effect
Definition of accounting estimates amending IAS 8	01/01/2023	approved	there will be no effect
Amendment of IAS 12 Income Taxes	01/01/2023	approved	there will be no effect
IFRS 16 Leases (Amendment - Liabilities under leaseback)	01/01/2024	approved	there will be no effect
IAS 1 Presentation of financial statements (Amendment - Classification of liabilities as short or long-term)	01/01/2024	approved	there will be no effect
IAS 1 Presentation of financial statements (Amendment - Short-term liabilities with Covenants)	01/01/2024	approved	there will be no effect

The IFRSs adopted by the EU currently do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the new standards listed below, any amendments of the existing standards and new interpretations that were not yet adopted by the EU by the disclosure date of the financial statements.

The implementation of these amendments, new standards and interpretations would not influence the financial statements of the Group in a significant manner.

III.3 Risk matrix

The management of the Group considered and assessed the specific risk factors associated with the ALTEO Group and the securities issued by the Company as well as the potential risks involved in making an informed investment decision, based on the probability of the occurrence of such risks and the anticipated extent of their negative impact. These Financial Statements only contain the risk factors that were assessed as material by the Company. The Company provides the results of the materiality analysis using a qualitative scale, indicating a “low”, “medium” or “high” risk level next to each risk factor. The risk factors have been ordered within their respective categories based on their materiality.

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Risk categories:

A/ Macroeconomic and legal system related risks

type	number	Risk	2022	2021	change
A	1	Risks stemming from the legal system	high	high	none
A	2	Macroeconomic factors	medium	medium	none
A	3	Taxation	high	medium	yes
A	4	Risks related to the United Kingdom leaving the European Union (Brexit)	none	low	yes
A	5	State of danger in Hungary	high	n/a	yes
A	6	Energy emergency	high	n/a	yes

B/ Risks specific to the market and the industry

type	number	Risk	2022	2021	change
B	7	Energy market regulation	high	high	none
B	8	Regulated prices	high	high	none
B	9	Electricity balancing reserve capacity system risks	high	high	none
B	10	Changes to network connection rules	high	n/a	yes
B	11	Government grants	high	high	none
B	12	CO_2 emission market, CO_2 quota allocation system and CO_2 quota prices	medium	medium	none
B	13	Changes in technology	medium	medium	none
B	14	Competitive situation	medium	medium	none
B	15	Funding risk	high	medium	yes
B	16	Foreign exchange rate changes	medium	low	yes
B	17	Impact of international market developments on domestic trade	medium	medium	none
B	18	Risk of changing natural gas, electricity and heat energy price margins	medium	medium	none
B	19	Environmental legislation	medium	medium	none
B	20	Risks related to the spread of COVID-19	medium	high	yes
B	21	Illness of the workforce	low	n/a	yes
B	22	War risks	medium	high	yes

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C/ Risks specific to the ALTEO Group:

type	number	Risk	2022	2021	change
C	23	Risks arising from operating the Virtual Power Plant	high	high	none
C	24	Political risks	high	medium	yes
C	25	Dependence on weather	high	high	none
C	26	The impact of weather on heat use	high	n/a	yes
C	27	Risks of growth	high	medium	yes
C	28	Risks stemming from acquisitions, buying out projects and companies	medium	medium	none
C	29	Risks related to power plant project development and green-field investment	medium	medium	none
C	30	Large-scale, customized projects	medium	medium	none
C	31	Energy trade risks	high	medium	yes
C	32	Operating risks	medium	medium	none
C	33	Fuel risk	medium	medium	none
C	34	Renewing and/or refinancing outstanding debts	medium	medium	none
C	35	Information technology systems	medium	medium	none
C	36	Wholesale partner risks	medium	medium	none
C	37	Dependence on third-party suppliers	medium	medium	none
C	38	Buyer risk	medium	medium	none
C	39	The risk of key managers and/or employees leaving the Company	medium	medium	none
C	40	The risk of introducing and using new power plant technologies	medium	medium	none
C	41	Authority risk	low	low	none
C	42	Key licenses and qualifications	low	low	none
C	43	The risk of not fulfilling the obligations associated with operating its own balancing group	low	low	none
C	44	Risks related to the RPM business	medium	n/a	yes
C	45	Options to purchase certain means of production	low	low	none
C	46	Business relationships associated with the Owners' Group	low	low	none
C	47	The risk of being categorized as a de facto group of companies	low	low	none
C	48	Taxation	low	low	none
C	49	Environmental risks	low	low	none
C	50	Risk of bankruptcy and liquidation proceedings	low	low	none
C	51	Any discrepancies between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)	low	low	none
C	52	The risk of entering new geographical markets	low	low	none

Type of changes:

Updating and clarification of text and wording in the items below.

The quantitative effects of risks are presented in Sections III.3.16 and III.4.

A/ Macroeconomic and legal system related risk factors

III.3.1 Risks stemming from the legal system

The legal system can be considered relatively underdeveloped in Hungary—where the ALTEO Group currently pursues its activities—and in the Company's various strategic target countries. According to conventional wisdom throughout these countries, laws change quite frequently, authority and court decisions are, on occasion, contradictory or inconsistent or difficult to construe. These circumstances can make it difficult for the Company to perform its tasks in a manner fully compliant with legal regulations, and this can expose the Company to arbitration, litigious, non-litigious and other risks of legal nature that affect its profitability.

III.3.2 Macroeconomic factors

The ALTEO Group's operations and profitability stands exposed to macroeconomic developments in Hungary and the countries of the European Union, particularly to how economic growth and industrial production, as well as the financial position of general government shapes up. Certain negative developments in the macroeconomic environment may have adverse effects on the profitability of specific the ALTEO Group activities.

III.3.3 Taxation

The current taxation, contributions and duties payment regulations applicable to the ALTEO Group are subject to change in the future, meaning that it is particularly impossible to rule out potential increases in the rate of the special tax imposed on energy generators and energy traders, moreover that new taxes with adverse effects on enterprises active in the electricity sector could be imposed, any of which would, in turn, increase the ALTEO Group's tax liability. Applicable tax regulations are open to frequent and major changes, even with retroactive effect, and that could impact the ALTEO Group's sales revenue and profitability alike.

III.3.4 State of danger in Hungary

In view of the armed conflict and humanitarian disaster in the Ukraine, and in order to avert their consequences in Hungary, the Government has declared a state of danger for the whole territory of Hungary with effect from May 25, 2022. It is not known when the armed conflict in the Ukraine will end and how long the resulting state of danger in Hungary will persist.

During the period of the special legal order, the Hungarian Government by taking over the legislative powers of the National Assembly may govern by decree, suspend or amend certain laws, and therefore the legislative environment may change frequently and in less predictable fashion. The energy sector, in which ALTEO Group is active, is considered to be of strategic importance and may, therefore, be particularly exposed to the uncertainties of state of danger-related legislation, and the Hungarian government may also place ALTEO Group under its supervision, thereby taking over the powers of ALTEO's supreme decision-making body. Such state of danger-related changes, uncertainties and measures may affect ALTEO Group's operations, revenues and profitability.

III.3.5 Energy emergency

Several countries in the European Union have declared a first (early warning) or second (alert) level crisis situation in the first half of 2022 under their natural gas supply emergency plans, and the Hungarian Government declared an energy emergency on July 15, 2022, primarily due to the shortage of energy carriers in Europe as a result of the Russian-Ukrainian war and its consequences.

The energy emergency and its possible escalation may trigger processes other than normal market operation and may lead to restrictions and state intervention in the energy sector. Such processes and interventions may adversely affect the operations and profitability of ALTEO Group.

III.3.6 Risks related to the United Kingdom leaving the European Union (Brexit)

The risk is not considered relevant to the Company's operations. Further description and further monitoring of the risk has been discontinued.

B. Risks specific to the market and the industry

III.3.7 Energy market regulation

The operation and profitability of the ALTEO Group greatly depend on the energy market regulations in Hungary and in the European Union, as well as on the application of such regulations, including in particular laws, authority and court practice, Hungarian and international processes, trade and operational regulations, as well as other applicable regulations relating to electricity generation, electricity trade, the market of ancillary services in the electricity industry, the utilization of renewable energy sources, energy and heat produced in cogeneration power plants, district heat generation and district heating services, natural gas trade, as well as allowance allocation and trade.

III.3.8 Regulated prices

The various affiliates of the ALTEO Group engage in activity whose price is determined or capped through laws or authority regulations (including in particular the HEPURA, ministries and municipalities). These prices, which are prescribed by law or set by an authority, and any modifications in the material scope of official price regulation may have a significant impact on the profitability and competitiveness of the Company, as well as its various Subsidiaries.

III.3.9 Electricity balancing reserve capacity system risks

The financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the balancing reserve capacity and energy markets of the electricity system. If, for any reason, access to these markets becomes limited with respect to **production** units within the sphere of business interests of the ALTEO Group, including a drop in service volumes attributable to a substantial fall in market prices, this may have an adverse impact on the business activity and profitability of the ALTEO Group. Considering that ALTEO Group is present on the balancing energy markets as a service provider as well as a buyer of services, a change in pricing in such markets may have a significant effect on the capacity of the Company to generate financial income.

III.3.10 Changes to network connection rules

The financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the balancing reserve capacity and energy markets of the electricity system. If, for any reason, access to these markets becomes limited with respect to production units within the sphere of business interests of the ALTEO Group, including a drop in service volumes attributable to a substantial fall in market prices, this may have an adverse impact on the business activity and profitability of the ALTEO Group. Considering that ALTEO Group is present on the balancing energy markets as a service provider as well as a buyer of services, a change in pricing in such markets may have a significant effect on the capacity of the Company to generate financial income.

III.3.11 Government grants

ALTEO Group's operation and profitability could depend on the amount of state subsidies applicable to the utilization of renewable energy sources and cogenerated energy in Hungary and the countries of the European Union, as well as those for investment projects and operation, moreover on any future changes in government grants.

The European Commission has issued new guidelines for assessing the compatibility of all state aid subject to notification granted or planned to be granted from January 27, 2022 onwards in the fields of climate, environmental protection and energy (CEEAG). In the CEEAG, the Commission proposes that EU Member States amend their existing environmental and energy support schemes to comply with the CEEAG by December 31, 2023. Changes in state subsidy regimes, and especially in the KÁT and METÁR regulations, or a possible cancellation of applicable grants may have a significant impact on the operation, profitability, market position and competitiveness of the Company.

III.3.12 CO2 emission market, CO2 quota allocation system and CO2 quota prices

The fourth EU ETS trading period (2021–2030) began on 1 January 2021. During this period, in addition to emission allowances received free of charge, emitters can acquire emission allowances solely at auctions or through secondary commercial channels. In the period between 2021 and 2030, specific power plants of ALTEO Group are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the National Implementing Measure published by the Ministry for Technology and Industry and approved by the European Commission. A significant change compared to the third trading period is that in the fourth trading period, the free allocation available for a given year is largely determined by the level of activity of installations to be certified each year, as well as its changes. In the event of a 15% change in the activity level compared to the base period, the predetermined quota levels will need to be adjusted and approved by the European Commission in order for allocations to better reflect the actual activity of the installations.

Changes in the legal environmental and allocation system rules to achieve the climate policy targets, and the change in the price of emission allowances can have a considerable impact on the operating costs and economic results of ALTEO Group.

III.3.13 Changes in technology

Technological innovations can significantly improve the efficiency of the energy industry, especially in the area of renewable energy production. Technological development can not only reshape the technologies the ALTEO Group uses, but, in certain cases, might even completely eliminate their use. If ALTEO Group has no appropriate experience with or access (on account of patent protection or due to other grounds) to solutions and technologies that become prominent, this may lead to ALTEO Group losing market share, and a decrease in its revenues and profitability. There is no way to guarantee that the ALTEO Group will always be in a position to choose and procure, then operate—in a most profitable way—the most efficient technology.

III.3.14 Competitive situation

There are multiple companies both in Europe and Hungary that have significant positions and experience, as well as advanced technologies, major capacities and financial strength—among them state or municipal government owned and controlled ones—that compete on the ALTEO Group's various markets or may start competing with the ALTEO Group in the future. Should it become more intensive in the future, competition may necessitate unforeseen improvements and investments, furthermore, might also have a negative effect on the price of the ALTEO Group's services or increase the Group's costs, which may have an adverse effect on the ALTEO Group's bottom line, as measured on a consolidated basis.

III.3.15 Funding risk

Preparing for and implementing investments and developments in the energy segment are capital-intensive processes requiring substantial funding. Changes in certain factors (including the general economic environment, credit markets, bank interest rates and foreign exchange [FX] rates) may increase ALTEO Group's financing needs and/or the costs of funding, make the accessing and repayment of funding more difficult, and cause delays in the same or even render it outright impossible, and this is understood to also include financing schemes already established on the date of this Information Memorandum.

ALTEO Group's bank loans have variable interest rates and are linked to reference interest rates, such as BUBOR. An unfavorable change in the interest rates could have an adverse effect on the profitability of the ALTEO Group. The ALTEO Group enters into interest rate swap (IRS) transactions to mitigate its interest rate exposure. Such transactions are concluded after due consideration of the respective economic environment, and facility-related terms and conditions. These transactions allow for reducing risk, however, the ALTEO Group is not able to completely eliminate negative risks stemming from variable interest rates.

ALTEO's current indebtedness in bonds fully comprises HUF-denominated, fixed annual interest-bearing bonds.

The increase in energy prices and their growing volatility are increasing the deposit and bank guarantee requirements associated with the conclusion and maintenance of forward products. Additionally, late payments embodied in much shorter trade payment dates and the larger trade receivable portfolio arising from higher specific prices may increase the working capital financing needs of ALTEO Group members. As a result, ALTEO Group must use a much larger proportion of its financial assets to finance the increased deposit and bank guarantee and working capital needs than in previous years, which may divert funds from otherwise attractive investment opportunities. The time factor of these financing needs is uncertain, and it is not possible to predict when they will start and end.

III.3.16 Foreign exchange rate changes

The part of ALTEO Group's sales revenue generated in HUF and, on the expenditure side, not covered with FX-revenue, to be settled in FX or subject to foreign exchange rates, the Group may incur gain or loss, due to the changes in HUF and FX prices. As a consequence, any change in foreign exchange rates that is unfavorable for the ALTEO Group might have a negative effect on the business activity and profitability of the ALTEO Group. ALTEO Group manages this exposure through hedging of the mentioned items, however, even so the resulting risks cannot be completely excluded.

The quantitative effect of exchange rate changes on the receivables and payables of the Group is shown in the table below:

Financial instrument	EUR	Effect of 5% change in exchange rate (HUF thousand)
Assets:		
Long-term deposits or loans given	1 770 118	35 424
Trade receivables	4 062 080	81 292
Other financial assets	4 715 370	94 366
Other receivables and accruals	11 279 366	225 728
Cash and cash equivalents	11 085 610	221 851
Liabilities:		
Finance lease liabilities	(755 901)	(15 127)
Advances received	(3 498 896)	(70 022)
Trade payables	(7 174 646)	(143 583)
Other long-term liabilities	(255 000)	(5 103)

III.3.17 Impact of international market developments on domestic trade

Market prices seen on foreign commodity exchanges have a major influence on energy prices in Hungary, even though these prices move, to a significant degree, on the basis of economic processes, as well as supply/demand conditions outside Hungary. The significant volatility of energy prices may force market players to reduce their risk exposure, which could lead to less favorable conditions for ALTEO Group, which in turn may have a negative impact on the Group’s profitability.

III.3.18 Risk of changing natural gas, electricity and heat energy price margins

Any changes in the difference between (margin on) the (procurement) price of natural gas and the price of electricity and/or heat that is sold influence the financial position of natural gas-fired power plants significantly. Were this margin to drop significantly, it could have a negative effect on the business and profitability of the ALTEO Group.

III.3.19 Environmental legislation

Any unfavorable changes in the environmental legislation applicable to the ALTEO Group may generate surplus costs or additional investment requirements for the ALTEO Group.

III.3.20 Risks related to the spread of COVID-19

To the best of its knowledge, ALTEO Group does not have any direct customers or suppliers for its revenue-generating activities or services who are domiciled in countries that are under quarantine due to the COVID-19 virus as at the date of publication of this Basic Information Memorandum. However, COVID-19 may affect those markets where ALTEO Group is also active, and so it may have an indirect impact on ALTEO Group’s operations and profitability. The management of ALTEO Group is not in a position to assess the risks from the potential outcomes of COVID-19 in the entire supply chain or the risks indirectly affecting the Company.

The direct personnel of ALTEO Group and the workforce of its subcontractors and suppliers involved in each ongoing project may be affected by the spread of the COVID-19 virus and the measures taken or to be taken during the same. Illnesses can have a negative impact on ALTEO Group’s work processes, the timing of ongoing projects and may also have detrimental effects on the labor market. The state of danger imposed in Hungary may have a negative impact on the profitability and liquidity on the clients and consumers of ALTEO Group and may also result in the decline of their demand for energy and willingness to invest, which may have a detrimental effect also on ALTEO Group’s profit. ALTEO Group has taken the necessary measures to address the risks related to the protection of its employees’ health and has set up a Pandemic Executive Board, and adopted a Pandemic Plan.

ALTEO Group’s management continuously monitors events related to the COVID-19 virus and is prepared to take the necessary measures. At the same time, the effects of the COVID-19 virus and pandemic could be unpredictable and far reaching and thus, despite the preparedness of ALTEO Group, could have a negative impact on the business activity and profitability of ALTEO Group.

III.3.21 Illness of the workforce

In addition to COVID-19, there is a risk that ALTEO Group’s direct staff and the workforce of its subcontractors and suppliers involved in certain ongoing projects may be affected by a contagious virus, bacteria, fungus, parasite or radiation-related illness, which could have a negative impact on ALTEO Group’s work processes, the scheduling of ongoing projects and have adverse labor market consequences.

III.3.22 War risks

The ongoing war between Russia and Ukraine, and other wars and armed conflicts in general, can disrupt supply chains, affect procurement prices, cause delays or even the complete inability to implement investment projects and adversely affect labor market processes. Changes in these factors could result in additional costs, additional investment requirements or the failure of investment projects for ALTEO Group, and their scheduling is uncertain and cannot be predicted. As such, wars and armed conflicts may have a negative impact on the business and profitability of the ALTEO Group.

C. Risks specific to the ALTEO Group:

III.3.23 Risks arising from operating the Virtual Power Plant

The income generating capacity of the ALTEO Virtual Power Plant and related production units within the sphere of business interests of the ALTEO Group is highly dependent on the availability and pricing of balancing reserve capacity and energy markets in the electricity system. If, for any reason, access to these markets becomes limited with respect to the ALTEO Virtual Power Plant, including a drop in service volume attributable to a substantial fall in market prices or to regulatory changes, this may have a highly adverse impact on the business activity and profitability of ALTEO Group.

III.3.24 Political risks

The ALTEO Group provides some of its services to institutions which are owned by municipalities or are under the influence of municipalities or certain statutory corporations. Furthermore, the agreements made with such institutions have a major effect on the operation of certain members and projects of the ALTEO Group. The considerations governing the motivation of bodies having influence over such institutions may differ from the considerations of a rational, profit-oriented market player, which is a risk in terms of contract performance. Such risks arise primarily relating to the district heating generation activities of ALTEO-Therm (which performs district heating generation activities as well) at its Sopron, Kazincbarcika, Tiszaújváros and Zugló sites.

The occurrence of events that may be classified as political risks may have an adverse impact on the exposed Subsidiaries of ALTEO Group and, overall, the profitability of the ALTEO Group.

III.3.25 Weather-dependent energy production

Part of the ALTEO Group's energy production capacities (e.g. wind turbines, solar power plants, hydropower plants) and the energy demand of certain buyers (e.g. heat demands) depend on the weather, therefore, changes in weather may significantly affect the profitability of the ALTEO Group. In the case of weather-dependent energy production, no major change can be expected in the average annual output, but within a year and between years, differences may occur. In the case of a weather-dependent change in energy demand, even longer-term trends of changes may develop (such as milder winters).

In the case of weather-dependent energy production, the Company relies on meteorological forecasts to estimate (schedule) the quantity of electricity that can potentially be generated. If the weather is not as predicted, there will be changes in the amount of electricity produced as compared to the plans (Day-Ahead or Intra-Day schedules), which may cause a significant loss for the ALTEO Group. See also Electricity balancing reserve capacity system risks.

The Company's strategy is to keep on developing weather-dependent, renewable energy production projects, and that might increase the dependence on weather in the future.

III.3.26 The impact of weather on heat use

Various ALTEO Group Subsidiaries produce and sell heat and district heating. The needs of heat and district heating customers can be significantly affected by the weather and outside temperatures. Some of the heat supply and district heating sales agreements concluded by the Subsidiaries do not stipulate a mandatory minimum offtake quantity. In these cases, unplanned weather conditions may affect the revenues from the sale of heat and district heating and the adequacy of the hedging transactions entered into by ALTEO Group. Consequently, the impact of the weather on heat use may adversely affect the business activity and profitability of the ALTEO Group.

III.3.27 Risks of growth

The ALTEO Group is in the phase of business growth, coupled with the growth of employee staffing, the number and value of the facilities and tools. The ALTEO Group is planning to expand further both in terms of business activities and geographical areas. There is no guarantee that the Company strategy will be successful and the Company will be able to manage this growth efficiently and successfully.

With contributions from its Subsidiaries, as per the present Information Memorandum, the Company is preparing several project implementations. In addition to the Company's intention, these project implementations depend on a number of other external factors. It cannot be guaranteed that these projects will be actually implemented, or will be implemented in accordance with the present Information Memorandum, furthermore, the implementation of other future projects may precede or substitute projects known as at the date of the present Information Memorandum.

Any of the potential risk events associated with growth may result in stagnation of the Company's growth or even operation at a loss.

III.3.28 Risks stemming from acquisitions, buying out projects and companies

The ALTEO Group wishes to implement its business plans partially via acquisition of already existing projects and/or buying out companies. Although acquisition targets always undergo detailed screening before the transaction, we cannot exclude the possibility of such financial, legal or technical events occurring in relation to an acquired project or company that may have an adverse effect on the business and profitability of the ALTEO Group.

Any of the potential risk events associated with the acquisition strategy may result in stagnation of the Company's growth or even operation at a loss.

III.3.29 Risks related to power plant project development and green-field investment

In ALTEO Group's business plans, licensing and implementation of green-field energy investments plays an important role. Although the ALTEO Group draws up careful technical, legal and profitability plans when preparing for project implementation, there is always a possibility that the authorization of specific projects becomes unreasonably long or impossible. During implementation phases, the ALTEO Group strives to contract main and subcontractors that offer appropriate guarantees and references, but even so, the possibility of disputes arising between the parties cannot be excluded in these phases.

Any of the potential risk events associated with green-field investments or development projects in power plants may result in stagnation of the ALTEO Group's growth or even operation at a loss.

III.3.30 Large-scale, customized projects

In line with the characteristics of the industry, a significant share of ALTEO Group's revenues comes from large-scale, customized projects. Consequently, completing or not implementing just a few projects may already make a big difference in terms of the Company's future revenues and profitability. These large-scale projects are frequently long-term (may take even several years), require a long-term allocation of significant resources and are, in several cases, implemented using subcontractors. An eventual failure of or loss on such large-scale investments may have a significant negative impact on ALTEO Group's profitability.

III.3.31 Energy trade risks

Changes in the demand on electricity and natural gas markets may have a profound impact on the revenues, profitability and strategic expansion plans of the ALTEO Group.

During ALTEO Group's energy trading activities, portfolio planning is done on the basis of data service from consumers and the Group's calculations. A planning error or incorrect data report may lead to an inappropriate procurement strategy, where a subsequent correction can cause losses to the ALTEO Group.

The Company seeks to cover 100% of the annual consumer demand, in shorter periods, however, open positions may remain due to natural seasonality, which are mainly closed on the spot and balancing energy markets. Prices on the spot and balancing energy markets cannot be planned in advance, any change in these markets may impact the profitability of the ALTEO Group.

Natural gas and electricity volumes are mainly contracted through low-risk wholesale partners and, to a lesser extent, through exchanges. Trading is continuous, and therefore the prices of products change on a daily basis, given that the trading in exchange-traded products is continuous. Day-by-day price movements, sometimes with significant changes, may represent a risk in the case of longer-term consumer proposals, however such risk is mitigated by the Company by issuing indicative quotes (not binding for the trader). Even though the ALTEO Group performs its retail trade activities on the basis of a risk management procedure adopted by the Board of Directors; a potential erroneous transaction may have a significant negative effect on the profitability of the ALTEO Group.

The income generating capacity of the ALTEO Virtual Power Plant and related production units within the sphere of business interests of the ALTEO Group is highly exposed to trading on various futures and spot markets. The hedging of electricity positions for planned heat and electricity sales takes place on the wholesale markets, while the short-term adjustment of positions and certain contractual electricity sales obligations on the spot markets (HUPX DAM and IDM). If the electricity generation positions to be taken and hedged are incorrectly determined, their adjustment may affect the profitability of the ALTEO Group due to changes in the market price environment. Furthermore, the loss of access to spot markets due to mismanaged collateral needs could also have a significant impact on the finance income of the ALTEO Group.

ALTEO Group has a strategic fuel purchase contract, where the amount of the financial guarantee is greatly exposed to the changes in the market price of the given fuel. In the event of an adverse price movement, additional collateral may be required, which could have a negative impact on the financial position of the ALTEO Group.

III.3.32 Operating risks

The economic performance of the ALTEO Group depends on the proper operation of its projects, which may be influenced by several factors, such as:

- costs of general and unexpected maintenance or renewals;
- unplanned outage or shutdown due to malfunction of the equipment;
- natural disasters (fire, flood, earthquake, storm and other natural disasters);
- change in operative parameters;
- change in operating costs;
- eventual errors during operations; and
- dependence on third-party operators.

The energy generating Subsidiaries of the ALTEO Group (with the exception of Pannon Szélerőmű Kft.) have in place “all risk” type property insurance policies for machinery breakdown and outage, as well certain natural disasters. These provide cover for damages traceable to such causes and also apply to liability insurance policies as well, where a cover is provided for third-party damage caused by energy generating activities. However, it is not excluded that a loss event is partially or entirely outside the scope of the risk assumed by the insurer, and so, the insurant—either as the injured party or the responsible party—may be obliged to bear the damage.

The occurrence of any operational risks may have a highly adverse impact on the perception and profitability of the ALTEO Group.

III.3.33 Fuel risk

The price of strategic fuels used by the ALTEO Group follows market processes. The possibility that the price of the fuel procured by the ALTEO Group will increase in the future, cannot be ruled out, which can have a negative effect on the Group’s profitability.

For ALTEO Group’s power plants burning hydrocarbons, the key types of fuel (primarily natural gas) are procured from third-party suppliers. The natural gas transport agreements made by the ALTEO Group are in line with the practices used by the entire industry. Despite that, there is no guarantee that the fuel required for fueling the power plants will always be available, and it is especially difficult to plan with fuel supply in the case of external events. The natural gas transport agreements made by the ALTEO Group are also in line with the practices used by the entire industry and these may include an offtake (a.k.a. “take-or-pay”) obligation, for the respective period, with a certain tolerance band. In the event of a significant drop in natural gas consumption, the incurrence of a penalty by the ALTEO Group due to gas not taken over cannot be completely ruled out, and such an occurrence would have an adverse impact on the profitability of the ALTEO Group.

III.3.34 Renewing and/or refinancing outstanding debts

In addition to loans granted by financial institutions, ALTEO Group uses in part bonds – issued by ALTEO either in a private or public offering – to fund its financing needs. As at the date of this Information Memorandum, the ALTEO Group holds a bond portfolio with a face value of HUF 12,400 million.

Negative changes and risks in the business prospects of the ALTEO Group, in the general financing environment, in the interest environment or in the general capital market atmosphere may have a negative effect on the renewal of bond debt and the refinancing of the ALTEO Group's outstanding loans would be possible only with significantly worse conditions or it might even become impossible. These circumstances may have a negative effect on future financing and on the financial situation of the ALTEO Group.

III.3.35 Information technology systems

The activity of the ALTEO Group (in particular, the supervision of the power plants) depends on the information technology systems. The inadequate operation or security of the ALTEO Group's information technology (IT) systems may have adverse consequences for the business and profitability of the ALTEO Group.

III.3.36 Wholesale partner risks

If the partner in a wholesale transaction does not deliver or accept the contracted amount of energy, or cannot pay for the energy delivered, such failed transactions may lead to short- or long-term losses for the Company. Although the ALTEO Group exercises utmost care in selecting its partners, any failure by them to meet their obligations would have a negative impact on the profitability of the ALTEO Group.

III.3.37 Dependence on third-party suppliers

During the implementation of energy investments, the ALTEO Group greatly depends on the suppliers, manufacturers of certain equipment, as well as on the implementers and subcontractors, and that may have an impact on the implementation of the investments. The ALTEO Group does not always have full control over the equipment, installations and materials. If, for any reason, manufacturers or suppliers fail to deliver the equipment ordered by the ALTEO Group at the right time, for the right price and in the right quality, delays may occur in the implementation of investments and additional costs may arise, which may have an adverse impact on the profitability of the ALTEO Group.

III.3.38 Buyer risk

A significant share of the ALTEO Group's revenues comes from a small number of buyers making large purchases. Consequently, winning or losing a client contract may already make a big difference in terms of the Company's future revenues and profitability.

As a consequence of having significant buyers, the ALTEO Group is exposed to non-payment risk. If an important buyer of the ALTEO Group fails to pay or pays lately, that might cause a significant loss to the ALTEO Group.

The ALTEO Group has fixed-term contracts with its significant buyers, suppliers and financing partners. There is no guarantee that after the expiry of these contracts, the parties can reach an agreement regarding the extension of these contracts. Even fixed-term contracts offer no guarantee against their termination before the end of their specified term due to some unexpected or exceptional event.

ALTEO Group sells electricity and provides district heating services for certain public institution users. Upon request from such users, the relevant Subsidiary is obliged to provide an exemption from termination due to late payment (a moratorium), for a specified period, subject to the conditions laid down by law. Costs occurred due to the moratorium must be borne by the relevant Subsidiary.

III.3.39 The risk of introducing and using new power plant technologies

In accordance with its business plans, the ALTEO Group may introduce into the portfolio certain technologies that were not included in their power plant portfolio until now. Although the ALTEO Group implements only proven technologies holding a number of references, if the performance of a given technology is lower than previously projected, it may cause a loss to the ALTEO Group.

III.3.40 The risk of key managers and/or employees leaving the Company

The performance and success of the ALTEO Group greatly depends on the experience and availability of its managers and key employees. The departure of executives and key employees from Company could have a negative impact on the ALTEO Group’s operation and profitability.

III.3.41 Official decisions

In addition to the tax authority, several other authorities (such as the Central Bank of Hungary and HEPURA) are entitled to check the proper functioning of the rules at the ALTEO Group. The ALTEO Group does everything that can reasonably be expected of it to ensure the compliance of its operation with the requirements stipulated by the law or the authorities. Nevertheless, the possibility that future inspections and audits by the authorities will result in statements leading to substantial expenses for the ALTEO Group, or that the competent authorities will impose certain sanctions (such as penalty, suspension of operation or withdrawal of the license required for operation) against some companies of the ALTEO Group cannot be excluded, which may have an adverse impact on the perception and profitability of the Company.

III.3.42 Key licenses and qualifications

For performing their activities, members of the ALTEO Group need numerous permits and licenses (e.g. electricity trading license, natural gas trading license, small power plant consolidated permit, district heating production license, KÁT permit, as well as environmental and water rights licenses). If these certificates, qualifications and licenses are revoked or not extended, the business of the ALTEO

Group would be profoundly limited. Therefore, this could have a significant negative impact on the Group's profitability.

III.3.43 The risk of not fulfilling the obligations associated with operating its own balancing group

As part of electricity trading activity, the various ALTEO Group Subsidiaries operate a balancing group of their own, an accounting organization with the membership of electricity users and electricity producers in contractual relationship with the various ALTEO Group Subsidiaries, and perform their related tasks specified in the laws and electricity supply regulations. The various ALTEO Group Subsidiaries themselves have all licenses, financial securities, assets and resources required for operating the balancing group, but in the case of a malfunctioning or a shortage, they may not be able to perform their duties as the entities responsible for the balancing group, therefore, they would have to bear all relevant damages and fines.

The various ALTEO Group Subsidiaries are involved in a balancing group cooperation with several balancing group managers. Should these balancing group managers suspend or terminate their activities, the transfer of their tasks may imply significant costs for the ALTEO Group and, if the transfer of the tasks performed by the balancing group managers cannot be settled immediately, without problems, then, even a significant amount of surcharge payment obligation may result from it.

III.3.44 Risks related to the RPM business

In relation to the RPM Business, short-term (~1 year) contracts are typically concluded. Within the framework of this business, certain Subsidiaries of the ALTEO Group also perform scheduling group representative functions, which includes them being responsible for the submission of schedules on time and in compliance with legal and other regulations. If the schedules deviate from the actual production profile, such deviation generates balancing energy costs for the ALTEO Group. Such costs may reduce the profitability of the RPM Business, which may even become loss-making.

III.3.45 Options to purchase certain means of production

Third parties have options to purchase certain means of production of the ALTEO Group. If the relevant contracts are not amended or new service contracts are not signed, these assets will not contribute to the Company's revenues and profits after the time when they are sold. Apart from that, the Company may suffer losses from such sale transactions. In its business plans, the Company anticipates the expiration of these contracts and the loss of ownership of the means of production; any contract renewals or the retention or more favorable sale of ownership will result in additional profits compared to the plans.

On the basis of the investment and long-term heat supply contracts concluded between the legal predecessors of ALTEO-Therm Kft. and the local municipalities of Kazincbarcika, Ózd and Tiszaújváros, the municipalities are entitled to buy these heating power plants upon the expiry of such contracts, at the value specified in the accounting records. The Tiszaújváros contract has been extended until 2035, while the Kazincbarcika and Ózd contract until 2032 and 2030, respectively. Under a purchase option contract between MOL Petrochemicals Co. Ltd. and Sinergy on the Tisza-WTP business quota, MOL Petrochemicals Co. Ltd. is entitled to purchase, until June 30, 2027 at the latest, the Tisza-WTP business quota at a price calculated according to the methodology specified in the contract.

Under a long-term contract concluded by Zugló-Therm, legal predecessor of ALTEO-Therm and FŐTÁV Zrt on purchasing and selling heat energy, as well as an agreement establishing a purchase option, concluded at the same time, upon expiry of that contract (expected by May 31, 2030) or in the case of termination by Zugló-Therm, FŐTÁV Zrt is entitled to buy the gas engine block heating power plant established by Zugló-Therm for an amount of EUR 1, further to its decision adopted at its discretion. If FŐTÁV Zrt. fails to exercise its purchase option, and the parties are unable to reach an agreement on the future of the heating power plant, ALTEO-Therm will be obliged to demolish it at its own expense and restore the property used by it for this purpose to its original condition.

III.3.46 Business relationships associated with the Owners' Group

The ALTEO Group is part of the Owners' Group, and there are several business relationships between the two groups. A portion of the ALTEO Group's revenues and services used comes from the Ownership Group. There is no guarantee that in the case of an eventual future change in the ownership structure of the Company or of these businesses the relationship of the ALTEO Group with these businesses remains unchanged. The termination of these buyer, financing and supplier relationships may have a negative effect on the profitability of the ALTEO Group and limit its options to access funding in the future.

III.3.47 The risk of being categorized as a de facto group of companies

The ALTEO Group includes several Subsidiaries. In the case of ALTEO Group, in the absence of a uniform business policy or, in the case of certain Subsidiaries, the lack of other conditions, no control agreement was concluded and ALTEO Group does not qualify as a recognized company group. At the same time, it cannot be excluded that based on the request of a legal entity with an interest of legal nature, the court will oblige the member companies of ALTEO Group to enter into a subordination agreement and to initiate the registration of the company group with the Court of Registration, or categorize ALTEO Group as an actual company group even in the lack of a court registration. In a situation like that, if a subsidiary was liquidated, the Company would be obligated to honor its debt repayment obligations toward the creditors, except if it can prove that the insolvency was not the consequence of the company group's integrated business policy.

III.3.48 Taxation

The ALTEO Group does everything that can reasonably be expected of it to ensure that its operation is in compliance with the regulations, but it cannot be excluded that a future tax audit will result in substantial expenses in the form of a tax liability payable by the Company or its subsidiaries. The findings of the audits performed by the National Tax Authority at the Group in 2022 did not result in any noteworthy changes in the tax positions of the Company, and the Company met all obligations imposed on it on the basis of those findings.

In certain acquisition contracts, the parties to the contract acting as sellers to the ALTEO Group accepted a full guarantee for the period of tax law limitation for the reimbursement of the tax debts of the target companies for the periods prior to their joining the ALTEO Group. Nevertheless, there is no guarantee that any claims for reimbursement against the sellers may be fully enforceable, which may result in a loss for the ALTEO Group.

III.3.49 Environmental risks

During their activities the ALTEO Group's companies use materials and apply technologies that could be harmful to the environment if used inappropriately, not complying with the laws or the applicable licenses. Members of the ALTEO Group have the necessary environmental licenses and policies in place, and their expert staff do their job with special care as required by the nature of this business. But there could be extraordinary events which may entail invoking the environmental remediation obligation of the affected company or imposing a fine, or may lead to enforcing claims against the affected company. The ALTEO Group's insurance policies may not provide any cover or full cover for damages and costs resulting from such events, which may result in a loss for ALTEO Group.

III.3.50 Risk of bankruptcy and liquidation proceedings

If the court requires bankruptcy proceedings to be instituted against the Company, the Company will be granted a payment extension. Pursuant to Section 10(4) of the Bankruptcy Act, the term of payment is extended until 00:00 a.m. on the second business day following the 120th day from the publication of the decision on the bankruptcy proceedings. Under certain conditions, the extension may be prolonged for up to 365 days from the start date of the bankruptcy proceedings. In the event of liquidation proceedings, the Bond claims of Bondholders will be satisfied as other receivables pursuant to Section 57(e) of the Bankruptcy Act. Any bankruptcy or liquidation proceedings initiated against the Company would have a significantly adverse impact on the rate of Bonds and the probability of their full repayment.

III.3.51 Any discrepancies between the data in the consolidated and IFRS reports and the data in the reports prepared in line with the Hungarian Accounting Standards (HAS)

The Company and its Subsidiaries prepare individual reports in line with HAS for each financial year. However, beginning with the financial year of 2010, the Company prepares a consolidated financial statement according to the IFRS standards. Furthermore, since 2017, the Company prepares even its separate financial statement in line with the IFRS standards. Valuation and presentation principles applied in the reports of subsidiaries and of the Company prepared according to the HAS requirements are different from those applied in the consolidated financial statement. Due to the differences in the accounting systems, the information content of the simple aggregation of the separate HAS financial statements and that of the consolidated IFRS financial statement are independent and separate.

III.3.52 The risk of entering new geographical markets

The ALTEO Group might implement acquisitions and green-field investments overseas as well, therefore, any unfavorable changes in the macroeconomic, business, regulatory and/or legal environment of the target countries may have an adverse effect on the financial performance of the projects obtained through acquisition or implemented through green-field investments and consequently, on the profitability of the ALTEO Group.

III.4 Financial risks and their management

Over and above the listing of risks in Section III.3, in this section the Group presents its risks related to financial asset and receivables, the way they are managed, and it analyzes its risk management objectives in the current period.

III.4.1 Recovery risk and its management

The policy and procedures in effect have the objective of laying down the framework and fundamental principles of the trade debtors and debt collection for the Group so as to minimize credit risk from late payment or non-payment of customers, as well as to continuously monitor risks and to provide financial assistance to sales processes, in line with the Group's sales strategy and risk-bearing capacity. The Group has classified its products and services into the following risk categories: The Group employs various systems of collateral tailored to categories of products and services, see table.

Assessed risk categories managed collectively	Group Risk characteristics of the category, risk management procedures
Retail trade in natural gas and electricity	In establishing a customer portfolio, diversification by industry and company size reduces risk. Before establishing trade relations, our partners undergo a customer rating based on internal and external information, and the rating is reviewed annually. For covering pure customer credit risk, the preferred types of collaterals include credit insurance, bank guarantees, cash and deposits. In 2022 we entered into an agreement with a credit insurer to insure receivables; furthermore, for the time being we have switched to lower-risk bidding arrangements, meaning advance payment and stock exchange indexed offers. We monitor our receivables on a daily basis. In the event of default, the act regulating the electricity sector allows, as the last resort, partners to be excluded from consumption.
District heating	Customers are typically municipality-owned heat suppliers; they are monitored continuously. In addition to maintaining the level of trade receivables, we continuously consult with Customers to ensure recovery.
Business and project development	Customers are subjected to a pre-qualification assessment; non-payment related risk is managed by requiring financial performance guarantees (bank guarantee, security deposit).
Large corporate clients (energy services)	Customers possess the critical infrastructure of the Hungarian corporate sector; they are mostly listed companies operating in a transparent manner. Customers are monitored continuously.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

Assessed risk categories managed collectively	Group Risk characteristics of the category, risk management procedures
Wholesale trade in electricity	The settlement of sales through the power exchange is assured by the regulations of the exchange. Trading partners (may) use performance guarantees vis-à-vis each other.
System Operator (MAVIR Zrt.) – KÁT	The risk rating of the system operator is the same as that of Hungary. All the generators in Hungary that sell in the KÁT system are required to be members solely of this balancing group; the consideration for their production is covered by the fee component allocated to non-retail users as specified in Section 13/A of the Electricity Act. The system has been operating for over one decade without any financial problems.
System Operator (MAVIR Zrt.) – ancillary services	With regard to the collection of the consideration payable for those services, see the comments on KÁT above.
Lease receivables	The value of the receivables is guaranteed by the title of the assets concerned.

In 2020, the restrictions on business operation and on the working of sectors due to the COVID-19 pandemic resulted in an increased client risk; as a result, the Group identified an increasing risk value. The risk factors that increased in 2020 were continued to be taken into account and quantified in the course of the review of the ECL model in 2022. During the current year, it was not necessary to draw down bank guarantees or any other collateral pledged by clients.
The details of the Group's receivables and the expected losses relating to such receivables are presented in Sections IV.14; IV.17 and IV.19.

III.4.2 Liquidity risk and its management

The Group makes liquidity plans, in which it examines liquidity positions and, having analyzed the plans, ensures in advance, in due time, that sufficient liquidity is maintained.

- The Group has a cash pool system settled through banks, available to its members, which is successful in managing cash use and demand within the Group at different times and in different amounts.
- Furthermore, the Group has shared bank liquidity facilities, the availability of which assures sufficient and flexible liquidity options for the Group.
- The 10-year bonds issued in 2019 and 2020 changed the composition of the sources of the liquid cash assets available to the Group; the shift of liabilities towards long term has considerably improved short- and medium-term liquidity.

The future cash flows of the borrowings and bonds, and also the credit terms are explained in detail in Sections IV.21 and IV.22.

The maturity dates of the Group's financial instruments are the following:

Financial instruments	Maturity within 1 year	2-5 years	more than 5 years
Assets:			
Long-term deposits or loans given	-	969 602	-
Trade receivables	24 562 537	-	-
Other financial assets	8 500 254	-	-
Other receivables and accruals	12 057 221	-	-
Income tax receivables	193 124	-	-
Liabilities:			
Debts on the issue of bonds	-	-	12 658 274
Loans and borrowings	7 185 732	2 165 951	4 504 100
Finance lease liabilities	391 600	955 463	893 134
Advances received	1 499 254	-	-
Trade payables	11 282 617	-	-
Other long-term liabilities	-	944 980	293 036
Other short-term liabilities and accruals	24 885 619	-	-
Income tax liabilities	1 046 918	-	-

III.4.3 Interest rate risk and its management

The Group is financed through fixed-interest bonds and variable-interest project loans.

- To fix the interest rates of project loans, the Group has entered into interest rate swaps, in which it agrees to exchange the variable cash flows, for a predefined period, to fixed cash flows with respect to the principal amount. The effects of these swaps are considered by the Group to be cash flow hedges.
- The Group regards hedging transactions to be efficient as they were concluded with the lending bank, adjusted to the terms of the loans in question.

  There is no interest rate risk in the case of loans hedged by interest rate hedging transactions.

In the case of the Group's loan not hedged by interest rate hedging transactions, a 5% change in BUBOR results in the following changes in interest expenses per day:

Interest rate risk	HUF thousand	BUBOR change +/- 5%
Short-term parent company loan not hedged by interest rate hedging transactions	6 000 000	822

III.4.4 Foreign exchange risk and its management

The Group's exposure to foreign exchange risk arises when the income from and expenses of transactions are denominated in different currencies. The Group has no significant hidden foreign exchange risks (embedded derivatives) regarding its activities.

Risk to be managed	Hedge transaction	Objective
Change in the exchange rate of electricity purchase and sale in the retail trade	Hedging of the net foreign exchange position (EUR) through forward contracts (mostly to buy)	The target is 95%.
Change of the components of district heat production (gas, CO_2) relative to the regulated (fixed) exchange rate	Foreign exchange forward transactions to hedge the EUR consideration for energy carriers required for heat production	Total hedging of the FX exposure of the regulated heat price

III.4.5 Risk arising from changes in energy product prices and its management

Due to its scope of activities, the Group is considerably exposed to the variations in the prices of energy carriers, but such risk is managed by appropriate pricing and by hedging transactions.

Risk to be managed (hedged transaction)	Hedge transaction	Objective
Volume and price components of the gas necessary for the production of district heating subject to regulated price	Entering into forward gas hedging transactions when the HEPURA district heating rate is established	Maximum hedging for the gas price specified in the decree regulating the district heating price, as well as for the necessary volumes
Market-priced heat generation	Use of price formulas to reflect the inputs necessary for the heat generated (gas) as well as other features of production	Sustainable heat generation through optimizing the co-generation of electricity

III.4.6 Description of hedge relationships – objectives and procedures relevant for hedges and hedging policy

IFRS 9 provides for the terms of hedge accounting, and the Group complies with the requirements set out in IFRS 9: the Group keeps a register of the hedged items and hedging instruments, the hedging relationships have been identified, the hedging relationships exist and are effective.

- *With respect to the volume and price risk of energy products,* the Group has set up plans and risk management models regarding the various business segments. These models calculate the type and value of the necessary hedge transactions in accordance with the contracts and plans in effect. Hedge transactions are concluded on that basis.
- In the case of district heating, due to the non-obligatory volume purchase, the Group continuously assesses the relationship of hedged items and hedging instruments relating to the production of heat. The volume to be hedged is based on historic data of several years as well as on consumption forecasts. In the current period, the relationship was effective, with no relationships discontinued.
- In the case of FX risk, the Group covers the foreign exchange risk of its future purchases to be settled in a foreign currency in the next 12 months by concluding hedging transactions. The maturity date of the hedging transactions is as close to the date of expected payment as possible.
- The Group regards interest rate hedging (IRS) transactions to be efficient as they were concluded with the lending bank, adjusted to the terms of the loans in question.

III.4.7 Managing capital

By transforming its capital structure, the Group intends to retain its capacity to operate continuously in order to provide profit for its shareholders and maintain an optimal capital structure for the sake of reducing the cost of capital. In order to preserve or adjust capital structure, the Board of Directors proposes to the General Meeting the amount of dividends to be paid to shareholders, and acting within its authorization received from the General Meeting, it decides, in connection with the capital structure or at its discretion, on capital increase and issuing new shares, or submits a proposal to that effect to the General Meeting.

The Group complies with the statutory capital requirements applicable to it. In performing a review of that, the Group observes the requirements of Act V of 2013 on the Civil Code (of Hungary). The table below shows equity and its ratio relative to issued capital:

Equity to issued capital ratio	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Issued capital	249 066	242 235
Equity	26 687 862	19 009 318
Equity to issued capital ratio	107,15	78,47

IV Notes to the statement of profit or loss and other comprehensive income

IV.1 Revenue

Revenues	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Electricity production*	28 850 234	10 855 720
Heat sales	26 117 359	5 850 254
Electric power trade*	19 482 859	11 545 232
Electricity capacity charge*	17 249 264	8 227 237
Gas trade	4 257 203	3 892 114
Operation and maintenance (O&M)	3 624 369	2 853 248
Energy industry service fees and projects	1 338 169	631 399
Waste management	1 257 917	232 917
Trade commission revenues	574 203	37 075
E-mobility service	183 011	51 967
Other revenues	66 134	47 058
Operating lease income	26 331	25 085
Finance lease income	-	142
Total	**103 027 053**	**44 249 448**

Revenue contains returns attributable to the Group's core activity.

*In the 2021 statement the electrical energy revenue of Sinergy Energiakereskedő Kft. from sales to third parties of electricity produced within the Group was recognized among the revenues of electricity trading. The activity of Sinergy Energiakereskedő Kft. consists in electricity production and the sale of electricity capacity; therefore for the sake of comparability, the revenue from electricity sales to third parties, in the amount of HUF 4,241,090 thousand, is recognized in Revenue from electricity generation.

The electricity capacity charge, in the amount of HUF 8,227,237 thousand, has been removed from the revenues of electricity production, and is recognized by the Group separately in this statement.

Activities of the Group:

Electricity production: In the course of production, the Group produces the energy sold through its own power plants. The operations of the Virtual Power Plant are recognized among the revenues of production, including the full management of scheduling services, HEPURA and MAVIR data reporting and administration, and real-time production monitoring activities for our contracted partners' power generation units.

Electricity capacity charge: in order to maintain balance in the system, the Hungarian system operator (MAVIR) procures various types of balancing reserve capacities (FCR, aFRR, mFRR) from market actors with the appropriate authorization; the capacity charge is the consideration. The consideration for the ability of the Group's generation facilities to alter such reserved, accredited load is recognized here.

Electricity and gas trade: the retail activity of the purchase and resale of electricity and gas to final consumers. The commercial segment purchases energy from within the Group and also from other trading partners.

Heat sales: In the course of production, the Group produces the heat energy in its own power plants, and sells it to district heating companies under long-term contracts.

Operation and maintenance (O&M): The Group carries out operation and maintenance activities related to power plants and energy generating equipment.

Implementation of energy industry projects: For energy industry project activities, revenue is presented by stage of completion.

Waste management: the revenue of the waste management activity launched in 2019 is presented here.

E-mobility service: operation of licensed charging equipment and e-mobility services for residential and corporate customers

Operating lease income: The Group gives certain parts of its properties at the sites of Alteo-Therm Kft. in Sopron and Győr to operating lease (based on lease agreements). Lease contracts are concluded for an indefinite term. The Group does not have any separate dedicated assets for leasing purposes; however, it leases some of its own assets. The Group does not sublease its leased assets.

Finance lease income: The lease interest rate in contracts classified as long-term leases in accordance with the rules of IFRS16 is presented here.

Other revenues: accounting services provided to third parties and revenues that are not classifiable in other activities are recognized as other revenues.

Other activities in the business period requiring special principles of presentation:

- In the current year the Group had no discontinuing operations.
- The Group did not have interest, royalty or dividend, which should be recognized as revenue.

Turnover items not recognized in the revenue:

- The Group leaves out taxes, fees recovered on behalf of the state or some other party from its revenues and recognizes them as items decreasing expenses (consolidates revenues and expenses). For an itemized list, see Section II.5.7

IV.2 Material expenses

Material expenses include items attributable to the Group's core activity only, as they are not considered expenses connected to discontinued activities.

Material expenses	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Energy carrier - electricity	(35 313 433)	(10 094 979)
Energy carrier - gas	(28 777 446)	(10 683 258)
Material and service needs of maintenance and projects	(2 977 519)	(2 380 998)
Expert services (counselling, auditing, IT)	(896 233)	(633 639)
Waste management services	(851 883)	(178 417)
Bank expenses, insurance	(343 191)	(271 792)
Agent's commission	(253 828)	(573 071)
Rent (office, machinery, vehicles, data cables, IT)	(191 870)	(133 293)
Other	(188 092)	(126 421)
Other fuels and water	(184 934)	(129 604)
Administration and office costs	(162 183)	(100 641)
HSE, ISO, environmental protection	(154 431)	(162 441)
Marketing	(83 859)	(107 125)
Fees paid to authorities, duties	(63 674)	(41 258)
Cost of E-mobility service	(6 253)	(7 507)
Total	**(70 448 829)**	**(25 624 444)**

IV.3 Personnel expenses

The personnel expenses line contains the wages, other disbursements of the Group and the related benefit expenses.

Personnel expenses	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Wages	(4 065 501)	(2 960 051)
Other personnel expenses	(452 972)	(417 830)
IFRS 2 remuneration	(830 840)	(261 274)
Employee reward program	-	(2 460)
Contributions	(602 336)	(550 622)
Total	**(5 951 649)**	**(4 192 237)**

Share-based payment expenses: The profit effects on the shares granted to the employees as benefit are also recognized as part of the personnel expenses. For more details on related presentations see Section IV.35.

Information concerning employees

Average statistical headcount	2022	2021
ALTEO Nyrt.	291	270
FE-Group Invest Zrt.	92	N/A

The closing headcount of the Group on 12/31/2022 was 413 people.

IV.4 Other revenues and expenses, net

Profit or loss from other revenues and expenses	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Other expenses:	(6,880,773)	(2,035,658)
CO_2 expenses	(2,385,689)	(1,275,960)
Parafiscal contributions, fees, payment obligations	(2,057,062)	(52,534)
Fines, compensation, default interest paid	(1,808,019)	(414,747)
Impairment of inventories and receivables	(310,138)	(119,856)
METÁR overcompensation	(258,134)	(56,446)
Provisions released (recognized)	(36,856)	(39,791)
Grants, released receivables	(32,952)	(9,639)
Scrapping of fixed and intangible assets	(2,298)	(12,612)
Sale of fixed and intangible assets	2,995	(557)
EEOS quota expense (and release)	7,380	(53,516)
Other revenues:	115,911	240,053
Subsidies and grants received	65,960	68,696
Fines, compensation, default interest received	20,453	24,118
Income from (expenses of) loss events	17,618	141,216
Other settlements	11,880	6,023
Total	**(6,764,862)**	**(1,795,605)**

- CO_2 expenditure includes the current year's expenditure on CO_2 emission allowances related to electricity production.
- The tax payable by the Group as balance reserve capacity provider stipulated in Section 3/A of Government Decree 197/2022. (VI. 4.) on windfall taxes is recognized among tax-type expenses. The tax base is the (financially realized) revenue received as consideration for the service. In 2022 the tax rate was 13% of the tax base. In 2023 the rate of that tax will be 10%.
- Fines paid include the surcharge fees imposed by MAVIR relating to the regulation of renewable power plants.
- Impairment of inventories and receivables includes the depreciation of inventories to their market value and the individual impairment, and impairment recognized based on the ECL model for receivables
- METÁR overcompensation includes the amounts claimed by the MAVIR Group under the rules of the support system.
- Detailed description of the information concerning the preparation and release of provisions is in Note II.5.7.
- It contains the pro rata temporis amount of grants received from the grants awarded for the establishment of the assets. (Energy storage renovation in Füredi u. in Felsődobsza and industrial development grant for the development of the Waste Management business)
- The most significant items among the items in the Fines, compensation, default interest received line were penalties, contract termination penalties received for non-performance of the schedule keeping obligation related to energy production and trade, and the amount of refunds relating to the KÁT system.
- The difference of the obligation of the Group and release of the same for the year 2022 under the Energy Efficiency Obligation Scheme has been recognized as an EEOS quota expense (and release)
- Other items include income and expenses not categorized elsewhere, such as settlements on partner and tax current accounts, rounding differences, levies not classified as income tax and derecognition of time-barred liabilities.

IV.5 Capitalized own production

Capitalized own production	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Capitalized production from material expenses	-	6 175
Capitalized production from personnel expenses	358 915	236 651
Total	**358 915**	**242 826**

Personnel and other material expenses directly related to the investments made within the group are recognized in capitalized own performances.

IV.6 Finance income, expenditures, net

Within finance income and expenses, the main element in exchange differences was the unrealized exchange loss at year-end. Exchange differences incurred on the foreign currency transactions of the Group.

The impairment of the loan granted to Energigas Kft. (third party) and the amount of damages paid by the Group for terminated electricity trading contracts were recognized in other financial accounts.

Net financial income	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Finance income	3 010 721	384 928
Received/receivable interest	547 319	53 175
Exchange rate gains	2 463 402	331 546
Other finance income	-	207
Financial expenses	(3 947 452)	(2 255 979)
Interests paid/payable	(1 594 711)	(1 025 152)
Indemnification for terminated contract	(1 313)	(1 005 894)
Exchange rate losses	(2 337 542)	(212 188)
Other financial expenses	(13 886)	(12 745)
Net finance income	(936 731)	(1 871 051)
Net interest expenses	(1 047 392)	(971 977)
Net exchange rate profit or loss	125 860	119 358
Other financial settlements	(15 199)	(1 018 432)
Total	**(936 731)**	**(1 871 051)**

IV.7 Taxes

IV.7.1 Taxes in the profit or loss – types of tax expenses

The Group’s members pay tax under Hungarian tax law. Taxes presented as tax expense:

Taxes	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Local business tax expenditure	(1 052 567)	(604 793)
Innovation contribution expenditure	(156 413)	(94 514)
Corporate tax expenses	(185 572)	(214 997)
Special tax of energy producers	(411 300)	(103 158)
Deferred tax expenses	(1 107 592)	(197 356)
Total	**(2 913 444)**	**(1 214 818)**

IV.7.2 Income taxes in the statement of financial position

Income tax receivables in the statement of financial position:

Income taxes in the statement of financial position	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Corporate tax overpayment	187 384	1 365
Innovation contribution overpayment	32	6 307
Local business tax overpayment	5 708	22 548
Income tax receivables	**193 124**	**30 220**

Income tax liabilities in the statement of financial position:

Income taxes in the statement of financial position	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Corporate tax liability	172 560	108 971
Innovation contribution liability	103 871	51 438
Energy suppliers' income tax liability	331 062	59 193
Local business tax liability	439 425	187 557
Income tax liabilities	**1 046 918**	**407 159**

IV.7.3 Taxation information

Presentation of Tax Group members

As of January 1, 2019, the following companies formed a Corporate Tax Group, to which further companies joined as of January 1, 2022. Members of the Company's Tax Group:

As of 1/1/2022
Head of group:
Sinergy Energiakereskedő Kft.
Members:
Alte-A Kft.
Alte-Go Kft.
Alteo Energiakereskedő Zrt.
ALTEO-Depónia Kft.
Alteo-Therm Kft.
Domaszék 2MW Kft.
Euro-Green Energy Kft.
Monsolar Kft.
Pannon Szélerőmű Kft.
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.
Sunteo Kft.

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<u>List of tax audits</u>

The tax authorities carried out the following audits concerning the Group:

Taxable entity	Type of 2022 review, tax type, period
Alteo Energiaszolgáltató Nyrt.	2020 comprehensive audit (concluded)
Alteo Energiakereskedő Zrt.	2020 comprehensive audit (concluded)
Alteo-Therm Kft.	September 2022 Pre-VAT disbursement audit
Alteo-Therm Kft.	October 2022 Pre-VAT disbursement audit (concluded)
FE-Group Zrt.	2021 Q4 compliance audit (in progress)
FE-Group Zrt.	2022 Q2 compliance audit (in progress)
Sinergy Energiakereskedő Kft.	2017 comprehensive audit (concluded)
Sinergy Energiakereskedő Kft.	2020 comprehensive audit (concluded)
Sinergy Energiakereskedő Kft.	March 2022 Pre-VAT disbursement audit (concluded)
Sinergy Energiakereskedő Kft.	April 2022 Pre-VAT disbursement audit (concluded)
Sinergy Energiakereskedő Kft.	May 2022 Pre-VAT disbursement audit (concluded)
Sinergy Energiakereskedő Kft.	July 2022 Pre-VAT disbursement audit (concluded)
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	2018 comprehensive audit (concluded)
Tisza-WTP Kft.	2019-2020 comprehensive audit (concluded)

The Tax Authority communicated no findings regarding the audits completed.

IV.7.4 Taxes in the profit or loss – income tax calculations

Elaboration of the tax base	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
IFRS profit or loss before taxes	15 756 735	7 072 268
Effect of differences	2 024 641	1 553 962
HAS profit or loss before taxes	17 781 376	8 626 230
Increasing items	4 521 703	4 996 511
Total provisions recognized	112 147	23 193
Planned and extraordinary depreciation charge recognized in the tax year pursuant to the Accounting Act	3 146 073	2 863 451
Costs and expenses not related to business activity	-	-
Fines established in final decisions or obligations arising from legal consequences, recognized as expenses	1 779	2 938
Amount of impairment recognized regarding receivables	143 772	142 351
Receivables released (except to the benefit of a private individual)	163 999	60 518
Difference of expenses and income recognized regarding the impairment of shares in controlled foreign companies, foreign exchange loss or de-recognition	-	-
Difference of expenses and income recognized regarding the impairment notified shares, foreign exchange loss or de-recognition	-	-
Other	123 093	84 074
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	830 840	1 819 986
Decreasing items	20 259 599	11 205 556
Amount written off from the loss carried forward (negative tax base) from previous years	847 101	1 586 487
Provision recognized in the tax year due to the use of provisions	1 200	37 000
Depreciation recognized in accordance with the tax legislation	2 675 676	1 950 990
Amount of development reserve recognized as allocated reserve on the last day of the tax year	13 660 786	3 150 000
but not more than the amount of the profit or loss before taxes	2 502 000	1 930 000
Impairment reversed regarding receivables in the tax year, irrecoverable portion of the cost of receivables	24	34 079
Determined amount of grant, benefit	17 435	-
Credit recognized as other revenue in connection with tax donation	3 096	-
Other	-	313
Amount of individual local business taxes, innovation contributions under the IFRSs	515 272	-
Amount of Share based payment to employees for equity instruments recognized against profit or loss before taxes, and the specified sum of the ESOP organization relating to equity instruments	297 983	2 540 369
Negative tax base of the Group	(260 973)	(23 682)
Tax base	2 043 480	2 417 185
Tax (9%)	183 913	217 547
Benefit (reducing taxes)	-	(11 368)
Difference due to group corporate tax	(150)	(2 160)
Tax pursuant to the Corporate Tax Act	(183 763)	(204 019)
Support for sports and arts entitling to tax benefit	-	-
Acquisition corporate tax difference	5 559	-
Amendment of corporate tax for previous years	(7 365)	(10 979)
Effect of corporate tax on profit or loss	(185 572)	(214 998)

Elaboration of the tax base	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Deferred tax due to changes in the statement of financial position:		
Recognition of deferred tax assets (tax gain)	31 990	71 395
De-recognition of deferred tax assets (tax loss)	(71 395)	(132 811)
Recognition of deferred tax liability (tax loss)	(2 248 154)	(1 487 761)
De-recognition of deferred tax liability (tax gain)	1 487 761	866 550
Deferred taxes recognized in Other comprehensive income:		
Deferred taxes recognized in Other comprehensive income	204 651	524 812
Deferred taxes derecognized in Other comprehensive income	(524 812)	(39 541)
Acquired deferred tax liability	12 367	-
Effect of deferred taxes on profit or loss	(1 107 592)	(197 356)
of which recognized in Comprehensive income:	(799 798)	(682 627)
of which recognized in Other comprehensive income:	(320 161)	485 271
Local business tax expenditure	(1 052 567)	(604 793)
Innovation contribution expenditure	(156 413)	(94 514)
Special tax of energy producers	(411 300)	(103 158)
Effect of income taxes on profit or loss	(2 913 444)	(1 214 819)

IV.7.5 Information regarding taxes other than income tax

Pursuant to Section 3/A of Government Decree 197/2022. (VI. 4.) on windfall taxes, the tax is payable by the balance reserve capacity provider. The tax base is the (financially realized) revenue received as consideration for the service. In 2022 the tax rate was 13% of the tax base. In 2023 the rate of that tax will be 10%.

The Group recognized its windfall tax expenditures among Other expenses.

IV.8 Deferred taxes

Deferred tax assets and liabilities were calculated by the Group for each taxpayer. The change in deferred taxes was recognized by the Group in the statement of profit or loss.

Deferred tax changes	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Deferred tax asset		
opening assets	71 395	132 811
increase	31 990	71 395
decrease	(71 395)	(132 811)
	31 990	71 395
Deferred tax liability		
opening liability	1 487 761	866 550
acquired	12 367	-
increase	2 235 787	1 487 761
decrease	(1 487 761)	(866 550)
	2 248 154	1 487 761
Deferred taxes in other comprehensive income		
opening assets	524 812	39 541
increase	-	-
decrease	(320 161)	485 271
	204 651	524 812

Elaboration of deferred taxes	Year ending on 12/31/2022 HUF thousand				Year ending on 12/31/2021 HUF thousand			
	Tax value	Accounting value	Deferred tax asset base	Deferred tax liability base	Tax value	Accounting value	Deferred tax base	Deferred tax liability base
Property, plant and equipment	20 851 849	27 843 737	-	(6 991 888)	20 598 006	25 738 088	-	(5 140 082)
Other intangible assets	782 555	2 417 675	-	(1 635 120)	691 801	2 516 820	-	(1 825 019)
Operation contract assets	-	925 860	-	(925 860)	-	1 052 216	-	(1 052 216)
Rights of use	1 031 186	2 016 580	-	(985 394)	1 006 221	1 766 502	-	(760 281)
Goodwill	735 913	735 913	-	-				
Deferred tax assets	31 990	31 990	-	-	71 395	71 395	-	-
Long-term deposits or loans given	781 285	969 602	188 317	-	47 551	225 651	178 100	-
Long-term participation in associate	100	100	-	-	100	100	-	-
assets held for sale	-	-	-	-	-	-	-	-
Inventories	1 779 133	1 779 133	-	-	1 076 779	1 076 779	-	-
Trade receivables	23 895 617	24 562 537	666 920	-	4 064 680	4 425 345	360 665	-
Short-term lease assets	-	-	-	-	-	-	-	-
Emission allowances	1 521 340	1 521 340	-	-	2 336 075	2 336 075	-	
EEOS rights	-	-	-	-	59 450	59 450	-	
Other financial assets	6 550 518	8 500 254		(1 949 736)	2 795 893	8 627 136		(5 831 243)
Other receivables and accruals	15 372 464	15 400 439	27 975	-	9 097 176	9 155 718	58 542	-
Income tax receivables	57 133	193 124	(135 991)	-	30 220	30 220	-	-
Cash and cash equivalents	16 465 328	16 465 328	-	-	3 679 253	3 679 253	-	-
Losses carried forward	-	-	-	-	-	-	-	-
Issued capital	249 066	249 066	-	-	242 235	242 235	-	-
Share premium reserves	6 510 002	6 573 148	63 146	-	5 889 229	5 889 229	-	-
Reserve for share-based payments	(1 459 544)	(1 459 544)	-	-	(688 513)	(688 513)	-	-
Retained earnings	19 300 478	19 300 478	-	-	8 281 398	8 281 398	-	-
Transactions with owners	-	-	-	-	(32 222)	(32 222)	-	-
Hedge reserve	2 069 245	2 069 245	-	-	5 306 431	5 306 431	-	-
Conversion reserve	-	-	-	-	-	-	-	-
Allocated reserves	16 117 856	-		(16 117 856)	3 592 318	-	-	(3 592 318)
Non-controlling interest	(44 531)	(44 531)	-		10 031	10 031	-	-
Long-term loans and borrowings	6 710 880	6 670 051		(40 829)	6 629 712	6 583 098	-	(46 614)
Debts on the issue of bonds	12 658 274	12 658 274	-		12 658 274	12 658 274	-	
Finance lease liabilities	704 260	1 848 597	1 144 337	-	785 542	1 687 704	902 162	-
Deferred tax liabilities	2 248 154	2 248 154	-		1 487 761	1 487 761	-	
Provisions	-	1 247 765	1 247 765	-	-	944 136	944 136	-
Deferred income	805 775	805 775	-		593 865	593 865	-	-
Other long-term liabilities	591 259	1 238 016	646 757	-	536 090	536 090	-	-
Short-term liabilities	49 988 592	49 959 118	(29 474)	-	17 259 460	12 261 231	1 771	-
Short-term loans and borrowings	7 185 732	7 185 732	-	-	419 778	419 778	-	-
Short-term bond payables	-	-	-	-	2 312 138	2 312 138	-	-
Short-term finance lease liabilities	391 600	391 600	-	-	237 744	237 744	-	-
Advances received	1 499 254	1 499 254	-	-	3 989	8 989	-	-
Trade payables	15 528 500	15 528 500	-	-	4 546 498	4 546 498	-	-
Other financial liabilities	-	324 160	-	(324 160)	-	-	-	-
Other short-term liabilities and accruals	23 823 122	23 982 954	159 832	-	9 211 696	9 328 196	116 500	-
Income tax liabilities	1 056 599	1 046 918	(9 681)	-	407 246	407 888	642	-
Deferred tax position of balance sheet items			3 969 903	(28 970 843)			2 562 518	(18 247 773)
Differences not qualifying as returning			-	-			-	
Net deferred tax position of consolidation units			355 447	(24 979 484)			793 291	(16 530 674)
Of which part of the comprehensive income:				(2 273 896)			-	(5 831 243)
Deferred tax assets (9%)	9%		31 990		9%		71 396	
Of which: part of the comprehensive income:	9%		-		9%		-	
Deferred tax liability (9%)	9%			2 248 154	9%			1 487 761
Of which: part of the comprehensive income:	9%			204 651	9%			524 812

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IV.9 Fixed assets and intangible assets

IV.9.1 Table on the movement of assets

Cost of assets	Property, plant and equipment	Goodwill	Other intangible assets	Operation contract assets	Rights of use	Total
January 1, 2021	**33 258 814**	**-**	**4 774 833**	**1 881 298**	**1 299 692**	**41 214 637**
Acquisition/put to use	2 631 923	-	634 370	-	919 007	4 185 300
Sale	(16 082)	-	-	-	-	(16 082)
Scrapping	(9 765)	-	-	-	(29 603)	(39 368)
December 31, 2021	**35 864 890**	**-**	**5 409 203**	**1 881 298**	**2 189 096**	**45 344 487**
Acquisition/put to use	2 860 783	735 913	687 646	-	567 874	4 852 216
Acquisition	2 871 752	-	-	-	-	2 871 752
Reclassification	(1 200)	-	1 200	-	-	-
De-recognition, sale	(792)	-	-	-	-	(792)
De-recognition due to lease amendment	-	-	-	-	(14 401)	(14 401)
De-recognition, scrapping	(5 009)	-	-	(60 836)	(21 514)	(87 359)
December 31, 2022	**41 590 424**	**735 913**	**6 098 049**	**1 820 462**	**2 721 055**	**52 965 903**

Accumulated depreciation and amortization of assets	Property, plant and equipment	Goodwill	Other intangible assets	Operation contract assets	Rights of use	Total
January 1, 2021	**(7 735 522)**	**-**	**(1 737 564)**	**(668 311)**	**(236 077)**	**(10 377 474)**
De-recognition, sale	7 124	-	-	-	-	7 124
De-recognition, scrapping	7 066	-	-	-	29 092	36 158
Depreciation and amortization	(2 405 470)	-	(1 154 819)	(160 771)	(215 609)	(3 936 669)
December 31, 2021	**(10 126 802)**	**-**	**(2 892 383)**	**(829 082)**	**(422 594)**	**(14 270 861)**
Acquisition	(1 318 652)	-	-	-	-	(1 318 652)
De-recognition, sale	520	-	-	-	-	520
De-recognition due to lease amendment	-	-	-	-	2 658	2 658
De-recognition, scrapping	2 961	-	-	60 836	20 586	84 383
Depreciation and amortization	(2 304 714)	-	(787 991)	(126 356)	(305 125)	(3 524 186)
December 31, 2022	**(13 746 687)**	**-**	**(3 680 374)**	**(894 602)**	**(704 475)**	**(19 026 138)**

Net value of assets	Property, plant and equipment	Goodwill	Other intangible assets	Operation contract assets	Rights of use	Total
12.31.2020	**25 523 292**	**-**	**3 037 269**	**1 212 987**	**1 063 615**	**30 837 163**
12.31.2021	**25 738 088**	**-**	**2 516 820**	**1 052 216**	**1 766 502**	**31 073 626**
12.31.2022	**27 843 737**	**735 913**	**2 417 675**	**925 860**	**2 016 580**	**33 939 765**

IV.9.2 Valuation of assets:

- For the accounting policy on the valuation of assets, see in the chapter on *Accounting policies relating to the statement of financial position and the recognition and measurement of assets and liabilities* and the recognition and measurement of assets and liabilities.
- Intangible assets include no assets with indefinite lifecycles. The Group does not possess assets regarding which it would employ the revaluation model.
- The acquisition of Edelyn Solar Kft. by the Group was closed with the recognition of goodwill, see Company IV.32 *Presentations on acquisitions of companies*. The Company tested the recoverable amount of the goodwill.
- Discounts applied to decommissioning reserve (2022: 8.57%; 2021: 8.57%
- The management of the Group performs the necessary tests for CGUs as at each reporting date to determine whether the recognized value can be considered recoverable.
- In the current year, the Group did not recognize or derecognize impairment for its individual assets or CGUs.
- The classification of certain assets into cash-generating units changed in 2022. WINDEO Kft. merged into EURO GREEN ENERGY Kft. by absorption, and thus the power generation equipment of Windeo was moved from the AVPP to the Renewable energy generating assets.

IV.9.3 Depreciation and amortization in the current period

Depreciation and amortization	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Recognized depreciation, amortization	(3 527 162)	(3 936 669)

IV.9.4 Asset types

Property, plant and equipment

Property, plant and equipment	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Power plant properties	3 738 748	3 510 227
Energy generation equipment:		
Gas engine, heat cogeneration	4 995 840	4 255 642
Energy storage block	2 052 261	1 612 278
Solar panel farm	4 718 485	4 875 333
Wind turbine	7 491 167	7 949 233
Hydropower Plant	621 862	693 971
Auxiliary systems	1 867 609	1 874 118
E-charger	50 382	35 268
Waste utilization equipment	1 082 105	-
Machines, transport equipment	198 814	-
Control engineering assets	644 436	534 507
Other assets	382 028	397 511
Total	**27 843 737**	**25 738 088**

The Group created the above assets using its own capacity as main contractor, engineering, maintenance, business, legal and economic advisor. The table above excludes the increase in intangible assets related to the investments (KÁT, R&D, Concession).

The contractual assets as per IFRS 15 recognized among intangible assets are presented in detail in Section IV.11.

In the Other assets item, the Group recognizes its office and IT equipment.

Recoverable value test of goodwill

Goodwill	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Goodwill Edelyn Solar Kft.	735 913	-
Total	**735 913**	-

The recoverable value of Edelyn Solar Kft. was based on the calculation prepared for the construction of the power plant park and, subsequently, the cash flow generation capability of the energy production of the assets. As evidenced by the planned cash flows of the project up to 2049, the investment value is expected to be recovered based on the tests for the time of acquisition and for the reporting date.

Recoverable value	2022
Present value of discounted cash flows (HUF thousand)	2 918 007
Cash flow production projected for first year	2024
WACC	10,67%
Growth rate	3,00%
Investment value (HUF thousand)	735 913

The recoverable value of CGUs is determined based on the discounted cash flows. Pre-tax discount rates of 10.67-11.36% were used to discount the cash flows of CGUs. The recoverable value exceeds the carrying amount for each CGU. From the goodwill impairment test and the sensitivity analysis the management concluded that no impairment needed to be recognized for the CGUs.

Other intangible assets

Carrying amount of other intangible assets	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Other legal instrument	695 397	411 765
KÁT instrument	660 838	1 178 579
Internally developed control software	393 563	83 641
R&D intellectual property	307 270	354 426
Contractual asset (IFRS15)	181 959	155 327
Purchased software	170 769	325 050
Trade license	7 300	7 384
License, connection charge	579	648
Total	**2 417 675**	**2 516 820**

Operation contracts (IFRIC 12 concessions)

Carrying amount of operation contracts	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Tisza-WTP operation contract	51 537	62 583
Tiszaújváros Heating Power Plant operation (IFRIC12)	60 579	66 086
Füredi út Heating Power Plant operation (IFRIC12)	813 744	923 547
Total	**925 860**	**1 052 216**

Rights of use (IFRS 16 presentation, the Group as Lessee)

Carrying amount of rights of use	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Land lease Windeo Kft. (merged into EGE Kft. in 2022)	-	9 271
Land lease EGE Kft.	243 439	148 987
Land lease Pannon Szélerőmű Kft.	80 628	90 791
Ground rent Zugló Power Plant	314 162	356 758
Lease of power plant asset Felsődobsza/Gibárt	142 586	154 474
Land lease FE-Group Zrt.	166 706	-
Rental of machinery, equipment FE-Group Zrt.	37 873	-
Office, assembly hall rental Alteo Nyrt.	786 011	775 035
Vehicle rental Alteo Nyrt.	245 175	231 186
Total	**2 016 580**	**1 766 502**

- There is no right of use where the Group would sublease the underlying asset.
- Rights of use are written off in a straight-line manner over the term of the contract granting the right.
- The Group does not keep any separate assets for leasing purposes. Rent income is presented in Section IV.1.
- The 1,532.29 m2 of office space rented in the Globe 3 Office Building is recognized under rights of use in IFRS 16. The office lease has a term of 5+5 years with a cost of HUF 808,720 thousand in the Company's books.
- The assembly hall constructed for Maintenance in Polgár is recognized under rights of use in IFRS 16.
- IFRS 16 right-of-use assets identified in the course of the acquisition of FE-Group Invest Zrt.: rent of industrial area, lease agreements for vehicles and machinery
- Lease liability is presented in Sections IV.10 and IV.23.

IV.9.5 Construction of assets in the current period

The Group performed the following priority power plant investments:

Investments	Value (in HUF thousand)
Overhaul and renovation of gas engines in heating power plants	867 709
Electric boiler Sopron	588 001
Overhaul and renovation of wind turbines	185 491
Gibárt Hydropower Plant additional works	92 148

IV.9.6 Capitalization of borrowing costs

In 2022, the Group did not take out any loans for which additional costs were capitalized.

IV.9.7 Environmental effects statement

The Group does not possess assets which are expected to cause environmental damage that the Group would be required to neutralize.

IV.9.8 Assets as borrowing collaterals

For power plants financed using borrowings, a lien is attached to the assets and the capital contribution of the entity owning the asset under the loan contract. For a full asset hedging presentation, see Section IV.22.2.

IV.9.9 Assets, repurchase and reverse repurchase agreements

The Group does not possess assets subject to repurchase agreements.

IV.10 Lease assets

IV.10.1 Finance lease (Group as Lessor)

The Group presents the contract of BC Therm Kft. (by 05/31/2021) and Tisza-WTP Kft. concluded with customers as a finance lease.

Presentation of finance lease activities, considered terms and results of evaluations performed on specific contracts:

- ✓ no other, unidentified future conditions may be linked to guaranteed residual values
- ✓ there are no contingent fees
- ✓ the lessee has a call option on the assets
- ✓ the asset meets special customer needs and is not available to entities other than the buyer
- ✓ during the period of use, the contract is terminated with the transfer of title in the asset, which happens by exercising the option

Lease asset values

In 2020, among lease assets, the lease value of BC-Therm Kft. was presented. Our outstanding lease receivable in connection with BC-Therm Kft. was settled in 2021. The Group sold its 100% business quota in the subsidiary in 2021.

With regard to Tisza WTP Kft., the Group is entitled to no lease income; the value of the lease receivable is zero.

IV.10.2 Operating leases

The Group grant operating lease on certain property parts of its sites in Győr and Sopron; the agreements are for an indefinite period. These items form part of the Group revenue. The Group keeps no separate assets for leasing purposes; i.e. it leases exclusively some of its own assets under such arrangement. See Section IV.1.

Expected lease revenues in 2023-2027:

Operating lease income	Thousand HUF
2023	26 594
2024	26 860
2025	27 129
2026	27 400
2027	27 674

IV.11 Loans given and deposits

Long-term deposits or loans given	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Loans given	188 317	174 188
Clearing house deposit	958 966	215 283
Employee loan	22 144	14 280
Recognized impairment of loans given	(161 444)	(161 444)
Recognized ECL for long-term loans	(38 381)	(16 656)
Total	**969 602**	**225 651**

- None of the loans given is measured at fair value.
- Clearing house deposits are KELER deposits related to the power exchange presence of Sinergy Energiakereskedő Kft. and Alteo Energiakereskedő Zrt.
- Employee loan see Section IV.36 (related parties) interest: Central bank base rate + 5%, term: 5 years, capital repayment was made
- The items relating to the ECL impairment are presented in detail in Section IV.19 *Application of the expected loss model (ECL) to financial assets*.

IV.12 Long-term participation in affiliated companies

Long-term participation in associate	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Energigas Kft. share	100	100
Total	**100**	**100**

Long-term participation is represented by the 1% business quota in Energigas Kft. (HUF 100 thousand). The fair value of the asset is identical to its initial recognition cost, so this value change was not recognized in connection with this investment.

IV.13 Inventories

Inventories	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Projects	857 486	540 288
Spare parts, operating materials	684 579	533 618
Inventories of waste management	282 761	-
Fuels	40 036	23 634
Impairment loss of inventories	(85 729)	(20 761)
Total	**1 779 133**	**1 076 779**

Inventory types:

- *Project inventories:* Inventories related to projects are the value of materials and services not received by the buyer on the reporting date.
- *Spare parts, operating materials:* These include the stock of spare parts relating to the maintenance of power plant equipment and, inter alia, work clothing, empties and auxiliary materials.
- *Inventories of waste management*: goods not yet sold as the end product of waste processing
- *Fuels:* Inventories include the fuels (fuel oil) used by power plants.
- *Impairment of inventories*: difference of the inventory value and fair market value of waste management as identified during acquisition.
- In 2022 no reversal was recorded for *impairment recognized in prior periods*.
- *Valuation of inventories*: inventories are evaluated by the Group on a case by case basis, with the average price method.

IV.14 Trade receivables

The trade receivables of the Group are the reporting date balances of the items of energy production and energy services, trade and project development contracts recognized by the buyers but not yet financially settled.

receivables	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Gross value of trade receivables	25 229 457	4 786 010
Impairment	(666 920)	(360 665)
Total	**24 562 537**	**4 425 345**

Trade impairment losses	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Opening balance	276 210	276 210
Impairment recognized	306 255	84 455
Closing balance	**666 920**	**360 665**

- The impairment of receivables and write-offs are accounted for in other expenses.
- Buyers are qualified on a case by case basis.
- A significant part of trade receivables is unsecured because they are not covered by deposits, bank guarantees, etc.
- The trade receivables of the retail trade business line are secured
- The Group has guarantees from buyers of construction projects. No guarantees had to be enforced during the presentation periods.
- The maximum credit risk is equal to the carrying amount of trade receivables.

- The items relating to the ECL impairment applied to financial assets are presented in detail in Section IV.19.

The Group's largest buyers are:

In 2022	Sales revenues %*	In 2021
MAVIR Zrt.	18,26%	MAVIR Zrt.
Lego Manufacturing Kft.	10,66%	Lego Manufacturing Kft.
Barcika Szolg Vagyonkezelő és Szolgáltató Kft.	8,32%	ALPIQ Energy SE
MET Austria Energy Trade GmbH	9,90%	Barcika Szolg Vagyonkezelő és Szolgáltató Kft.
BKM Nonprofit Zrt.	6,45%	TVK-Erőmű Kft.

*Ratio of revenues realized in 2022 to total revenue

Presentation of trade receivables as per due dates (2022):

Trade receivables	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Not overdue:		
1 to 30 days	12 450 099	3 058 627
31 to 60 days	12 121 216	830 492
61 to 90 days	236 483	774 378
91 to 180 days	9 916	-
Past due trade receivables:		
1 to 30 days	235 219	74 811
31 to 60 days	35 720	36 201
61 to 90 days	17 265	617
91 to 180 days	106 985	752
180 to 365 days	2 047	277
over 365 days	14 507	9 854
Total	**25 229 457**	**4 786 009**

IV.15 Emission allowances

Emission allowances	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Emission allowances CO2 quota	1 366 340	2 336 075
EEOS quota	155 000	59 450
Total	**1 521 340**	**2 395 525**

CO2 quota	Quantity (of shares)	Value HUF thousand
12.31.2021	**1 366 340**	**2 336 075**
Quota taken over without charge	14 806	478 386
Purchased quota	16 000	513 586
Quota returned without charge	(126 050)	(1 961 707)
12.31.2022	**1 271 096**	**1 366 340**

EEOS quota	Quantity (GJ)	Value HUF thousand
12.31.2021	2 569	59 450
Purchased quota	4 550	95 550
12.31.2022	**7 119**	**155 000**

IV.16 Other financial assets

Other financial assets	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Derivative transactions	2 598 056	5 831 243
Deposits and security deposits	4 971 658	1 872 525
Separate bank accounts	930 540	923 368
Total	**8 500 254**	**8 627 136**

The receivable balance of derivative transactions includes the non-realized profit balance of hedging transactions (EUR/HUF FX forward, interest rate swaps, gas forward) at the end of the year.
The aggregate values for derivative transactions and the valuation procedure for the transactions are set out in subsection IV.20.4.

Deposits and security deposits are financial assets pledged as collateral for gas forward transactions and electricity trading transactions with the Group's trading partners.

Separate bank accounts contain cash, the use of which is limited in time or is conditional. These are financial assets set aside for debt servicing, on the one hand, and financial assets set aside in a bank account to cover future gas purchase transactions, on the other. These assets are not treated as cash or cash equivalents in the financial statements. The financial assets in the separate bank accounts involve variable interest credits.

IV.17 Other receivables and accruals

Other receivables and accruals	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Accrued revenues	6 258 939	6 463 569
Gas contracts-related advances	4 429 303	-
Other receivables	557 648	2 489 744
Accrued expenses	562 183	196 021
Advances paid (related to projects)	246 601	52 271
Projects - Receivables due from customers	29 041	-
Receivables from employees	1 481	4 592
ECL impairment	(27 975)	(50 479)
Total	**12 057 221**	**9 155 718**

- Advances relating to gas contracts include the advances paid or payable under the gas supply agreement between the Group and MET Magyarország Zrt.
- Advances given are related to the construction-installation projects in progress.
- The amount due from the clients of the projects is presented in detail in Section IV.31 *Accounting for project development contracts under IFRS15*.
- Other receivables include certain tax assets and VAT reclaims at the end of the period.

Other receivables are not past due, or are not considered doubtful by the management. The items relating to the ECL impairment applied to financial assets are presented in detail in Section IV.19 *Application of the expected loss model (ECL) to financial assets*.

IV.18 Cash and cash equivalents

Financial assets	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Bank accounts – HUF	12 027 652	1 534 732
Bank accounts – foreign currency	4 437 015	2 144 521
Cash in hand	661	-
Total	**16 465 328**	**3 679 253**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. In 2022 the Group exploited the high interest rate conditions, and tied up its free cash as short-term deposits. The fixed deposits earned market interest rates.

IV.19 Application of the expected loss model (ECL) to financial assets

The management of the Group has performed the risk analysis of its financial assets (ECL modeling). Risks of financial assets are presented in Section III.4. Taking into account the risks presented, financial assets are classified into the following categories:

Category	Definition	Application of ECL
Performing	The partner is trustworthy and non-payments did not occur in the past. All related items are considered performing.	Recognition of 12-month expected credit loss.
Doubtful	Delay exceeding 60 and 365 days by an external partner but no direct evidence of risk of non-payment.	Recognition of full lifetime expected credit loss.
Non-performing	Item past due for 365+ days in the case of an external partner.	Recognition of full lifetime expected credit loss.

Impairment recognized for the financial assets of the Group by classification category (and not by the statement of financial position) are presented in the ECL amount column:

Application of the expected loss model to financial assets	External credit rating	Internal credit rating	ECL%	Gross value	ECL amount	Net amount
Customers - with large corporate background	N/A	Performing	3,38%	1 968 550	(66 616)	1 901 934
Customers - public sector	N/A	Performing	1,60%	18 243 955	(291 903)	17 952 052
Customers - retail energy trade	N/A	Performing	3,54%	1 282 280	(45 341)	1 236 939
Customers - energy production	N/A	Performing	0,84%	1 890 354	(15 879)	1 874 475
Customer - scheduling service	N/A	Performing	1,70%	1 335 904	(22 764)	1 313 140
Customer - other	N/A	Performing	1,68%	170 521	(2 865)	167 656
Long-term loan Third party	N/A	Performing	1,68%	22 414	(266)	22 148
Customer - waste management	N/A	Performing	3,38%	130 816	(4 426)	126 390
Deposits, security deposits given	N/A	Performing	1,20%	5 992 481	(68 285)	5 924 196
Advances given	N/A	Performing	1,20%	230 837	(2 770)	228 067
Other receivables	N/A	Performing	1,20%	91 931	(1 103)	90 828
Customer - employees	N/A	Performing	1,47%	273	(4)	269
Affiliate receivables Wallis	N/A	Performing	3,38%	246 834	(8 193)	238 641
Customer - Condominium	N/A	non-performing	100,00%	823	(823)	-
Long-term loan Third party	N/A	non-performing	100,00%	188 317	(188 317)	-
Customer - Energigas	N/A	non-performing	100,00%	189 354	(189 354)	-
proceedings in process	N/A	non-performing	100,00%	19 411	(19 411)	-
Other receivables	N/A	non-performing	100,00%	25 200	(25 200)	-

In current year’s valuation, the management of the Group uses the data available in public databases to determine ECL rates. In the opinion of the Group’s management, the overall credit risk in the market of the partners and segments showed a 0 to 0.03% improvement in the recent period.

IV.20 Equity

IV.20.1 Issued capital and own shares

Issued capital	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening	**242 235**	**232 972**
Implementation of employee share award through shares	16	48
Purchase of own shares	-	(3 118)
Capital increase through private placement	6 815	-
Employee Share Ownership Program implementation	-	7 221
Own shares transferred to ESOP	-	5 112
closing	**249 066**	**242 235**

Issued capital includes the face value of the shares issued (in circulation).

As of the reporting date, all issued shares are from one series (series A).

The face value is HUF 12.5 per share.

Number of treasury shares in 2022:

Date	Event	Number of shares
12.31.2020	**Closing balance**	**748 546**
1.29.2021	Transfer of employee share ownership program	(3 837)
4.13.2021	Excercise of ESOP option	(577 644)
4.13.2021	Purchase of own shares	249 422
12.21.2021	Share transfer to ESOP	(409 000)
12.31.2021	**Closing balance**	**7 487**
2.4.2022	Transfer of employee share ownership program	(1 267)
12.31.2021	**Closing balance**	**6 220**

Shares traded:

- In 2022 Alteo Nyrt. implemented an increase of capital through private placement. 545,200 shares were created in the course of the capital increase.
- On December 31, 2022, the Group held 6,220 own shares.
- The Company reports its registered capital less the value of the redeemed own shares in the Issued capital line.
- There are no other agreements between owners or with other parties which would require the Company to issue new ordinary shares or repurchase existing ones.

IV.20.2 Share premium reserves

Share premium reserves	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening	**5 375 369**	**4 962 084**
Implementation of employee share award through shares	2 645	4 252
Purchase of own shares	-	(290 601)
Capital increase through private placement	1 129 927	-
Employee Share Ownership Program implementation	-	267 160
Employee Share Ownership Program option value	-	62 819
Own shares transferred to ESOP	-	(5 112)
Capital movements related to the Employee Share Ownership Program (ESOP)		
Cash transferred to ESOP I.	-	(100 000)
Non-controlled ESOP participation	-	575 020
Receivable from ESOP	2 063	6 618
Dividend paid to ESOP	63 145	-
Transfer between capital element	-	(106 871)
closing	**6 573 148**	**5 375 369**

The following items are recognized among transactions with owners in the current year:

- the above-par part of the 1,267 shares transferred to the employee reward program
- the above-par part of the 545,200 shares created through private placement.
- the part of the cash transferred to the ESOP Organization used for operation.

IV.20.3 Share-based payments reserve, share-based benefits

Share-based payments reserve	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening	**(206 875)**	**62 819**
Cash transferred to ESOP I.	(300 000)	-
Cash transferred to ESOP II.	(1 136 742)	-
Non-controlled ESOP participation	-	(575 020)
Dividend paid to ESOP	-	(62 819)
Recognition of share benefits against profit or loss	184 073	261 274
Transfer between capital element	-	106 871
closing	**(1 459 544)**	**(206 875)**

The ESOPs are described in detail in Section IV.35 *Presentation of share-based and equity settled benefit schemes*.

IV.20.4 Hedge reserve

The fair value of future transactions existing on the reporting date is presented by the Group based on hedging combinations and achieved hedging objectives in other comprehensive income and equity.

Hedge reserve	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening	**5 306 431**	**399 801**
Hedge reserve	(3 237 186)	4 906 630
closing	**2 069 245**	**5 306 431**

The hedge reserve has the following movement in its balance:

Name	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Opening	**5 306 431**	**399 801**
Remeasurement in other comprehensive income	1 892 853	5 605 251
Transactions turned ineffective	-	-
Reclassification to the statement on profit or loss	(5 130 039)	(698 621)
Total	**2 069 245**	**5 306 431**
of which, derivative position recognized against OCI	*2 273 896*	*5 831 243*
of which, deferred tax recognized against OCI	*(204 651)*	*(524 812)*
Reclassification to income tax	(507 367)	(69 094)
Reclassification to financial expenses	457 241	(24 686)
Reclassification to other expenses	-	-
Reclassification to material expenses	5 180 165	792 401
Reclassification to the statement on profit or loss	**5 130 039**	**698 621**

- The amounts recognized in Other comprehensive income reflect the fair value of open transactions on the reporting date.
- The profitability of the transactions closed during the current period has been maintained.

- Profitable transactions recorded at opening value and closed during the current period have been reclassified to comprehensive income.

The effect of Other comprehensive income on the equity in 2022:

Other comprehensive income (after income tax)	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Remeasurement in other comprehensive income	1 892 853	5 605 251
Transactions turned ineffective	-	-
Reclassification to the statement on profit or loss	(5 130 039)	(698 621)
Of which the owner of the Parent Company is entitled to:	(3 237 186)	4 906 630
From which the non-controlling interest is entitled to:	-	-

The Group evaluated its existing hedging positions; the balances of the various types as of reporting date are shown in the table below:

Exposure	Interest rate- BUBOR	Foreign exchange rate - EUR/HUF	Foreign exchange rate - price of gas	Total	Effect of deferred taxes	Total with deferred tax effect
Nature of the risks being hedged	Increase in the BUBOR rate	EUR/HUF rate increase	Rate of gas increase			
Description of the hedging activity	Transactions to fix the interest rates	Future purchases	Purchasing products in the future			
Description of the financial instruments designated as hedging instruments	Interest rate swap derivative	Forward deals	Asian swap deals, options			
OCI on 12/31/2021	**514 592**	**136 486**	**5 180 165**	**5 831 243**	**(524 812)**	
De-recognition against net profit or loss	**(320 755)**	**(136 486)**	**(5 180 165)**	**(5 637 406)**	**507 367**	**(5 130 039)**
De-recognition due to revaluation	**(193 837)**	**-**	**-**	**(193 837)**	**17 445**	**(176 392)**
Revaluation of CF hedge positions	**1 806 911**	**(312 172)**	**779 157**	**2 273 896**	**(204 651)**	**2 069 245**
OCI as at 12/31/2022	**1 806 911**	**(312 172)**	**779 157**	**2 273 896**	**(204 651)**	
Value recognized against profit/loss in 2022:						**(3 237 186)**

IV.20.5 Retained earnings

Retained earnings	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening	**8 282 127**	**2 882 216**
Dividend payment (approval)	(1 996 146)	(455 275)
Receivable from ESOP	(2 874)	-
Aggregate amount of rounding difference	(2)	2
Comprehensive income	12 887 893	5 855 184
closing	**19 170 998**	**8 282 127**

The retained earnings show the part of the profit from the profit of the Group after taxes attributable to the ownership share of ALTEO Nyrt.

IV.20.6 Non-controlling interest

Profit or loss attributable to non-controlling interests	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Profit or loss of ECO First Kft. in the current period	(11 845)	6 797
Alteo Nyrt. Participation %	66,67%	66,67%
Attributable to ALTEO Nyrt. Participation	(7 897)	4 531
Attributable to non-controlling interests	(3 948)	2 266
Current period profit/loss of FE-Group Zrt.	(163 268)	N/A
Alteo Nyrt. Participation %	75,10%	N/A
Attributable to ALTEO Nyrt. Participation	(122 614)	N/A
Attributable to non-controlling interests	(40 654)	N/A
Of which the owners of the Parent Company are entitle	**(130 511)**	**4 531**
Of which the minority interest is entitled to:	**(44 602)**	**2 266**

Non-controlling interest	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening	**10 031**	**7 765**
Profit or loss of Eco First Kft. in the current period attributable to non-controlling interests	(3 948)	2 266
Profit or loss of FE-Group Zrt. in the current period attributable to non-controlling interests	(40 654)	-
Fe-Group Zrt. acquisition		
Equity of non-controlling interest	119 520	-
closing	**84 949**	**10 031**

In 2022 the Group purchased 75.1% of Fe-Group Invest Zrt. The Group considers its non-controlling interests to be immaterial.

IV.21 Debts on the issue of bonds

For the purpose of uniform presentation, the detailed terms of the bonds are listed in the notes entitled Terms of borrowings in Section IV.36.

Nominal liabilities also include interest accrued on bonds, as well as principal.

Debts on the issue of bonds	Interest terms	Issue value HUF thousand	Face value	Currency	Maturity date	Nominal liabilities 12/31/2022 (HUF thousand)	Nominal liabilities 12/31/2021 (HUF thousand)
ALTEO Nyrt. NKP1 2029	Interest payment per annum	8 818 285	8 600 000	HUF	10.28.2029	8 600 000	8 600 000
ALTEO Nyrt. "2022/II" bond	end of maturity	1 505 905	1 693 630	HUF	6.7.2022	-	1 663 087
ALTEO Nyrt. “2022/I” bond	end of maturity	498 526	650 000	HUF	1.10.2022	-	649 051
Alteo Nyrt. NKP1 2031	Interest payment per annum	3 912 499	3 800 000	HUF	10.8.2031	3 800 000	3 800 000

Bond cash flow	2022	2023	2024	2025	2026	2027	up to 2031
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)	(270 900)	(270 900)	(270 900)	(270 900)	(9 141 800)
ALTEO Nyrt. "2022/II" bond	(1 505 905)	-	-	-	-	-	-
ALTEO Nyrt. “2022/I” bond	(498 526)	-	-	-	-	-	-
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)	(93 100)	(93 100)	(93 100)	(93 100)	(4 172 400)

Bonds	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening principal and interest	14 970 412	14 889 000
ALTEO Nyrt. NKP1 2029	8 762 151	8 776 449
ALTEO Nyrt. "2022/II" bond	1 663 087	1 594 617
ALTEO Nyrt. "2022/I" bond	649 051	615 361
Alteo Nyrt. NKP1 2031	3 896 123	3 902 573
Interest recognized in the current period	368 101	439 476
ALTEO Nyrt. NKP1 2029	252 324	252 844
ALTEO Nyrt. "2022/II" bond	30 543	68 470
ALTEO Nyrt. "2022/I" bond	949	33 690
Alteo Nyrt. NKP1 2031	84 285	84 472
Principal and interest payments in the current period	(2 707 630)	(364 000)
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
ALTEO Nyrt. "2022/II" bond	(1 693 630)	-
ALTEO Nyrt. "2022/I" bond	(650 000)	-
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)
Closing principal and interest	**12 630 883**	**14 964 476**
Recognized interest rate change of short-term liabilities	**(27 391)**	**(5 936)**
Debts on the issue of bonds	12 658 274	12 658 274
Short-term bond payables	-	2 312 138
	12 658 274	**14 970 412**

ALTEO NKP/2029 On October 24, 2019, the parent company within the Group issued bonds designated as "ALTEO NKP/2029" with a total face value of HUF 8.6 billion. The average issue value of the bonds was 102.5382% of the face value. The bonds have a fixed rate coupon of 3.15% and the maturity is 10 years. The bonds were admitted to listing on the regulated market on January 24, 2020.

ALTEO 2022/I On January 10, 2017 the parent company within the Group issued dematerialized zero coupon bonds with a maturity of 5 years by private placement under the designation "ALTEO 2022/I". The total face value of the issue is HUF 650,000,000, the issue value is 76.6963% of the face value. The total nominal value of the bond was repaid on January 10, 2022.

ALTEO 2022/II On June 7, 2019 the parent company within the Group issued dematerialized zero coupon bonds with a maturity of 3 years by private placement under the designation "ALTEO 2022/II". The total face value of the issue is HUF 1,693,630,000, the issue value is 88.9158% of the face value. The bonds were admitted to listing on the regulated market on November 22, 2019. The total nominal value of the bond was repaid on June 7, 2022.

ALTEO NKP1/2031A On October 8, 2020, the parent company within the Group issued bonds designated as "ALTEO NKP1/2031" with a total face value of HUF 3.8 billion. The average issue value of the bonds was 102.9605% of the face value. The bonds have a fixed rate coupon of 2.45% and the maturity is 11 years.

IV.22 Borrowings

IV.22.1 Long-term loans and their collaterals

The terms of the borrowings and loans are presented in the table in Note IV.36.

Loans and borrowings used to finance the Group:

Credits (in HUF)	Financing party	Frequency of repayments	Amounts paid (HUF thousand)	Maturity date	Liabilities to banks (HUF thousand) 12/31/2022	Capitalized lending cost 2022	Liability disclosed in the statement of financial position (HUF thousand) 12/31/2022	Liability disclosed in the statement of financial position (HUF thousand) 12/31/2021
Principal and interest liabilities								
Monsolar Kft.	MKB	six-monthly	656 575	3.31.2034	560 606	(4 282)	556 323	591 564
Monsolar Kft. (legal predecessor: IT-Solar K	MKB	six-monthly	656 575	3.31.2034	579 714	(4 294)	575 420	591 535
Domaszék Kft.	OTP	quarterly	601 000	6.30.2034	500 800	(9 404)	491 396	522 952
Sunteo Kft. (legal predecessor: Péberény K	K&H	quarterly	2 147 328	6.30.2035	1 868 863	(11 097)	1 857 766	1 945 881
Sunteo Kft. (legal predecessor: FSZ Energia	K&H	quarterly	1 449 748	9.30.2035	1 270 957	-	1 270 957	1 328 341
Sunteo Kft. (legal predecessor: True Energy	K&H	quarterly	1 459 872	9.30.2035	1 280 067	-	1 280 067	1 337 777
Sinergy Kft.	K&H	quarterly	744 000	6.30.2034	669 005	(11 751)	657 254	684 826
Fe-Group Zrt.	RFF	quarterly	500 000	6.30.2030	467 000	-	467 000	N/A
Fe-Group Zrt.	CIB	at maturity	600 000	11.30.2023	600 000	-	600 000	N/A
Liabilities to banks in the statement of financial position					**7 797 012**	**(40 828)**	**7 756 183**	**7 002 876**
Principal and interest liabilities								
ALTEO Nyrt. parent company loan	Wallis	at maturity	6 000 000	4.23.2023	6 000 000	-	6 000 000	N/A
Fe-Group Zrt. member's loan	Blue Planet Foundatic	at maturity	99 600	5.31.2024	99 600	-	99 600	N/A
Liabilities to other enterprises in the statement of financial position					**6 099 600**	**-**	**6 099 600**	
Long-term loans and borrowings							**6 670 051**	**6 583 098**
Short-term loans and borrowings							**7 185 732**	**419 778**

- Borrowings are measured at amortized cost. The fair value of the items above does not materially differ from their amortized cost.
- A borrowing is classified as non-current in the financial statements only if at the end of the year the Group had a unilateral right not to repay the amount before the next reporting date. The instalments for the next year are included in current liabilities.
- Repayments due in 2023 were reclassified to short-term borrowings and loans in the amount of HUF 1,185,732 thousand.
- In the current year ALTEO Nyrt. received a short term parent company credit of HUF 6,000,000 thousand from Wallis Asset Management Zrt., repayable on April 23, 2023. The interest rate of the credit is BUBOR +1.9%.
- FE-Group Invest Zrt. received a HUF 99,600 thousand shareholder loan from Kék Bolygó Alapítvány, a minority shareholder with a 24.9% share, recognized among long-term loans. The credit has an interest rate of 17.91% fixed for the whole term.

The Group has provided the following collaterals to meet its credit obligations:

Company	Designation of the collateral
ALTEO Energiakereskedő Zrt.	a lien on claim, surety and lien on bank accounts
Monsolar Kft.	mortgage on a business share, mortgage on real property, as well as prohibition of alienation and encumbrance, mortgage on movable property, mortgage on receivables, surety and mortgage on bank accounts
Sunteo Kft.	purchase option and mortgage on a business share, purchase option and mortgage on real property, as well as prohibition of alienation and encumbrance, purchase option and mortgage on movable property, lien on receivables, surety and lien on bank accounts
Domaszék 2MW Kft.	mortgage on a business share, mortgage on real property, mortgage on movable property, lien on receivables, surety and lien on bank accounts
Sinergy Kft.	mortgage on a business share, mortgage on movable property, lien on receivables, surety and lien on bank accounts
FE-Group Zrt.	mortgage on movable property, surety and lien on bank accounts

IV.22.2 Borrowing cash flow

Borrowing cash flow	2022	2023	2024	2025	2026	2027	until 2032
Monsolar Kft.	(36 449)	(37 909)	(39 369)	(42 487)	(44 677)	(47 065)	(272 278)
Monsolar Kft. (legal predecessor: IT-Solar Kft.)	(36 445)	(38 435)	(40 359)	(42 482)	(44 671)	(47 060)	(274 242)
Domaszék Kft.	(33 000)	(35 500)	(37 500)	(39 500)	(41 500)	(44 000)	(254 500)
Sunteo Kft. (legal predecessor: Péberény Kft.)	(119 600)	(126 331)	(129 359)	(134 767)	(140 391)	(146 232)	(827 422)
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	(76 828)	(81 203)	(85 680)	(89 884)	(93 654)	(97 568)	(550 759)
Sunteo Kft. (legal predecessor: True Energy Kft.)	(77 264)	(81 745)	(86 278)	(90 512)	(94 308)	(98 249)	(554 606)
Sinergy Kft.	(39 134)	(41 366)	(44 045)	(46 574)	(49 402)	(52 378)	(312 480)
Fe-Group Zrt.	(33 000)	(44 000)	(44 000)	(44 000)	(44 000)	(44 000)	(247 000)
Fe-Group Zrt.			(99 600)				
Alteo Nyrt.		(6 000 000)					

The ALTEO Group has variable rate borrowings where the rate of interest is based on the BUBOR, with premiums between 1% and 2.3%.

The member's loan extended to Fe-Group Zrt. has a fixed interest rate of 17.91%.

All borrowings are recognized in the statement of financial position at amortized cost.

In order to optimize the interest burden on the loans, the Group has entered into interest rate swaps with the following terms.

IRS transactions	Financing party	Main currency	Amount	Interests	Trade day	Effective	Maturity
Sunteo Kft. (legal predecessor: True Energy Kft.)	K&H	HUF	1 301 870 335	3,35%	11.6.2018	12.31.2019	12.31.2027
Sunteo Kft. (legal predecessor: True Energy Kft.)	K&H	HUF	144 652 259	2,40%	1.7.2019	12.31.2019	12.31.2027
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	K&H	HUF	1 294 526 451	3,35%	11.6.2018	12.31.2019	12.31.2027
Sunteo Kft. (legal predecessor: FSZ Energia Kft.)	K&H	HUF	143 836 272	2,40%	1.7.2019	12.31.2019	12.31.2027
Sunteo Kft. (legal predecessor: Péberény Kft.)	K&H	HUF	1 932 260 400	3,10%	9.27.2018	9.30.2019	6.30.2027
Sunteo Kft. (legal predecessor: Péberény Kft.)	K&H	HUF	214 695 600	2,30%	1.7.2019	9.30.2019	6.30.2027
Domaszék 2MW Erőmű Kft.	OTP	HUF	594 400 000	2,25%	6.30.2016	12.31.2028	12.29.2028
Monsolar Kft.	MKB	HUF	658 935 108	3,05%	8.23.2018	6.28.2019	6.30.2028
Monsolar Kft. (legal predecessor IT Solar Kft.)	MKB	HUF	658 935 108	3,05%	8.23.2018	6.28.2019	6.30.2028
Sinergy Kft.	K&H	HUF	744 000 000	1,50%	12.16.2020	12.18.2020	12.31.2030

The interest rate sensitivity assessment of loans not hedged by interest rate swaps is included in Section III.4.3 *Interest rate risk and its management*.

The following overdraft facilities are available to Group members:

Overdraft facility 12/31/2022	Bank	Amount HUF thousand	Utilization rate, HUF
Alteo Energiakereskedő Zrt.	OTP	2 000 000	-
Alteo Energiaszolgáltató Nyrt.	ERSTE (Cash Pool)	1 000 000	-
Alteo Energiaszolgáltató Nyrt.	ERSTE (Bridge Loan)	5 000 000	-

Pursuant to an agreement with Erste Bank Zrt., the revolving working capital loan facility (Bridge Loan) is available to the Group up to April 15, 2023, i.e. the end of the heating season.

IV.23 Lease liabilities

The Group recognizes its obligations arising from contracts on long-term leases of land, area and assets under leases.

Finance lease liabilities	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021
Long-term liabilities relating to rights of use (over 5 years)	893 134	936 263
Long-term liabilities relating to rights of use (1-5 years)	955 463	751 441
	1 848 597	**1 687 704**
Instalments due within a year	391 600	237 744
Total	**2 240 197**	**1 925 448**

The following table represents the leasing conditions:

Leases	Leasing partner	type	Exposure December 31, 2022 (HUF thousand)	Exposure 12/31/2021 (HUF thousand)	Currency	Interest	Maturity date
Sinergy Kft.	ÉMÁSZ	lease of power p	234 511	246 726	HUF	5,30%	12.31.2035
Alteo Nyrt.	Lease Plan	vehicles	256 104	248 251	HUF	BUBOR + 2.9%	individual
Alteo Nyrt.	HSP 612 Kft.	Office space ren	705 753	775 035	HUF	3,73%	6.30.2031
Alteo Nyrt.	Pallér Csarnok Kft.	assembly hall re	101 961	-	HUF	3,73%	2.28.2029
Alteo Therm Kft. (legal predecessor: Zugló Therm Kft.)	Főtáv	land lease	332 989	372 323	HUF	3,39%	5.31.2030
Euro Green Energy Kft. *	Multiple partners	land lease	288 426	190 527	EUR	3,39%	3.31.2035
FE-Group Zrt.	Multiple partners	machinery renta	68 933	-	EUR	2.15% -6.49%	individual
FE-Group Zrt.	Metalloglobus Zrt.	land lease	167 667	-	HUF	3,73%	9.30.2024
Pannon Szélerőmű Kft.	Multiple partners	land lease	83 853	92 586	HUF	3,39%	7.31.2035
Total			**2 240 197**	**1 925 448**			
of which:							
Amounts due within a year			391 600	237 744			
Amounts due between 2 and 5 years			955 463	329 972			
Amounts due in more than 5 years			893 134	609 606			

*With Windeo Kft.'s lease assets

None of the lease arrangements include contingent lease payments. The ownership of leased cars, land, property and power plants is not transferred to the Group upon maturity of the lease and there is no related call option in place either. None of the lease contracts contain an automatic extension option.

The Group uses the benefits of presentation options as per IFRS 16. Accordingly, it recognizes the following items as lease payments: car leases maturing within one year and the lease of certain IT equipment of small value. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses.

Movements in rights of use in the current year are included in Note IV.9.

IV.24 Provisions

The provision recognized for the existing onerous contracts of the Group (non-terminable, causes losses) and for elements of similar nature is recognized among provisions with a significant value.

Provisions	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
opening balance	**944 136**	**850 493**
of which:		
Onerous contracts	231 822	192 031
Regarding asset decommissioning	712 314	658 462
Provisions released	**(75 291)**	**(37 000)**
Provisions recognized	**341 250**	**130 643**
Recognition of provisions during acquisition	**37 670**	**-**
closing balance	**1 247 765**	**944 136**
of which:	**1 247 765**	**944 136**
Onerous contracts	156 531	231 822
Regarding asset decommissioning	941 417	712 314
EEOS quota	110 947	-
For future costs	38 870	-

Presentation of provisions for the current period by type and term:

Provisions recognized and released	In 2022
ARO interest (IFRS)	229 103
Provisions for EEOS costs	110 947
Future costs	1 200
Total	341 250
Provisions released for onerous contracts	(75 291)
Total	(75 291)

Expected use of provisions	Within 1 year	2-5 years	more than 5 years
Onerous contracts	-	156 531	-
Regarding asset decommissioning	-	-	941 417
EEOS quota	-	110 947	-
For future costs	-	38 870	-

The creation and release of provisions is affected by the characteristics listed in Section III.3.32 *Operating risks*.

IV.25 Deferred income

Deferred income	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Deferred income related to subsidized assets	805 775	593 865
Total	**805 775**	**593 865**

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

The not yet recognized part of grants received was stated as deferred income, the main terms and conditions of which are as follows:

	RDI 1
Purpose of the grant	Systemic integration and innovative application model of an electricity storage architecture
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: The creation of one newly developed product, technology, service or prototype The preparation of one know-how Business exploitability: the revenues from the outcome of the RDI project reach 30% (HUF 300 million) of the grant amount in two consecutive years combined during the maintenance period Export revenues: the average of export revenues in two consecutive years during the maintenance period is HUF 109 million One appearance at a domestic and an international forum (RENEXPO and the international energy trade fair, ENERGOexpo, were indicated in the grant application, however, this may be modified) 2 publications
Grant period	5 years starting from July 2019
	RDI 2
Purpose of the grant	Integration into the electricity system of storage facilities with battery cells of various parameters
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 subsidized undertaking for the manufacture of the new product In the 2 financial years following implementation, the amount of R&D expenditures amounts to 30% of grants as evidenced in the corporate tax returns
Grant period	End of 2027
	RDI 3
Purpose of the grant	Development of real-time autonomous energy information and production management system
Conditions of the grant	The grant is tied to the performance and presentation of technical R&D work. In addition, a number of indicators need to be met also during the maintenance period: 1 new product developed involvement of 3 enterprises in development publication of the project achievements on domestic forums on 3 occasions 3 publications 1 publication resulting from private-public cooperation 3 undertakings making use of the project achievements 9 researchers/developers and 2 other employed project participants 1 additional agreement with universities or research institutes
Grant period	End of 2027
	Tender for industrial development in 2019
Purpose of the grant	Encouraging the design, development and efficiency improvement of domestic complex waste management systems that promote circular economy and the use of secondary raw materials
Conditions of the grant	Complex development of waste treatment and recovery technologies taking the circular economy into account purchase of 1 shredder and mechanical separator purchase of 3 material handling equipment units purchase of 1 technological line for cable processing purchase of 1 line for processing flat image display equipment purchase of 1 line of wire processing machines purchase of 1 pipe extruder purchase of 1 silo feeder and 1 color separator Integration of separation technologies in electronic waste processing lines
Implementation due date	06/30/2023
Maintenance period	3 years

	Tender for industrial development in 2021
Purpose of the grant	Encouraging the design, development and efficiency improvement of domestic complex waste management systems that promote circular economy and the use of secondary raw materials
Conditions of the grant	Development of the technology for the pre-treatment of waste from products subject to product charges, realization of the production of products from the surplus secondary raw materials produced, taking into account the aspects of the circular economy purchase of 1 baler purchase of compactor container systems purchase of 1 production line for the manufacture of wire conduit products
Implementation due date	12/31/2023
Maintenance period	5 years
	Tender for industrial development in 2022
Purpose of the grant	On ad hoc industrial development grants for waste management related to waste from products subject to product charges
Conditions of the grant	Development of the technology for the pre-treatment of waste from products subject to product charges, realization of the production of products from the surplus secondary raw materials produced, taking into account the aspects of the circular economy purchase of 1 aluminum packaging waste baling line purchase of 1 dismantling line for electric motor from electronic waste
Implementation due date	06/30/2023
Maintenance period	5 years

IV.26 Other long-term liabilities

Other long-term liabilities	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Conditional purchase price liabilities	267 448	294 408
Contractual support obligation	310 064	225 165
Interest payment obligation during the loan moratoriur	13 738	16517
ESOP Program	646 766	-
Total	**1 238 016**	**536 090**

- Conditional purchase price means the liability recognized with regard to the participation of Zugló-Therm Kft.
- Contractual grants and subsidies include liabilities arising from long-term grant agreements with entities other than the Group’s partners.
- Interest payment obligation due to a loan moratorium includes the interest accumulated during the moratorium at Monsolar Kft.
- liabilities relating to the ESOP program see Section IV.35 *Presentation of share-based and equity settled benefit schemes*

IV.27 Advances received

Advances received	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Advances received	1 499 254	8 989
Total	**1 499 254**	**8 989**

Advances received include the cash received from the partners of the Group before the settlement period relating to the Group's electricity trading activities.

In accordance with its contractual practice, the Group stipulates the payment of an advance in the general contracts, which is presented in the line of advances received.

IV.28 Trade payables

This line in the statement of financial position contains liabilities arising from the purchase of goods and services. Trade payables are unsecured, which means that the Group does not provide guarantees, with the exception of those routinely provided in the normal course of business.

Trade payables	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Past due trade payables		
past due for 1-30 days	165 630	144 309
past due for 31-60 days	20 364	1 958
past due for 61-90 days	8 987	1 453
past due for 91-120 days	6 432	-
past due for 121-365 days	6 820	766
past due for more than 365 days	9 250	7 220
Trade payables not yet due		
due within 30 days	10 942 436	4 289 949
due in 31-60 days	89 478	5 499
due in 61-90 days	-	12 018
due in 91-120 days	-	14 064
due in 121-365 days	11 084	56 652
due in more than 365 days	22 136	12 610
Total	**11 282 617**	**4 546 498**

The largest suppliers of the Group are:

Major suppliers	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
MET Magyarország Kft.	42 115 863	10 123 696
MVM Next Energiakereskedő Zrt.	16 781 098	4 290 082
European Commodity Clearing Luxembourg (ECC)	9 756 605	2 218 859
MET Austria Energy Trading GmbH	4 719 304	-
PPD Hungária Energiakereskedő Kft.	4 146 691	3 270 216
MVM Partner Zrt.	3 481 746	8 291 716

IV.29 Other financial liabilities

Other financial liabilities	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Liabilities arising from derivative transactions	324 160	-
Total	**324 160**	**-**

Year-end market value of derivatives due to hedge transactions, the contents of which are explained in Notes IV.40 and III.4 *Financial risks and their management*.

IV.30 Other short-term liabilities and accruals

Other short-term liabilities and accruals	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Cost accruals	15 862 488	8 408 276
Income accruals	153 643	112 173
Projects - amounts due to customer	61 866	70 000
Other tax liabilities	5 283 174	426 039
Income settlement	234 967	146 051
Other short-term liabilities	3 289 481	165 657
Total	**24 885 619**	**9 328 196**

Other short-term liabilities include non-interest-bearing items.

IV.31 Accounting for project development contracts under IFRS15

Name	12.31.2022	12.31.2021	Recognized current year sales revenue total	Sales revenue adjustment against statement of financial position	Invoiced sales revenue
MPK life extension project	(58 810)	(70 000)	11 190	11 190	-
Borsodchem steam pipeline design	(1 740)	-	1 740	(7 460)	9 200
Praktiker Budaörs PV construction	(1 316)	-	92 180	(1 316)	93 496
Nestlé electric boiler installation (plan)	12 699	-	12 699	(12 699)	-
Praktiker store PV construction	2 532	-	2 532	(2 532)	-
Borsodnádasd PV construction plan	13 810	-	13 810	(13 810)	-
Projects - Receivables due from customers	**29 041**				
Projects - amounts due to customer	**(61 866)**				

- The Group recognized contractual assets and liabilities opened in the previous year against the revenues of the current year.
- The amounts due from the customer are included in the line Other receivables and accruals (presented in Section IV.17), while the amounts due to the customer are included in the balance sheet line Other short-term liabilities and accruals (presented in Section IV.30).

IV.32 Presentations on acquisitions of companies

Name	FE-Group Zrt.	Edelyn Solar Kft.
Start date of control/Date of acquisition of share	9.9.2022	7.27.2022
Included in consolidation:	10.1.2022	8.1.2022
Share of the Group:	*75,10%*	*100%*
Share of non-controlling interest:	*24,90%*	-
	HUF thousand	*HUF thousand*
Consideration paid in cash:	307 910	215 185
Contingent purchase price 12/31/2022	-	483 494
Exchange difference of contingent purchase price:	-	36 626
Contingent purchase price deposited as collateral:	52 570	-
	360 480	735 305
Fair value of financial assets and liabilities identified:		
Non-current assets	1 825 718	6 850
Long-term receivables	-	-
Inventories	150 303	-
Short-term receivables	245 538	91 839
Cash flow effect of cash and cash equivalents	67 310	2 425
Accrued income and deferred expenses	411 615	-
Provisions	(37 670)	-
Long-term liabilities	(1 108 791)	(90 000)
Short-term liabilities	(795 560)	(8 449)
Deferred income and accrued expenses	(266 096)	(3 273)
Total:	492 367	(608)
Deferred tax liability (9%)	(12 367)	-
Total assets identified in acquisitions:	*480 000*	*(608)*
Asset value for the Group:	*360 480*	*(608)*
Asset value for non-controlling interests:	*119 520*	-
Identified goodwill	-	*735 913*
Cash flow effect of acquisition	*(293 170)*	*(212 760)*
Revenue in the period following the acquisition	802 401	-
Earnings in the period following the acquisition	(163 268)	(1 242)

Acquisition of FE-Group Invest Zrt.:

- the purpose of the acquisition is to expand the Group’s inorganic waste business line and to acquire new markets
- The Group settled the purchase price in cash. In the course of the acquisition of FE-Group Invest Zrt., the Group deposited the conditional purchase price of HUF 52,570 thousand agreed to be a part of the purchase price, in an escrow account. Payment of the conditional purchase price is subject to the successful closure of the settlement of tender procedures and tax audits regarding all previous periods. The probability of payment of the purchase price is 100%.

- The net asset value of the subsidiary acquired through the business combination was HUF 480 million; during initial consolidation, the Group added to its books the assets and liabilities of the acquired entity as required by the IFRSs, and recognized them at fair value as of October 1, 2022.
- The Group recognized no goodwill regarding the acquisition.
- Blue Planet Foundation, which obtained a 24.1% share through the acquisition

Acquisition of Edelyn Solar Kft.:

- The purpose of the acquisition was to expand the solar power plant portfolio of the Group.
- The final date for the satisfaction of the conditions for closure agreed in the sale and purchase agreement is 04/30/2023. Until conditions are satisfied, HUF 483,494 thousand of the purchase price is recognized under Short-term liabilities. The Group has provided a bank guarantee to the Seller for the unpaid portion of the purchase price. The payment of the contingent purchase price is conditional upon the existence of the permits required for the establishment of the power plant. The probability of payment of the purchase price is 100%.
- The net asset value of the subsidiary acquired through the business combination was a liability of HUF 608 thousand; during the initial consolidation, the Group added to its books the assets and liabilities of the acquired entity as required by the IFRSs, and recognized them at fair value as of August 1, 2022.
- The goodwill of the acquisition is presented in Section IV.9.4.

IV.33 EBITDA

The Group discloses its EBITDA indicator. The process of the calculation is in the accounting policies summary. The detailed analysis of EBITDA is included in the Management Report for the period.

Elaboration of EBITDA:

Elaboration of EBITDA	12/31/2022 HUF thousand 12 months	12/31/2021 HUF thousand 12 months
Operating profit	16 693 466	8 943 319
Recognized depreciation, amortization	3 527 162	3 936 669
Recognized impairment of fixed assets	-	-
EBITDA	**20 220 628**	**12 879 988**

IV.34 Calculation of earnings per share (EPS)

Calculation of earnings per share (EPS)	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand
Number of shares for EPS	19 718 079	18 890 107
Number of shares for diluted EPS	19 724 417	19 386 274
Profit or loss attributable to controlled interests	12 887 893	5 855 184
Base value of net earnings per share (HUF/share)	653,61	309,96
Diluted value of net earnings per share (HUF/share)	653,40	302,03

The value and diluted value of earnings per share are calculated based on the weighted average of ordinary shares outstanding. The 545,200 shares created through the capital increase in 2022 were recognized as of the date of their origination.

IV.35 Presentation of share-based and equity settled benefit schemes

ALTEO Nyrt. developed an equity settled share-based incentive scheme for ALTEO employees (ESOP program) subject to the following conditions:

		Option II/ 2020
Theoretical share number (maximum as per invitation)		*612 940*
results of valuation:		
valuation no.		612 940
fair value of share HUF		900,93
total fair value of program valuation on reporting date, HUF thousand		552 218
service recognized on the closing date of the current period 2022 %		100,00%
Recognized service value: HUF thousand, of which:		552 218
	2020	106 871
	2021	261 274
	2022	184 073

Chart of changes in share program	ESOP II/2020-2022			ESOP 2022-2024 Program	ESOP 2022-2025 Program
	2022	2021	2020	2022	2022
PCS.					
Outstanding at the beginning of the period	408 627	118 623	-	-	-
Granted during the current period	-	-	-	-	-
Vested	204 313	322 264	118 623	120 475	88 317
Exercised during the current period	-	-	-	-	-
Expired during the current period	-	-	-	-	-
Forfeited during the current period	-	(32 260)	-	-	-
Outstanding at the end of the current period	612 940	408 627	118 623	120 475	88 317
of which:					
Available for exercise at the end of the current period	612 940	-	-	-	-
Value (HUF thousand)					
Outstanding at the beginning of the period	368 145	106 871	-	-	-
Granted during the current period	-		-	-	-
Vested	184 073	261 274	106 871	373 192	273 575
Exercised during the current period	-	-	-	-	-
Expired during the current period	-	-	-	-	-
Forfeited during the current period	-	-	-	-	-
Outstanding at the end of the current period	552 218	368 145	106 871	373 192	273 575
of which:					
Available for exercise at the end of the current period	552 218	-	-	-	-

Description of the programs:

ESOP Program II (2020-2022)

Certain executive employees of the Company receive share-based benefits as of December 21, 2020 (the date of grant): the detailed rules of the so-called Employee Share Ownership Program ("ESOP") are set forth in the Company's Remuneration Policy for 2020, published and effective on December 21, 2020.

https://alteo.hu/wp-content/uploads/2020/12/ALTEO_2020_evi_MRP_Jav_Pol_20201221.pdf

https://www.bet.hu/site/newkib/hu/2020.12./Tajekoztatas_az_ALTEO_MRP_Szervezet_2020._evi_Javadalmazasi_Politikajarol__128504486

The ESOP applies to the 8 executive Employees specified in the 2020 Remuneration Policy. The Employee is eligible to acquire the Available Shares if their legal relationship making them eligible to participate in the Remuneration Policy for 2020 is in place with the Company on the day of publication of the Company's consolidated financial statement for 2022.

The subject of the ESOP is a maximum of 612,940 Available Shares which may be distributed – provided the below criteria are met – after the closing of the 2022 fiscal year of the Company (following the adoption of the consolidated financial statement). The Available Shares are acquired by Employees without consideration.

Employees may acquire the following ratios (specified as a %) of the full volume of Available Shares, provided that certain performance conditions also presented below are met in full:

1. ALTEO Share Price: in the period between January 1, 2022 and December 31, 2022, the volume-weighted average trading price on the BSE reaches HUF 1,178. (15% weight, partial performance is not possible)
2. Turnover: The aggregate turnover of ALTEO Shares as traded on the BSE in the period between January 1, 2022 and December 31, 2022 exceeds HUF 2,479 million and the volume-weighted average trading price in the same period is at least HUF 950. (15% weight, partial performance is not possible)
3. The audited profit after taxation filtered from ESOP effect per share reaches or exceeds HUF 54.7 in 2022. (25% weight, partial performance is possible)
4. The audited EBITDA filtered from ESOP effect per share reaches or exceeds HUF 320 in 2022. (45% weight, partial performance is possible)
5. Excluding criterion: the rating of the bonds of ALTEO Nyrt. at Scope – or an alternative credit rating agency – drops below B+. In the event of the occurrence of the excluding criterion, 0 (zero) Available Shares may be distributed, regardless of whether criteria 1-4 are fulfilled.

The vesting period of ESOP is January 1, 2020 – December 31, 2022, that is 3 years, with the emphasis on meeting 2022 target figures. Given that the above conditions may be met by December 31, 2022, the date of vesting is that date.

The ESOP Organization is entitled to withhold a ratio of Available Shares whose market value at the time of provision provides coverage for the fulfillment of tax and contribution payment obligations borne by the Employee.

Early exercise of the option is not possible. No option was exercised before the reporting date.

Principles of presentation

Considering that ESOP is a transaction related to services received from employees, the fair value of which cannot be measured reliably, their fair value was determined based on the fair value of the equity instrument provided.

Not applying the provisions of the Remuneration Policy for 2020, the beneficiary Employees irrevocably waived their right of choice retroactively to 12/21/2020 and according to such waiver they intend to acquire the shares that may be acquired in the form of securities. Consequently, the accounting treatment of ESOP is governed by the rules for share-based payment transactions where the terms of the arrangement are no longer affected by the choice and the method of settlement under which the ***equity component of a*** complex financial ***instrument*** needs to be accounted for.

- In view of this, the ESOP as a whole was accounted for as an equity instrument.

Calculation principles for fair valuation

As of the reporting date, the fair value of ESOP is equal to the time-vested part of the fair value of a share multiplied by the number of shares expected to be acquired (i.e. the fair value of the total liability).

- The starting point of the current fair value of the shares is the market price, i.e. the closing price observed on the Budapest Stock Exchange and valid as at the grant date.
- The market price is reduced by the present value of the dividends expected to be paid during the vesting period (2021-2022) as the Employees will not be entitled to them prior to fulfillment of the criteria. The expected amount of the dividend payment is based on the dividend paid in the past.

The number of benefits expected to be vested has been determined on the basis of the best estimate available, using analyzes and simulations for the financial indicators underlying the performance conditions (see vesting criteria).

The Company recognizes expenses when they are provided by the employee during the vesting period, that is, between the beginning of the program (January 01, 2020) and the date of vesting (December

31, 2022). The value of the liability on the reporting date is the time-vested part, 100% of the total liability.

ESOP 2022-2024 and ESOP 2022-2025 programs

Under the ESOP 2022-2024 and 2022-2025 programs time proportionate expenses were recognized against profit or loss among liabilities. The liability shown in the statement of financial position at the end of the period does not contain any amounts regarding cash with vested rights. The ESOP includes no share options, therefore disclosures applicable specifically to options are not relevant for such ESOPs. There were no expenditures arising from share-based payment transactions where the goods and services received would have failed to satisfy the conditions of recognition as an asset.

Description of the share-based payment program of the Company

- Certain employees of the Company receive share-based benefits starting from April 20, 2022 (granting date). The detailed rules of the Employee Share Ownership Programs are set forth in the Company's Remuneration Policy for 2022-2024 and 2022-2025, published and effective from April 20, 2022.

https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2024-Javadalmazasi-Politika.pdf

https://www.bet.hu/newkibdata/128709817/ALTEO_MRP%202024%20Javadalmaz%C3%A1si%20Politika.pdf

https://investors.alteo.hu/wp-content/uploads/2022/04/ALTEO_MRP-2025-Javadalmazasi-Politika.pdf

https://www.bet.hu/newkibdata/128709817/ALTEO_MRP%202025%20Javadalmaz%C3%A1si%20Politika.pdf

- The ESOP applies to the employees specified in the Remuneration Policy. Pursuant to the 2022 to 2024 Remuneration Policy, employees are eligible to the benefit if their legal relationship making them eligible to participate in the Remuneration Policies is in effect with the Company on the day of publication of the Company's consolidated financial statement for 2023. In the case of the 2022 to 2025 Remuneration Policy, the aforesaid condition must be satisfied on the day of publication of the Company's consolidated financial statement for 2024.
- In the case of both ESOPs, the subject of the benefit is cash, the amount of which depends of the price of the Company's shares. The vested cash may be distributed, provided that the performance condition set out below is met, after the closing of the 2023 and 2024 fiscal years of the Company, respectively (following the adoption of the consolidated financial statement).
- Employees are entitled to the maximum available benefit if the performance condition set out below is satisfied.
- Pursuant to the 2022-2024 Remuneration Policy, the performance condition is met if the value of the equity, excluding other comprehensive income (OCI), as at December 31, 2023 as determined based on the audited consolidated annual report adopted by the Company's

General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of the equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2021 as the comparative period.

- Pursuant to the 2025 Remuneration Policy, the performance condition is met if the value of equity, excluding other comprehensive income (OCI), as at December 31, 2024 as determined based on the audited consolidated annual report adopted by the Company's General Meeting, adjusted for changes resulting from dividend payments and other equity transactions, exceeds the value of equity, excluding other comprehensive income (OCI), as determined in the audited consolidated annual report for the financial year ending on December 31, 2022 as the comparative period.
- The Remuneration Policies allow the Company to reduce the benefit given to Employees based on performance assessment.
- Pursuant to the decision of the Management, the vesting period is the period between January 1, 2022 and December 1, 2023 (2024 ESOP), and January 1, 2022 and December 31, 2024 (2025 ESOP). The emphasis is on meeting the 2023 and 2024 target figures. Given that the above conditions may be met by December 31, 2023 and December 31, 2024, respectively, the dates of vesting are those dates.
- Early exercise of the option is not possible.

Accounting policies of the evaluation of the ESOP

- Pursuant to the Remuneration Policies, Employees may receive cash under the ESOP programs; consequently the valuation of the ESOP is governed by the valuation rules of cash-settled share-based payment transactions, that is, expenditures and liabilities are recognized during the vesting period, and liabilities are revalued at each reporting date.
- The amount of goods and services received during the vesting period and to be recognized by the entity is determined based on the best estimate available regarding the awards expected to become vested.

Calculation principles for the fair valuation of ESOPs

- As of the reporting date, the fair value of the ESOP programs is equal to the time-vested part of the fair value of a share multiplied by the number of shares expected to be acquired (i.e. the fair value of the total liability).
- On the reporting date, the fair value of the shares is HUF 3,098 per share.
- The starting point of the current fair value of the shares is the market price, i.e. the closing price observed on the Budapest Stock Exchange and valid as at the date of the relevant valuation.
- Pursuant to the Remuneration Policies, shares are converted into cash privately, at the unweighted average price of the 30 trading days preceding the conversion of the share.

- The ESOP Organization is not entitled to the dividend distributed in 2022, therefore the dividends paid during 2022 must be deducted from the share prices used for the calculation of the 30-day unweighted average price. Dividends amounted to HUF 103 per share, which were paid on June 28, 2022.
- The ESOP Organization is entitled to dividends to be paid in years after 2022. The value of the 2023 and 2024 dividends are included in the share price before the payment of dividends. The beneficiary of dividends is the ESOP Organization, and Employees may receive the dividends through the ESOP Organization after the expiry of the ESOP programs.
- The number of benefits expected to be vested has been determined on the basis of the best estimate available, using statistical analyzes based on historical data for equity net of the changes caused by relevant other comprehensive income, dividends and other equity transactions.
- The Company recognizes expenses when they are provided by the employee during the vesting period, that is, between the beginning of the program (January 01, 2022) and the date of vesting (December 31, 2023 or December 31, 2024). The value of the liability on the reporting date is the time-vested part of the total liability.

Recognition of the ESOP in Equity:

Name of program	Share-based benefits reserve (HUF thousand)	12.31.2022	Change	12.31.2021
ESOP Program I (2017-2019)				
	ESOP program I Share option liability	-	-	62 819
	ESOP program I Share option exercise derecognition	-	-	(62 819)
total		-		-
ESOP Program II (2020-2022)				
	ESOP Program II obligation requirement 2020	106 871	-	106 871
	ESOP Program II obligation requirement 2021	261 275	-	261 275
	ESOP Program II obligation requirement 2022	184 073	184 073	-
	ESOP Program II share transfer	(475 021)	-	(475 021)
	ESOP program II transfer of cash and cash equivalents/share purchase	*(400 000)*	*(300 000)*	*(100 000)*
total		**(322 802)**	**(115 927)**	**(206 875)**
ESOP Program 2022-2024				
	ESOP Program II obligation requirement	-	-	-
	ESOP 2024 program transfer of cash and cash equivalents	(541 412)	(541 412)	-
total		**(541 412)**	**(541 412)**	**-**
ESOP Program 2022-2025				
	ESOP 2025 program transfer of cash and cash equivalents	(595 330)	(593 330)	-
total		**(595 330)**	**(595 330)**	**-**
	Closing balance	**(1 459 544)**	**(1 252 669)**	**(206 875)**

Employee reward program

Employee rewards	Year 2022	Year 2021
PCS.		
Opening liabilities in the statement of financial position	1 267	3 837
Transferred	(1 267)	(3 837)
Awarded as benefit	1 911	1 267
Closing	1 911	1 267
Value (HUF thousand)		
Opening liabilities in the statement of financial position	2 550	4 300
Transferred	(2 645)	(4 300)
Awarded as benefit	5 795	2 550
Closing	5 700	2 550

In the employee reward program, the Group distributes shares to the employees who have become entitled to these on the basis of the recognition plan applied at the Group. In connection with the shares granted, the shares will be transferred in January following the anniversary of the current period.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

IV.36 Financial liabilities and conditions

In the notes on each instrument, we present the interest rate conditions associated with the instrument.

Highly probable forecasted gas purchases in 2023 worth HUF 779,157 thousand, foreign exchange forward transactions in 2023 worth HUF (312,172) thousand, interest rate swaps in 2023 and beyond worth HUF 1,806,911 thousand.

IV.37 Segments

12.31.2022	Heat and electricity production and management	Renewables-based energy production	Energy services	Energy trading	Other	Items eliminated due to consolidation	Total
Revenue	**80 897 483**	**5 162 533**	**5 087 821**	**24 938 509**	**173**	**(13 059 466)**	**103 027 053**
Material expenses	(56 631 495)	(966 626)	(2 675 076)	(22 202 258)	(1 032 561)	13 059 187	(70 448 829)
Personnel expenses	(1 435 935)	(218 972)	(2 116 023)	(168 209)	(2 012 510)	-	(5 951 649)
Other revenues and Other expenses	(6 446 710)	(242 819)	(93 284)	33 000	(15 049)	-	(6 764 862)
Capitalized value of own production	141 384	-	217 531	-	-	-	358 915
EBITDA*	**16 524 727**	**3 734 116**	**420 969**	**2 601 042**	**(3 059 947)**	**(279)**	**20 220 628**

12.31.2021	Energy production (outside the subsidized system)	Electricity production (within the subsidized system)	Energy services	Energy trading	Other	Items eliminated due to consolidation	Total
Revenue	**24 284 975**	**5 006 568**	**3 305 469**	**16 369 622**	**216**	**(4 717 402)**	**44 249 448**
Material expenses	(12 802 207)	(665 126)	(1 379 316)	(14 690 037)	(805 037)	4 717 279	(25 624 444)
Personnel expenses	(880 228)	(187 552)	(1 413 190)	(113 630)	(1 597 637)	-	(4 192 237)
Other revenues and Other expenses	(1 645 710)	(36 851)	47 988	(154 358)	(6 674)	-	(1 795 605)
Capitalized value of own production	84 733	-	135 431	-	22 662	-	242 826
EBITDA*	**9 041 563**	**4 117 039**	**696 382**	**1 411 597**	**(2 386 470)**	**(123)**	**12 879 988**

'*Details in Section IV.33

In 2022 several own generators dropped out of the KÁT system. (Subsidized system segment) These production assets were moved to the a Renewables-based energy production segment, while on the individual level, they sell their production capacities to the RPM (Renewable production management) business line of Sinergy Energiakereskedő Kft in the Heat and electricity production and management segment. Settlement between segments is based on prices achievable on the market, forward sale prices as well as the average balancing energy ratio.

The Business (Annual) Report presents the performance and contents of the individual segments in detail. The 'other' segment includes administrative costs.

IV.38 Related party disclosures

Disclosures concerning key management personnel.

The key management personnel of the enterprise qualify as related parties. The Company's management identified the following related parties for the period covered by the financial statements and in the comparative period.

For the presentation of the Board of Directors and the Supervisory Board, see the Business Report.

Executive Board

The Executive Board (EB) is part of the internal control structure of the Company. The members of this board make operative, financial and other decisions that are not in the jurisdiction of the Board of

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

Directors. As a consequence, members of this board also qualify as related parties. The aforementioned members of the EB were employed by the Company during the period referred to above.

Members in 2022: Attila Chikán Jr., Domonkos Kovács, Zoltán Bodnár, Péter Luczay, Viktor Varga, Anita Simon

Remuneration paid to related parties (executive officers):

2022	Wages, commissions, benefits	Reimbursement of costs	IFRS2 benefits
Board of Directors	96 909	10 608	129 098
Supervisory Board	25 442	1 694	2 731
Executive Board non-BoD members	184 374	20 579	178 812
Total	**306 725**	**32 881**	**310 641**

The Group has employee loan receivables from its executive officers in the amount of HUF 22,144 thousand.

The Group has no doubtful receivables due from related parties; the detailed presentation of the ECL model applied to related receivables is included in Section IV.19.

In the current year, the Group disclosed the following outstanding balances due from affiliated companies in the financial statements:

Name	Category	Thousand HUF
WALLIS ASSET MANAGEMENT Zrt.	loan received	6 000 000
Energigas Kft.	loan given	188 318
Tisza-WTP Kft.	customer	106 735
PanEuropean Kft.	customer	94 992
Energigas Kft.	customer	39 691
WPR Alfa Kft.	customer	37 031
WIPEUROPA Kft.	customer	27 359
Magnum Hungaria Invest Építőipari és Szolgáltató Kft.	customer	22 425
WALLIS ASSET MANAGEMENT Zrt.	supplier	7 989
AutoWallis Nyrt.	customer	4 864
Airport City Kft.	customer	4 193
WALLIS AUTÓMEGOSZTÓ Zrt.	customer	1 786

In the current year, the Group recognized the following outstanding receivables due from affiliated companies in profit or loss in 2022:

Name	Category	Thousand HUF
Praktiker Kft.	Revenue	941 203
Tisza-WTP Kft.	Revenue	736 021
Energigas Kft.	Revenue	614 480
WPR Alfa Kft.	Revenue	347 317
WIPEUROPA Kft.	Revenue	200 342
Magnum Hungaria Invest Építőipari és Szolgáltató Kft.	Revenue	155 794
PanEuropean Kft.	Revenue	93 496
HSP612 Kft.	Services used	81 128
Wallis MOTOR PEST Kft.	Revenue	65 606
SH Fejlesztő Kft.	Revenue	58 151
DALP Kft.	Revenue	46 425
WALLIS ASSET MANAGEMENT Zrt.	Interest payable	40 872
WALLIS AUTÓKÖLCSÖNZŐ Kft.	Revenue	39 722
WALLIS AUTÓKÖLCSÖNZŐ Kft.	Services used	28 330
WPR Alfa Kft.	Services used	27 644

According to the judgement of the management of the Group, transactions with related parties are transactions concluded under market terms, with market based pricing. There are no other securities attached to the transactions, which are settled in cash.

Guarantees to the affiliated companies of the Group as of 12/31/2022:

ame	Guarantee amount	Currency	Guarantee type	Guarantee expiry	Guarantee commitment
HSP612 Kft.	26 527 105	HUF	Payment	12.31.2023	Premises rental contract - Globe3 office space

In 2022, the following impairment expenses were recognized against profit or loss regarding receivables from affiliated companies:

Name	Category	Impairment ECL rate	amount recognized HUF thousand
Energigas Kft.	Trade receivables	100%	48 788
Energigas Kft.	Loans given	100%	13 855
Other Wallis affiliate receivables	Trade receivables	1.68%-3.38%	8 197

IV.39 Contingent liabilities, guarantees, commitments

Other than contingent liabilities arising from litigation, there are no liabilities which are not included in the Group's financial statements with their amounts for the reason that their existence depends on future events.

For certain products (electricity, gas), the suppliers of the energy trading division require guarantees as part of the normal course of business. In 2022, guarantees were provided by OTP Bank Nyrt. and ERSTE Bank Hungary Zrt., the banks used for funding the retail and wholesale trading business.

ERSTE Bank provides an advance repayment and good performance bank guarantee for the customers in connection with its construction-installation contract.

ERSTE Bank provides a good performance bank guarantee for the customer in connection with the power plant's operation and maintenance contract.

The following bank guarantees existed as at the reporting date.

Bank guarantee 12/31/2022	Bank	Guarantee and overdraft facility (HUF thousand)	Capacity utilization (HUF thousand)
Alteo Energiakereskedő Zrt.	OTP	6 000 000	4 004 348
Alteo Energiaszolgáltató Nyrt.	ERSTE (Cash Pool)	14 750 000	7 901 174

Alteo Nyrt. as the parent company of the Group, has an outstanding guarantee granted to its subsidiary Alteo-Therm Kft. for its liabilities under a natural gas purchase agreement on the reporting date:

Beneficiary	Subject of	Amount (EUR)	Maturity
MET Magyarország Zrt.	Payment	6 000 000	12.15.2023

The hedged liabilities are recognized in the financial statements of the Group.

The details of relationships with other banks that have no value in the financial statements are presented in Note IV.22.2 attached to these financial statements.

The Group has no unfulfilled liabilities relating to government assistance.

Pursuant to the agreement between co-owners, Blue Planet Climate Protection Venture Capital Fund, which has a 24.10% share in FE-Group Invest Zrt, has a put option, with Alteo Nyrt. as its beneficiary. The put option may be exercised starting from the year 2028.

Economic relations subject to legal proceedings

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: Cg. 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, at 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 infringement assumed 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 publishing this document.

ALTEO Nyrt. Consolidated Annual Report and Management Report for 2022 Data in HUF thousand

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

IV.40 Fair value measurement disclosures

Other than derivative transactions, on the reporting date the Group has no financial instruments that would be measured at fair value.

Financial instruments 12/31/2022	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Book value	Fair value
Assets:					
Long-term deposits or loans given	-	-	969 602	969 602	969 602
Trade receivables	-	-	24 562 537	24 562 537	24 562 537
Other financial assets	-	2 598 056	5 902 198	8 500 254	8 500 254
Other receivables and accruals	-	-	12 057 221	12 057 221	12 057 221
Cash and cash equivalents	-	-	16 465 328	16 465 328	16 465 328
Total:	-	2 598 056	59 956 886	62 554 942	62 554 942

Financial instruments 12/31/2022	Valuated at fair value through profit or loss	Valuated at fair value through other comprehensive income	Valuated at amortized purchase value	Book value	Fair value
Liabilities:					
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Loans and borrowings	-	-	13 855 783	13 855 783	13 855 783
Finance lease liabilities	-	-	2 240 197	2 240 197	2 240 197
Advances received	-	-	1 499 254	1 499 254	1 499 254
Trade payables	-	-	11 282 617	11 282 617	11 282 617
Other financial liabilities	-	324 160	-	324 160	324 160
Other long-term liabilities	-	-	1 238 016	1 238 016	1 238 016
Other short-term liabilities and accruals	-	-	24 885 619	24 885 619	24 885 619
Total:	-	324 160	67 659 760	67 983 920	67 983 920

The fair value of derivative transactions is HUF 2,598,056 thousand (previous year: HUF 5,831,243 thousand), while the fair value of liabilities is HUF 324,160 thousand (previous year: HUF 0 thousand). These qualify as expert estimates built-up from observable inputs, therefore they are on Level 2 of the fair value hierarchy.

Name	12.31.2022	12.31.2021
Derivative assets (in hedge relationship)	791 145	5 316 651
Obligations from loan IRS Derivatives (for hedge)	1 806 911	514 592
Assets evaluated at fair value through profit and loss (FVTPL)	**2 598 056**	**5 831 243**
Liabilities from loan IRS Derivatives (for hedge)	-	-
Liabilities from derivatives (for hedge)	324 160	-
Liabilities evaluated at fair value through profit and loss (FVTPL)	**324 160**	**-**

No differences were identified between the carrying amount and fair value of the remaining financial instruments. For valuation purposes, all other assets are on Level 3 of the fair value hierarchy.

The expiry dates of the financial instruments presented are disclosed in Section III.4.2 *Liquidity risk and its management*.

The Group has not reclassified its financial instruments in 2022.

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12.31.2022	Level 1	Level 2	Level 3
Assets:			
Long-term deposits or loans given	-	-	969 602
Trade receivables	-	-	24 562 537
Other financial assets	-	2 598 056	5 902 198
Other receivables and accruals	-	-	12 057 221
Cash and cash equivalents	16 465 328	-	-
Total:	16 465 328	2 598 056	43 491 558

12.31.2022	Level 1	Level 2	Level 3
Liabilities:			
Debts on the issue of bonds	-	-	12 658 274
Loans and borrowings	-	-	13 855 783
Finance lease liabilities	-	-	2 240 197
Advances received	-	-	1 499 254
Trade payables	-	-	11 282 617
Other financial liabilities	-	324 160	-
Other long-term liabilities	-	-	1 238 016
Other short-term liabilities and accruals	-	-	24 885 619
Total:	-	324 160	67 659 760

V Other information

V.1 Disclosure of interests in other entities

The Group was not faced with any uncertainty and was not forced to decide on complex matters when making a judgment about how to treat its investments. All controlled entities qualify as subsidiaries. The subsidiaries are controlled by the Parent Company, since control, operative daily tasks and exposure to variable return can be justified easily and in full. Where the Group does not control the entity, it is not consolidated but treated another way.

The Group has no associates, it does not participate in joint organizations and has no share in joint ventures.

The Group has to face no limitations concerning any of its entities that would influence access to net assets, the profit or the cash flow. The Group has no consolidated or not consolidated interests in which control is not established through voting rights or where voting rights are not for controlling relevant activities leading to control (structured entities). None of the members of the Group qualify as or have shares in an investment entity.

V.2 Significant events after the reporting date

The following significant events occurred between the reporting date and the date of approval of the disclosure of the financial statements:

January 31, 2023: loans totaling at HUF 4 billion were disbursed to Pannon Szélerőmű Kft. and Euro-Green Energy Kft. pursuant to an agreement concluded with K&H Bank Zrt.

February 7, 2023: Under its employee reward system, the Company distributed 1911 ordinary shares to the employees who were entitled to them on the basis of the Company's recognition plan.

February 8, 2023: The Board of Directors of the Company published its opinion, dated 02/03/2023, on the public takeover bid approved with Resolution No. H-KE-III-77/2023 of the Central Bank of Hungary dated 17/12/2022, with the opinion of the representatives of employees and the assessment of an independent financial advisor as its part.

The impact of the global political events (Russia-Ukraine conflict, COVID 19) was taken into consideration in Section III.3 *Risk matrix*.

V.3 The auditor, the audit fee and non-audit services

The Accounting Act requires the Group to prepare consolidated financial statements, which, in accordance with Section 155 (2) of that Act, is to be mandatorily reviewed by the auditor. The chosen auditor of the Company is **BDO Magyarország Könyvvizsgáló Kft**. (chamber registration number: 002387), the person responsible for auditing is **Péter Kékesi**, chamber membership number: 007128.

The fee for auditing the unconsolidated annual report and the IFRS consolidated annual report is HUF 8,400,000 + VAT.

In the fiscal year 2022, the Company and its subsidiaries used non-audit services for a total of HUF 0 provided by **BDO Magyarország Könyvvizsgáló Kft**., as the auditor engaged to perform the audit of the annual financial statement of the Company, and other companies within the network of the auditor with prior written consent from the Company's Audit Committee in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

V.4 Approval of the disclosure of the financial statements

On March 30, 2023, the Board of Directors of the Group's parent company approved the disclosure of the financial statements in its current form.

Budapest, March 30, 2023

On behalf of ALTEO Nyrt.:

Attila László Chikán
Member of the Board of Directors
Chief Executive Officer

Zoltán Bodnár
Chief Financial Officer

Annual Report of ALTEO Plc. and its subsidiaries

for the financial year 2022

Published on: March 30, 2023

Annual Report of the ALTEO Group for 2022

Introduction

Pursuant to Act CXX of 2001 on the Capital Market (hereinafter: "**Capital Market Act**"), the Regulation of the Budapest Stock Exchange Ltd. on the Rules of Listing and Continued Trading (hereinafter: "**Regulation**") and 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 publishes "The Management Report and Analysis" for the Fiscal Year 2022 on the consolidated annual profit and the consolidated Annual Financial Statements for the Fiscal Year 2022*** (hereinafter collectively: "**Annual Report**"; the Company and the consolidated entities specified in Section 1.13 of the Annual Report hereinafter: "**Subsidiaries**"; the Subsidiaries and the Company hereinafter collectively: "**Group**" or "**ALTEO Group**").

The consolidated Annual Report of the Company have 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.

In view of the above, the Annual Report constitutes also **a business report under Act** C of 2000 on Accounting.

The data presented in the Company's consolidated Annual Report for 2022 were verified by an independent auditor.

The 2022 Annual Report of ALTEO Plc. and its subsidiaries includes the following reporting systems:

- Business report, included in this document;
- Management report, included in this document;
- Non-financial statements, included in this document.
- Statements of the issuer

Consolidated Financial Statements

Business Report,
Management Report and
Non-Financial Statements

of ALTEO Plc. and its Subsidiaries

for the Financial Year 2022

Tartalom

1 The Management's report and analysis of business activities for 2022

Executive summary on events yielding significant results over the period

The key events of 2022 were the Russian-Ukrainian war conflict, and the subsequent series of macroeconomic and energy market shocks. The energy market was mainly characterized by challenges related to security of supply and extremely volatile and high prices for energy products, in contrast to the predictable values in a balanced market environment in the pre-COVID period. In addition, regulatory decisions and extraordinary tax changes have challenged market participants on several occasions.

The Company continued to perform excellently in a challenging macroeconomic environment, which proved that the strategic direction set in 2019 and revised in 2022 was the right one.

ALTEO Group's revenue increased by 133% to exceed HUF 100 billion.

Thanks to ALTEO's structure, its diversified portfolio, the risk management measures put in place earlier during the COVID epidemic, its ability to react quickly and its excellent professionals, **EBITDA increased** from HUF 12.9 billion in 2021 **to HUF 20.2 billion in 2022.**

The environment offered many opportunities which have been accompanied by increased working capital, deposit and guarantee requirements and heightened risks, including those related to margining. In a challenging funding environment, management has decided to increase the amount of liquid assets available to reduce the impact of potential risks, and to ensure the security of long-term operations. Accordingly, the Company took out a HUF 6 billion short-term parent company loan at the end of 2022.

Key economic events at ALTEO in 2022:

ALTEO has become the first ESG-certified company in the Hungarian electricity sector. Scope Ratings GmbH. confirmed ALTEO's bond rating (BBB-) in its June 2022 assessment, and put it under review in December 2022 with a possible positive upgrade.

During 2022, ALTEO repaid its bond packages in a total amount of HUF 2.34 billion.

After an extremely successful 2021, ALTEO paid a dividend of HUF 2 billion.

ALTEO has launched two human resources retention programs for the years 2022-2024 and 2025, with the primary objective of increasing the financial motivation of existing human resources through strengthening the ownership approach to promote the Company's profitability.

ALTEO's strategy remains focused on circular economy and sustainability. In 2022, ALTEO strengthened its position with the following acquisitions:

In July 2022, the acquisition of EDELYN SOLAR Kft., a project company for the construction of a solar power plant with a nominal capacity of 20 MW, was closed. The project company has a valid grid connection permit, the project is in the planning phase and could double ALTEO's solar power plant portfolio if implemented.

In September 2022, ALTEO acquired a 75.1% share and Blue Planet Climate Protection Venture Capital Fund acquired a 24.9% share in FE-GROUP INVEST Zrt. With a revenue of HUF 3 billion in 2021, FE-GROUP INVEST Zrt. is an active player in the inorganic waste management market. ALTEO fully consolidated the company from October 01, 2022.

In addition to the acquisitions, the Group is continuously working on further developing its Virtual Power Plant, including the enhancement of IT capabilities, as well as the development of energy storage and energy production capacities.

For 2022, ALTEO paid HUF 2 billion in windfall tax, a 13% levy on regulatory revenue.

Statutory public takeover bid from MOL RES Investments Zrt. for ALTEO's ordinary shares

- On December 17, 2022, the Company received the statutory public takeover bid from MOL RES Investments Zrt. as designated offeror, in respect of the ordinary shares of ALTEO Plc.
- The Hungarian Energy and Public Utility Regulatory Authority granted prior approval to the acquisition of indirect control on January 13, 2023.
- On January 19, 2023, the Central Bank of Hungary (Magyar Nemzeti Bank) ordered the continuation of the procedure for the approval of the bid.
- On February 6, 2023, through its resolution the Central Bank of Hungary approved the bid by MOL RES Investments Zrt. published on December 17, 2022, and amended on February 2, 2023 (for the purposes of this Section, hereinafter referred to as: "**Bid**").
- On February 8, 2023, the Company published the opinion of ALTEO Plc.'s Board of Directors on the Bid, which is available in full at the following link: https://investors.alteo.hu/egyeb-kozlemenyek/az-alteo-nyrt-igazgatosaganak-velemenye-a-kotelezo-nyilvanos-veteli-ajanlat-kapcsan-2023-02-08/
- On March 6, 2023, ALTEO was informed that all applications for the competition authority permits specified in the Bid have been submitted to the competent competition authorities.
- On March 10, 2023, ALTEO was informed that the Hungarian Competition Authority issued the official certificate – under number ÖB/9-6/2023 – in which the Competition Authority certifies, pursuant to Section 43/N(1)(b) of Act LVII of 1996 on the Prohibition of Unfair and Restrictive

Market Practices, that there are no circumstances on the basis of the merger notification that would justify the ordering of an audit as per Section 67(4) of the Act concerning the merger through acquisition of joint control of ALTEO by MOL RES Investments Zrt., Főnix Private Equity Fund and Riverland Private Equity Fund.

- On March 13, 2023, ALTEO was informed that the Serbian Competition Authority has also issued its permit, and thus MOL RES Investments Zrt., Főnix Private Equity Fund and Riverland Private Equity Fund have received all competition authority permits specified in the Bid from the competent competition authorities.
- The statutory public takeover bid procedure was closed on March 13, 2023. The statutory public takeover bid procedure has been successful, as a result of which, upon execution of the transactions referred to in Section 2.5.2 of the Bid, MOL RES Investments Zrt. acquired 4,902,536 shares, Főnix Private Equity Fund acquired 4,902,535 shares and Riverland Private Equity Fund acquired 4,902,535 shares, thus the joint ownership of the Contracting Parties under the Bid in ALTEO Plc. increased to 73.791%, joint control – considering treasury shares of Alteo Plc – of the contracting parties increased to 73,807%.

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 the same period in 2021 and 2022.

Consolidated Statement of Profit or Loss

data in HUF million	**12.31.2022** audited	**12.31.2021** audited	**Change HUF million over previous year**	**Change % over previous year**
Revenues	**103 027**	**44 249**	**58 778**	***133%***
Capitalized own production	359	243	116	*(48%)*
Material expenses	(70 449)	(25 624)	(44 824)	*175%*
Personnel expenses	(5 952)	(4 192)	(1 759)	*42%*
Depreciation and amortization	(3 527)	(3 937)	410	*(10%)*
Other revenues, expenses, net	(6 765)	(1 796)	(4 969)	*277%*
Impairment loss			-	*N/A*
Operating Profit or Loss	**16 693**	**8 943**	**7 750**	***87%***
Net financial income	(937)	(1 871)	934	*(50%)*
Profit or loss before taxes	**15 757**	**7 072**	**8 684**	***123%***
Income tax expenses	(2 913)	(1 215)	(1 699)	*140%*
Net profit or loss	**12 843**	**5 857**	**6 986**	***119%***
Of which the owners of the Parent Company are entitled to:	*12 888*	*5 855*	*7 033*	120%
Of which the minority interest is entitled to:	*(45)*	2	(47)	*(2 068%)*
Base EPS (HUF/share)	**653,61**	**309,96**	**343,65**	***111%***
Diluted EPS (HUF/share)	**653,40**	**302,03**	**351,37**	***116%***
EBITDA*	**20 221**	**12 880**	**7 341**	***57%***

**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 **133%, i.e. HUF 59 billion, to HUF 103 billion**, as compared to 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, as increasingly seen during the reporting 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 duration of this favorable market environment is uncertain.
- Revenues from **the Energy Retail segment increased** significantly. While energy prices increased compared to the base period, which clearly shows in both the revenue and material expenses lines, 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 59 billion (+133%) was accompanied by a HUF 45 billion (+175%) increase in **material expenses**. Correlations between revenue and material expenses are mainly, but not exclusively, attributable to the following economic effects.

- The revenue growth in the structured electricity market was accompanied by a significant increase in material expenses. The decrease in revenue margin is attributed to the following:
  - There has been a significant increase in revenue from heat energy sales which generates a minimum margin as intended by the regulator.
  - Experiencing outstanding growth, the Renewable Production Management business generated considerable revenue; however, its margin is lower compared to those of electricity sales and ancillary services, therefore it resulted in this indicator being moderate.
- The Retail segment is characterized by revenue growth accompanied by a significant increase in COGS, the level of which, however, is below that of the revenue growth.
- As for our Renewables-based Electricity Production Plants, material expenses increased more than the revenue growth, primarily because of the increased costs of scheduling and balancing energy.

The 42% (HUF 1.8 billion) rise in **personnel expenses** fundamentally reflects the impact of staff expansion, primarily due to the acquisitions concluded in 2022 , wage increases, and the recently launched Employee Share Ownership Programs.

The reduction **in depreciation and amortization**, amounting to 10% (HUF 0.4 billion), is due to an impairment of about HUF 340 million recognized with respect to two wind farms owned by ALTEO in 2021. The adjusted difference is due to the depreciation of transferred assets.

The balance of **other revenues, expenses, net** shows a HUF 5 billion increase in expenses. In 2022, a windfall tax was imposed on revenue from regulatory fees, amounting to HUF 2 billion for 2022. Other expenses saw an increase caused by the spillover effect of rising CO_2 quota prices on the global market. From 2021, other expenses also include a fee that the Retail segment has to pay under the Energy Efficiency Obligation Scheme (EEOS). For the Gibárt power plant operating under the METÁR system, other expenses were increased by the 2022 amount of the levy on the market price payable by the producer.

ALTEO Group generated an operating profit of HUF 16.7 billion and an EBITDA of HUF 20.2 billion in 2022.

Net financial income increased by HUF 934 million. During the reporting period, there were significant changes in the interest rate environment compared to the base period, but ALTEO was not affected by the adverse impact thanks to the fixed interest rates on its long-term liabilities. Savings on interest costs were generated by interest on liabilities repaid in the intervening period. The interest revenue realized on invested free cash balances significantly exceeded the previous year's figure, primarily due to higher deposit interest rates.

In 2022, the ALTEO Group realized a profit of HUF 15.8 billion before taxes, a 123% increase over 2021.

Income tax expenses increased proportionately with the Group's profits. Income tax expenses exceeded the expenses of the comparative period by HUF 1.7 billion.

In 2022, the **after-tax profit, i.e. net profit, of the Group was HUF 12.9 billion**, representing an increase of 119% over the comparative period.

1.2 Executive summary on comprehensive income

Consolidated Comprehensive Statement of Profit or Loss	12.31.2022 audited	12.31.2021 audited	Change HUF million over previous year	Change % over previous year
Net profit or loss	**12 843**	**5 857**	**6 986**	***119%***
Other comprehensive income (after taxes on profits)	**(3 237)**	**4 907**	**(8 144)**	***(166%)***
Comprehensive income	**9 606**	**10 764**	**(1 158)**	***(11%)***
Of which the owners of the Parent Company are entitled to:	9 651	10 762	(1 111)	*(10%)*
Of which the minority interest is entitled to:	(45)	2	(47)	*(105%)*

The Group recognized the **cumulative effects** (including deferred tax) **of the end-of-period revaluation of hedges** in other comprehensive income. The **aggregate loss** of the revaluation of transactions as at the reporting date, recognized in the loss for the period, was an **unrealized loss of HUF 3.237 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 affected by forward contracts, including the transfer of open hedging positions as effective hedges to manage price changes for natural gas assets in kind involved in regulated heat energy sales and the valuation of open forward transactions on the reporting date. 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 1.7.6 *Uncertainty from estimates and disclosures on fair value measurement*.

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

12.31.2022 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Retail energy trade	Other segments	Administrative costs	Items eliminated due to consolidation	Total
Revenue	**80 897**	**5 163**	**5 088**	**24 939**	**-**	**-**	**(13 059)**	**103 027**
Capitalized value of own production	141	-	218	-	-	-	-	359
Material expenses	(56 631)	(967)	(2 675)	(22 202)	(323)	(709)	13 059	(70 449)
Personnel expenses	(1 436)	(219)	(2 116)	(168)	(717)	(1 296)	-	(5 952)
Other revenues and Other expenses	(6 447)	(243)	(93)	33	(8)	(7)	-	(6 765)
EBITDA*	**16 525**	**3 734**	**421**	**2 601**	**(1 048)**	**(2 012)**	**-**	**20 221**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12.31.2021 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Retail energy trade	Other segments	Administrative costs	Items eliminated due to consolidation	Total
Revenue	**24 285**	**5 007**	**3 305**	**16 370**	**5**	**(5)**	**(4 717)**	**44 249**
Capitalized value of own production	85	-	135	-	-	23	-	243
Material expenses	(12 802)	(664)	(1 379)	(14 690)	(261)	(545)	4 717	(25 625)
Personnel expenses	(880)	(188)	(1 413)	(114)	(699)	(899)	-	(4 192)
Other revenues and Other expenses	(1 646)	(38)	48	(154)	(1)	(5)	-	(1 796)
EBITDA*	**9 042**	**4 117**	**696**	**1 412**	**(955)**	**(1 431)**	**-**	**12 880**

* *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.*

Change in segment names

The change is necessary mainly due to wind farms (26.5 MW) and hydropower plants (1 MW) previously presented under the segment "Electricity production (within the subsidized system)", which by the end of H1 2022 reached the maximum output allocated within the subsidized system or the end of their subsidy period under KÁT. Under previous practice, these producers would be presented under the "Heat and electricity production (market rate, non-subsidized)" segment. However, in light of the size of the power plants so excluded and the increased electricity prices, their profit generating capacity would significantly distort the comparability of the capacity of the various segments to generate profit, while the nature of the activity itself does not change significantly. Therefore, the names and scope of the two segments mentioned above change as follows:

"Renewables-based energy production": The profit/loss of ALTEO-owned power plants generating energy from renewable energy sources (solar, wind, hydropower, landfill gas)

"Heat and electricity production and management": The profit/loss of ALTEO-owned power plants producing fossil-based energy, energy storage facilities, power plants producing heat from electricity, as well as complex, ancillary and scheduling services provided.

1.3.1 Heat and Electricity Production and Management segment

This segment includes the **heat and electricity cogeneration**, the **Virtual Power Plant**, as well as the **Renewable Production Management (RPM) business**. The Virtual Power Plant is responsible for planning and managing the electricity generation by cogeneration equipment in heating power plants, the energy storage facilities, 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 production and management				
data in HUF million	12.31.2022 audited	12.31.2021 audited	Change HUF million over previous year	Change % over previous year
Revenue	**80 897**	**24 285**	**56 613**	**233%**
Capitalized own production	141	85	57	67%
Material expenses	(56 631)	(12 802)	(43 829)	342%
Personnel expenses	(1 436)	(880)	(556)	63%
Other revenues and Other expenses	(6 447)	(1 646)	(4 801)	292%
EBITDA*	**16 525**	**9 042**	**7 483**	**83%**
Allocated administrative expenses	(796)	(474)	(322)	68%
EBITDA II*	**15 729**	**8 568**	**7 161**	**84%**

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

The **revenue** of the segment was **233%** 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, a significant surge in heat feed-in tariffs, and dynamic growth in revenues associated with the RPM business, which had been limited in the base period.

ALTEO **launched** a smart, comprehensive **scheduling service** involving moderate risk for partners, which offers a solution to the challenges faced by renewable energy producers. The market provided positive feedback for the business model underlying the new business line. Since its launch in 2020, the **Renewable Production Management** (RPM) business **has become the market leader** in terms of installed capacities of managed solar power plants by the end of 2022 and, as a result, the revenues and profits it realizes **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.

In December 2022, the Group's first **electric boiler** was put into operation in Sopron, basically utilizing the seasonal excess energy from renewable electricity production.

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.

The sharp deterioration in the balance of **other revenues and expenses was caused by** an increase in CO_2 quota expenses and **the windfall tax** introduced for 2022 and 2023, **amounting to HUF 2 billion** in total in 2022.

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 segment's EBITDA II for 2022 was HUF 15.7 billion, a 84% 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 2022, the Virtual Power Plant realized higher margins on the balancing reserve capacity market relative to the prior period, under volatile market conditions.
- As a result of significant growth in 2022, the Renewable Production Management (RPM) business became the market leader in terms installed capacities of solar power plants, and as a result it increasingly contributed to the profit realized by the segment.
- The sales revenue of the FCR (formerly called primary) regulatory capacity generated by the electricity storage architecture increased by 320%, 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.

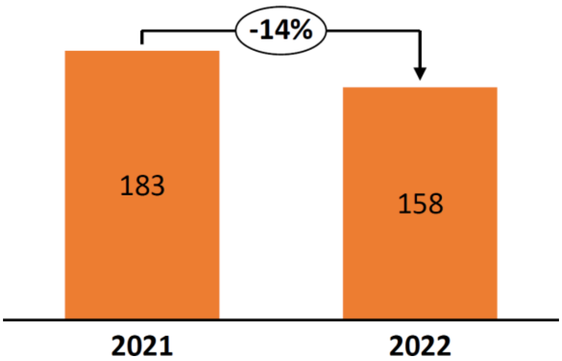
- The losses incurred on the heat production and sales activities subject to price regulation have become marginal as compared to dominant operations.
- **Windfall tax**: **HUF 2 billion** for 2022, decreasing profits.

Presentation of the markets of the heat and electricity segment

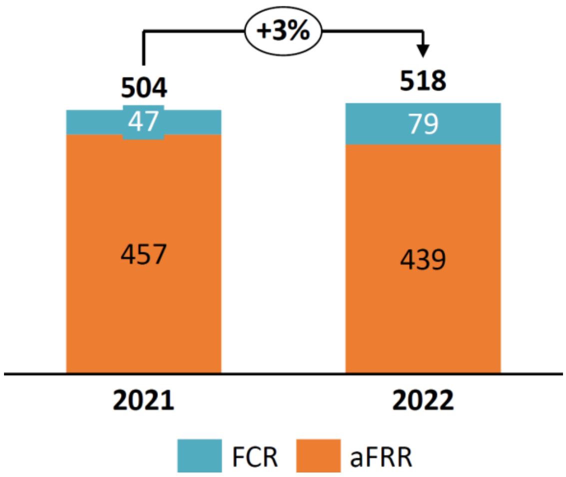
The quantitative impact of the sale of structured electricity products on the segment's profit

The **14% reduction in electricity production** with our own gas engines 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.

Another reason for the reduced rate of production is technical in nature: a number of extensive maintenance operations performed on gas engines in the current year resulted in their lower availability compared to the previous period.



Electricity produced by our own gas engines and sold by the Virtual Power Plant (GWh) in 2021 and 2022



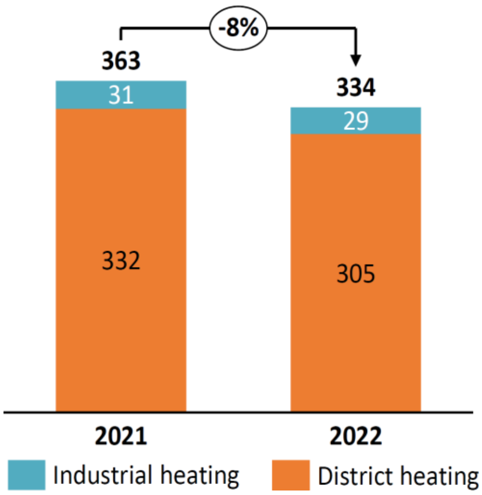
Electricity production capacities sold by the Virtual Power

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 and industrial heating) and sale on the segment's profit

The economic performance of the Heat Energy Production subsegment under review closed at a level comparable to that of the previous period.

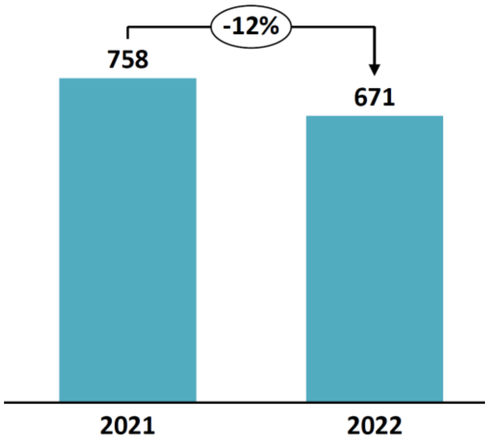
The **volume of heat energy** sold by the segment **decreased by 8%** during the period, essentially due to weather conditions. The 348% increase in revenues generated from heat sales is fundamentally attributable to the feed-in tariffs set by the authorities for Q4 2022 that were, on average, ten times higher than average tariffs in the previous period. 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 2021 and 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 12%**, in parallel with the reduction of both heat and electricity production.



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

1.3.2 Renewables-Based Energy Production segment

Electricity production recognized in this segment comprises the profit or loss of all of ALTEO's power plants generating electricity from renewable sources (solar, wind, hydro, landfill gas), with a part of their production still falling under the KÁT subsidy system, a part under the METÁR system and another part within the balancing group managed by the ALTEO Virtual Power Plant.

Renewables-based energy production

data in HUF million	12.31.2022 audited	12.31.2021 audited	Change HUF million over previous year	Change % over previous year
Revenue	**5 163**	**5 007**	**156**	**3%**
Capitalized own production	-	-	-	n.a.
Material expenses	(967)	(664)	(303)	46%
Personnel expenses	(219)	(188)	(31)	17%
Other revenues and Other expenses	(243)	(38)	(205)	538%
EBITDA*	**3 734**	**4 117**	**(383)**	**(9%)**
Allocated administrative expenses	(205)	(93)	(112)	121%
EBITDA II*	**3 529**	**4 024**	**(495)**	**(12%)**

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

In June 2022, the name (Subsidized) and definition of the segment changed.

The formerly 'Subsidized' segment definition no longer applies to power plants after the expiry of the KÁT system. In June 2022, it became necessary to change the name of the segment to 'Renewables-Based Energy Production' to present the profit or loss of this segment irrespective of how revenue is generated (METÁR, KÁT, free market), and it is a homogenous group based solely on the renewable nature of energy production.

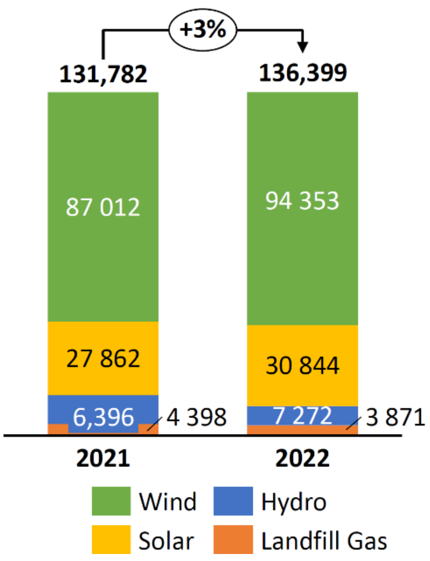
Revenue from the Group's **electricity production plants selling electricity in the Renewables segment** rose by HUF 156 million, largely due to the changes in feed-in tariffs. In an effort to minimize risks, production by ALTEO's power plants previously producing within the subsidized system, mainly wind turbines, was hedged for 2022 so the impact of the price increase in energy markets was less significant.

Of the HUF 303 million increase in material expenses, HUF 175 million is the result of a rise in scheduling and balancing energy costs, which is the combined effect of increased difficulties in scheduling due to changeable weather and the rise in both regulation surcharge fees and balancing energy fees simultaneously with energy market prices.

The increase in other expenses is mainly due to the price supplement effect specific to the METÁR system. 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.

A major change was introduced in the legal environment for the segment by Government Decree No. 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 portfolio is essentially identical to that of the previous year, and with virtually same capacity, the amount of electricity sold nearly equals that of last year.



Quantities sold and their breakdown for 2021 and 2022 (MWh)

Three 2MW wind turbines were added to the Wind Turbine portfolio in the segment in the second half of the year, although this was only a transfer between segments instead of new acquisition. Technical malfunction only affected production at the tower in Törökszentmiklós, impacting both seasons; the malfunction was fixed in Q1 2022, and production has been running smoothly ever since.

For solar power plants, production capacity was the same as last year; however, as warranty issues with the inverter of the solar power plant in Balatonberény affected 2021 as well, but were fixed in Q4 2021, the solar park was restored to full capacity by 2022, achieving a 20% (+1.6MW) increase in production.

Hydropower plants experienced a decline in production due to extreme drought.

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 other ALTEO segments 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	12.31.2022 audited	12.31.2021 audited	Change HUF million over previous year	Change % over previous year
Revenue	**5 088**	**3 305**	**1 782**	**54%**
Capitalized own production	218	135	82	61%
Material expenses	(2 675)	(1 379)	(1 296)	94%
Personnel expenses	(2 116)	(1 413)	(703)	50%
Other revenues and Other expenses	(93)	48	(141)	(295%)
EBITDA*	**421**	**696**	**(275)**	**(40%)**
Allocated administrative expenses	(869)	(731)	(138)	19%
EBITDA II*	**(448)**	**(35)**	**(413)**	**1 181%**

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

In 2022, the segment realized a negative EBITDA II of HUF 448 million. The reason for this, in part, is the reorganization, and a shift in the priorities of, the Business and Project Development division and, in part, the one-off and integration costs of acquisition in the Waste Management business.

Operation and maintenance performed for third parties was at nearly the same level this year as in 2021. This is primarily due to ALTEO being awarded a contract for the operation of Borsodchem's new gas turbine power plant in 2022 involving higher one-off initial costs this year. With this new contract and the renewal of the contract for the operation of the previous power plant unit until 2037, ALTEO is now responsible for the operation of Borsodchem's energy supply system, ensuring ALTEO's enhanced capacity to generate revenue.

In 2022, the activities of the **Business and Project Development division** were focused on internal construction projects, while considerable revenue from a single third-party project contributed to profits in 2021. As a result of the research and development project with state funding, ALTEO received 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, a Business Development Group was set up 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 year in 2022 due to lower revenue and higher operating costs. At the same time, it has improved prospects for profitability as a result of research & development, and business development activities.

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

Lower profitability in **the Waste Management business** compared to 2021 was primarily due to the significant, albeit one-off, integration costs related to the acquisition of FE-GROUP INVEST Zrt. The company active in the treatment and recycling of inorganic waste will increase ALTEO Group’s bottom line from 2023 on. Profits from organic waste management have 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.

Compared to the previous period, in 2022 the **e-mobility business** generated a considerably substantially 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 2021. In addition, we are preparing for strategic cooperation with companies and retail chains 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

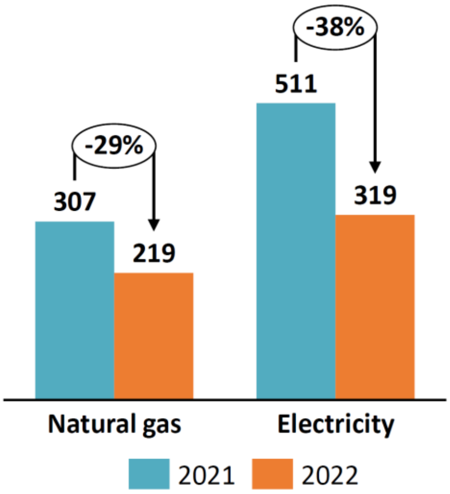
The Group’s energy trading activity involves selling electricity and natural gas on the free market. The Group does not pursue any sales activities under universal service.

Retail energy trade				
data in HUF million	12.31.2022 audited	12.31.2021 audited	Change HUF million over previous year	Change % over previous year
Revenue	**24 939**	**16 370**	**8 569**	**52%**
Capitalized own production	-	-	-	n.a.
Material expenses	(22 202)	(14 690)	(7 512)	51%
Personnel expenses	(168)	(114)	(55)	48%
Other revenues and Other expenses	33	(154)	187	(121%)
EBITDA*	**2 601**	**1 412**	**1 189**	**84%**
Allocated administrative expenses	(142)	(133)	(9)	6%
EBITDA II*	**2 459**	**1 278**	**1 181**	**92%**

** 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 previous year. Due to the repositioning of the segment, this does not entail an increase in the size of the portfolio. The world market conditions have changed, and so a portfolio of the electricity segment has been optimized, 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 increase in the profit 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 307GWh to 219GWh **(-29%)**, mainly due to the mandatory savings required from most consumers by the government. The average sales price increased sharply (55%), 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 511GWh to 319GWh **(-38%)** as a result of a portfolio clean-up implemented to reduce risks. In line with the market and seasonal trends, the average sales price grew by 165%.

The segment's revenue in 2022 increased by HUF 8.57 billion compared to 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.** The electricity trading business accounts for a large portion of this revenue growth (HUF 8.17 billion), while the revenue generated by gas trade increased by a mere HUF 0.39 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.

The segment's **EBITDA was up by a total of HUF 1.18 billion** compared to 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	12.31.2022 audited	12.31.2021 audited	Change HUF million over previous year	Change % over previous year
Revenue	**0**	**5**	**(5)**	**(93%)**
Capitalized own production	-	-	-	n.a.
Material expenses	(323)	(261)	(62)	24%
Personnel expenses	(717)	(699)	(18)	3%
Other revenues and Other expenses	(8)	(1)	(8)	1 350%
EBITDA*	**(1 048)**	**(955)**	**(93)**	**10%**

* *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. Higher administrative costs are primarily attributable to the increase in material expenses brought on by growing consultancy and legal costs, and a increased vehicle tax being factored into vehicle rental fees (from July 1, 2022). The increase in personnel expenses is the result of an overall pay raise and an increase in staff numbers as well as the launch of the 2024-2025 ESOP, mitigated by a decrease in employer contributions from 17% in 2021 to 13% in 2022.

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

The Group's closing **statement of financial position total was HUF 100,020 million** as at December 31, 2022. The balance sheet total was HUF 60,761 million as at December 31, 2021. The balance sheet total **increased by 65%**.

Statement of financial position - Assets (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand	change %	diff. Value	diff./ ratio to statement of financial position total
Non-current assets		**34 941 457**	**31 370 772**	***11%***	**3 570 685**	***9%***
Property, plant and equipment	9.	27 843 737	25 738 088	*8%*	2 105 649	*5%*
Other intangible assets	9.	2 417 675	2 516 820	*(4%)*	(99 145)	*(0%)*
Operation contract assets	9.	925 860	1 052 216	*(12%)*	(126 356)	*(0%)*
Rights of use	9.	2 016 580	1 766 502	*14%*	250 078	*1%*
Goodwill	9.	735 913	-	*0%*	735 913	*2%*
Deferred tax assets	8.	31 990	71 395	*(55%)*	(39 405)	*(0%)*
Long-term deposits or loans given	11.	969 602	225 651	*330%*	743 951	*2%*
Long-term participation in associate	12.	100	100	*0%*	-	*0%*
Current assets and assets held for sale		**65 078 937**	**29 389 976**	***121%***	**35 688 961**	***91%***
Inventories	13.	1 779 133	1 076 779	*65%*	702 354	*2%*
Trade receivables	14.	24 562 537	4 425 345	*455%*	20 137 192	*51%*
Emission allowances	15.	1 521 340	2 395 525	*(36%)*	(874 185)	*(2%)*
Other financial assets	16.	8 500 254	8 627 136	*(1%)*	(126 882)	*(0%)*
Other receivables and accruals	17.	12 057 221	9 155 718	*32%*	2 901 503	*7%*
Income tax receivables	7.	193 124	30 220	*539%*	162 904	*0%*
Cash and cash equivalents	18.	16 465 328	3 679 253	*348%*	12 786 075	*33%*
TOTAL ASSETS		**100 020 394**	**60 760 748**	***65%***	**39 259 646**	***100%***

Statement of financial position - Liabilities (Negative values are denoted by parentheses.)	Note	Year ending on 12/31/2022 HUF thousand	Year ending on 12/31/2021 HUF thousand	change %	diff. Value	diff./ ratio to statement of financial position total
Equity		**26 687 862**	**19 009 318**	***40%***	**7 678 544**	***20%***
Equity attributable to the shareholders of the Parent Company		**26 602 913**	**18 999 287**	***40%***	**7 603 626**	***19%***
Issued capital	20.1	249 066	242 235	*0,02819989*	6 831	*0%*
Share premium reserves	20.2	6 573 148	5 375 369	*22%*	1 197 779	*3%*
Reserve for share-based payments	20.3	(1 459 544)	(206 875)	*606%*	(1 252 669)	*(3%)*
Hedge reserve	20.4	2 069 245	5 306 431	*(61%)*	(3 237 186)	*(8%)*
Retained earnings	20.5	19 170 998	8 282 127	*131%*	10 888 871	*28%*
Non-controlling interest	20.6	84 949	10 031	*747%*	74 918	*0%*
Long-term liabilities		**26 716 632**	**24 490 928**	***9%***	**2 225 704**	***6%***
Debts on the issue of bonds	21.	12 658 274	12 658 274	*0%*	-	*0%*
Long-term loans and borrowings	22.	6 670 051	6 583 098	*1%*	86 953	*0%*
Finance lease liabilities	23.	1 848 597	1 687 704	*10%*	160 893	*0%*
Deferred tax liabilities	8.	2 248 154	1 487 761	*51%*	760 393	*2%*
Provisions	24.	1 247 765	944 136	*32%*	303 629	*1%*
Deferred income	25.	805 775	593 865	*36%*	211 910	*1%*
Other long-term liabilities	26.	1 238 016	536 090	*131%*	701 926	*2%*
Short-term liabilities		**46 615 900**	**17 260 502**	***170%***	**29 355 398**	***75%***
Short-term bond payables	21.	-	2 312 138	*N/A*	(2 312 138)	*(6%)*
Short-term loans and borrowings	22.	7 185 732	419 778	*1 612%*	6 765 954	*17%*
Short-term finance lease liabilities	23.	391 600	237 744	*65%*	153 856	*0%*
Advances received	27.	1 499 254	8 989	*16 579%*	1 490 265	*4%*
Trade payables	28.	11 282 617	4 546 498	*148%*	6 736 119	*17%*
Other financial liabilities	29.	324 160	-	*N/A*	324 160	*1%*
Other short-term liabilities and accruals	30.	24 885 619	9 328 196	*167%*	15 557 423	*40%*
Income tax liabilities	7.	1 046 918	407 159	*157%*	639 759	*2%*
TOTAL EQUITY and LIABILITIES		**100 020 394**	**60 760 748**	***65%***	**39 259 646**	***100%***

Note references *in the table refer to sections in* ***Chapters IV and V*** *of the ALTEO Group's 2022 IFRS statements.*

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

Non-current assets:

The value of non-current assets increased by HUF 3.6 billion in the current period, primarily as a result of the acquisitions of FE-Group Invest Zrt. and Edelyn Solar Kft. In addition, there was an increase of HUF 0.7 billion in long-term deposits or loans attributable to the still prevailing volatile environment and market situation.

Current assets:

Current assets of HUF 65.1 billion represent **a HUF 36 billion (121%) increase** compared to the 2021 closing value, resulting from significant changes in the following items:

Cash increased by HUF 12.8 billion compared to the closing assets of the previous period, representing a 348% growth. The closing cash position for the current year reflects the impact of the HUF 6 billion parent company loan disbursed at the end of the year and the temporary timing difference between customer and supplier payments. Changes in cash balance are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section 1.5.

The substantial amount of cash assets reflects the year-end situation on that specific date. It is warranted by significant intra-month fluctuations due to inflated energy market prices and a heightened margining risk.

Trade receivables, and other receivables and accruals show **a HUF 23 billion increase** compared to the base period, representing a 159% growth, owing primarily to the aforementioned rise in energy prices, especially heat prices.

The HUF 0.9 billion portfolio of **Emission allowances** represents a 36% decline as a result of the quantity required to comply with the annual return obligation of the CO_2 quota being purchased later than in the previous year (after the reporting date), offset by a HUF 100 million increase in the EEOS quota.

Other financial assets from the valuation of forward transactions stood at HUF 8.5 billion, a HUF 127 million 1% decrease compared to the closing assets of the base year. The change in the balance is attributable to the differences between the revaluation of hedging derivative transactions outstanding on the reporting dates, the change in the composition of positions on the reporting date and changes in other payment accounts kept separately. 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 7.7 billion increase in 2022**. The growth of equity resulted from the profit of 2022 and the effects of hedging transactions. For more information, see Section 1.6 of the Equity table.

Long-term liabilities:

The Group's **long-term liabilities rose** by HUF 2.2 billion, i.e. **by 9%**.

Deferred tax liabilities increased by HUF 760 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 702 million, representing an increase which includes the employee share ownership program newly launched this year.

Long-term **finance lease liabilities** rose by HUF 161 million to HUF 1,849 million. The liabilities relating to rights of use as regulated in IFRS 16 are presented in this line. The obligations 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 obligations arising from the renewal of the right of use of the land belonging to the Zugló and Kazincbarcika heat power plants, and the right of use of the hall in Polgár, and liabilities relating to the rights of use of other leased property, office space and vehicles.

Short-term liabilities:

Short-term liabilities increased by a total of **HUF 29.3 billion, i.e. by 170%,** compared to the 2021 closing value, driven by significant changes in the following items:

- **Short-term loans and borrowings** increased by **HUF 6.8 billion** compared to the closing stock of the previous period. The closing portfolio for the current year includes the HUF 6 billion parent company loan disbursed at the end of the year, which is also included in the cash balances.
- **Trade payables, and other short-term liabilities and accruals** show **a HUF 22.3 billion increase** compared to the base period, representing a 161% growth, owing primarily to the aforementioned rise in energy prices and the impact of the temporary delay in trade payables.

1.5 Consolidated statement of cash-flows for the 12-month-period ending on December 31, 2022

The Group closed 2022 with a **cash increase of HUF 12.6 billion.** The Group's business operations generated an increment of **HUF 16.7 billion**, while **HUF 4.3 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).

Cash flow (Negative values are denoted by parentheses)	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand
Profit or loss before taxes		**15 756 735**	**7 072 268**
(Interest income) and interest expenses, net	6.	1 047 392	971 977
Depreciation	9.	3 527 162	3 936 669
Recognition of impairment in profit or loss	4.	354 801	132 601
Scrapping of production and other machinery	4.	2 298	12 612
Provisions recognized (released)	24.	265 959	93 643
Provisions for asset retirement obligations recognized and (released) - IAS 16	24.	(229 103)	(54 180)
Deferred income increase (decrease)	25.	211 910	157 001
Effect of other comprehensive income	20.4	(3 739 230)	4 682 760
Share-based payment cost	20.3	830 840	261 275
Changes in deferred taxes	7.	1 107 592	197 356
Effect of income taxes on profit or loss	7.	(2 913 444)	(1 214 818)
Net cash-flow of business activity without change in current assets		***16 222 912***	***16 249 164***
Change in inventories	13.	(552 051)	(634 157)
Changes in emission allowances	15.	874 185	(1 552 037)
Change in trade receivables, other receivables, accrued income and deferred charges	14.	(22 793 522)	(6 597 459)
Change in other financial assets	16.	126 882	(6 831 154)
Change in trade payables, other liabilities, accrued expenses and deferred income	28.	21 380 533	6 784 178
Advances received (final settlement -)	27.	1 490 265	(37 511)
Cash flow from business activities (use of funds)		**16 749 204**	**7 381 024**
Interests received on deposits and investments	6.	533 791	41 355
Purchase of production and other machinery, and intangible assets	9.	(3 598 491)	(3 534 766)
Investment in acquiring businesses (net of cash)	32.	(505 930)	-
Revenue from the sale of production and other machinery, and intangible assets	9.	3 268	8 870
Change in lease assets	10.	-	128 949
Long-term loans or deposits given - lending	11.	(744 309)	(131 395)
Long-term loans or deposits given - repayment	11.	-	-
Cash flow of investment activities (cash outflow)		**(4 311 671)**	**(3 486 987)**
Interest paid on bonds and loans	21., 6.	(895 240)	(770 035)
Assumption and prepayment of long-term loans and borrowings, financial liabilities, lease liabilities	22.	5 639 348	(2 361 869)
Bonds repaid	21.	(2 343 630)	-
Capital increase, purchase of own shares	20.1	1 133 865	-
Changes in ESOP cash and cash equivalents and other transactions with owners	20.3	(1 434 680)	(93 382)
Dividend payment	20.5	(1 933 001)	(455 275)
Cash flow from financing activities		**166 662**	**(3 680 561)**
Changes in cash and cash equivalents		**12 604 195**	**213 476**
Opening cash and cash equivalents	18.	**3 679 253**	**3 455 045**
Cash exchange gains/losses		*181 880*	*10 732*
Closing cash and cash equivalents	18.	**16 465 328**	**3 679 253**

***Note references** in the table refer to sections in **Chapters IV and V** of the ALTEO Group's 2022 IFRS statements.*

1.6 Consolidated statement of changes in equity for the 12-month-period ending on December 31, 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		Hedge reserve	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	Total equity
			I.	II.					
*Ref**	20.1	20.2	20.3		20.4	20.5		20.6	
1.1.2021	**232 972**	**4 962 084**	**62 819**	**-**	**399 801**	**2 882 216**	**8 539 892**	**7 765**	**8 547 657**
Implementation of employee share award 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)
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				-		-
Aggregate amount of rounding difference						2	2		2
Comprehensive income					4 906 630	5 855 184	10 761 814	2 266	10 764 080
12.31.2021	**242 235**	**5 375 369**	**(206 875)**	**-**	**5 306 431**	**8 282 127**	**18 999 287**	**10 031**	**19 009 318**
Implementation of employee share award 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)						(1 996 146)	(1 996 146)		(1 996 146)
Capital movements related to the Employee Share Ownership Program (ESOP)									
Cash transferred to ESOP I.			(300 000)				(300 000)		(300 000)
Cash transferred to ESOP II.				(1 136 742)			(1 136 742)		(1 136 742)
Receivable from ESOP		2 063				(2 874)	(811)		(811)
Dividend paid to ESOP		63 145					63 145		63 145
Recognition of share benefits against profit or loss			184 073				184 073		184 073
Fe-Group Zrt. acquisition									
Equity of non-controlling interest							-	119 520	119 520
Aggregate amount of rounding difference		(1)				(2)	(3)	-	(3)
Comprehensive income					(3 237 186)	12 887 893	9 650 707	(44 602)	9 606 105
12.31.2022	**249 066**	**6 573 148**	**(322 802)**	**(1 136 742)**	**2 069 245**	**19 170 998**	**26 602 913**	**84 949**	**26 687 862**

**Ref for the various notes.*

***Note references** in the table refer to sections in **Chapters IV and V** of the ALTEO Group's 2022 IFRS statements.*

Statement of changes in equity in the period between 01/01/2022 – 12/31/2022

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 through private placement: The ordinary share capital increased by a total of HUF 1.137 billion through the issue of 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 Section 18 of the Articles of Association, and any other decisions necessary in relation to the payment of dividends with due regard to effective laws.

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

Pursuant to the provisions of IFRS 2, 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 and 2025 Remuneration Policies of the Employee Share Ownership Program 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 2022–2024 and 2022–2025 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 184 million were recognized against equity for 2022.

Comprehensive income:

The **increment from** comprehensive **income** amounted to **HUF 9,6 billion** in 2022.

1.7 Other financial information

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

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12.31.2022 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Retail energy trade	Other segments	Administrative costs	Items eliminated due to consolidation	Total
Revenue	**80 897**	**5 163**	**5 088**	**24 939**	**-**	**-**	**(13 059)**	**103 027**
Capitalized value of own production	141	-	218	-	-	-	-	359
Material expenses	(56 631)	(967)	(2 675)	(22 202)	(323)	(709)	13 059	(70 449)
Personnel expenses	(1 436)	(219)	(2 116)	(168)	(717)	(1 296)	-	(5 952)
Other revenues and Other expenses	(6 447)	(243)	(93)	33	(8)	(7)	-	(6 765)
EBITDA*	**16 525**	**3 734**	**421**	**2 601**	**(1 048)**	**(2 012)**	**-**	**20 221**

ALTEO GROUP MANAGEMENT STATEMENT – FINANCIAL STATEMENT BY ACTIVITIES

12.31.2021 *data in HUF million*	Heat and electricity production and management	Renewables-based energy production	Energy services	Retail energy trade	Other segments	Administrative costs	Items eliminated due to consolidation	Total
Revenue	**24 285**	**5 007**	**3 305**	**16 370**	**5**	**(5)**	**(4 717)**	**44 249**
Capitalized value of own production	85	-	135	-	-	23	-	243
Material expenses	(12 802)	(664)	(1 379)	(14 690)	(261)	(545)	4 717	(25 625)
Personnel expenses	(880)	(188)	(1 413)	(114)	(699)	(899)	-	(4 192)
Other revenues and Other expenses	(1 646)	(38)	48	(154)	(1)	(5)	-	(1 796)
EBITDA*	**9 042**	**4 117**	**696**	**1 412**	**(955)**	**(1 431)**	**-**	**12 880**

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

The segment-related information provided to the chief operating decision maker was made available and disclosed in Section 1.3 Executive summary on the performance of the segments. That section includes a description of the changes 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 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.

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 is a characteristic of the Group, rather than a financial indicator.

1.7.2 The basis for preparation of the financial statements

Disclosure by the Group is in compliance with the rules described in the "Introduction" part. Along with its financial reports, the Group ensures the appropriate availability of such disclosed data.

1.7.3 Accounting policies and changes to standards

The Group's accounting policies are identical with those disclosed for the reporting date of 12/31/2021.

1.7.4 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.

1.7.5 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. Clarifications were made in the reporting period as presented in the description of each segment.

1.7.6 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 the IFRSs, 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 laws,
- 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 December 31, 2021 increased significantly in 2022. (For example, at the reporting date of December 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*.

1.7.7 Seasonality, cyclicality, unusual activities

The Group publishes its financial statements in accordance with the IFRSs.

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.

1.8 Headcount data for 2022

The Issuer's closing number of staff on December 31, 2022 was 413 employees. It's statistical headcount in 2022 was 382.6 employees on average.

1.9 EPS indicator

See the Consolidated Annual Report, Section IV.34.

1.10 Environmental factors

Coronavirus-related measures, impact of the pandemic on ALTEO's 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 Plc.'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.

War-related measures, impact of the events on the year 2022 for ALTEO

A pivotal event in 2022, the war between Russia and Ukraine, and the resulting macroeconomic and energy market shocks, reflected mainly in high prices and unprecedented market volatility, but at the same time, did not hamper the Group's profitability.

1.11 Non-financial report

Section 1.15 of this Annual Report presents major changes in the Group's structure, while Section 1.16 of the Annual Report addresses other major events.

1.12 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, date of registration and company registration number	**Budapest** **April 28, 2008** **Cg.01-10-045985**
The Company's tax number	**14292615-2-44**
The Company's EU VAT number	**HU14292615**
The Company's statistical code	**14292615-7112-114-01**
Duration 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	**December 6, 2022 (effective from November 7, 2022)**
The Company's core activity	**Engineering activities and related technical consultancy**
Financial 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 at www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by the applicable law, 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: Cg. 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** **MOL RES Investments Zártkörűen Működő Részvénytársaság, Riverland Private Equity Fund (Riverland Magántőkealap) and Főnix Private Equity Fund (Főnix Magántőkealap), collectively as persons acting in concert within the meaning defined in the Capital Market Act**

1.13 Information on the ownership structure of the Company and voting rights

1.13.1 Composition of the issued capital, rights and obligations related to the shares

The Company is a company established under Hungarian law (governing law).

The Company was founded on April 28, 2008 as a private limited company for an indefinite period of time. The legal form was changed to public limited company as of September 6, 2010 and the Company was listed on the Budapest Stock Exchange. The ordinary shares issued belong to the same series and have the same rights. The rights related to the shares of the Company are set out in the Civil Code and in the Company's Articles of Association. The transferability of the shares is not restricted.

1.13.2 Limitation of voting rights related to the shares

Pursuant to Section 9.8 of the Articles of Association of the Company, a shareholder or holder of voting rights (hereinafter, for the purposes of this section: "**shareholder**") is required, when notifying a change in their voting rights as defined in Section 61 of Act CXX of 2001 on the Capital Market ("**Capital Market Act**"), to submit a written declaration to the Board of Directors concerning the composition of the shareholder group and the nature of the relationship between the members of such shareholder group, taking into account Section 61(5) and (9) of the Capital Market Act. Such notification obligation applies to shareholders only if there has been a change in the shareholder group since the publication of the previous notice. In the event of failure to provide notification or full notification regarding the composition of the shareholder group as required in the previous sentence, or where the acquisition of control is subject to a regulatory approval or acknowledgement, which the shareholder had failed to obtain, or if there is reason to assume that the shareholder has deceived the Board of Directors concerning the composition of the shareholder group, the voting right of the shareholder will be suspended by the decision of the Board of Directors at any time even after its entry into the share register, and may not be exercised until the above requirement has been fully satisfied. Furthermore, at the request of the Board of Directors, shareholders are required to promptly make a statement specifying who the ultimate beneficial owner with respect to the shares owned, or the beneficial owner of the shareholder is. If the shareholder fails to act upon such request or if there is reason to assume that the shareholder has deceived the Board of Directors, the voting right of the shareholder is suspended and may not be exercised until the above requirements have been fully satisfied. For the purposes of this section, "shareholder group" means, with respect to a particular shareholder, such shareholder and the persons specified in Section 61(5) and (9) of the Capital Market Act, whose voting rights related to their share must be regarded as the voting rights of the shareholder concerned. For the purposes of this Section, "beneficial owner" means the person specified in Section 3(38) of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing.

Pursuant to Section 19(7) of the Act XVIII of 2005 on District Heating, Section 95(3) of the Act LXXXVI of 2007 on Electricity and Section 123(7) of the Act XL of 2008 on Natural Gas Supply, in the case of an event relevant in terms of company law or acquisition specified in these laws, in the absence of the prior decision on approval or the acknowledgement of the Hungarian Energy and Public Utility Regulatory Authority (the specific form of consent is governed by the given law, depending on the event relevant in terms of company law, the range of acquisition, and the nature of the license), the acquiring party shall not exercise any right against the Company in respect of its interest therein, except for the right to dividend, and shall not be entered in the share register.

1.13.3 Presentation of investors with a significant share

The majority shareholder of ALTEO as at December 31, 2022 is WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: Cg. 01-10-046529). The ultimate parent company of the Group as at December 31, 2022 was WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: 01-09-925865). The shareholders of this entity are all private individuals.

Ownership structure of the parent company (ALTEO Plc.) based on the share register as at December 30, 2022.

Present shareholders of the Company based on the share register as at December 30, 2022	Face value (HUF thousand)		Ownership ratio (%)	
	2022	2021	2022	2021
Wallis Asset Management Zrt. and its subsidiaries	128 475	153 436	51,57%	63,32%
Consortium led by MOL RES Investments Zrt.	24 889	-	9,99%	0,00%
ALTEO ESOP Organization	14 478	5 967	5,81%	2,46%
Members of the Board of Directors, the Supervisory Board and the Executive Board	11 429	11 564	4,59%	4,77%
Own shares	78	94	0,03%	0,04%
Free float	69 794	71 269	28,01%	29,41%
TOTAL	**249 143**	**242 329**	**100,00%**	**100,00%**

The publicly issued shares of the Company are listed on the Budapest Stock Exchange; the closing exchange rate of the shares on the last trading day of 2022 (on December 30) was HUF 2180, which is 134.4% higher than the same value in the last year (HUF 930). Annual turnover was HUF 3.930 billion, 133% higher than in 2020.

1.13.4 Powers of senior executives

The information in this Chapter reflects the situation as at December 31, 2022 and, therefore, does not include the proposals of the Extraordinary General Meeting to be held on April 3, 2023 and any decisions that may be taken on the basis of such proposals, which may have an impact on the following.

The rules governing the appointment and removal of senior executives and the amendment of the Articles of Association are laid down in the Articles of Association of the Company and the Civil Code.

The Articles of Association of the Company are available on the Company's website and other display points (www.investors.alteo.hu; www.bet.hu; www.kozzetetelek.hu).

The Board of Directors is the managing organ of the Company, and exercises its rights and duties as a body. The members of the Board of Directors are elected by the General Meeting for a definite term of up to five years. The members of the Supervisory Board and the Audit Committee are elected by the General Meeting for a definite term of up to five years.

As a general rule, the amendment of the Articles of Association is within the competence of the General Meeting; however, in the context of decisions made pursuant to Section 13.5 of the Articles of Association, the Board of Directors has the powers to amend the Articles of Association in compliance with the relevant rules of the Civil Code.

Without specific authorization from the General Meeting, the Board of Directors may not make any decision on issuing shares.

In its Resolution No. 13/2019. (IV.26.) ALTEO's General Meeting repealed its previous Resolution No. 3/2015. (XI.10.) on authorization, and authorized the Board of Directors to adopt a decision on the increase of the Company's share capital at its own discretion, with at least four members of the Board of Directors voting in favor. Pursuant to such authorization, the Board of Directors may increase the share capital of the Company by up to HUF 150,000,000, calculated at the face value of the shares issued by the Company, in aggregate (authorized share capital) in the five-year period starting on April 26, 2019. The authorization shall cover all cases and means of share capital increase set out in the Civil Code, as well as the restriction or exclusion of exercising preferential rights regarding subscription for and takeover of the shares, as well as the adopting of decisions relating to the share capital increase otherwise delegated by the Civil Code and other laws, and by the Company's Articles of Association to the competence of the General Meeting, including any amendment of the Articles of Association necessitated by the share capital increase.

The General Meeting of the Company adopted Resolution No. 11/2022 (IV.19.) to provide the Board of Directors with an authorization for a period of 18 (eighteen) months starting on April 19, 2022, to adopt resolutions on the acquisition by the Company of shares of all types and classes and of any face value, issued by the Company, supported by at least three quarters of the votes that can be cast by the members of the Board of Directors, and to enter into and perform such transactions for and on behalf of the Company, or to engage a third party for the conclusion of such transactions. The number of shares that can be acquired based on the authorization shall not exceed the number of shares with a total face value of twenty-five per cent of the share capital, and the total face value of own shares owned by the Company may not exceed this rate at any time. The Company's own shares can be acquired for or without consideration, on the stock market and through public offering, or – unless the possibility is excluded by the law – in over-the-counter trading. In the event of acquiring own shares for consideration, the minimum amount of consideration payable for one share may be HUF 1 (one Hungarian forint) and the highest amount may be HUF 4,000 (four thousand Hungarian forints). The authorization also applies to share purchases by the Company's subsidiaries in such a way that the Company may authorize the management of any subsidiary of the Company by means of resolutions of the members or shareholders (resolutions adopted by the members' meeting or the general meeting) to acquire the shares issued by the Company according to a resolution adopted by the Board of Directors under the above authorization. The authorization of the General Meeting will expire on October 19, 2023; the Board of Directors has initiated its extension by an additional eighteen months.

1.14 Presentation of the companies involved in the consolidation

Subsidiaries mean the following companies (with specification of influence)

Name of Subsidiary, 12/31/2022	Activity	Rate of influence		
		12/31/2022	06/30/2022	12/31/2021
ALTE-A Kft.	asset management (holding)	100%	100%	100%
ALTEO Deutschland GmbH. dissolved undertaking	development of an energy production portfolio, as well as energy services for both wholesale and retail trade	-	-	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.[1]	electricity production (wind turbine)	-	100%	100%
HIDROGÁZ Kft.[2]	electricity production, hydrogas utilization	-	100%	100%
Kazinc-BioEnergy Kft.[3]	steam supply, air conditioning	-	100%	100%
Tisza BioTerm Kft.[4]	steam supply, air conditioning	-	100%	100%
Tisza-BioEnergy Kft.[5]	steam supply, air conditioning	-	100%	100%
WINDEO Kft.[6]	electricity production (wind turbine)	-	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%

[1] 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 1.15.1.
[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 1.15.1.
[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 1.15.1.
[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 1.15.1.
[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 1.15.1.
[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 1.15.1.

Name of Subsidiary, 12/31/2022	Activity	Rate of influence		
		12/31/2022	06/30/2022	12/31/2021
Sinergy Kft.	steam supply, air conditioning, electricity production	100%	100%	100%
SUNTEO Kft.	electricity trading and production	100%	100%	100%
Tisza-WTP Kft.	water collection, treatment and supply	100%	100%	100%
EDELYN SOLAR Kft.[7]	Business and other consultancy activities	100%	-	-
FE-GROUP INVEST Zrt.[8]	Wholesale of waste and scrap, recycling	75.1%	-	-

1.15 Changes in the structure of the Group

1.15.1 Merger of EURO GREEN ENERGY and other subsidiaries in 2022

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 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.

1.15.2 FE-GROUP acquisition in 2022

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 on transferring to ALTEO the ownership right of its shares representing 75.1% of the HUF 1,000,000,000 share capital of FE-GROUP. The conditions for closure detailed in the share purchase contract have been fulfilled, and the closure process has been successfully completed and, as such, the ownership of the shares representing 75.1% of the issued capital of FE-GROUP has been transferred to ALTEO as of September 09, 2022. A 24.9% minority share of FE-GROUP acquired by the Blue Planet Climate Protection Venture Capital Fund, which exercises 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

[7] As of July 21, 2022, ALTEO Plc. acquired a 100% share. For more details, see Section 1.15.3.
[8] Consolidated by ALTEO Plc. as of October 1, 2022 as a 75.1% share. For more details, see Section 1.15.2. As of December 31, 2022, Minaqua Kft., the company's subsidiary was merged into FE-GROUP INVEST Zrt.

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.

1.15.3 EDELYN SOLAR acquisition in 2022

ALTEO Plc. as buyer concluded a business quota purchase contract with private individuals as sellers on transferring to ALTEO their title to their respective business quotas representing 100% of the HUF 3,000,000 issued capital of EDELYN SOLAR Korlátolt Felelősségű Társaság (registered office: H-2183 Galgamácsa, Kiskút utca 11.; company registration number: Cg. 13-09-218939; hereinafter: "**EDELYN SOLAR**"). The closing conditions specified in detail in the business quota purchase contract have been fulfilled. Accordingly, ownership of the Target Company's business quota was transferred to ALTEO as of July 21, 2022. 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.

1.16 Major events

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.

1.16.1 Major events at the Company relevant in terms of 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 and supplemented with the profit after tax of the previous financial year and the subsidiary dividends established after 2021, the details of which are available in Section 1.6 *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 **own 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 share 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 share capital increase; it determined the details and due dates for submitting the final statements of commitment, and for paying up the capital; moreover, it decided on the amendment 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 Plc., on July 29, 2022, the New Shares were **converted** into ordinary shares of ALTEO Plc. 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.

Resignation of members of the Board of Directors, Extraordinary General Meeting

On March 3, 2023, ALTEO informed Investors that Board members Zsolt Müllner, Gyula Mező, Ferenc Karvalits and Domonkos Kovács submitted their letters of resignation from their seats on the Board to the Chair of the Board of Directors. The resignations relate to the transaction described in the Company's announcement of December 17, 2022 and in Section 1.16.10, whereby MOL RES Investments Zrt, Főnix Private Equity Fund managed by Diófa Alapkezelő Zrt., and Riverland Private Equity Fund managed by Indotek-Investments Zrt. signed share purchase contracts with WALLIS ASSET MANAGEMENT Zrt., ALTEO's majority shareholder, on December 16, 2022 for the purchase of ALTEO ordinary shares held by WALLIS representing a total stake of 61.557%. The resignation letters take effect upon their acceptance by the General Meeting of the Company and the election of new Board members; and accordingly, an Extraordinary General Meeting was convened.

On March 3, 2023, ALTEO informed Shareholders that it will hold an Extraordinary General Meeting on April 3, 2023, as a result of the above events. The invitation to the General Meeting is available at the following link:
https://www.bet.hu/site/newkib/hu/2023.03./Meghivo_az_ALTEO_Nyrt._2023._aprilis_3._napjan_10_orai_kezdettel_meghirdetett_rendkivuli_kozgyulesere_128852083

The proposals concerning the Extraordinary General Meeting and the proposal of ALTEO shareholders with more than one percent of votes to add items to the agenda of the Extraordinary General Meeting are available at the following link:
https://www.bet.hu/site/newkib/hu/2023.03./Az_ALTEO_Nyrt._2023._aprilis_3._napi_rendkivuli_kozgyulesevel_kapcsolatos_eloterjesztesek_-_2023.03.10._128855305

https://www.bet.hu/site/newkib/hu/2023.03./Az_ALTEO_Nyrt._kozzeteszi_az_1_-ot_meghalado_szavazatokkal_rendelkezo_reszvenyesenek_a_kozgyules_napirendjenek_kiegeszitesere_vonatkozo_javaslatat._128855386

1.16.2 Events at the Company's subsidiaries relevant under company law in the period between January 1, 2022 and the date of publication of this 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.

Moreover, this chapter does not include events that have already been presented in Section 1.15.

In 2022 ALTEO Plc. 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

In 2023 ALTEO Plc. adopted the annual reports of the subsidiaries for 2022. The Company decided to pay dividends in the case of the following subsidiaries:

Name of subsidiary:	Amount of dividend:
EURO GREEN ENERGY Kft.	HUF 500,000,000
Monsolar Kft.	HUF 40,000,000
Pannon Szélerőmű Kft.	HUF 250,000,000
Domaszék 2MW Erőmű Kft.	HUF 29,000,000
Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft.	HUF 20,000,000
SUNTEO Kft.	HUF 100,000,000

1.16.3 Securities issued by the Company and their credit rating

This chapter does not address the issuing of New Shares as part of the capital increase presented in Section 1.16.1 as it is included in the relevant chapter.

1.16.3.1 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.

1.16.3.2 Launch of a bond program

In September 2022, ALTEO informed its investors that it intended to launch a HUF 20 billion bond program starting from Fall 2022, which based on the strategy updated and published in January 2022 was primarily aimed at providing the necessary funds for growth, as well as to partially finance increased working capital needs, and to increase the safety reserves in order to ensure that ALTEO could respond with maximum flexibility to future opportunities and challenges underlying exceptional market conditions. In this context, on October 10, 2022, the Company published the Basic Information Memorandum for the bond program, and the Final Terms and Conditions relating to the ALTEO 2024/I Bond at the official disclosure points and also sent them directly to the qualified investors invited to participate.

On October 17, 2022, the Board of Directors of the Company informed investors that, in view of the turbulent financial and capital market situation, it would postpone the bond market auction for ALTEO 2024/I Bonds announced for October 18, 2022 for up to 20 days.

Ultimately, however, the Board of Directors of the Company re-examined ALTEO's financing needs, financial position and expected development and, taking into account the Company's then and likely future sources of financing and their terms and conditions, and on November 3, 2022, it decided not to proceed with the bond issue. Of course, this does not exclude the possibility that ALTEO may still use this capital market instrument at a later date during the 12-month term of the bond program announced on October 10, 2022.

1.16.3.3 Review of the credit rating

In June 2022, Scope Ratings GmbH carried out the annual review of the credit rating of the Company's bonds issued as part of the Bond Funding for Growth Scheme, as a result of which last year's credit rating was maintained, in other words 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.

With regard to the planning of the bond issuing presented in Section 1.16.3.2, Scope Ratings GmbH conducted a review of the Company's senior unsecured bonds on October 4, 2022, covering both the two bonds already issued under the Bond Funding for Growth Scheme and the bond(s) planned to be newly issued. As a result of the review, bond credit rating was confirmed at BBB-, four grades above the minimum required by the MNB. The credit rating agency also confirmed both the BB+/Stable issuer credit rating of ALTEO and its S-3 short-term debt rating. In the end, no new bonds were issued in 2022.

On December 20, 2022, Scope Ratings reviewed the Company's rating, with a possible positive upgrade. For the report of the credit rating agency, follow the link below:
https://scoperatings.com/ratings-and-research/rating/EN/173064

1.16.3.4 Own 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.

The Company distributed 1,911 ALTEO ordinary shares (ISIN: HU0000155726) to employees who were eligible under the Company's recognition plan. The transfer was successfully completed on February 7, 2023.

1.16.3.5 Share purchase and capital increase 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: 1055 Budapest, Honvéd utca 20; company registration number: 01-10-046529; hereinafter: "**WAM**") 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 2020 Remuneration Policy of the ALTEO ESOP Organization.

As it has been described in detail in Section 1.16.1, ALTEO's Board of Directors decided to increase the share capital of the Company by way of a private placement where a total of 545,200 New Shares went to ALTEO's ESOP Organization, the only entity involved in the capital increase.

1.16.3.6 Stock tracking

At the Company's request, Kalliwoda Research GmbH and ERSTE Befektetési Zrt. (Erste Group Research) started tracking the Company's 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%20 Research.pdf

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

Kalliwoda Research GmbH **updated** its model **following the results of the first half of the year.**

The analysis is available at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Kalliwoda_Comprehensive_Update_2022_Q2.pdf

Kalliwoda Research GmbH **updated** its model **following the results of the first three quarters.** The analysis is available at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2022_Q3.pdf

Erste Befektetési Zrt. **updated** its model **following the results of the first three quarters.**

The analysis is available at the following link:

https://www.erstemarket.hu/tartalom/142332/alteo-nincs-megallas-20221207

Erste Befektetési Zrt. has updated its company analysis of the Company based on the statutory public takeover bid, which is available at the following link:

https://www.bet.hu/site/newkib/hu/2023.02./Az_Erste_Group_Research_ALTEO_Nyrt.-re_vonatkozo_frissitett_vallalatelemzese_128843358

Kalliwoda Research GmbH updated its model on March 19, 2023 **following the results for 2022**, and can be found at the following link:

https://kalliwoda.com/pdf/ALTEO_Nyrt_Dr_Kalliwoda_Research_Comprehensive_Update_2022_Q4

1.16.4 Long-term trade, economic and financing 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.

ALTEO and BC Power Kft. (registered office: H-3700 Kazincbarcika, Bolyai tér 1; company registration number: Cg.05-09-030222; tax number: 26142445-4-05, hereinafter: "**BC Power**") have come to an agreement that the long-term (14 years) operation and maintenance tasks of the small-scale gas turbine cogenerated heat and electricity producing power plant – with an electrical capacity of 49.9 MWe – implemented as an investment project of BC Power will be carried out by ALTEO, with the related contract **signed on October 6, 2022**. The new contract secures partial 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 newly signed contract, in accordance with the terms and conditions therein, ALTEO will operate and maintain the power plant owned by BC Power until December 31, 2036.

The ALTEO and AutoWallis Group initiative announced last year, aimed at supporting the adoption of green mobility in Hungary based on the synergy of E-mobility services, has reached a new phase. The two companies are strengthening their cooperation and are further harmonizing the development of charging infrastructure for the distribution of e-cars. Within this framework, in 2023 as the first ones in Hungary they will be selling solar panel and energy storage systems in the Hungarian dealerships of the Opel brand represented by AutoWallis Group in four countries (besides Hungary, in Bosnia and Herzegovina, Croatia and Slovenia), with the professional background provided by ALTE-GO, ALTEO's E-mobility business.

Long-term or major financing agreements

Loans, borrowings

Members of the ALTEO Group did not conclude any new financing agreements with any Hungarian financial institutions to finance their activities in 2022. The details of existing financing agreements and financing agreements amended in 2022 due to specific circumstances (including, for example, budget increase) are included in Section IV.22 of the Annual Report.

ALTEO and the Board of Directors of WAM have approved the conclusion of a loan contract between ALTEO and WAM, a majority shareholder of ALTEO and an affiliated entity of the Company. Under the contract, WAM provides a loan of HUF 6 billion to ALTEO until April 30, 2023, in line with the transfer pricing documents used by the Parties. In addition, ALTEO is granted the option of early repayment starting three months after the start of the contract. The contract is considered favorable and necessary as it provides ALTEO with unsecured borrowing for its increased working capital needs during the heating season, with conditions that are more flexible and require less administration. The conditions, in particular in respect of the loan term and the repayment option, are also more in line with ALTEO's working capital financing needs than any loan, money or capital market debt facility with similar conditions. Finally, the agreed loan is available without additional costs. On March 16, 2023, the HUF 6 billion loan granted by WAM was prepaid in full by ALTEO.

The two members of ALTEO Group have entered into the first credit transaction of ALTEO Group with K&H Bank Zrt. (registered office: H-1095 Budapest, Lechner Ödön fasor 9; company registration number: Cg.01-10-041043) that is fully compliant with the so-called Taxonomy Regulation of the European Union in force since 2022. Under the agreement, K&H Bank Zrt. provides a loan of HUF 4 billion (approximately EUR 10.3 million) for the purpose of partially refinancing the wind farm of ALTEO Group with a total integrated capacity of 47.5 MW. The loan was disbursed on January 31, 2023.

1.16.5 Company 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

1.16.6 Investments

The new electrical boiler installed at ALTEO's Sopron Power Plant has commenced operation, further increasing the flexibility of the Virtual Power Plant and creating a possibility to convert electricity generated from renewable energy sources into heat. The announcement is available via the following link:

https://bet.hu/newkibdata/128852789/KFI%20R%C3%A9nyi%20k%C3%B6zlem%C3%A9ny_230306.pdf

1.16.7 ESG certification and the Green Committee, Green Financing Framework

In February 2022, ALTEO became the first company in the Hungarian energy sector to obtain an independent, international ESG certificate. More information on 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

The Company's sustainability and ESG strategy has been finalized, and a Green Committee has been established within the Company, which, among other things, oversees the Company's sustainability performance, objectives and strategy, reviews ESG objectives and monitors and prioritizes decarbonization tasks.

The rules of procedure of the Green Committee, and the sustainability and ESG strategy are available on the official website of ALTEO Plc. (www.alteo.hu).

ALTEO has developed and set up its own Green Financing Framework and has, thereby, established the possibility to issue green bonds or take out green loans linked to green objectives, as set out in the framework. ALTEO also emphasizes its sustainability efforts through its qualified Green Financing Framework and other related commitments. The pursuit of sustainability is an integral part of the Company's strategy, and the entry into force of the Green Financing Framework is an important step towards the implementation of this strategy.

1.16.8 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.**

ALTEO was recognized in two categories based on its 2022 performance at the Best of BSE Awards. ALTEO came out on top in both "The Issuer of the Year **with the Highest Share Price Increase** in the Premium Category" and the "**Responsibility, Sustainability**, Corporate Governance" categories.

1.16.9 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 share capital increase described in Section 1.16.1.

1.16.10 Statutory public takeover bid

On December 17, 2022, the Company received the statutory public takeover bid of MOL RES Investments Zártkörűen Működő Részvénytársaság (registered office: H-1117 Budapest, Dombóvári út 28; company registration number: 01-10-046154; hereinafter: "**Offeror**") as designated offeror under Section 68 of the Capital Market Act, for all series 'A' ordinary shares of ALTEO Plc. (HU0000155726) issued by the Company – as specified in the bid – with a face value of HUF 12.5 (twelve point five) each. The Offeror qualifies as a designated offeror pursuant to Section 68(3) of the Capital Market Act, acting in the course of the bid pursuant to the syndicate and coordination agreements concluded with Főnix Private Equity Fund managed by Diófa Alapkezelő Zrt. and with Riverland Private Equity Fund managed by Indotek-Investments Zrt. (hereinafter collectively: "**Acquirers**") after the close of trading at the Budapest Stock Exchange on December 16, 2022. The objective of the Acquirers is to gain a controlling interest and joint control over ALTEO and, in addition to the above, the Acquirers took the following steps on December 16, 2022 to acquire a controlling interest and joint control over ALTEO:

- Each of the Acquirers has separately signed a share purchase contract with WALLIS ASSET MANAGEMENT Zrt. ("**WAM**"), the majority shareholder of ALTEO, to purchase ordinary shares representing 3.330% of ALTEO's share capital and 9.990% in total. This transaction was closed in December 2022.
- To ensure that the Acquirers can acquire the entire 61.557% block of ALTEO shares currently held by WAM, the Acquirers subsequently signed an additional share purchase contract with WAM to purchase ALTEO ordinary shares representing an additional 51.567% participation held by WAM, which will be divided equally among the Acquirers.

The Offeror submitted its bid to the Central Bank of Hungary (hereinafter: "**MNB**") for approval.

The Offeror submitted a request for prior approval to the Hungarian Energy and Public Utility Regulatory Authority (hereinafter: "**HEPURA**"), with a view to acquiring indirect control in ALTEO's license holder subsidiaries. In view of the proceedings pending before HEPURA, the Central Bank of Hungary suspended the approval procedure for the takeover bid by MNB Resolution No. N-KE-III-455/2022 of December 20, 2022. Once the prior approval of HEPURA obtained, the authorization procedure before the Central Bank of Hungary continued. Consequently, by MNB Resolution No. H-KE-III-77/2023 dated February 3, 2023, the Central Bank of Hungary approved the takeover bid (hereinafter: "**Bid**") of December 17, 2022, as amended on February 2, 2023, which the Company received on February 6, 2023 and published the same day. Subsequently, on February 8, 2023, the Board of Directors of the Company published the opinion of the Board of Directors on the Bid, which also incorporated the opinion of the representatives of employees and the assessment of an independent financial advisor.

On March 6, 2023, ALTEO was informed that all applications for the competition authority permits specified in the Bid have been submitted to the competent competition authorities, and on March 10, 2023 the Hungarian Competition Authority issued the official certificate – under number ÖB/9-6/2023 – in which the Competition Authority certifies, pursuant to Section 43/N(1)(b) of Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices, that there are no circumstances on the basis of the merger notification that would justify the ordering of an audit as per Section 67(4) of the Act concerning the merger through acquisition of joint control of ALTEO by the Acquirers. On March 13, 2023, the Serbian Competition Authority also issued its permit, and thus the Acquirers received all competition authority permits specified in the Bid from the competent competition authorities.

The statutory public takeover bid procedure was closed on March 13, 2023, as part of which a valid declaration of acceptance was made in respect of a total of 2,438,442 ALTEO Plc. ordinary shares, representing 12.237% of the voting rights in ALTEO Plc. Given that all competition authority permits specified in the Bid have been obtained, the share purchase contracts specified in the Bid were concluded and became effective on the closing date of the bid acceptance period, i.e. March 13, 2023.

The statutory public takeover bid procedure was closed on March 13, 2023. The statutory public takeover bid procedure has been successful, as a result of which, upon execution of the transactions referred to in Section 2.5.2 of the Bid, MOL RES Investments Zrt. acquired 4,902,536 shares, Főnix Private Equity Fund acquired 4,902,535 shares and Riverland Private Equity Fund acquired 4,902,535 shares, thus the joint ownership of the Contracting Parties under the Bid in ALTEO Plc. increased to 73.791%, joint control – considering treasury shares of Alteo Plc – of the contracting parties increased to 73,807%.

1.16.11 Acquisitions

In January 2023, ALTEO made a binding takeover bid to the owners of Energikum Zrt. (registered office: H-3011 Heréd, Kökényesi út 8, company registration number: Cg. 10-10-020308; hereinafter: "**Energikum**") to acquire shares representing 100% of the share capital of Energikum. Energikum holds the business quota embodying 99% of the issued capital of Energigas Kft. (registered office: H-1055 Budapest, Kossuth Lajos tér 18, company registration number: Cg. 01-09-715418; hereinafter: "**Energigas**"), which owns the biogas plant in Nagykőrös. ALTEO is currently the 1% minority shareholder of Energigas and also operates the Nagykőrös biogas plant, which produces electricity from biomethane generated from organic waste. The potential acquisition of the biogas plant with a nominal electricity generation capacity of 2 MW is fully in line with the Company's strategy and will also strengthen ALTEO's role in the circular economy. It is worth noting that the produced biomethane is suitable, under certain conditions, to be a substitute for natural gas and can even feed into the natural gas distribution system. This represents valuable potential for appreciation in the future.

In connection with the above, ALTEO also made a binding takeover bid for the acquisition of the business quota representing 33% of the issued capital of ECO-FIRST Kft., in which ALTEO is already a 67% shareholder. ECO-FIRST Kft. is an active player in waste trade and, as such, plays an important role in the procurement of raw materials for the Nagykőrös biogas plant.

Through these acquisitions the Company intends, in line with its strategy, to both expand its renewable electricity generation activities and further strengthen its market positions in waste management.

Finally, on March 10, 2023, ALTEO as buyer **concluded a share purchase contract** with the owners of Energikum for the purchase of shares representing 100% of Energikum’s share capital, and a **business quota purchase contract** for the purchase of the business quota representing 33% of ECO-FIRST’s issued capital. The execution of the share purchase contracts represents a step of the transaction. The ownership of the shares representing 100% of Energikum’s share capital and the business quota representing 33% of ECO-FIRST’s issued capital will be transferred to the Company once the conditions stipulated in the contracts are met. The acquisition of Energikum also requires obtaining the approval of the authorities and the bank involved in the financing of Energigas.

1.16.12 Events after the period – for the most part described above – not reflected in the end-of-the-year statements

As described in Section 1.16.10 in connection with the **bid**, in January 2023 the HEPURA granted the necessary prior approvals for the Offeror’s acquisitions of indirect control in ALTEO’s license holder subsidiaries, after which the MNB was able to proceed with the pending procedure for the approval of the Bid. Consequently, with MNB Resolution No. H-KE-III-77/2023 dated February 3, 2023, the Central Bank of Hungary approved the Bid published on December 17, 2022, then amended on February 2, 2023, which the Company received on February 6, 2023 and published the same day. Subsequently, on February 8, 2023, the Board of Directors of the Company published the opinion of the Board of Directors on the Bid, which also incorporated the opinion of the representatives of employees and the assessment of an independent financial advisor. Furthermore, the updated company analysis on ALTEO by Erste Group Research was published on the same day. In March 2023, the Hungarian Competition Authority issued its official certificate relating to the merger under No. ÖB/9-6/2023, and the Serbian Competition Authority also issued its permit, and thus the Offeror, Főnix Private Equity Fund and Riverland Private Equity Fund received all competition authority permits specified in the Bid from the competent competition authorities. The statutory public takeover bid procedure was closed on March 13, 2023, as part of which a valid declaration of acceptance was made in respect of a total of 2,438,442 ALTEO Plc. ordinary shares, representing 12.237% of the voting rights in ALTEO Plc. As a result of the statutory public takeover bid procedure and the transactions referred to in Section 2.5.2 of the Bid, a change has occurred in the majority ownership of ALTEO as described in Section 1.16.10.

As detailed in Section 1.16.4, the HUF 4 billion (approx. EUR 10.3 million) **loan** granted under the agreements between two ALTEO subsidiaries and K&H Bank Zrt. which are fully compliant with the so-called EU Taxonomy Regulation in effect in the EU as of 2022, was disbursed on January 31, 2023.

ALTEO was recognized in two categories based on its 2022 performance at the **Best of BSE Awards** ("The Issuer of the Year with the Highest Share Price Increase in the Premium Category", and the "Responsibility, Sustainability, Corporate Governance" categories).

As described in detail in Section1.16.1 in March 2023 Board members Zsolt Müllner, Gyula Mező, Ferenc Karvalits and Domonkos Kovács submitted their **letters of resignation from their seats on the Board** to the Chair of the Board of Directors. The resignation letters take effect upon their acceptance by the General Meeting of the Company and the election of new Board members; and accordingly, an **Extraordinary General Meeting** was convened for 3 April 2023.

As described in Section 1.16.6, ALTEO has developed and set up its own **Green Financing Framework** and has, thereby, established the possibility to issue green bonds or take out green loans linked to green objectives, as set out in the framework.

As described in Section 0, on March 10, 2023, ALTEO as buyer **concluded a share purchase contract** with the owners of Energikum for the purchase of shares representing 100% of Energikum's share capital, and a **business quota purchase contract** for the purchase of the business quota representing 33% of ECO-FIRST's issued capital, in which company ALTEO already holds a 67% stake.

With a view to the share award under the employee recognition plan, changes in the **number of** the Company's **own shares** are detailed in Section 1.16.3.4 of this Annual Report.

As described in Section1.16.4 , the HUF 6 billion **loan** granted by WAM has been fully **prepaid** by ALTEO.

Kalliwoda Research GmbH **updated** its model on March 19, 2023, which is available at the link specified in Section 1.16.3.6.

As the founder of the Subsidiaries, the Company **accepted and approved the annual reports of the Subsidiaries** for 2022 in March 2023, as set out in Section 1.16.2.

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

In the Basic Information Memorandum published on October 10, 2022, the Company described the relevant risks and their assessment that are applicable to this report as well.

1.18 Pending lawsuits

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: Cg. 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, at 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 infringement assumed 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.

1.19 Description of the policies applied in the ALTEO Group, detailing the results by policy

1.19.1 Environmental guidelines

The ALTEO Group prepared its Sustainability Report for the first time for its fiscal year 2016, detailing our non-financial, social and environmental policies and our annual performance. We ensure the relevance and transparency of our sustainability data by applying the GRI (Global Reporting Initiative) Standards methodology, the most recognized international standard, in preparing our non-financial reports, and by having these certified by a third party annually. We prepare a report on our sustainability efforts every year and, since 2019, we have published it in the form of an Integrated Report. A further objective was to publish our Integrated Reports with the approval of the General Meeting, which we achieved for the first time for our 2021 report. Our Sustainability, Integrated and EU Taxonomy Reports published so far are available to all stakeholders on the website: https://alteo.hu/fenntarthatosag/fenntarthatosagi-jelentesek/. As our Integrated Report contains the details of the Company's data, policies, objectives in connection with environmental protection and sustainable business operations, this business report, based on the contents of the Integrated Report, provides only a summary of environmental policies and results.

The ALTEO Group set up the Green Committee in 2022, an advisory body to the CEO, which is composed of senior officers, supervisory board members and experts. The purpose of the committee is to ensure the preparation and corporate implementation of the ALTEO Group's sustainability objectives and ambitions. The committee, which meets at least quarterly, monitors and approves corporate policies and long-term objectives for sustainable development and the sustainability strategy, and ensures that the ESG approach and climate risks are kept on the agenda. For more information on the committee and its rules of procedure, please visit the ALTEO website at: https://alteo.hu/az-alteo/szervezet/zold-bizottsag/.

Furthermore, the ALTEO Group has an Integrated Management System in place, which includes the standards ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environmental Management Systems, ISO 45001:2018 Health & Safety Management System and ISO 50001:2018 Energy Management Systems. The Integrated Management Policy (publicly available at https://alteo.hu/wp-content/uploads/2020/11/alteo_integralt_politika.pdf) is the fundamental document for this system, in which the company's management commits itself to providing quality services, safe work environment, energy efficiency, environmental protection and sustainability. In 2022, we ensured our compliance with the standards by conducting 48 internal audits covering the operation of the Integrated Management System in compliance with all four standards at all of our sites and organizational units.

In 2022, 13 HSE-type inspections were carried out by various authorities, which resulted in 5 logged inspections. The inspections did not result in any fines being imposed by the authorities.

A separate document, the Integrated Report 2022, will describe our environmental policies and the associated results in detail.

1.19.2 Respect for human rights, ethics

Description of major risks related to human rights compliance that may result in adverse effects in the context of the Company's activities, and also a description of how the Company manages those risks.

The ALTEO Group has established a Compliance Management System (hereinafter: "CMS"). The CMS is designed to ensure compliance with laws, internal rules and the Group's Code of Ethics in respect of the entire Group.

The Compliance Management System fundamentally provides a supportive, preventive and control function to prevent damage and abuse and minimize risk across the entire operation of the Company.

The CMS covers four main areas at the Company: business ethics, security (data protection, information security, asset protection, human risk management), anti-corruption program (fraud and corruption free operation, business partner due diligence, conflict of interest), compliance risk management (legal and internal regulatory compliance, annual compliance risks).

When formulating ALTEO Group's Code of Ethics, we wanted to create a useful guide that would offer help and protection to our employees and provide information to our partners about the standards of behavior represented and required by our Group.

The standards established in ALTEO Group's Code of Ethics impose higher requirements on Group employees compared to existing laws.

In 2022, we amended the Code of Ethics to further mainstream ESG aspects, adding a chapter on employment and work environment to ensure compliance with HR aspects, highlighting the ALTEO Group's commitment to a work environment based on employee feedback.

We have specifically pointed out that we take into account the provisions of certain international conventions, and that we strive to apply them fully to our operations.

The Company is committed to respecting human rights. Respect for human rights includes, among others: non-discrimination, freedom of thought, conscience and religion, freedom of expression, respect for private and family life.

1.19.3 Fundamental rights in practice

We provide an online whistleblowing system for our employees and business partners under Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law. The whistleblowing hotline can be accessed through various interfaces on the website and intranet. Whistleblowers should not suffer any disadvantage as a result of the whistleblowing.

We regularly inform employees of this possibility, and raise awareness of the importance of whistleblowing.

We provide our employees with a working environment based on mutual trust, respect for others and respect for their dignity.

We respect our employees' right to freedom of religion, freedom of assembly, right to rest, leisure and regular paid leave.

We take individual preferences into account when setting working hours and work procedures, and provide solutions to any issues that may arise.

The HQ offers flexible working hours and the opportunity to work from home. To ensure that this works properly, significant progress has been made in 2022 in digital transition and, related to this, in information security.

We give priority to the personal and professional development of our employees, for that purpose, we develop an annual training schedule, and provide employees the opportunity to participate in courses, conferences and, under study contracts, in adult education and university courses. We set individual development goals and organize individual trainings or group workshops to achieve them.

We are committed to the principle of fair and compliant employment and remuneration.

Salaries and fringe benefits are reviewed on a yearly basis.

We are humane in our layoffs, and we support our employees to the extent of our capabilities.

We base our relationship with and among our employees on the principles of human rights and tolerance. We are committed to prohibiting and preventing discrimination, and consider any form of discrimination or human rights violation to be a particularly serious ethical violation.

In our work and in our business relationships, we treat everyone with respect, and in our communications with each other, we respect and value the opinions and views of others.

We respect our employees' right to political conviction and engagement. However, the ALTEO Group is politically neutral and does not engage in any political activities or support. Therefore, our employees must respect the ethical principles of the ALTEO Group when conducting their political activities and, in all cases, they can only carry out their activities as individuals, independently of the Group.

1.19.4 Conflict of interest

The ALTEO Group is particularly dedicated to the detection and prevention of economic conflicts of interest, therefore all new entrants must make a conflict-of-interest statement. In 2022, we reviewed compliance with the conditions accepted by employees in the case of declared business relationships and approved conflicts of interest. Accordingly, we have standardized the conditions imposed by the ALTEO Group.

We have developed a new conflict of interest declaration process to check new entrants' conflicts of interest.

1.19.5 Policies applied in connection with the fight against corruption

The CMS fundamentally provides a supportive, preventive and control function to prevent damage and abuse and minimize risk across the entire operation of the Company.

The Company is committed to anti-corruption, and has adopted and published its Anti-Corruption Statement on its website. We firmly reject all forms of corruption and bribery, which are regarded as particularly serious ethical violations in the context of government officials, suppliers and business partners. We apply zero tolerance to all cases involving bribery or corruption.

We conduct our procurement procedures transparently and in accordance with our internal rules.

We assess potential suppliers on the basis of a multi-level pre-qualification process (also taking ESG, financial and legal aspects into consideration). We do not enter into a business relationship with any supplier that does not meet the Company's requirements. We expect our business partners to know, accept and comply with our Code of Ethics.

We operate a whistleblowing hotline for reporting corruption and fraud, but reports can also be made via email or over the phone. We also provide whistleblowers with the possibility of anonymity.

In all cases of suspected corruption or fraud, we conduct an investigation in accordance with our internal rules of procedures. The ALTEO Group firmly stands up for the principle that all forms of retaliation or discrimination are unacceptable against whistleblowers who report suspected corruption or fraud, even if a bona fide report does not result in the identification of any illegal or inappropriate acts.

In 2022, no cases of suspected corruption came to the Company's knowledge.

1.19.6 RISK MAP – Corruption index

In 2022, for the eighth consecutive year, the ALTEO Group has prepared a compliance risk map using a questionnaire to measure and assess the Group-level compliance risks in finances, accounting, human resources, corporate management and publicity in order to eliminate the potential for corruption, fraud and abuse.

The questionnaire was made available to 28 executives. In order to fill the gaps identified by the questionnaire, the Ethics, Compliance and Control entity organizes regular meetings and provides ongoing support to the business areas on all compliance issues.

1.19.7 Employment policy

The ALTEO Group's employment policy focuses on retaining employees and attracting and integrating new employees. We create an effective teamwork culture: we consider developing an innovative corporate culture and establishing standards of behavior key strategic objectives. The Group believes that the loyalty and motivation of their employees are founded on the stable workplace, good working conditions, complex tasks and competitive wages provided by the Group. The physical safety of our employees always comes first; we focus on their long-term commitment, assess their wellbeing through different measurements and forums, and make efforts to maintain a partner like relationship with the Works Council. Every year, we provide our employees with a cafeteria allowance and a variety of benefits, making the elements available as widely as possible in accordance with the relevant laws.

At the end of 2022, the closing workforce headcount was 307, which is 21 more than in 2021; there were 5 part-time and 302 full-time employees. The number of employees with indefinite term contracts was 307. In 2022, 78% of the staff members were men and 22% were women. This gender ratio is basically defined by the nature of the energy sector, as most of the staff deal with the operation of power plants. At the same time, the Company has a clear commitment to diversity and equal opportunities, and will continue to work towards ensuring them in 2022 and 2023.

ALTEO Plc. is considered an attractive workplace, as evidenced not only by the number of new entrants, but also by the rate of staff turnover at 9.9%.

The Group consciously seeks to increase the proportion of the young generation within the organization, since the management of the Company believes that ALTEO Group can provide professional development and great opportunities to them. This is a fundamental criterion of maintaining ALTEO Group's quality services and reliable work performance, as the age pyramid of colleagues with extensive expertise and work experience, who in many cases have been working in the energy sector for 30 years, is very constrictive (38.8% of our employees are over 50), with many set to retire in the coming years, and the Company strives to recruit highly-trained and committed young employees to the positions that will be opening up down the line.

The expertise and experience obtained in various fields of the energy industry are the core values of ALTEO Group. To ensure that ALTEO Group can provide high-quality services to its partners, it enables its employees to deepen their knowledge via regular training courses and conferences. The objectives of the courses are to enable our employees to improve their efficiency, to acquire critical qualifications for their work, and to update and complement their existing knowledge base. The training offerings also include compulsory courses prescribed by law or by internal regulations, as well as internal knowledge sharing.

2 Statements of the issuer

2.1 Use of non-audit services

In 2022, the ALTEO Group did not use any audit services provided by BDO Magyarország Könyvvizsgáló Kft.

2.2 Corporate governance statement

The information in this Chapter reflects the situation as at December 31, 2022 and, therefore, does not include the proposals of the Extraordinary General Meeting to be held on April 3, 2023 and any decisions that may be taken on the basis of such proposals, which may have an impact on the following.

The Group's parent company, ALTEO, prepares its corporate governance statement in accordance with the Responsible Corporate Governance Recommendations of Budapest Stock Exchange Ltd. and publishes it in a separate document upon approval by the Company's General Meeting. The Company only provides a summary in this business report.

The Board of Directors is the main decision-making body of the Group's parent company that governs the Group and monitors its day-to-day operation on the basis of effective laws, the Articles of Association and the resolutions passed by the General Meeting, as well as the Supervisory Board and the Audit Committee.

The members of the Board of Directors are elected by the General Meeting for a term of up to five years. Members of the Board of Directors elect the Chair of the Board of Directors and the member entitled to hold the title of CEO ("**CEO**") from among themselves. The Group has no nomination committee or remuneration committee; the remuneration of members of the Board of Directors is determined by the General Meeting. The Board of Directors consists of five members.

The Board of Directors is entitled and required to decide on all issues that, by virtue of the provisions of the law or the effective Articles of Association, do not fall within the competence of the General Meeting, the Supervisory Board or the Audit Committee.

The member of the Board of Directors entitled to hold the title of CEO is at the head of the Group's work organization and is responsible for managing and monitoring the Company's operations in accordance with the resolutions of the General Meeting and the Board of Directors. The CEO acts on and is entitled to decide all issues concerning the Group's operational management that do not fall within the exclusive competence of the Board of Directors as a body or the General Meeting according to the Articles of Association and the rules of procedure of Board of Directors. During the day-to-day operations of the Group, the CEO works with members of the management responsible for each function to make decisions.

The CEO is assisted in the day-to-day operational management of the Group by management, the members of which are responsible for functions within their scope of responsibility.

The Supervisory Board of the Group's parent company acts as a body under mandate from the General Meeting. Members of the Supervisory Board are required to act in person; agency is not allowed in the activities of this body. Members of the Supervisory Board may not be instructed in that capacity by their employer or shareholders of the Company. Members of the Supervisory Board are elected by the General Meeting for a definite term of up to five years. Members of the Supervisory Board can be removed at any time and may be reelected upon the expiry of their mandates. The General Meeting decides on the remuneration of members of the Supervisory Board. The Chair of the Supervisory Board is elected by the Supervisory Board from among its members. The Supervisory Board sets out its own rules of procedure, which are then approved by the General Meeting. The Supervisory Board currently consists of five members, three of whom are independent individuals.

The Audit Committee verifies the Group's accounting regime, comments on its annual report prepared pursuant to the Accounting Act, monitors compliance with professional requirements and conflict of interest rules applicable to auditors and performs the tasks specified in its rules of procedure.

Within the scope of the Company's risk assessment activities, business, financial, technical, commercial, legal and compliance functions supervised by members of management work together and assess the types of risks involved based on reports prepared by each function and presented to the appropriate decision-making body or management member at specific intervals and identify the actions needed to manage risks.

The assessment of financial risks is a part of every planning and forecasting process as well as preparing new investment decisions. Decisions regarding risks identified during planning and forecasting and how they should be managed are made. For new investments, the management of expected risks is already covered by the proposal.

In developing its Compliance Management System, the Company assigned Compliance its place within the corporate structure, determined its scope of competence and its responsibilities, the Compliance Committee was set up, the risk map of the Group was drawn up on the basis of executive self-assessments, the regulation and the procedural rules of compliance audits (conflict of interest, business partner due diligence, ethics and compliance audits) were developed, and the Code of Ethics constituting a key component of the program was also created.

The implementation of the Compliance Management System is the responsibility of the Director of Ethics, Compliance and Control, pursuant to a mandate from the CEO. The compliance manager is responsible for ensuring compliance with the applicable laws, internal policies and the Company's Code of Ethics, for identifying unethical, unlawful or excessive business non-compliance, for assigning responsibilities, initiating corrective measures and following up on actions taken by business areas. They are also responsible for delivering compliance policy training, conducting conflict of interest assessments and initiating measures, supporting operation complying with data protection laws, promoting fraud-free and corruption-free operation, supporting the selection of appropriate business partners, supporting the establishment of the information security requirements and criteria required by the law, and supporting the establishment of asset and human security requirements and criteria.

The Ethics, Compliance and Control organization fundamentally pursues a supportive, preventive and control activity, with these roles enforced collectively, aimed at preventing damages and abuse, and minimizing risks across the entire operation of the Company.

2.3 The issuer's statement pursuant to Section 3.4.1 of the Decree No. 24/2008 (VIII. 15.) of the Minister of Finance

The Company declares that its consolidated Financial Statements and Business Report for the year 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, profit and loss of the Company as an issuer and the companies involved in the consolidation.

The Company also declares that its consolidated Annual Report for the year 2022 provides a true and fair view of the situation, development and performance of the issuer and the companies involved in the consolidation, outlining the risks and uncertainties likely to arise in the remainder of the fiscal year.

2.4 Statement of the issuer on the independent audit of the report

The Company declares that the data of this Annual Report were audited by an independent auditor. The independent auditor's report was published as part of the Consolidated Financial Statements.

2.5 Authorization for publication of the Annual Report

This Annual Report was discussed by the Group's Board of Directors and authorized for publication on March 30 2023.

Budapest, March 30, 2023

On behalf of ALTEO Plc.:

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