Separate Financial Statements

of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság

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

Explanation of the abbreviations used in the financial statements:

Abbreviation	Explanation
ARO	Asset Retirement Obligation
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
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization (typically: impairment)
Electricity Act	Act LXXXVI of 2007 – on Electricity
EPS	Earnings per Share
ESOP	Employee Share Ownership Program
EUA	European Emission Allowances
FVTPL	Fair Value through Profit or Loss
Gas Supply Act	Act XL of 2008 on Natural Gas Supply
HEPURA	The Hungarian Energy and Public Utility Regulatory Authority (formerly known as: Hungarian Energy Office)
HTM	Financial instruments held to maturity
HUF thousand	HUF thousand
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
KELER	Központi Értéktár Zártkörűen Működő Részvénytársaság (Central Treasury Private Limited Company)
MAVIR	Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság
O&M	Operation and Maintenance contract
PM	Ministry of Finances
R&D	Research and development – Innovation
SB	Supervisory Board

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The financial statements consist of 102 pages.

I. Numeric reports of the financial statements

ALTEO Nyrt.
Statement of income
and statement of other comprehensive income
Period: 01/01/2022-12/31/2022

(Negative values are denoted by parentheses.)	Note	2022 12 months data in HUF thousand	2021 12 months data in HUF thousand
Revenues	**1.**	**24 812 560**	**13 762 321**
Material expenses	2.	(5 456 898)	(4 053 835)
Personnel expenses	3.	(5 757 621)	(4 189 712)
Depreciation and amortization	4.	(704 636)	(460 830)
Capitalized own production	5.	245 373	207 697
Other revenues, expenses, net	6.	(238 310)	(85 569)
Operating profit or loss		**12 900 468**	**5 180 072**
Income from financial transactions	7.	3 587 838	2 258 848
Expenses from financial transactions	7	(812 196)	(571 571)
Profit or loss on financial transactions (-)	7	2 775 642	1 687 277
Profit or loss before taxes		**15 676 110**	**6 867 349**
Income taxes	8.	(1 649 123)	(605 231)
Net profit or loss		**14 026 987**	**6 262 118**

(Negative values are denoted by parentheses.)	Note	2022 12 months data in HUF thousand	2021 12 months data in HUF thousand
Other comprehensive income (after income tax)	**20.**	-	**-**
Reserves relating to derivative transactions	20.	-	-
Other comprehensive income from cash flow hedges from cash flow hedges into profit/loss	20.	-	-
Comprehensive income		**14 026 987**	**6 262 118**

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2022

Assets

(Negative values are denoted by parentheses.)	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand
Non-current assets		**23 083 877**	**21 392 355**
Property, plant and equipment	9.	2 650 943	2 191 124
Other intangible assets	9.	401 207	304 405
R&D	9.	307 270	354 426
Rights of use	9.	1 031 186	1 006 221
Long-term loans given	10.	7 084 527	7 023 220
Long-term share in subsidiary	11.	11 608 644	10 512 859
Long-term participation in associate	11.	100	100
Current assets and assets held for sale		**32 051 527**	**13 440 654**
Inventories	14.	1 499 000	1 072 351
Trade receivables	15.	10 778 950	6 797 338
Other short-term receivables and accruals	16.	9 825 460	2 649 641
Cash and cash equivalents	18.	9 948 117	2 921 324
TOTAL ASSETS		**55 135 404**	**34 833 009**

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

Continued overleaf

ALTEO Nyrt.
Statement of financial position
for December 31, 2022

Equity and liabilities

(Negative values are denoted by parentheses.)	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand
Equity		**26 450 497**	**14 470 592**
Issued capital	19.	249 066	242 235
Share Premium – Reserves	19.	6 435 484	5 237 704
Retained earnings	19.	21 225 491	9 197 528
Share-based payments reserve	19.	(1 459 544)	(206 875)
Long-term liabilities		**16 442 603**	**14 724 291**
Deferred tax liabilities	12.	1 467 513	331 180
Provisions	22.	15 500	15 500
Debts on the issue of bonds	23.	12 658 274	12 658 274
Other long-term liabilities	24.	914 215	294 408
Lease liabilities - long	25.	867 742	854 316
Deferred income	26.	519 359	570 613
Short-term liabilities		**12 242 304**	**5 638 126**
Short-term bond payables	23.	35 599	2 375 128
Lease liabilities - short	25.	196 077	168 970
Trade payables	28.	584 301	652 527
Short-term loans and borrowings	29.	7 735 000	-
Other short-term liabilities and accruals	29.	3 377 367	2 298 514
Advances received	30.	60 853	8 989
Income tax liabilities	31.	253 107	133 998
TOTAL EQUITY and LIABILITIES		**55 135 404**	**34 833 009**

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

Continued overleaf

ALTEO Nyrt.
Statement of Changes in Equity
for the period ended on December 31, 2022

Data in HUF thousand	*Issued capital Extract from company register 19.1*	*Issued capital repurchased 19.1*	Issued capital under the IFRS (extract from company register-withdrawn) 19.1	Share Premium – Reserves total 19.2	Retained earnings 19.3	Share-based payments reserve 19.4	Total equity
1.1.2021	**242 328**	**(9 356)**	**232 972**	**4 717 549**	**3 390 685**	**169 690**	**8 510 896**
Implementation of employee share award program through shares	-	48	48	4 252	-	-	4 300
Purchase of own shares	-	(3 118)	(3 118)	(290 601)	-	-	(293 719)
Exercise of ESOP I option	-	-	-	62 819	-	(62 819)	-
Completion of ESOP I	-	7 221	7 221	267 159	-	-	274 380
Cash transferred to ESOP organization	-	-	-	(100 000)	-	-	(100 000)
Own shares transferred to ESOP organization	-	5 112	5 112	(5 112)	-	-	-
Non-controlled ESOP participation	-	-	-	575 020	-	(575 020)	-
Receivable form ESOP organization	-	-	-	6 618	-	-	6 618
Recognition of share benefits against profit or loss	-	-	-	-	-	261 274	261 274
Dividend payment	-	-	-	-	(455 275)	-	(455 275)
Comprehensive income in the period	-	-	-	-	6 262 118	-	6 262 118
12.31.2021	**242 328**	**(93)**	**242 235**	**5 237 704**	**9 197 528**	**(206 875)**	**14 470 592**
Implementation of employee share award program through shares	-	16	16	2 645	-	-	2 661
Share premium capital increase (private, 545,200 shares)	6 815	-	6 815	1 129 927	-	-	1 136 742
Cash transferred to ESOP organization	-	-	-	2 063	-	(1 460)	603
Cash transferred to ESOP organization used to acquire shares	-	-	-	-	-	(1 136 742)	(1 136 742)
Cash transferred to ESOP organization used to acquire shares	-	-	-	-	-	(298 540)	(298 540)
ESOP operating cost	-	-	-	-	(2 874)	-	(2 874)
Recognition of share benefits against profit or loss	-	-	-	-	-	184 073	184 073
Rounding	-	-	-	-	(4)	-	(4)
Dividend approved for 2021	-	-	-	63 145	(1 996 146)	-	(1 933 001)
Comprehensive income in the period	-	-	-	-	14 026 987	-	14 026 987
12.31.2022	**249 143**	**(77)**	**249 066**	**6 435 484**	**21 225 491**	**(1 459 544)**	**26 450 497**

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

The Equity correlation table required as part of Section 114/B of the Accounting Act is presented in Note 21.

Continued overleaf

Statement of Cash Flows of ALTEO Nyrt.

Period: 01/01/2022-12/31/2022

	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand
Profit or loss before taxes		**15 676 110**	**6 867 349**
Interest income and interest expenses, net loss (gain)	7.	(304 508)	198 957
Dividend (income)	7.	(1 767 701)	(1 930 000)
Unrealized exchange rate differences (loss/gain)	7.	19 078	8 424
Effect of depreciation on profit or loss	4.	704 636	460 830
Profit/loss on scrapping of production and other machinery	9.	16 030	415
Recognition of impairment and forgiveness in profit or loss	6.	237 774	137 061
Provisions recognized and released	6.	-	-
Deferred income increase (decrease)	26.	(51 254)	173 373
Exchange rate effect of other comprehensive income	20.	-	-
Share-based payment cost	19.	830 840	252 853
Changes in deferred tax	8.	1 136 333	283 342
Profit or loss on derecognizing fixed assets	6.	1 028	582
Net cash-flow of business activity without change in current assets		***16 498 365***	***6 453 186***
Inventories (increase) and decrease	14.	(426 649)	(669 533)
(Increase) and decrease in trade receivables, other receivables, accrued income and deferred charges	15.	(12 019 113)	(4 334 326)
(Increase) and decrease in other financial assets	16.	-	128 949
Increase and (decrease) in trade payables, other liabilities, accrued expenses and deferred income	28.	1 240 854	(91 570)
Advances received (increase) and decrease	30.	51 864	(37 511)
Change in net current assets		***(11 153 044)***	***(5 003 991)***
Operating cash flow before taxes		**5 345 321**	**1 449 195**
Effect of income taxes on profit or loss		(1 649 123)	(605 231)
Cash generated / (used) in operating activity		**3 696 198**	**843 964**
Interests received on deposits and investments	7.	1 000 735	174 048
Purchase of production and other machinery, and intangible assets	9.	(1 015 818)	(1 836 414)
Investment in acquiring businesses (net of cash)	11.	(585 332)	(16 852)
Revenue from the sale of production and other machinery, and intangible assets	6.	2 637	826
Long-term loans given - disbursement	10.	(471 619)	(1 301 000)
Long-term loans given - repayment	10.	231 570	982 866
Cash generated / (used) in investment activities		**(837 828)**	**(1 996 526)**
Interest paid	7.	(577 918)	(366 596)
Loans, bonds, credits and liabilities borrowed	29.	7 735 000	-
Loans, bonds, credits and liabilities repaid	23.	(3 233 340)	25 603
Change in leases	25.	(4 427)	-
Capital increase, purchase of own shares	19.	1 133 865	-
Transfer of ESOP cash and cash equivalents and other transactions with owners	19.	(1 434 680)	(100 000)
Dividend received	7.	2 502 000	1 930 000
Dividend payment	7.	(1 933 001)	(455 275)
Cash generated / (used) in financing activities		**4 187 499**	**1 033 732**
Changes in cash and cash equivalents		**7 045 870**	**(118 830)**
Opening cash and cash equivalents	18.	2 921 324	3 048 578
Cash exchange gains/losses	7.	(19 078)	(8 424)
Closing cash and cash equivalents	18.	**9 948 117**	**2 921 324**

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

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

1. Statement of IFRS compliance

ALTEO Energiaszolgáltató Nyrt. (the "Company") declares that its separate Financial Statements as of the parent company 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 of the Company as an issuer, as well as of its profit and loss. Furthermore, the Company declares that its separate Financial Statements of the parent company for the year 2022 provide a true and fair view of the situation, development and performance of the issuer, outlining the main risks and uncertainties.

2. Statement of compliance with decrees of the Ministry of Finance

ALTEO Energiaszolgáltató Nyrt. (the Company) represents and warrants that with regard to its individual data reporting obligations as parent company for 2022 it has complied with the statutory requirement concerning its disclosure obligation regarding publicly traded securities as set out in Decree 24/2008 (VIII. 15.) of the Minister of Finance. The Company has fully complied with the requirements set out in Annex 1 to the aforementioned legislative provision.

3. Statement of compliance with Act CXX of 2001 on the Capital Market

ALTEO Energiaszolgáltató Nyrt. (the Company) states that with regard to its individual data reporting obligations as parent company for year 2022 it has complied with the legal obligations concerning its disclosure obligation set out in Section 54 of Act CXX of 2001 on the Capital Market.

4. Introduction to ALTEO Nyrt.

ALTEO Nyrt. is an energy and engineering service provider listed on the Equities Prime Market of the BSE, its scope of business activities includes the operation of renewable-based energy generating and trading companies based as well as industrial energy management. We provide our customers with a reliable and environmentally responsible energy supply management based on the sustainable use of renewable energy.

ALTEO is a dynamically developing company, and we are always on the lookout for new opportunities for investment and growth and we work continuously to ensure that we provide our customers and partners with the most innovative range of services of the highest quality in an effort to achieve a continuous increase in shareholder value.

The shares of the company, admitted to 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.

ALTEO strives to be not only a financially profitable, but also environmentally and socially sustainable and responsible energy company. Throughout its operations, it is constantly seeking solutions that can respond to the challenges of energy supply in a sustainable and also profitable manner.

The combination of these values created the concept of impact investment as an investment strategy. This is an extremely popular concept in western countries but still relatively new in Hungary, with ALTEO as a responsible company being one of the first representatives in the country. The essence of impact investment is for a given investment to be also socially and environmentally sustainable, in addition to generating financial returns. It is important to emphasize that the three factors together make up this investment strategy, so in terms of its positive impact on the environment and society, it is not a donation: return is clearly one of the most important measures of investment also in this case.

5. Basic information of ALTEO Nyrt.

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.

Basic information of ALTEO Nyrt.	
The Company’s name	ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság
The Company’s abbreviated name	ALTEO Nyrt.
Registered office and center of operations of the Company	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	Budapest April 28, 2008
Company registration number	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
Registered core activity of the Company	Engineering activities and related technical consultancy (Hungarian NACE 7112’08)
Governing law	Hungarian
The Company’s share capital	HUF 249,143,425
Date of the effective Articles of Association	11/07/2022

Ownership structure of the Company

The majority shareholder of the Company is Wallis Asset Management Zártkörűen Működő Részvénytársaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-10-046529). The Company's ultimate parent company as at December 31, 2021 was WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (H-1055 Budapest, Honvéd utca 20, company registration number: 01-09-925865). The shareholders of this entity are all private individuals. Ownership structure of ALTEO Nyrt. based on the share register as at December 31, 2022:

Present shareholders of the Company based on the share register as at December 30, 2022	Quantity (of shares)		Face value (HUF thousand)		Ownership ratio (%)	
	2022	2021	2022	2021	2022	2021
Wallis Asset Management Zrt. and its subsidiaries	10 278 009	12 274 864	128 475	153 436	51,57%	63,32%
Consortium led by MOL RES Investments Zrt.	1 991 040	-	24 888	-	9,99%	0,00%
Members of the Board of Directors, the Supervisory Board and the Executive Board	914 324	923 509	11 429	11 544	4,59%	4,77%
Repurchased own shares	6 220	7 487	78	94	0,03%	0,04%
ALTEO ESOP Organization	1 158 263	477 363	14 478	5 967	5,81%	2,46%
Free float	5 583 618	5 703 051	69 795	71 288	28,01%	29,41%
TOTAL	**19 931 474**	**19 386 274**	**249 143**	**242 328**	**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 3,200, which is 46.78% higher than the same value in the last year (HUF 2,180). The share trading volume in 2022 was 2,386,394 shares in the value of HUF 6,111 million.

In its Resolution No. H-KE-III-77/2023. dated February 3, 2023, the Central Bank of Hungary (hereinafter: "Supervisory Authority") approved the statutory public takeover bid submitted (and amended on February 2, 2023) by MOL RES Investment Zrt. designated offeror wholly owned by MOL and Főnix Private Equity Fund managed by Diófa Alapkezelő Zrt., and Riverland Private Equity Fund managed by Indotek-Investments Zrt. as persons acting in concert for the purchase of registered ordinary shares issued by ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "Alteo") with a face value of HUF 12.5 each (ISIN identifier: HU0000155726) on December 16, 2022 to obtain control exceeding the level specified in Section 68(1)b) of Act CXX of 2001 on the Capital Market (hereinafter: "Capital Market Act"). The offer price per share specified in the statutory public takeover bid was HUF 3,040. The first day of the period open for issuing a declaration of acceptance regarding the statutory public takeover bid is February 10, 2023 (09:00 a.m.), while the last day of that period is March 13, 2023 (03:00 p.m.).

Scopes of consolidation

The Company's parent company involving it in consolidation is WALLIS PORTFOLIÓ Kft.

ALTEO Nyrt., as parent company, is obligated to prepare a consolidated annual report and a consolidated business report. In accordance with Section 10 (2) of the effective Act C of 2000 on Accounting, the Company complies with its consolidation obligation by publishing a report and a Board of Directors report compiled in accordance with the IFRSs.

6. The basis for preparation of the financial statements

These Financial Statements were prepared in accordance with Act C of 2000 on Accounting ("Accounting Act") as currently in force. In accordance with the Accounting Act's rules for the preparation of IFRS financial statements, the International Financial Reporting Standard ("IFRS") established by the International Accounting Standards Board ("IASB"), as endorsed by the European Union, applies. 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.

These financial statements present the financial position, performance and financial situation of ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság. The Company first published separate financial statements prepared under IFRS for its 2017 business year.

Beside the above, the Company 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 and Act CXX of 2001 on the Capital Market.

These financial statements contain information for a comparable period and were prepared based on the same principles.

Going concern requirement

The Company's Board of Directors determined that the Company will be able to continue as a going concern, which means that there are no signs that would imply that the Company intends to terminate or significantly reduce its operations in the foreseeable future (within one year from the reporting date).

Critical accounting assumptions and estimates

The Company 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.

Preparation, approval and publication of the financial statements

The Company's CEO acting on behalf of the Board of Directors ensures that the Company's financial statements and the related Separate Business (Management) Report are prepared. The Board of Directors publishes the finished financial statements and the Separate Business (Management) Report and submits them to the General Meeting after having them reviewed by the Supervisory Board.

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

The Company's places of disclosure

- On the electronic reporting portal operated by the Ministry of Justice (www.e-beszamolo.im.gov.hu),
- on the website operated by the Central Bank of Hungary www.kozzetetelek.mnb.hu,
- on the website of the Budapest Stock Exchange (www.bet.hu), and
- on its own website (www.alteo.hu).

The authorized signatories of the annual report are Attila László Chikán (H-1144 Budapest, Gvadányi utca 15. 8. ép. B. lház. fszt. 2.), member of the Board of Directors, CEO, and Zoltán Bodnár (H-2045 Törökbálint, Honfoglalás utca 12.) CFO.

The person commissioned to control and lead the auditing tasks in accordance with Section 88 (9) of Act C of 2000: Dóra Éva Juhász Vadászné (registration number: 123304).

7. *Significant accounting policies*

Presentation of the separate financial statements

The separate financial statements of ALTEO Nyrt. comprise the following (parts):

- separate statement of income;
- separate statement of financial position;
- separate statement of other comprehensive income;
- separate statement of changes in equity;
- separate statement of cash flows;
- notes to the separate financial statements.
- Management report

The Company is not required to prepare a report containing information on corporate tax because the Company and its consolidated affiliated companies publish a report in compliance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, and that report contains the information covered by this chapter for all our activities and, in the case of the top-level parent companies, all the activities of all consolidated affiliated companies.

The Company presents the separate statement of income and the statement of other profit or loss in separate statements.

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

Currency of presentation of the financial statements

The Company's functional currency is the Hungarian Forint. The financial statements were drawn up in HUF (presentation currency) and the figures displayed are in thousand HUF unless otherwise indicated. The foreign currency relevant to the Company is the Euro. The exchange rate of the currency in the reporting period was as follows (currency unit per HUF according to the exchange rates of the Central Bank of Hungary):

Currency	12.31.2022	2022 average	12.31.2021	2021 average
euro (EUR)	400,25	391,33	369,00	358,57

Significant decisions regarding presentation

The financial statements cover a period of one calendar year. The reporting date of the financial statements for each year is the last day of the calendar year, i.e. December 31. The Company prepares and publishes separate financial statements annually. No interim separate financial statements are prepared.

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

The Company discloses operating segment information in the notes to the financial statements. Operating segments are determined in accordance with the strategic requirements of the management.

The Company's management established the following segments:

Name of segment	Description of segment
Operation Business	Operation and maintenance of power plants
Ventures and Power Plant Construction Business	Construction-installation activities
Other (admin and management)	Other non-segment activities and central administration.

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

Changes in comparative data

The previous IFRS financial statement of the Company was drawn up for the fiscal year of 2021. The 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 carrying values for the comparative period are also presented by the Company.

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. There were no reclassifications in 2022.

Accounting policies related to the separate statement of income

Revenues

The Company 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. The 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 apply to financial instruments; they are regulated by 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.
The Company does not recognize items collected on behalf of other entities to be recharged later as part of revenue because the Company has no control over these items. The Company identified the following as such items:

Name	Content of item
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 Company and no practical risk arises on the part of the Company in connection with this, then reselling is done in an “agency structure” and the item is no part of the revenue.
Value added tax	Value added tax within the meaning of Act CXXVII of 2007.

In connection with the customer contracts, the Company applies the 5-step model specified in the standard. In most of the existing contracts, the date of performance is not separate from the billing period, therefore, the realization of the revenues is not separate from the actual billing. Regarding contracts where several elements are transferred (or are recognized as being transferred) to the buyer at the same time, the Company realizes of the revenue – allocates it to contractual elements or periods – according to the underlying economic content.

The following contracts or contractual elements are included in this category:

- general construction-installation contracts
- overhaul component in operation and maintenance 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.

The Company performs individual assessments and investigations of its buyers' contracts. 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. The Company found that its contracts do not contain such an element.

Contractual assets

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 Company presents any proceeds from leases strictly related to its activities as revenues.

Expenses related to operation

Non-finance expenses are to be classified as follows:

- material expenses;
- personnel expenses;
- depreciation and amortization.
- Changes in the inventory of stocks produced by the Company
- Capitalized value of assets produced by the Company

Other revenues and expenses

Other income recognized by the Company 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 Company in the statement of profit or loss and other comprehensive income as net figures.

Finance income and expenses

The Company accounts for its finance income and expenses according to the IFRS 9 regulation.

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 IFRS 9 regulates hedge accounting as well; according to this, far more connections (economic phenomena) meet the application conditions of hedge accounting, and the previous conditions of compliance (extent of efficiency, proving the existence of efficiency) have been relaxed.

Dividend income and interest income are recognized as finance income. Interest income shall be accounted for on a pro rata temporis basis. Dividend income must 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 Company in finance income. The Company shows finance income in its statement of profit or loss and other comprehensive income after offsetting.

Income taxes

The following are recognized as income tax:

- corporate tax (Act LXXXI of 1996 on Corporate Tax and Dividend Tax)
- 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 Company'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).

Discontinued activities

According to the provisions of the standard, the Company 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. There were no separate presentations in 2021 and 2022, the Company had no discontinued activities.

Application and concept of EBITDA

To facilitate the assessment of profit or loss, the Company management discloses the EBITDA figure with the content defined by the Company. 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 Company modifies the net profit or loss with the following items:

Finance income*:* the Company adjusts the net income with all items included in the finance income (effective interest, exchange rate differences, dividends, etc.) so the Company 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 Company when calculating the indicator.

Depreciation and amortization, impairment of fixed assets*:* the depreciation, amortization of assets belonging under IAS 16, IAS 40 and IAS 38 and assets recognized at the Company as assets and given to operating lease or concession as well as impairment recognized regarding fixed assets are eliminated when calculating the indicator (they are "returned"). The non-systematic decrease of such assets (typically: impairment) is adjusted by the Company retroactively, similar to depreciation and amortization. We do not adjust the impairment of other assets, financial instruments (e.g. trade receivables, inventories) when calculating the indicator. However, the amount of any adjustments recognized in respect of the measurement of certain liabilities (e.g. amortization, revaluation of a deferred purchase price) is adjusted.

EPS – earnings per share the shareholders are entitled to

When calculating earnings per share, the Company presents them in Section IV.34 of its consolidated financial statements based on the net profit or loss of the ALTEO Group. The EPS indicators of the individual IFRS report are not presented in the numeric reports of the financial statements.

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 more than one year after commissioning are classified by the Company as property, plant and equipment. 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 Company 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 are 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 Company estimates the ARO using a percentage coefficient between 0% and 10%. The Company used a discount rate of 8.57% for discounting in 2022. For the present PPE inventory, no ARO need to be recognized.

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 Company 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.

The Company measures the fixed assets subsequent to initial recognition using the cost model (initial value reduced by accumulated depreciation and accumulated impairment losses).

The base of depreciation 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.

The Company calculates depreciation for each component on the basis of the depreciable value and uses the straight-line depreciation method.

The following depreciation rates are used for assets:

Asset group	Extent of depreciation
Land	non-depreciable
Buildings, leased real estate	1–6%
Power plant equipment	1–20%
Non-production machinery	14–33%
Office equipment	14–50%

The useful life of each component must be reviewed, and it must be determined 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 Company as a component of the given asset and the Company examines whether the asset's 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.

Investment property

The Company owns no investment property.

Intangible assets

The initial recognition cost 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 immediately when there is an indication of impairment.

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, straight-line 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.

Internally developed assets

The Company management considered the recognition of internally developed assets.

In the opinion of the Company's management, the development activity aimed at generating other intangible assets meets the IAS 38 recognition criteria and the know-how created as a result of the activity will be recovered through increased income or reduced costs. The cost of the development project is recognized among intangible assets. The cost of intangible assets shows the certified and accrued expenses directly related to the project.

Leases

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 Company 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 Company 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.

Borrowing costs

In accordance with the provisions of IAS 23, borrowing costs are capitalized by the Company if it uses the loan to finance 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) can be considered as a qualifying asset as follows:

- 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 Company or third parties).

The classification is independent of the value of the asset.
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 Company, 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. In 2022 no borrowing costs were incurred or capitalized.

Government grants

As a general rule, grants are recognized by the Company as income. Income is distributed over the periods for which it is granted. 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 (e.g. asset-related grant), it is recognized as other income.
In the case of asset-related grants, the revenue recognition period is during which the subsidized asset is used.

Grants may be accounted for if

- it is essentially certain that the Company 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 the reporting period, the Issuer had no unfulfilled and other contingent liabilities attached to government assistance, therefore it has no items specified in para. 39(c) of IAS 20.

Assets held for sale

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 Company 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 Company and are measured at the lower of their carrying amount as at the reporting date and fair value less the cost of disposal. The resulting difference is recognized by the Company 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.

Inventories

Inventories are stated in the financial statements at the lower of their cost or net realizable value. The Company 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.

Accounting for impairment losses other than financial instruments and identifying CGUs

The groups of assets that generate cash income independently from other designated asset groups are considered by the Company to be cash-generating units (CGU).

The Company defines its cash-generating units as follows:

- The entirety of the Company's power plant equipment generating heat and electricity under the control of the AVPP (Ancillary Services asset group) All major production assets are under the control of the ALTEO virtual power plant (AVPP), responsible for controlling the capacities and the production of the Company. The virtual power plant allows the Company to exploit synergies between various producers, to be present in markets where individual producers would not be able to, and to achieve significantly higher profitability than individual producers would. Through immediate, complex (mostly automated) decision-making, the AVPP strives to optimize the utilization of the entire portfolio at any time.
- Business lines with no substantial assets:
    - Operation
    - Maintenance
    - Project implementation

The Company tests its assets for impairment each year. 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.

If an asset is impaired, the appropriate value calculation needs to be performed, which allows the recoverable amount of the asset to be determined (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.

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, 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.

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 in the distant future), 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:

- onerous contracts
- 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;

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 Company 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 be recognized for costs associated with discontinued operations. But no provision can be recognized for continuing operations (e.g. cost of retraining or relocation).

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.

Employee benefits

The Company provides predominantly short-term employee benefits to its employees. These are recognized by the Company 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 company affected (constructive obligation).

The Company operates a defined contribution retirement benefit plan only and the contribution is calculated on the basis of salaries paid; therefore, such contribution is accounted for at the same time as salaries.

The Company operates in a legal environment in which employees are entitled to paid leave. If 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

These include cash, equity instruments of another entity, contractual rights which entitle the Company to future cash flows as well as those which entitle the Company to exchange financial instruments at potentially favorable conditions.

Financial assets are classified by the Company as follows:

a) Cash and cash equivalents
b) Debt

c) equity instrument
d) derivative

a) cash and cash equivalents:

Those low-risk, highly liquid, short-term investments which can be converted without any limitation to known amounts of cash, and no fluctuation in interest rates has any material effect on their values.

b) in the case of debt instruments:

Loans and receivables (assets evaluated at amortized cost): 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 Company typically records the following items in this category:

- loans given
- trade receivables
- advances given
- other receivables

The purpose of holding these assets is to collect contractual cash flows, that is, these assets are held by the Company 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 Company has no assets with massive multiplicity or assets with similar characteristics in the case of which the portfolio method could be applied.

c) capital instruments include only assets that represent a shareholding and do not fall within the scope of the standards regulating group accounts, that is, are not subsidiaries, joint organizations or associates.

d) 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. In the case of the Company, these are typically derivative transactions, except where the rules on hedge accounting provide otherwise. If the Company concludes a transaction (such as forward foreign exchange contracts or interest rate swaps) which do not comply with the hedge accounting rules, these will be classified as FVTPL.

Financial liabilities must be classified into the following groups.

a) Financial liabilities measured at fair value through profit or loss: derivative transactions and forward contracts acquired for trading purposes are included by the Company in this category. Typically, the Company does not enter into contracts which result in such financial assets, with the exception of forward foreign exchange contracts and interest rate swaps.

b) Other financial liabilities: All other financial liabilities are classified into this category. Typical items include:
   - trade payables;
   - loans and borrowings payable;
   - bond payables;
   - advances received.

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

At initial recognition, all financial instruments are measured by the Company at fair value. Transaction costs are capitalized unless the instrument is classified as FVTPL. In this case the transaction cost is expensed.

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 Company 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 Company 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), then the last applicable interest rate is used by the Company as the effective interest rate.

The Company 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 Company 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.

Application of the expected credit loss (ECL) model

The management of the Company updated its estimates for the model in the current year. The applied rates were redefined by taking account of the risks associated with that business line. The extent of the Company’s recognized impairments is low, due to the receivable management processes developed in the past years. In the case of the related transactions (including the majority shareholder, the WALLIS Group), previously there was no need to account for impairment.

Hedge accounting

The hedge accounting provisions of IFRS 9 and the methodology of their application are described in detail in the accounting policy of the Company. In the case of cash flow hedge transactions, in accordance with IFRS 9, the difference arising on hedge instruments is recognized in other comprehensive income instead of net profit or loss to the extent of the effective portion, and the resulting difference is accumulated in a separate reserve in equity (the cash flow hedging reserve). The concerned part of this reserve is recognized in the statement of profit or loss when the hedged cash flow (interest) occurs or when the hedge becomes ineffective.

To qualify for hedge accounting, the relevant transaction must be formally designated and there must be evidence for hedge effectiveness. In 2022 the Company used hedging transactions with regard to the settlement of trade payables in the context of the procurement of the electric boiler in Sopron.

Interest in other entities

The Company holds several investments in other entities that are consolidated or must be treated as associates. In the separate financial statements, these shall be valued by the Company at their initial recognition cost, reduced by accumulated impairment. Dividends received from a subsidiary are recognized by the Company in the profits.

Detailed information on subsidiaries are presented in Section 1 Information on the Group.

The Company had no joint ventures.

The cash flow generated by the companies involved in the consolidation is freely available to the Company (there are no restrictions on access). The rate of control within the Company is determined based on voting rights. The ownership-based rate of control in the subsidiaries of the Company was not affected by any management contracts.

The Company has no interests where voting rights do not serve the management of the relevant activities leading to control (structured entities).

None of the Company members qualify as an investment entity.

The Company recognizes its controlled subsidiaries at cost.

Share-based payments

The Company motivates certain 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 Company grants Shares to the employees who have become eligible to them on the basis of the Company's recognition plan. The number of shares corresponding to the amount granted as a reward is determined by the market price effective on the date of the transfer. The amount of the benefit must be accounted for as expense at the moment when it is granted, in accordance with the provisions of IFRS 2, against personnel expenses.

Current income tax expense and deferred taxes

The actual income tax expense for the current year is calculated by the Company in accordance with the applicable tax laws and is recognized in current liabilities (or current receivables, as the case may be). In addition, deferred taxes are also estimated and are shown in long-term liabilities or non-current assets. Deferred taxes are calculated using the balance sheet method, with the effects of subsequent changes in tax rates taken into account. 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.

General accounting policies relating to the statement of cash flows

The Company'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.

Equity

The Company recognizes the following items in the statements as parts of the equity:

Name of capital element	Content of capital element
Issued capital – Certificate of Incorporation	Number of issued shares times the face value.
Issued capital – redeemed	Number of redeemed own shares times the face value.
Issued capital IFRS	Number of issued shares times the face value. The face value of own shares bought back is deducted from the capital element
Share Premium – reserves	The entirety of payments for the issued shares above their face value, the value of transactions conducted with capital owners as such, presenting allocations for the owners (e.g. part of the shares bought back above face value) separately
Retained earnings	The amount of the cumulated profit or loss not paid as dividend (that is, the aggregate profit or loss), development reserve generated
Share-based payments reserve	Reserves established based on the IFRS 2 standard

Name of capital element	Content of capital element
Cash flow hedge reserve	Reserves established in accordance with the provisions of the IFRS9 standard, based on the value of the non-realized cash flow positions at the end of the period. Only the efficient part according to the documentation of the cash flow hedge transactions can be recognized as part of the reserves.

In the notes the Company publishes information concerning the following shares with regards to all classes of the share capital:

- number of shares authorized for issuing;
- number of shares issued and fully paid, and the number of shares issued but not yet fully paid;
- face value of shares;
- checking the number of shares in circulation at the beginning and the end of the period;
- rights, preferential rights and limitations assigned to the share class in question, including
- limitations concerning dividend payment and capital repayment;
- ESOPs and their particulars
- shares owned by the Company or its subsidiaries or associates;
- shares reserved to be issued under options and contracts concerning sale of shares, including terms and amounts.

The Company prepares the equity correlation table prescribed in Section 114/B of the Accounting Act. The equity correlation table contains the opening and closing data of the individual elements of equity according to the IFRSs and, deduced from that, the opening and closing data of the following equity elements:

Name of element	Content
Equity	Amount of the equity according to the IFRSs, increased by the amount of the received additional monetary contribution recognized as liabilities according to the IFRSs, decreased by the amount of the paid additional monetary contributions recognized as assets according to the IFRSs, increased by the amount recognized as deferred income from the value of financial assets, assets received to be transferred into capital reserve according to legal regulations, decreased by the amount of the receivable recognized against shareholders due to capital increase qualifying as capital instrument.
Issued capital registered at the court of registration	The issued capital as determined by the articles of association if it qualifies as capital instrument.
Issued capital according to the IFRSs	The issued capital as determined by the articles of association minus the nominal value of shares bought back, if the issued capital qualifies as capital instrument.
Issued but yet unpaid capital	The amount not yet at the disposal of the business entity from the issued capital according to the IFRSs.
Capital reserve	The amount of all the elements of equity not belonging to the concepts of issued capital, the issued but unpaid capital, the retained earnings, the evaluation reserve, the profit after taxes or allocated reserve according to the IFRSs.
Retained earnings	Accumulated profit after taxes recognized in the annual report according to the IFRSs not yet paid to the shareholders, including amount accounted for the benefit or against the accumulated profit or loss according to the IFRSs; it cannot contain other comprehensive income according to the standard

Name of element	Content
	IAS 1 Presentation of Financial Statements with the exception of reclassification modifications. Amounts generated this way must be decreased by the amount of the paid additional monetary contribution recognized as asset according to the IFRSs and the amount of the unused development reserve decreased by the related deferred tax calculated based on the standard IAS 12 Income Taxes.
Evaluation reserve	the cumulated amount of the other comprehensive income in the comprehensive income statements according to the standard IAS1 Presentation of Financial Statement also including the other comprehensive income in the current year.
Profit or loss after taxes	the concept defined in Section 114/A (9) of the Accounting Act.
Allocated reserves	the amount of the received additional monetary contribution recognized as liability according to the IFRSs, increased by the amount of the unused development reserve decreased by the related deferred tax calculated based on the standard IAS 12 Income Taxes.

Dividends

Dividend is paid 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 shares that do not entitle their holders to dividend pursuant to Section 3:298(3) of the Civil Code.

Other accounting policies

Transactions denominated in foreign currencies

The functional currency is the currency which reflects the operation of the entity in question the most accurately. The Company's functional currency is the Hungarian Forint (HUF).

An entity may incur exchange differences on translation only with respect to a foreign currency. Transactions in foreign currencies are translated into forint using the foreign exchange rate announced by the Central Bank of Hungary, effective on the day of performance. Incoming supplier and outgoing customer invoices where the exchange rate calculation according to the provisions concerning the determination of the tax base in Hungarian forint, within the meaning of Act CXXVII of 2007 on the Value Added Tax shall be applied, are exceptions.

During the year the realized exchange rate gain/loss amounts are from the difference between the exchange rates effective on the day of performance and the day of financial performance; these amounts are recognized by the Company among other incomes, expenses of financial transactions.

The Company 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, the Company uses the exchange rate for the reporting date published by the Central Bank of Hungary.

Objectives of accounting system maintenance

The Company established the structure of its financial system (e.g. chart of accounts, analytics) beyond the provisions of the IFRS so that data required by other fields of expertise can be retrieved.

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' statement of financial position total of the business 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.

8. Description of risks

The management of the Company considered and assessed the specific risk factors associated with ALTEO 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.

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

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

a. Macroeconomic and legal system related risk factors

1. Risks stemming from the legal system

The legal system can be considered relatively underdeveloped in Hungary and in certain other strategic target countries where ALTEO Nyrt. operates. 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.

2. Macroeconomic factors

ALTEO Nyrt's 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 ALTEO Nyrt. operations.

3. Taxation

The current taxation, contribution and stamp duty regulations applicable to ALTEO Nyrt are subject to change in the future, meaning, in particular, that it is 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 ALTEO Nyrt's tax liability. Applicable tax regulations are open to frequent and major changes, even with retroactive effect, which could impact ALTEO Nyrt's sales revenue and profitability alike.

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 Nyrt. 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 Nyrt. 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 Nyrt.'s operations, revenues and profitability.

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 Nyrt.

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

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. In 2018, the European Union adopted new energy-related laws under the title “Clean Energy For All Europeans”.
Changes in these regulations and the transposition of the EU regulatory framework may have a significant impact on the operation, profitability, market position and competitiveness of ALTEO Nyrt.

8. Regulated prices

The various affiliates of the ALTEO Nyrt. engage in activity whose price is determined or capped through laws or authority regulations (including in particular those of 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.

9. Electricity balancing reserve capacity system risks

In addition to the development of the price margin between electricity and heat energy, the financial position of gas-fired power plants is significantly influenced by the pricing and accessibility of the electricity markets for balancing reserve capacity and energy within the electricity system. If, for some reason, access to these markets becomes limited with respect to production units within the sphere of business interests of ALTEO Nyrt., 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 ALTEO Nyrt. Considering that ALTEO Nyrt. is present on the balancing energy market(s) as a service provider as well as a buyer of services, price changes in such market(s) may have a significant effect on the capacity of the Company to generate financial income.

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 some reason, access to these markets becomes limited with respect to production units within the sphere of business interests of ALTEO Nyrt., 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 ALTEO Nyrt. Considering that ALTEO Nyrt. 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.

11. Government grants

The operation and profitability of ALTEO Nyrt. may depend on the amount of state subsidies applicable to the utilization of renewable energy sources and cogenerated energy, as well as those for investment projects and operation, moreover on 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.

12. CO_2 emission market, CO_2 quota allocation system and CO_2 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 Nyrt. are going to be allocated, free of charge, an emission unit allowance that will decrease every year, based on the National Implementation Measure published by the Ministry for Innovation and Technology and approved by the European Commission. A significant change compared to the third trading period is that in trading period IV, 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. This is to ensure that the allocation better reflects the real activity of the facilities.
Changes in the legal environmental and allocation system rules to achieve the climate policy targets, and the increase in the price of emission allowances can have a considerable impact on the operating costs and economic results of ALTEO Nyrt.

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 ALTEO Nyrt. uses, but, in certain cases, might even completely eliminate their use. If ALTEO Nyrt. has no appropriate experience with or cannot access (on account of patent protection or due to other grounds) solutions and technologies that become prominent, this may lead to ALTEO Nyrt. losing market share, and a decrease in its revenues and profitability. There is no way to guarantee that ALTEO Nyrt. will always be in a position to choose and procure, then operate—in a most profitable way—the most efficient technology.

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, including state or municipality owned and controlled companies, that compete or may start competing with ALTEO Nyrt. in the future on the various markets where ALTEO Nyrt. is also present. 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 services by ALTEO Nyrt., or increase the Group's costs, which may have an adverse effect on the bottom line of ALTEO Nyrt., as measured on a consolidated basis.

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 financing needs of ALTEO Nyrt., and/or the costs of funding, make access to and the 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.

The bank loans taken out by ALTEO Nyrt. have variable interest rates, and are linked to reference interest rates, such as BUBOR. Any unfavorable change in interest rates could have an adverse effect on the profitability of ALTEO Nyrt. ALTEO Nyrt. 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, ALTEO Nyrt. cannot 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 Nyrt. members. As a result, ALTEO Nyrt. 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.

16. Foreign exchange rate changes

The part of the sales revenue of ALTEO Nyrt. 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 ALTEO Nyrt. might have a negative effect on the business activity and profitability of ALTEO Nyrt. ALTEO Nyrt. manages this exposure through hedging of the relevant items, however, even so the resulting risks cannot be completely excluded.

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 Nyrt., which in turn may have a negative impact on the profitability of ALTEO Nyrt.

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 ALTEO Nyrt.

19. Environmental legislation

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

20. Risks related to the spread of COVID-19

To the best of its knowledge, ALTEO Nyrt. 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, the COVID-19 virus may affect the markets where ALTEO Nyrt. operates, thus it may have an indirect impact on the operations and profitability of ALTEO Nyrt. The management of ALTEO Nyrt. is not in a position to assess the risks from the potential outcomes of the COVID-19 virus in the entire supply chain or the risks indirectly affecting the Company.

The personnel of ALTEO Nyrt. itself, as well as the workforce of its subcontractors and suppliers involved in specific ongoing projects may be affected by the spread of COVID-19 and the measures taken or to be taken in that context. Potential illnesses can have a negative impact on the workflows of ALTEO Nyrt., the scheduling of ongoing projects, and can have adverse labor market consequences. The state of danger introduced in Hungary may have a negative impact on the profitability and solvency of the customers and users of ALTEO Nyrt., and may result in a reduction in their energy needs and willingness to invest, which may adversely affect the profit earned by ALTEO Nyrt. ALTEO Nyrt. 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.

The management of ALTEO Nyrt. 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 Nyrt., could have a negative impact on the business activity and profitability of ALTEO Nyrt.

21. **Illness of the workforce**

In addition to COVID-19, there is a risk that the staff of ALTEO Nyrt. itself, 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 Nyrt.'s work processes, the scheduling of ongoing projects and have adverse labor market consequences.

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 Nyrt., 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 ALTEO Nyrt.

c. Risks specific to the ALTEO Group

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, this may have a highly adverse impact on the business activity and profitability of the ALTEO Group.

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 at its sites in Sopron, Kazincbarcika, Tiszaújváros and Zugló.

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.

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.

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.

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, in accordance with the present Financial Statements, the Company is currently preparing for the implementation of several projects. 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 Financial Statements; furthermore, the implementation of other future projects may precede or substitute projects known on the date of the present Financial Statements.

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

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 energy 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.

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.

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.

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.

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 companies of the ALTEO Group 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.

33. **Fuel risk**

The price of strategic fuels used by the ALTEO Group is in line with the market processes. The possibility that the price of the fuels procured by the ALTEO Group will increase in the future cannot be excluded, 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, 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 Company.

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.

35. **Information technology systems**

The activity of the ALTEO Group (in particular, the supervision of the power plants) depends on how information technology systems operate. The improper 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.

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.

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.

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.

39. 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. Managers or key employees leaving the Company or their absence may have a negative impact on the ALTEO Group's operation and profitability.

40. 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.

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 by the authorities will result in statements leading to substantial expenses for the ALTEO Group, or that the competent authorities will impose certain sanctions (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.

42. Key licenses and qualifications

For performing their activities, members of the ALTEO Group need several permissions (such as small power plant consolidated permit, 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.

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.

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.

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 those heating power plants upon the expiry of such contracts, at the value specified in the accounting records.

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 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 their purchase option, and the parties are unable to reach an agreement on the future of the heating power plant, Zugló-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.

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.

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.

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 National Tax and Customs Administration of Hungary (abbreviation in Hungarian: NAV) performed a comprehensive tax audit at the Company for the year 2020. The audit findings 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.

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 the ALTEO Group.

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 Bond holders 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.

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. Beginning with the fiscal year of 2010, the Company prepares a consolidated financial statement according to the IFRS standards in addition to the separate HAS report. As of 2017, the Company has prepared 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.

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. 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 Company'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.

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

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

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. It is not necessary to change the modification of the data of the comparative period if the accounting estimates change. The estimates are always based on the best information available at that time.

The management of the Company must review the accounting estimates of the following areas at least annually: The management of the Company uses estimates when preparing the financial statements.

- 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. With regard to the R&D project, the amortization rate has been set in proportion to the expected recovery. Due to the high value of fixed assets, even slight changes in such estimates can have a considerable effect.

- With regard to the cost of right-of-use assets and lease liabilities, the interest rate used for discounting could not be determined using actual market data; instead, alternative methods had to be employed.
- 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.
- In the case of an obligation arising from a conditional purchase price, the management estimates applied influence the size of the obligation.

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 Company'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.

Many of the Company'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 Company'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 management's judgement in calculating the impairment of trade receivables is a critical decision which directly impacts profit or loss.
Whether the assets and know-how created under the Research and Development project can be utilized is highly dependent on the market and regulatory environment.

Of the power plant units of certain subsidiaries of the Company, the energy production of

- wind turbines,
- heating power plants,
- hydropower plants,
- solar power plants

depends on the weather, therefore, changes in certain elements of the weather (wind force, temperature, water yield) can also have a significant impact on the efficiency of the units in question.

In the case of certain subsidiaries of the Company, much of the capacities of power plants of 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 operation and profitability of the Company and its subsidiaries depends on the government regulation of the market, especially on the taxation policy adopted by the state.

V. Statements of profit or loss and of financial position

Allocation of the Company's statement of profit or loss to segments has been performed. Presentation of the profit by segments is included in Note 32.

1. *Revenue*

On the Company's revenue line only items attributable to the Company's core activity are accounted for, not being revenues connected to discontinued activities.

The revenue of the Company is the sum of the following items:

- Revenue from services and sales performed (invoiced)
- Revenue from seasonal (continuously performed) activities disclosed as accrued income.
- In the case of the energy industry projects, the recognized revenue was determined taking account of the stage of completion.
- The Company leaves out taxes, fees recovered on behalf of the state or some other party from its revenues and recognizes then as items decreasing expenses.
- Lease income on subsidiaries recognized under leases according to IFRS16 rules are recognized as revenues. Apart from the energy storage units and the electric boiler installed in Sopron, the Company does not keep any separate assets for leasing purposes, nor does it lease its own assets. The Company does not sublease its leased assets.
- The Company did not have royalty or dividend which should have been recognized as revenue.

Composition of revenues by geographic distribution:

Revenues	2022 HUF thousand	2021 HUF thousand
Domestic sales revenue	24 776 281	13 761 753
Export sales revenue	36 279	568
	24 812 560	**13 762 321**

The breakdown of revenue by activities is as follows:

Sales revenues	2022 HUF thousand	2021 HUF thousand
Operation, maintenance and management services	23 529 917	13 157 161
Project development	906 510	350 959
Operating lease	297 087	169 000
Accounting services	72 954	68 748
Lease fee revenue	-	3 753
Other	6 093	12 699
	24 812 560	**13 762 321**

Revenue from operation, maintenance and management services: the operation, maintenance and management services provided by the Company.

Project development Project work, power plant construction, engineering services.

Operating lease: revenue from the lease of energy storage units and means of production.

Operating lease maturity analysis:

Operating lease	2018 HUF thousand	2019 HUF thousand	2020 HUF thousand	Year 2021 HUF thousand	2022 HUF thousand	2023 HUF thousand	2024 HUF thousand	2025 HUF thousand	2026 HUF thousand	2027 HUF thousand
Energy storage facility Budapest	36 000	144 000	144 000	144 000	144 000	144 000	144 000	144 000	144 000	144 000
Energy storage facility Kazincbarcika	-	-	-	25 000	150 000	150 000	150 000	150 000	150 000	150 000
Sopron electric boiler	-	-	-	-	3 087	56 376	60 886	65 757	68 387	73 858

Accounting services: administration, tax consultancy and accountancy services provided by the Company.

Other: any revenue not disclosed above.

2. *Material expenses*

Material expenses include items attributable to the Company's core activity only, not being expenses connected to discontinued activities.

Material expenses	2022 HUF thousand	2021 HUF thousand
Operation, maintenance and project development	(4 186 801)	(3 036 668)
Expert fees /accounting, auditing, consultancy/	(671 027)	(473 084)
Rent /office, car, other devices, IT/	(147 354)	(182 906)
Marketing, education, further training costs	(156 543)	(118 352)
Fuel	(96 387)	(60 419)
Bank expenses, insurance	(57 311)	(70 289)
Office maintenance exp. /operation, telephone, materials/	(54 677)	(50 216)
Membership fees, duties	(8 967)	(5 909)
Other costs	(77 831)	(55 992)
	(5 456 898)	**(4 053 835)**

The Company applies exemptions as specified in IFRS 16. The Standards provide exemption from the recognition requirements applicable to leases in case of short-term leases and the lease of low-value assets, and allows for their recognition as an expense during the lease term, that is, under the current rules of recognition governing operating leases. The Company 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 working clothes and of other assets. The lease of these assets is recognized directly in the statement of financial position of the period in question among the material expenses.

Rental fees	2022 HUF thousand	2021 HUF thousand
Property rent	(22 293)	(67 465)
Vehicle rental	(47 698)	(23 882)
Site premises rent	(38 530)	(36 660)
Workwear rent	(16 052)	(35 805)
IT equipment rent	(8 587)	(4 605)
Rental fee of machinery, equipment	(938)	(3 311)
Other rental fees	(13 256)	(11 178)
	(147 354)	**(182 906)**

3. *Personnel expenses*

Personnel expenses	2022 HUF thousand	2021 HUF thousand
Wages	(3 906 112)	(2 960 051)
Costs of share-based benefits	(830 840)	(263 734)
of which ESOP II 2020-2022	(184 073)	(263 734)
of which ESOP II 2022-2024	(373 192)	-
of which ESOP II 2022-2025	(273 575)	-
Contributions	(580 200)	(550 623)
Other personnel expenses	(440 469)	(415 305)
	(5 757 621)	**(4 189 712)**

Wages: Salaries paid to employees. The increase is attributable to growing headcount and the rate of wage increases following inflation.

Costs of share-based benefits: The obligations of the Company relating to ESOP benefits are explained in Sections 19.4 and 24, while privately placed ordinary shares are discussed in Section 19.1.

Contributions: Taxes relating to wages, personnel and other in-kind benefits.

Other personnel expenses: Benefits in kind, entertainment expenses and reimbursements to employees.

Average statistical headcount (persons)	2022	2021
Alteo Nyrt.	291	270

Headcount 2021	Average statistical headcount	Total gross wages	Of total gross wages bonus, premium	Personnel-type payments	Of personnel-type payments bonus, premium	Social contr. payable
Full-time						
blue-collar	97	760 795	63 457	58 082	-	117 923
white-collar	167	2 089 957	459 445	93 760	263 734	323 943
Part-time						
blue-collar	-	-	-	-	-	-
white-collar	6	48 993	10 637	1 774	-	7 594
Other employees not on payroll	-	60 306	17 187	3 533	-	9 347
ad hoc	-	-	-	-	-	-
	270	**2 960 051**	**550 726**	**157 149**	**263 734**	**458 808**

Headcount 2022	Average statistical headcount	Total gross wages	Of total gross wages bonus, premium	Personnel-type payments	Of personnel-type payments bonus, premium	Social contr. payable
Full-time						
blue-collar	104	968 295	89 265	47 123	-	139 524
white-collar	182	2 837 306	647 011	917 520	830 840	408 833
Part-time						
blue-collar	-	-	-	-	-	-
white-collar	5	47 390	10 828	1 000	-	6 828
Other employees not on payroll	-	52 981	4 825	4 781	-	7 634
ad hoc	-	140	-	-	-	20
	291	**3 906 112**	**751 929**	**970 424**	**830 840**	**562 840**

4. *Depreciation and amortization*

Depreciation and amortization	2022 HUF thousand	2021 HUF thousand
Depreciation and amortization	(704 636)	(460 830)
	(704 636)	**(460 830)**

Depreciation is explained in detail in Section 9.

5. *Capitalized own production*

Capitalized own production	2022 HUF thousand	2021 HUF thousand
Capitalized value of assets produced by the Company, wages	233 951	201 929
Other own performance - wages and material expenses	11 422	5 768
	245 373	**207 697**

Capitalized own production includes personnel and other material expenditures incurred directly in connection with the assets produced within the Group. The capitalized value of own production is explained in Section 9.

6. *Other revenues and expenses, net*

Other income and expenses incurred in the current year and the comparative period were as follows:

Other revenues and expenses, net	2022 HUF thousand	2021 HUF thousand
Impairment	(127 383)	(90 751)
Receivable released	(127 167)	(49 895)
Cash transferred	(32 222)	(3 050)
Fines, compensation, default interest imposed (paid)	(5 728)	(182)
Inventory difference	(2 057)	(3 167)
Taxes and other payment obligations	(363)	(388)
Sale/scrapping of fixed and intangible assets	1 608	(582)
Other settlements	3 748	11 192
Subsidies and grants received	51 254	51 254
	(238 310)	**(85 569)**

Impairment: No impairment has been reversed in the current year. Individual impairment and impairment recognized based on the ECL model for 2022 amounted to HUF 127,383 thousand.

Receivable released: HUF 30,000 thousand of the loan receivables from the subsidiary Alteo-Go Kft. A loan of HUF 95,543 thousand and interest of HUF 1,624 thousand was released with regard to Sinergy Energiaszolgáltató Kft.

Cash transferred: The Company provided grants to foundations and nonprofit organizations in the total amount of HUF 32,222 thousand.

Fines, compensation, default interest received/paid: The effect of the legal consequences arising during the usual course of business of the Company, recognized on a net basis.

Inventory difference: Discrepancies identified during stocktaking of inventories.

Taxes and other payment obligations: The taxes disclosed are not income taxes. These contain deductions imposed by municipalities (vehicle tax), taxes to be credited to other expenses (environmental product tax) and other fees.

Sale/scrapping of fixed and intangible assets: The profit or loss on Fixed asset other than amortization, resulting from the derecognition of rights of use and the proceeds of sales of fixed assets.

Other settlements: This line contains gains relating to insurance policies as well as other expenses and incomes that cannot be categorized, such as partner and tax current account settlements, time-proportionate personnel repayments due to the departure of staff, rounding differences.

Subsidies and grants received: The time-proportionate income from subsidies and grants recognized in deferred income.

7. *Finance income, expenditures, net*

Finance income consists of the following items:

Financial profit	2022 HUF thousand	2021 HUF thousand
Dividend received	2 502 000	1 930 000
Received/receivable interest	931 487	294 218
Foreign exchange difference	154 351	33 855
Other financial settlements	-	775
Income from financial transactions	**3 587 838**	**2 258 848**
Impairments	(13 886)	(13 156)
Interests paid/payable	(626 979)	(493 175)
Foreign exchange difference	(171 331)	(65 240)
Expenses on financial transactions	**(812 196)**	**(571 571)**
	2 775 642	**1 687 277**

Dividend received: The Company is entitled to dividend after its shares in its subsidiaries. In 2022 dividends received included the following:

- Domaszék Kft. HUF 30,000 thousand
- Monsolar 2MW Kft. HUF 32,000 thousand
- Sunteo Kft. HUF 40,000 thousand
- Pannon Szélerőmű Kft. HUF 1,100,000 thousand
- Euro Green Energy Kft. HUF 1,300,000 thousand

Interest received/due, Interests paid/payable (Net interest expenses): Interest on loan receivables and payables to related parties, interest on bonds relating to the current year, interest on term deposits and cash-pool as well as interest on lease right-of-use assets.

Foreign exchange difference: foreign exchange difference realized on items settled in Euro.

The Company recorded no cash flow hedge transactions in its financial income in 2022.

Impairment: recognized impairment of shares was determined based on the discounted cash flow model considering the recoverable amount. The share traffic table in Note 11 contains the distribution of recognized impairment concerning certain subsidiaries.

8. *Income taxes in profit or loss*

The Company pays tax under Hungarian tax law. In the Hungarian tax system, such tax expenses for the Company included corporate tax, the innovation contribution and the local business tax.

Income taxes	2022 HUF thousand	2021 HUF thousand
Corporate tax	(6 844)	(49 801)
Business tax	(438 737)	(235 671)
Innovation contribution	(67 209)	(36 418)
Deferred tax expenses	(1 136 333)	(283 341)
	(1 649 123)	**(605 231)**

Tax matters often require estimates and decisions which will later contradict the opinion of the tax authority; therefore, a subsequent tax audit may reveal additional tax liabilities for periods for which a tax return has already been submitted. The Company operates in a tax environment which grants tax authorities a wide range of powers to reclassify items and taxpayers are usually helpless against these powers. The Company 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.

The NAV performed a comprehensive tax audit at the Company for the fiscal years of 2018 and 2020. In the course of the audit, no tax deficiencies were identified, and no negative sanctions arising from legal consequences were established.

Elaboration of corporate tax

Elaboration of the tax base	comm.	2022 HUF thousand	2021 HUF thousand
IFRS profit or loss before taxes	12.	15 685 436	6 867 349
Increasing items		1 903 941	2 503 089
Planned and extraordinary depreciation charge recognized in the tax year pursuant to the Accounting Act	9.	705 664	461 656
Fines established in final decisions or obligations arising from legal consequences, recognized as expenses	6.	433	157
Amount of impairment recognized regarding receivables	6.	141 268	130 594
Receivables released (except to the benefit of a private individual)	6.	159 389	54 618
Other		66 347	36 078
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	3.	830 840	1 819 986
Decreasing items	-	17 589 377	8 817 089
Amount written off from the loss carried forward (negative tax base) from previous years	12.	-	550 965
Depreciation recognized in accordance with the tax legislation	9.	595 901	346 940
Allocated reserves within retained earnings, but not more than 50% of profit before taxation or HUF 500 million per tax year (development reserve)	19.3	13 660 786	3 150 000
Dividends, shares received and recognized as income	7.	2 502 000	1 930 000
Impairment reversed regarding receivables in the tax year, irrecoverable portion of the cost of receivables	6.	-	26 726
Determined amount of grant, benefit	6.	17 435	-
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	19.4	297 983	2 540 369
Local business tax, innovation contribution	31.	515 272	272 089
Tax base		-	553 349
Tax (9%)		-	49 801
Benefit (reducing taxes)		-	(11 368)
Tax pursuant to the Corporate Tax Act		-	38 433
Support for sports and arts entitling to tax benefit		-	-
Amendment of corporate tax for previous years	31.	6 844	11 368
Effect of corporate tax on profit or loss		6 844	49 801
Deferred tax asset (Fixed assets, Intangible assets)	12.	1 495 023	984 200
Deferred tax asset (Impairment)	12.	(578 278)	(438 925)
Deferred tax asset (ESOP Program 2024 long-term liability)	12.	(373 192)	-
Deferred tax asset (ESOP Program 2025 long-term liability)	12.	(273 575)	-
Deferred tax asset (Holiday accrual)	12.	(56 660)	-
Deferred tax asset (share purchase)	12.	(287)	-
Deferred tax asset (employee share award)	12.	(9 685)	-
Recognition of deferred tax liabilities (Provisions)	12.	(15 500)	(15 500)
Recognition of deferred tax liabilities (Development reserve)	19.3	16 117 856	3 150 000
Effect of deferred taxes on profit or loss		1 136 333	283 342
Local business tax expenditure	31.	448 063	235 670
Adjustment of local business tax of previous years	31.	(9 326)	-
Innovation contribution expenditure	31.	67 209	36 418
Effect of income taxes on profit or loss		1 649 123	605 231

The amount of deferred taxes disclosed in the statement of financial position is included in Note 12. The tax authority may review books and records at any time within the 6 years following the relevant tax year and may impose additional taxes or fines. The management of the company is not aware of any circumstances from which a significant obligation might originate burdening the Company under such a legal title.

The recognized tax expense can be related to the theoretical tax (which is the profit or loss before taxes times the effective tax rate):

Income taxes	comm.	2022 HUF thousand	2021 HUF thousand
Profit or loss before taxes	12.	15 676 110	6 867 348
Theoretical tax (9%)	12.	(1 410 850)	(618 061)
Explanation:			
Tax adjustment for previous year	12.	(6 844)	-
Current tax	12.	-	(49 801)
Tax benefits	12.	-	11 368
Tax for discontinued activities	12.	-	-
Timing differences (deferred tax)	12.	(1 136 333)	(283 341)
Permanent differences and unrecognized tax assets	12.	(274 517)	(284 919)
Amount of theoretical tax (corporate tax)		**(1 410 850)**	**(618 061)**

9. *Fixed and intangible assets*

The changes in assets are detailed in the following table:

Gross value (HUF thousand)	Property, plant and equipment	Other intangible assets	R&D	Rights of use	Total
January 1, 2021	**1 312 397**	**286 115**	**378 432**	**328 164**	**2 305 108**
Acquisition/put to use	1 325 512	97 315	-	919 007	2 341 834
Own production/investment capitalization	59 618	82 582	59 729	-	201 929
Decrease IFRS 16	-	-	-	(29 602)	(29 602)
Investment	52 378	-	-	-	52 378
Sale	(962)	-	-	-	(962)
December 31, 2021	**2 748 943**	**466 012**	**438 161**	**1 217 569**	**4 870 685**
Acquisition/put to use	655 669	58 996	-	242 943	957 608
Own production/investment capitalization	94 811	139 140	-	-	233 951
Decrease IFRS 16	-	-	-	(35 914)	(35 914)
Investment	60 439	-	-	-	60 439
Sale	(1 239)	-	-	-	(1 239)
December 31, 2022	**3 558 623**	**664 148**	**438 161**	**1 424 598**	**6 085 530**

Accumulated depreciation (HUF thousand)	Property, plant and equipment	Other intangible assets	R&D	Rights of use	Total
January 1, 2021	**328 992**	**109 591**	**45 552**	**99 281**	**583 416**
De-recognition, sale	(551)	-	-	(29 187)	(29 738)
Rounding	1	-	-	-	1
Depreciation and amortization	229 377	52 016	38 183	141 254	460 830
December 31, 2021	**557 819**	**161 607**	**83 735**	**211 348**	**1 014 509**
De-recognition due to reclassification	(977)	-	-	(23 244)	(24 221)
Depreciation and amortization	350 838	101 334	47 156	205 308	704 636
December 31, 2022	**907 680**	**262 941**	**130 891**	**393 412**	**1 694 924**

Net value (HUF thousand)	Property, plant and equipment	Other intangible assets	R&D	Rights of use	Total
2018.12.31	**1 010 392**	**86 207**	**243 563**	**-**	**1 340 162**
2019.12.31	**1 050 319**	**153 545**	**353 097**	**131 874**	**1 688 834**
2020.12.31	**983 405**	**176 524**	**332 880**	**228 884**	**1 721 692**
2021.12.31	**2 191 124**	**304 405**	**354 426**	**1 006 221**	**3 856 176**
2022.12.31	**2 650 943**	**401 207**	**307 270**	**1 031 186**	**4 390 606**

The depreciation of fixed assets is determined as explained in the accounting policy, in a straight-line manner.

<u>Property, plant and equipment:</u> This class of assets includes constructions on leased real estate, IT assets, as well as machinery, equipment and tools required for operation and maintenance.

Other intangible assets: This item includes the software and the corporate governance system used by the Company.

Experimental development assets: Between July 01, 2017 and June 30, 2019, co-funded by the National Research Development and Innovation Fund, the Company successfully produced a know-how asset as a result of its activity in connection with the integration of small heat and electricity cogeneration plants and weather-dependent electricity generators, electricity-based heat energy production units and a battery electricity storage facility belonging to the existing virtual power plant. In the opinion of the Company's management, the research activity aimed at generating other intangible assets meets the IAS 38 recognition criteria and the know-how created as a result of the activity generates revenue. Costs incurred in the course of the development project are recognized among intangible assets.

The Company's management is of the view that the fixed assets acquired and intangible asset recorded under the project for "Developing an innovative model for battery energy storage applications" acquired through succession as part of the merger by absorption in 2018 can be recognized and will deliver a return on investment as indicated by existing business plans. The asset meets the IAS 38 criteria.

The Company's management is of the view that the fixed assets acquired and intangible asset recorded under the project for "Developing an innovative model for battery energy storage applications" launched in 2019 and implemented in 2021 can be recognized and will deliver a return on investment as indicated by existing business plans. The asset meets the IAS 38 criteria. The 5 MW battery energy storage facility implemented at the Kazincbarcika Heating Power Plant in addition to the primary (FCR) regulatory objective, provides gradient support to the secondary (aFRR) regulation required for the maintenance of balance in the system. It participates in frequency regulation (FCR) and secondary regulation (aFRR) alike. The invested amount is around HUF 1,015 billion, to be amortized over 10 years.

The Company's project started at the end of 2021: construction and development of real-time autonomous energy information and production management system, consisting of two parts:
Installation of an electric boiler in Sopron: The construction started in December 2022; the Company utilizes the asset through leasing.
Artemis (Autonomous Real-Time Energy Management Information System): Production management system; the Rényi Institute is involved in its development. It uses self-learning algorithms and artificial intelligence to optimize and balance the production of connected devices in real time. It collects data in real time from the connected production devices. The developed production management system will be capable of data mining, processing, analysis that allow the system to make and implement decisions. Based on the available technical and market data the system can make real-time decisions to ensure that assets in multi-element portfolios can operate at a load level that allows technical and economic optimum to be achieved. The process is supported by AI and self-learning algorithms that are very fast and efficient despite their extremely high computing requirements.
Rights of use: The 1532.29 m2 of office space rented in the Globe 3 Office Building since July 2021 is recognized under rights of use in IFRS 16. The office lease has a term of 5+5 years with a gross value of

HUF 808,720 thousand in the Company's books. The rent for the warehouse located in the Polgár Industrial Park, which serves as the site for the maintenance unit of the Company, is recognized as a right-of-use asset from 2022 on. The area includes 903.32 m2 of warehouse and 112.24 m2 of office space.

There are no assets that might need to be removed at the end of their useful life and such removal would involve significant expenses. There is no asset to which the component approach needs to be applied.

As at December 31, 2022 the Company had no asset to be considered as a qualifying asset, so no borrowing costs had to be capitalized; and there is no asset that is subject to a lien under a loan agreement.

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

Apart from the energy storage units and the electric boiler in Sopron, the Company does not keep any separate assets for leasing purposes, nor does it lease its own assets.

The Company had no assets, either in the previous or in the current year, classified as assets held for sale.

The Company does not possess assets regarding which it would employ the revaluation model. The Company does not possess intangible assets with indefinite lifecycles.

The management of the Company 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 tests performed showed the Group's assets to be recoverable so it is not necessary to recognize impairment.

10. Long-term loans given

In the current year, long-term loans given were as follows:

Long-term loans given (HUF thousand)	January 01, 2022 Opening gross portfolio	January 01, 2022 opening impairment	Provision	Repayment	Impairment	Forgiveness	interest capitalization	Reclassification as short-term	12.31.2022
Alte Go Kft.	166 452	-	10 000	-	-	(30 000)	-	-	**146 452**
ALTEO Energiakereskedő Zrt.	-	-	-	-	-	-	-	-	**-**
ALTEO-DEPÓNIA Kft.	139 000	-	-	(139 000)	-	-	-	-	**-**
Alteo-Therm Kft.	-	-	-	-	-	-	-	-	**-**
Domaszék Kft.	22 292	-	-	-	-	-	-	-	**22 292**
Edelyn-Solar Kft.	-	-	103 012	-	-	-	-	-	**103 012**
Energigas Kft.	166 886	(166 886)	-	-	(13 528)	-	13 528	-	**-**
Euro-Green Energy Kft. * (absorber)	3 272 386	-	-	-	-	-	-	-	**3 274 386**
*of which e-WIND Kft. * (absorbed)*	*359 886*	-	-	-	-	-	-	-	**359 886**
*of which Tisza-BioTerm Kft. *(absorbed)*	*2 500*	-	*2 000*	-	-	-	-	-	**4 500**
of which WINDEO Kft. (absorbed)*	*810 000*	-	-	-	-	-	-	-	**810 000**
FE-Group Zrt.	-	-	300 400	-	-	-	-	-	**300 400**
Monsolar Kft.	431 288	-	-	-	-	-	-	-	**431 288**
Pannon Szélerőmű Kft.	1 550 000	-	-	-	-	-	-	-	**1 550 000**
Sinergy Energiaszolgáltató Kft.	200 000	-	-	(104 457)	-	(95 543)	-	-	**-**
SUNTEO Kft.	1 090 417	-	-	-	-	-	-	-	**1 090 417**
Loans given - principal	**7 038 721**	**(166 886)**	**415 412**	**(243 457)**	**(13 528)**	**(125 543)**	**13 528**	**-**	**6 918 247**
Interests on loans given to associates and affiliated companies	151 431	-	31 157	-	-	(1 624)	-	-	**180 694**
Loans to employees	14 279	-	12 124	(4 259)	-	-	-	(22 144)	**-**
ECL model interest	-	(7 302)	(602)	-		-	-	-	**(7 904)**
ECL model principal	-	(7 023)	-	243	-	-	-	-	**(6 780)**
Loans given	**7 204 431**	**(181 211)**	**458 091**	**(247 473)**	**(13 528)**	**(127 167)**	**13 528**	**(22 144)**	**7 084 527**

The Companies marked with * were absorbed by Euro Green Energy Kft. on June 30, 2022.

The Company adjusted the interest rates of loans given to those of the sources of funding (cf. terms and conditions of financing in Section 23. *Debts on the issue of bonds*). The recoverable values of loans given are shown in the statement of financial position.

Impairment: Based on the assessment of the management of the Company, the 100% of the loan given to Energigas Kft. has been impaired. The items relating to the ECL impairment applied to financial assets are presented in detail in section 17.

Forgiveness: The Company remitted HUF 30,000 of the loans granted to Alte-Go, working in the E-mobility business, as well a loan amount of HUF 95,543 thousand and interest of HUF 1,624 thousand to Sinergy Energiaszolgáltató Kft.

Merger by absorption: Euro Green Energy Kft. is liable, as a legal successor, for the loan and the interest liabilities of the absorbed companies.

Interest capitalization: Capitalization of annual interests set out in the loan agreement into principal.

Reclassification as short-term: Loan receivables due in 2023.

11. *Shares in subsidiaries:*

Shares in subsidiaries:

Long-term participation in subsidiary (HUF thousand)	12.31.2021	Merger by absorption	Acquisition of participation	12.31.2022	Transformation	1.1.2023
ALTE-A Kft.	1 070	-	-	**1 070**	-	**1 070**
ALTE-GO Kft.	20 000	-	-	**20 000**	-	**20 000**
ALTEO Energiakereskedő Zrt.	48 094	-	-	**48 095**	-	**48 095**
ALTEO-DEPÓNIA Kft.	13 000	-	-	**13 000**	-	**13 000**
Alteo-Therm Kft.	4 082 025	-	-	**4 082 025**	-	**4 082 025**
Domaszék Kft.	173 160	-	-	**173 160**	-	**173 160**
Eco First Kft.	3 000	-	-	**3 000**	-	**3 000**
Edelyn-Solar Kft.	-	-	735 304	**735 304**	-	**735 304**
Euro Green Energy Kft.* (absorber)	2 717 352	31 000	-	**2 748 352**	-	**2 748 352**
FE-Group Zrt.	-	-	360 480	**360 480**	-	**360 480**
HIDROGÁZ Kft.* (absorbed)	10 000	(10 000)	-	**-**	-	**-**
Monsolar Kft.	38 000	-	-	**38 000**	-	**38 000**
Pannon Szélerőmű Kft.	2 405 890	-	-	**2 405 890**	-	**2 405 890**
Sinergy Energiakereskedő Kft.	100 000	-	-	**100 000**	-	**100 000**
Sinergy Kft.	245 353	-	-	**245 353**	-	**245 353**
SUNTEO Kft.	634 915	-	-	**634 915**	-	**634 915**
Tisza-Bioterm Kft. *(absorbed)	21 000	(21 000)	-	**-**	-	**-**
Participating interests total	**10 512 859**	**-**	**1 095 784**	**11 608 644**	**-**	**11 608 644**
Long-term participation in associate (HUF thousand)	**12.31.2021**	**Purchase**	**Purchase price**	**12.31.2022**	**Transformation**	**1.1.2023**
Energigas Kft.	100	-	-	**100**	-	**100**
Participating interests total	**100**	**-**	**-**	**100**	**-**	**100**

The Companies marked with * were absorbed by Euro Green Energy Kft. on June 30, 2022.

Shares are described in the Section *ALTEO members on the reporting date*

Investments recognized as leases:

Tisza-WTP Vízelőkészítő és Szolgáltató Korlátolt Felelősségű Társaság

The Company recognized its subsidiary not under shares, but rather as lease receivables in accordance with the IFRS 16 (formerly IFRIC4) rules (see Note 13). The Company has a 100% share in the undertaking.

Valuation of investments in the current period:

The management of the Company performs the necessary tests for shares by every reporting date to determine whether the reported value is considered recoverable.

For subsidiaries where the tests performed showed that the shares, fully or in part, were not recoverable, impairment was recognized in the current year. No impairment of shares were recognized or derecognized in 2022.

Concerning subsidiaries, the Company applied the DCF model with the discount rate according to the activity of the subsidiary in question (renewable/traditional energy production) and the date of the generated cash flows 10.67%-11.36%).

Breakdown of the discount rates used:

Classification	Rate
Alteo Group	11,36%
Cogeneration Virtual Power Plant	10,94%
Renewables industry	10,67%
Alteo Complex	11,36%

12. Deferred tax liabilities

When calculating deferred taxes, the Company compares the amounts to be considered for taxation purposes with the carrying amount of each asset and liability. If the difference is reversible (i.e. the difference is equalized in the foreseeable future), then a deferred tax liability or asset is recorded in a positive or negative amount as appropriate. Recoverability was separately examined by the Company when recording each asset.

When computing taxes, the Company used a 9% rate upon reversal for both years as the assets and liabilities in question will turn into actual taxes in periods when the tax rate is 9% as specified by the effective laws.

Deferred tax assets are supported by a tax strategy which confirms that the asset is expected to be recovered based on the information available. The change in deferred taxes was recognized by the Company in the statement of profit or loss.

The tax balances and temporary differences for 2021 are as follows:

Deferred tax liability (HUF thousand) 12/31/2021	comm.	Tax value	Accounting value	Difference
Fixed and intangible assets	9.	2 871 976	3 856 176	984 200
Impairments	15.	-	(438 925)	(438 925)
Provisions	22.	-	15 500	(15 500)
Development reserve 2021	19.	(3 150 000)	-	3 150 000
Deductible temporary difference			**(454 425)**	
Taxable temporary difference			**4 134 200**	
Deferred tax liability (9%)			**331 180**	

The following differences were identified in 2022:

Deferred tax liability (HUF thousand) 12/31/2022	comm.	Tax value	Accounting value	Difference
Fixed and intangible assets	9.	2 835 145	4 330 168	1 495 023
Impairments	15.	-	578 278	(578 278)
Provisions	22.	-	15 500	(15 500)
ESOP Program 2022-2025 long-term liabilities	24.	-	373 192	(373 192)
ESOP program 2022-2024 long-term liabilities	24.	-	273 575	(273 575)
Leave not taken	29.	-	56 660	(56 660)
Result of share purchase	19.	-	286	(286)
Recognition of employee share award	29.	-	9 686	(9 686)
Development reserve	19.	(16 117 856)	-	16 117 856
Deductible temporary difference			**(1 307 177)**	
Taxable temporary difference			**17 612 879**	
Deferred tax liability (9%)			**1 467 513**	

The correlation of the recognized tax expense and the theoretical tax is described in Note 8.

The Issuer presents the disclosures required under IAS 12 in Section 8 – Taxes of its Separate Financial Statement. The development reserves are recognized directly relating to equity. The Issuer has no other comprehensive income items, no related tax is applicable. The Issuer identified no temporary differences relating to its investments in subsidiaries, therefore no related disclosures are made in the report.

Deferred tax	2022 HUF thousand	2021 HUF thousand
Deferred tax opening	283 341	47 838
Generated in capital	-	-
Returning in capital	-	-
Generated in profit and loss	852 992	235 503
Deferred tax closing	1 136 333	283 341

13. Lease receivables

The shares held by The Company in its Tisza-WTP Kft. and BC-Therm Kft. subsidiaries are recognized as lease receivables and liabilities as per the IFRS16 (formerly IFRIC4) rules.

Tisza WTP Kft.

The Tisza WTP Kft. lease receivable has zero value since December 31, 2019. The Company did not identify any unguaranteed residual values regarding the contract. There are no contingent fees in the relevant contracts. Pursuant to the agreement dated on November 08, 2016, MOL Petrolkémia Zrt. has a purchase option on the business quota of Tisza WTP Kft. Due to the special conditions, the lease deal cannot be cancelled, only terminated by calling the buy option.

The O&M services provided to the subsidiary have an impact on the profit or loss of the Company. The Company is in possession of some publicly available information that the business combination of Tisza WTP Kft. using the service is consolidated by MOL Nyrt.

14. *Inventories*

Inventories include parts of the gas engine, wind turbine and solar power plant equipment purchased for the performance of O&M contracts in the amount of HUF 721,215 thousand, and materials and services not transferred related to the gas engine project development in the amount of HUF 777,785 thousand.

Stocks (HUF thousand)	12.31.2022	12.31.2021
Parts O&M	721 215	555 181
Project development inventories	777 785	517 170
	1 499 000	**1 072 351**

The Company recognized impairment among inventories, regarding the implementation designs and preparatory works. Impairment was recognized in 2020 regarding the biomass power plants in Tiszaújváros and Kazincbarcika due to the uncertainties of project implementation. No impairment regarding inventories was reversed in the current year and in the preceding year.

Depreciation of stocks (HUF thousand)	12.31.2022	12.31.2021
Opening	**(20 761)**	**(20 761)**
Impairment reversed	-	-
Impairment recognized	-	-
Closing	**(20 761)**	**(20 761)**

15. *Trade receivables*

Relevant information on trade receivables and impairment losses of trade receivables:

Trade receivables (HUF thousand)	12.31.2022	12.31.2021
Gross value of trade receivables	11 123 191	7 028 965
Recognized impairment	(344 241)	(231 627)
	10 778 950	**6 797 338**

- The impairment of receivables and write-offs are accounted for in other expenses.
- Buyers are qualified on a case by case basis.
- The Company possesses guarantees as required in its contracts regarding project development works. No guarantees had to be enforced vis-á-vis customers during the presentation periods.
- The maximum credit risk is equal to the carrying amount of trade receivables.
- Recognized impairment: The items relating to the ECL impairment applied to financial assets are presented in detail in Sections 17 and 35.

Statement of changes in impairment:

Impairment of trade receivables (HUF thousand)	12.31.2022	12.31.2021
Opening balance	**231 627**	**142 458**
Impairment reversed	-	(27 418)
Impairment recognized	112 614	116 587
Closing balance	**344 241**	**231 627**

The aging list of trade receivables:

Trade receivables ageing (HUF thousand) December 31, 2022	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181-365 days	over 365 days	Total
eivable at initial recognition cost	990 413	858 861	23 767	14 545	7 830 068	1 404 584	953	11 123 191
of which third party	*575 252*	*18 610*	*23 767*	*14 545*	*7 830 068*	-	*953*	*8 463 195*
of which related parties	*415 161*	*840 250*	-	-	-	*1 404 584*	-	*2 659 996*
trade receivables	(44 568)	(31 823)	(14 136)	(14 545)	(213 204)	(25 012)	(953)	(344 241)
Individual impaired trade receivables	*(34 386)*	*(17 677)*	-	*(14 545)*	*(83 054)*	-	-	*(149 662)*
Impairment recognized based on the ECL mo	*(10 182)*	*(14 146)*	*(14 136)*	-	*(130 150)*	*(25 012)*	*(953)*	*(194 579)*
of which third party	*(3 207)*	*(30)*	*(14 136)*	-	-	*(1 415)*	*(953)*	*(19 741)*
of which related parties	*(6 975)*	*(14 116)*	-	-	*(130 150)*	*(23 597)*	-	*(174 838)*
Total trade receivables	**945 845**	**827 038**	**9 631**	-	**7 616 864**	**1 379 572**	-	**10 778 950**

Items involving related parties are presented in Section 33.

The Company's five largest customers in terms of turnover:

2022 Largest customer	2022 Total sales revenue percentage ratio	2021 Largest customer	2021 Total sales revenue percentage ratio
Sinergy Energiakereskedő Zrt.	41,41%	Sinergy Energiakereskedő Zrt.	52,25%
Alteo-Therm Kft.	20,96%	Alteo-Therm Kft.	15,90%
Alteo Energiakereskedő Zrt.	9,45%	TVK Erőmű Kft.	9,12%
TVK Erőmű Kft.	6,67%	Alteo Energiakereskedő Zrt.	7,07%
BC-Erőmű Kft.	4,04%	Tisza-WTP Kft.	4,64%

16. *Other receivables and income tax receivables*

Other receivables and income tax receivables (HUF thousand)	12.31.2022	12.31.2021
Accrued revenues	7 940 984	2 075 021
of which related parties	*7 818 542*	*2 075 021*
of which third party	*122 442*	-
Advances given	157 706	51 935
Receivables from affiliated companies	734 299	347 033
Receivables due from the customer	650 384	68 291
Other cash	26 760	36 572
Accrued expenses	142 149	58 527
of which related parties	*13 218*	-
of which third party	*128 931*	*58 527*
Other receivables	173 178	12 262
	9 825 460	**2 649 641**

<u>Accrued revenues</u>: they relate to the operation contracts of the Company. Items involving related parties are presented in Note 33.

<u>Advances given:</u> Advances paid in the course of the usual course of business.

<u>Receivables from affiliated companies:</u> Items involving related parties are presented in Note 33.

Receivables due from the customer: The receivables recognized in relation to contracts for construction and installation services are presented in detail in Section 40.

Other cash: Cash on a separate security bank account

Accrued expenses: Expenses regarding which the documentation was entered into the books in 2022, but the period of performance extends to 2023.

Other receivables:

- Housing loans and advances on salaries to employees HUF 23,044 thousand.
- Remaining contingent purchase price of FE-Group Zrt. HUF 52,500 thousand
- Deposits made on tenders HUF 50,718 thousand
- Overpayments on tax current account HUF 40,357 thousand
- Overpayments to suppliers HUF 2,863 thousand
- Other receivables not classified elsewhere: HUF 3,696,000

17. Application of the expected loss model (ECL – Expected Credit Loss) to financial assets

Application of the expected loss model (ECL)

The management of the Company has performed the risk analysis of its financial assets. Risks of financial assets are presented in Section 34. 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
Delinquent	Significant delay 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, direct evidence for risk of non-payment	Recognition of full lifetime expected credit loss

The Company reviewed its previous year's practice on related party receivables and, in the current year, recognizes impairment on related party receivables and performing outstanding external party receivables in accordance with the logic of the above table.

Impairment recognized for the financial assets of the Company 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 (HUF thousand)	ECL amount (HUF thousand)	Net amount (HUF thousand)
Customers - with large corporate background	N/A	Performing	3,38%	543 401	(329)	543 072
Customers - public sector	N/A	Performing	3,41%	20 614	(18 420)	2 194
Customer - other	N/A	Performing	1,68%	2 230	(973)	1 257
Trade receivable - Intercompany	N/A	Performing	1,68%	10 407 010	(174 838)	10 232 172
Customer - employees	N/A	Performing	1,68%	273	(18)	255
Long-term loan - Intercompany	N/A	Performing	1,68%	7 091 307	(6 779)	7 084 528
Deposits, security deposits given	N/A	Performing	1,68%	63 910	(1 404)	62 506
Advances given	N/A	Performing	1,68%	160 521	(1 915)	158 606
Other receivables - Intercompany	N/A	Performing	1,68%	734 299	(12 336)	721 963
Long-term loan Third party	N/A	non-performing	100,00%	188 318	(188 318)	-
Customer - Energigas	N/A	non-performing	100,00%	149 663	(149 663)	-
Other receivables	N/A	non-performing	100,00%	25 200	(25 200)	-

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

Presentation of individual impairments:

There was no reversed impairment for individual assets or cash-generating units recorded in the separate financial statement of the Issuer.
In the current year, individual impairment was recorded with regard to the interest on the loan to Energigas Kft. in the amount of HUF 13,886 thousand, and with regard to the outstanding trade receivables in the amount of HUF 48,788 thousand.

18. Cash and cash equivalents

Cash and cash equivalents (HUF thousand)	12/31/2022	12/31/2021
Bank accounts	9,948,117	2,921,324
of which: exchange gain/loss	(19,078)	(8,424)
Cash desk	-	-
	9,948,117	**2,921,324**

Cash only includes the balances of items which can be converted to cash and used three months from acquiring. Exchange gains/losses arise from the year-end revaluation of FX current accounts. The Company fixes free cash on its current account weekly, at an interest rate of the O/N interest rate published by the central bank -1%.
The detailed reasons for changes in cash are included in the statement of cash flows (page 9).

19. Elements of equity

By transforming its capital structure, the Company 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 Company 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	12.31.2022	12.31.2021
Issued capital	249 066	242 235
Equity	26 450 497	14 470 592
Equity to issued capital ratio	**106,20**	**59,74**

19.1. Shares traded:

On April 20, 2022, the Board of Directors decided to increase the share capital of the Company by way of a private placement of 545,200 new ordinary shares (hereinafter the “New Shares”). The New Shares issued have been offered exclusively to the ALTEO Employee Share Ownership Program Organization (hereinafter the “ALTEO ESOP Organization”) in order to secure the amount of ALTEO Nyrt. ordinary shares necessary to implement the Remuneration Policy of the ALTEO ESOP Organization for 2022-2024 and 2022-2025.

The Company reports its registered capital less the value of the redeemed own shares in the Issued capital line.

The movements in ordinary shares are listed in the following table:

Date	Event	Number of shares	Face value (HUF/share)	Issued capital change (HUF thousand)	Issued capital balance (HUF thousand)	Share premium change (HUF thousand)
1.1.2021	**Opening balance**	**18 637 728**	**12,5**		**232 972**	
2.1.2021	Transfer of employee share award	3 837	12,5	48		4 252
4.13.2021	ESOP Program I (2017-2019) exercise of option	577 644	12,5	7 221		267 160
4.13.2021	Own share purchase due to ESOP Program II (2020-2022)	(249 422)	12,5	(3 118)		
12.22.2021	ESOP Program II (2020-2022) transfer of own shares to ESOP	409 000	12,5	5 112		476 526
12.31.2021	**Closing balance**	**19 378 787**	**12,5**		**242 235**	**747 938**
2.4.2022	Transfer of employee share award	1 267	12,5	16		2 645
4.20.2022	Private placement	545 200	12,5	6 815		1 129 927
12.31.2022	**Closing balance**	**19 925 254**	**12,5**		**249 066**	**1 880 510**

The development of capital elements is illustrated in the Equity table.

19.2. Share Premium – reserves

Share Premium – reserves contain the reserves generated because of the ESOPs and employee share award programs, the reserve required due to the IFRS transition, the reserves generated in the course of share subscription throughout the life of the Company and receivables from the ESOP, as well as reserves related to share movements.

serves (HUF thousand)	12.31.2022	12.31.2021
Opening	**5 237 704**	**4 717 549**
Employee share award reserves	2 645	4 252
ESOP I (2017-2019) program exercise of option	-	62 819
ESOP I (2017-2019) program completion	-	267 159
ESOP II (2020-2022) program cash and cash equivalen	-	(100 000)
ESOP II (2020-2022) program own shares transferred	-	(5 112)
Own share purchase reserves	-	(290 601)
Non-controlled ESOP participation	-	575 020
Receivable form ESOP organization	2 063	6 618
Capital increase reserves	1 129 927	-
Dividend paid to ESOP	63 145	-
	6 435 484	**5 237 704**

Changes:

On February 4, 2022, 1,267 shares were distributed under the employee reward scheme, where the excess over and above the issued capital was transferred to the capital reserve in the value of HUF 2,645 thousand.

On April 20, 2022, 545,200 shares were granted to the ESOP organization in the framework of a private placement, at the price of HUF 2,085 per share. The nominal value of the shares is HUF 12.5 per share, the amount in excess of this is disclosed in capital reserves.

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 current year, the Company gave shares in the value of HUF 2,645,000 to the employees who were entitled to these on the basis of the Company's recognition plan. In connection with the shares granted, the transfer of the shares started on February 4, 2022.

The amount of reserves shown in the statements and other reserves is not identical with the amount of reserves that can be distributed to shareholders as dividends. Pursuant to the Hungarian Accounting Act, the level of dividends is determined based on the equity correlation, which is explained in Note 21.

Transactions with owners resulting from the employee share ownership program and share premiums as well as reserve generation required by the transition to IFRS accounting are presented among reserves.

19.3. Retained earnings

Retained earnings (HUF thousand)	12.31.2022	12.31.2021
Opening	**9 197 528**	**3 390 685**
Comprehensive income	14 026 987	6 262 118
ESOP operating expenses	(2 874)	-
Rounding	(4)	-
2021 dividend payment	(1 996 146)	(455 275)
Closing	**21 225 491**	**9 197 528**

The General Meeting approved dividends for 19,378,787 shares in circulation at HUF 103 per share, totaling at HUF 1,996,146 thousand from the profit after taxes of 2021, the dividends were disbursed on June 27, 2022.

The development reserve must be accounted for and presented separately from retained earnings.

Development reserve (HUF thousand)	12.31.2022	12.31.2021
Opening balance	**3 150 000**	**-**
Generation: 2021	-	3 150 000
Generation: 2022	13 660 786	-
Utilization: 2022	(692 930)	-
	16 117 856	**3 150 000**
Retained earnings development reserve before segregation	**21 225 491**	**9 197 528**
Retained earnings development reserve after segregation	**5 107 635**	**6 047 528**

The management approved a development reserve of HUF 13,660,786 thousand against profit or loss before taxes for 2022, proposed to be used between 2023 and 2026. The development reserve was taken into account as a limit on dividend payment, see Section 21 *Equity correlation table required as part of Section 114/B of the Accounting Act, computation of dividend constraint Section 114/A of the Accounting Act*.

19.4. Share-based payments reserve

Recognition of the ESOP in equity:

Name of program	Share-based benefits reserve (HUF thousand)	12.31.2022	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	-
	ESOP Program II share transfer	(475 021)	(475 021)
	ESOP program II transfer of cash and cash equivalents/share purchase	*(400 000)*	*(100 000)*
total		**(322 802)**	**(206 875)**
ESOP Program 2022-2024			
	ESOP Program II obligation requirement	-	-
	ESOP 2022-2024 program transfer of cash and cash equivalents	(541 412)	-
total		**(541 412)**	-
ESOP Program 2022-2025			
	ESOP 2022-2025 program transfer of cash and cash equivalents	(595 330)	-
total		**(595 330)**	-
	Closing balance	**(1 459 544)**	**(206 875)**

ESOP Program II (2020-2022)

Name of program	Share-based payment reserve (HUF thousand)	date (year)	12.31.2022	12.31.2021	companies
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	-	-
	ESOP Program II share transfer		(475 021)	(475 021)	-
	of which shares transferred	*2021*	*(481 638)*	*(481 638)*	*409 000*
	ESOP program II transfer of cash and cash equivalents/share purchase		(400 000)	(100 000)	-
	of which share purchase from cash	*2021*	*(26 480)*	*(26 480)*	*20 000*
	of which share purchase from cash	*2021*	*(11 699)*	*(11 699)*	*8 798*
	of which share purchase from cash	*2021*	*(23 635)*	*(23 635)*	*16 999*
	of which share purchase from cash	*2021*	*(7 029)*	*(7 029)*	*4 988*
	of which share purchase from cash	*2021*	*(986)*	*(986)*	*700*
	of which share purchase from cash	*2021*	*(13 105)*	*(13 105)*	*9 300*
	of which share purchase from cash	*2021*	*(6 920)*	*(6 920)*	*5 000*
	of which share purchase from cash	*2021*	*(3 187)*	*(3 187)*	*2 328*
	of which share purchase from cash	*2021*	*(342)*	*(342)*	*250*
	of which share purchase from cash	*2022*	*(298 269)*	*-*	*135 577*
	of which share purchase from cash	*2022*	*(271)*	*-*	*123*
	of which unspent funds		*(8 077)*	*(6 617)*	*-*
total			**(322 802)**	**(206 875)**	-

The above table comprises the following items:

- The part of the Company's grants calculated in accordance with IFRS2 regarding a specified period
- Cost of the assets granted by the Company for those receiving benefits in the program
- The Company has 123 excess shares over and above the number of shares defined in the program.
- The balance of cash transferred to the ESOP under the program but not used for share purchases amounts to HUF 8,077 thousand.

Chart of changes in share program	ESOP II/2020-2022		
	2022	2021	2020
PCS.			
Outstanding at the beginning of the period	408 627	118 623	-
Granted during the current period	-	-	-
Vested	204 313	322 264	118 623
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
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
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
of which:			
Available for exercise at the end of the current period	552 218	-	-

Executive employees of the Company receive share-based benefits as of December 21, 2020 (the date of grant): the detailed rules of the 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 9 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 number of persons participating in the remuneration policy decreased to 8 due to termination of an employment relationship, thus the number of shares that can be distributed at maximum fell from 645,200 to 612,940.

The Available Shares may be handed over, provided the criteria set out below 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 receive the available shares in the form of dematerialized securities.

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 of the total liability, i.e. three thirds.

<u>ESOP Program I (2017-2019)</u>

Share and cash movements to be executed in non-IFRS2 capital instruments that relate to the ESOPs, but have no options for their execution under the program, or represent obligations to be settled in cash in the Company's books, are disclosed among the reserves for share-based payment.

Name of program	Share-based benefits reserve (HUF thousand)	12.31.2022	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 2022-2024 and ESOP 2022-2025 Program

Name of program	Share-based benefits reserve (HUF thousand)	12.31.2022	12.31.2021
ESOP Program 2024			
	ESOP Program II obligation requirement	-	-
	ESOP 2024 program transfer of cash and cash equivalents	(541 412)	-
	of which share subscription from cash received	*(541 412)*	-
total		**(541 412)**	-
ESOP Program 2025			
	ESOP 2022-2025 program transfer of cash and cash equivalents	(595 330)	-
	of which share subscription from cash received	*(595 330)*	-
total		**(595 330)**	-

The ESOP 2022-2024 and ESOP 2022-2025 programs are described in Section 24.

20. *Cash flow hedge reserve*

The accounting policy of the Company established hedge connection between certain transactions and certain derivatives. These hedges qualify as cash flow hedges. The Company recognizes profits and losses from the hedging item of the cash flow hedge as other comprehensive income, and gathers such profits and losses in this equity component. The balance in the cash flow hedge fund is reclassified by the Company in the net profit or loss at the closing of the transaction (or if the hedge connection is cancelled from any other reason). In 2022 such transaction was recognized in connection with the gas boiler in Sopron, resulting in the adjustment of the investment amount.

21. Equity correlation table required as part of Section 114/B of the Accounting Act, computation of dividend constraint Section 114/A of the Accounting Act

The correlation table presents the impact of transactions that modify equity compared to the format required by the annual report according to the Accounting Act applied earlier.

Equity correlation table (HUF thousand)	comment	12.31.2022	12.31.2021
Section 114/B(4)(a) Equity			
Supplementary payments received, recognized as liabilities under the IFRS (+)			
Equity under the IFRSs			
Section 114/B(4)(b) Issued capital under the IFRSs	19.1.	249 066	242 235
Face value of repurchased own shares	19.1.	77	93
Issued capital according to Hungarian Accounting Standards		***249 143***	***242 328***
Section 114/B(4)(d) Capital reserve	19.2.	6 435 484,00	5 237 704,00
Capital reserve total		***6 435 484***	***5 237 704***
Section 114/B(4)(e) Retained earnings	19.3.	21 225 491	9 197 528
Subject year profit or loss	19.3.	(14 026 987)	(6 262 118)
Face value of repurchased own shares (-)	19.1.	(77)	(93)
Share-based payments	19.4.	(1 459 544)	(206 875)
Transactions with owners	19.2.	-	-
Unused development reserve (-)	19.3.	(16 117 856)	(3 150 000)
Deferred tax relating to unused development reserve calculated as per IAS 12 (+)	19.3.	1 450 607	283 500
Total retained earnings (excluding current year profit/loss and deferred tax)		***(8 928 366)***	***(138 058)***
Section 114/B(4)(f) Valuation reserve		-	-
Valuation reserve total		***-***	***-***
Section 114/B(4)(g) Current year profit/loss	19.3.	14 026 987	6 262 118
Current year profit/loss (-)		***14 026 987***	***6 262 118***
Section 114/B(4)(h) Allocated reserve (without deferred tax effect)	19.3.	16 117 856	3 150 000
Total allocated reserve		***16 117 856***	***3 150 000***
Section 114/B(5)(a) Reconciliation of the amount of capital registered with the Court of Registration and the amount of issued capital under the IFRSs:			
Issued capital registered at the Court of Registration	19.1.	249 143	242 328
Issued capital according to the IFRSs	19.1.	249 066	242 235
Deviation (face value of repurchased own shares)	19.1.	***77***	***93***
Section 114/B(5)(b) Free retained earnings available for dividend payment:			
Retained earnings (including the profit/loss for the financial year closed by the latest annual report)		5 098 621	6 124 060
Cumulative unrealized profit recognized due to the fair value increase of investment properties as per IAS 40		-	-
Div			
Free retained earnings available for dividend payment		***5 098 621***	***6 124 060***

The dividend per share available under the Accounting Act is presented in the consolidated annual report pursuant to Section 70(a) and (b) of IAS 33.

22. Provisions – Non-current liabilities

Provisions – Long-term liabilities (HUF thousand)	12.31.2022	12.31.2021
Provisions opening	15 500	15 500
Generation of provisions against profit/loss	-	-
Release of provisions for the benefit of profit/loss	-	-
	15 500	**15 500**

The Company recognized provisions in respect of its O&M contractual obligations. The entire amount relates to the resin replacement of the mixed bed at Tisza WTP Kft., facilitating the production of distilled water at the TVK power plant. These contractual obligations still existed unchanged in the current year. In the opinion of the Company's management, the provisions are expected to be released **beyond one year.** Tisza WTP provides ion exchange water to the entire area of the TVK power plant, where Alteo Nyrt. has a long-term contract for operation.

23. Debts on the issue of bonds

Debts on the issue of bonds (HUF thousand)	12.31.2022	12.31.2021
Opening principal and interest:	**15 033 402**	**14 957 926**
ALTEO Nyrt. “2022/I” bond	-	649 051
ALTEO Nyrt. "2022/II" bond	-	1 663 087
ALTEO Nyrt. NKP1 2029	8 787 318	8 805 893
Alteo Nyrt. NKP1 2031	3 906 556	3 915 371
Interest recognized in the current period	**368 101**	**439 476**
ALTEO Nyrt. “2022/I” bond	949	33 691
ALTEO Nyrt. "2022/II" bond	30 543	68 470
ALTEO Nyrt. NKP1 2029	252 324	252 844
Alteo Nyrt. NKP1 2031	84 285	84 472
Principal and interest payments in the current period	**(2 707 630)**	**(364 000)**
ALTEO Nyrt. “2022/I” bond	(650 000)	-
ALTEO Nyrt. "2022/II" bond	(1 693 630)	-
ALTEO Nyrt. NKP1 2029	(270 900)	(270 900)
Alteo Nyrt. NKP1 2031	(93 100)	(93 100)
Closing principal and interest	**12 693 874**	**15 033 402**
ALTEO Nyrt. “2022/I” bond	-	1 663 087
ALTEO Nyrt. "2022/II" bond	-	649 051
ALTEO Nyrt. NKP1 2029	25 167	43 743
Alteo Nyrt. NKP1 2031	10 432	19 247
Reclassification into short-term liabilities	**35 599**	**2 375 128**
Debts on the issue of bonds	12 658 274	12 658 274
Short-term bond payables	35 599	2 375 128

Terms of borrowings and repayment schedule:

Name	Frequency of repayments	Amounts paid	Currency	Nominal liabilities December 31, 2022	Maturity date
ALTEO Nyrt. NKP 2029	Interest payment per annum	8 818 284 700	HUF	8 600 000 000	10.28.2029
ALTEO Nyrt. NKP1 2031	Interest payment per annum	3 912 499 250	HUF	3 800 000 000	10.8.2031

data in HUF thousand	2023	2024	2025	2026	2027	up to 2031	Total
ALTEO Nyrt. NKP 2029	270 900	270 900	270 900	270 900	270 900	9 412 700	10 767 200
ALTEO Nyrt. NKP1 2031	93 100	93 100	93 100	93 100	93 100	4 265 500	4 731 000

On January 10, 2017 the Company 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

650.000.00, the issue value is 76.6963% of the face value. The Company repaid the bond debt on January 10, 2022.

On June 7, 2019 the Company 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 Company repaid the bond debt on June 7, 2022.

On October 24, 2019, the Company 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 of 3.15% and the maturity is 10 years. The bonds were admitted to listing on the regulated market on January 24, 2020.
On October 8, 2020, the parent company of the Company issued bonds designated as “**ALTEO NKP 1/2031**” 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.

24. *Other long-term liabilities, long-term loans and borrowings*

Other long-term liabilities (HUF thousand)	12.31.2022	12.31.2021
ESOP 2022-2024 program liabilities	373 192	-
ESOP 2022-2025 program liabilities	273 575	-
Conditional purchase price liabilities	267 448	294 408
	914 215	**294 408**

<u>ESOP 2022-2024 and 2022-2025:</u>

Under the programs time proportionate expenses were recognized 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.

	ESOP 2022-2024 Program	ESOP 2022-2025 Program
	2022	2022
Outstanding at the beginning of the period	-	-
Granted during the current period	-	-
Vested	120 475	88 317
Exercised during the current period	-	-
Expired during the current period	-	-
Forfeited during the current period	-	-
Outstanding at the end of the current period	120 475	88 317
of which:		
Available for exercise at the end of the cu	-	-
Outstanding at the beginning of the period	-	-
Granted during the current period	-	-
Vested	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	373 192	273 575
of which:		
Available for exercise at the end of the cu	-	-

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 to 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 2022 to 2025 Remuneration Policy, the performance condition is met if the value of the 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 the 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 01, 2022 and December 31, 2023 (2022-2024 ESOP), and January 01, 2022 and December 31, 2024 (2022-2025 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.

<u>Accounting policies of the evaluation of the ESOP</u>

- 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.

<u>Calculation principles for the fair valuation of ESOPs</u>

- 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 2021 dividend for the new share, 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.

Conditional purchase price liabilities:

HUF 267,448 thousand is recorded as conditional purchase price under other long-term liabilities in relation to the Zugló-Therm Kft. share. In the current year, in addition to the impact of the amortization, an adjustment was also recognized in relation to the purchase price because the condition related to the payment of the obligation was met. The above stated items are measured by the Company at amortized cost. The liability's carrying value as of the reporting date was HUF 267,488 thousand. The fair value of the items above does not materially differ from their amortized cost.

25. *Lease liabilities*

The Company's leases mature as follows:

Financial lease liabilities (HUF thousand)	12.31.2022	12.31.2021
Long-term liabilities relating to rights of use (over 5 years)	807 715	786 333
Long-term liabilities relating to rights of use (1-5 years)	60 027	67 983
	867 742	**854 316**
Instalments due within a year	196 077	168 970
	1 063 819	**1 023 286**

None of the lease arrangements include contingent lease payments. The ownership of leased cars is not transferred to the Company 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.

If the mileage is exceeded, settlement takes place at the end of the lease term. The variable fee component is calculated based on the number of excess kilometers. The variable fee components are not recognized either as part of the right-of-use asset or the lease liability.

In addition to the operating leases of vehicles, the Company presents its offices leased in Budapest and its warehouse leased in Polgár as lease liabilities.

The Company uses the benefits as per IFRS16 in force in the current year and recognizes the following items as lease payments: the lease payments on central offices up to the date of the change of the registered office, the 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. These items are presented in detail in Section 2.

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

Financial lease (HUF thousand)	12.31.2022	12.31.2021
Right-of-use asset	1 031 186	1 006 221
Right-of-use liability total	1 063 819	1 023 286
Recognized amortization	182 063	112 066
Recognized interest expense	44 960	26 706

At the end of the current year, the Company shows HUF 1,031,186 thousand of right-of-use assets, with related discounted liabilities of HUF 1,063,819 thousand.

Due to the volatile interest environment, the Company applies quarterly, rather than annual, discount rates to its newly incorporated assets.

Description of lease terms:

Leasing partner	type	Exposure 12/31/2022 (HUF thousand)	Exposure 12/31/2021 (HUF thousand)	Currency	Interest	Maturity date
Lease Plan	vehicles	256 104	248 251	HUF	BUBOR + 2.9%	individual
HSP 612 Kft.	Office space rent	705 753	775 035	HUF	3,73%	2031.06.30
Pallér Csarnok Kft.	assembly hall rental	101 962	-	HUF	3,73%	2029.02.28
		1 063 819	**1 023 286**			

26. *Deferred income*

The deferred income balance sheet line contains the part of the grant received towards the RDI project not yet recognized through profit or loss. The R&D III project has not been implemented to this date. The advance payment on the project in the implementation phase is shown in the value of HUF 224,626 thousand.

The grant for the R&D storage facilities at Kazincbarcika has not yet been disbursed.

Deferred income (HUF thousand)	12.31.2022	12.31.2021
"KFI" grant	294 733	345 987
"KFIII" grant	224 626	224 626
	519 359	**570 613**

The main requirements of funding are the following:

	'KFI' Zugló battery storage
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 1 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 international forum each (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 from July 2019

	'KFII' Kazincbarcika energy storage unit
Purpose of the grant	Integration into the electricity system of 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: - The creation of 1 newly developed product or technology - In the two financial years following implementation the amount of R&D expenditures amounts to 30% of grants as evidenced in the corporate tax returns - Business exploitability, with the index numbers regularly achieved during the retention period.
Grant period	until 12/31/2027

	'KFIII' Sopron electric boiler + Artemisz
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 newly developed product - Involvement of 3 enterprises in development - Business exploitability, with the index numbers regularly achieved during the retention period. - 4 publications, 1 presenting private-public cooperation - 3 domestic publications of the project results
Grant period	until 12/31/2027

27. *Financial liabilities – conditions*

The working capital loan facility made available to ALTEO Nyrt. by Erste Bank Hungary Zrt. amounts to HUF 5,000,000 thousand, and remains available until April 15, 2023, i.e., the end of the heating season. A mortgage on receivables and a surety and mortgage on bank accounts serve as security for the working capital loan facility. The loan facility was unused as of the reporting date.

Wallis Asset Management Zrt. provided a shareholder loan of HUF 6,000,000 thousand with an interest of one-month BUBOR +1.9%, maturing on April 30, 2023. As gas prices decrease at the end of the 2023 heating season, the working capital requirement will decline and, following the change of ownership approved by the Central Bank of Hungary on February 06, 2023, the amount will be repaid.

In the case of the Company'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 +/-
Short-term parent company loan not hedged by interest rate hedging transactions	6 000 000	822

The HUF 1,735,000 thousand loan granted by Alteo Zrt. will be offset in Q1 2023 against the Company's HUF 2,210,405 thousand trade receivables following the bank's approval. The interest rate on the loan is a fixed 14.75% maturity of the loan July 31, 2023.

The terms and conditions of bonds are explained in Section 23.

The related interest terms were presented in previous notes for all instruments.

28. Trade payables

This line in the statement of financial position contains liabilities arising from the purchase of goods and services in the amount of HUF 584,301 thousand. Trade payables are unsecured, which means that the Company does not provide guarantees, with the exception of those routinely provided in the normal course of business.

Trade payables (HUF thousand)	12.31.2022	12.31.2021
Invoices not past due	521 134	548 057
Invoices past due for 1-30 days	20 050	96 335
Invoices past due for 31-90 days	26 088	2 912
Invoices past due for 91-180 days	10 416	3 244
Invoices past due for 181-365 days	5 799	-
Past due for over one year	814	1 979
	584 301	**652 527**

The Company's five largest suppliers:

2022	2021
Wärtsilä Hungary Kft.	Wärtsilä Hungary Kft.
KAZÁNTRADE Szolgáltató és Kereskedelmi Kft.	Vestas Hungary Kft.
PowerUp GmbH	HSP612 Kft.
Vestas Hungary Kft.	Siemens Energy Kft.
Motortechnika Kereskedelmi és Szolgáltató Kft.	Invitech ICT Services Kft.

29. Short-term loans and borrowings, other short-term liabilities and accruals

Short-term loans and borrowings (HUF thousand)	12.31.2022	12.31.2021
Loan granted by Wallis Management Zrt.	6 000 000	-
Loan granted by Alteo Energiakereskedő Zrt.	1 735 000	-
	7 735 000	**-**

See Note 27 for presentations relating to short-term loans.

The composition of the "other short-term liabilities and accruals" balance sheet line is as follows:

Other short-term liabilities and accruals (HUF thousand)	12.31.2022	12.31.2021
Cost accruals	1 100 544	706 512
Amounts payable to customers	982 732	1 157 343
Edelyn Solar remaining purchase price	483 494	-
Other tax liabilities	395 881	249 128
Income settlement	198 882	150 821
Income accruals	78 603	10 864
FE-Group Zrt. purchase price	52 570	-
Zugló contingent purchase price instalment	50 000	-
Other short-term liabilities	34 661	23 846
	3 377 367	**2 298 514**

Cost accruals: Periodically settled transactions and uninvoiced services related to the usual economic activities of the Company.

Amounts due to customers: for a detailed explanation, see Note 40

Edelyn Solar purchase price: Remaining part of the purchase price payable for the 100% business quota of Edelyn Solar Kft.

Other tax liabilities: They include the aggregated amounts of VAT, other local taxes, and other payroll taxes and contributions.

Income settlement: The payrolled salaries of employees for December 2022

Income accruals Periodically settled transactions and services invoiced in advance related to the usual economic activities of the Company.

FE-Group Zrt. purchase price: Contingent purchase price remaining from the purchase price of FE Group Zrt.

Zugló contingent purchase price Contingent purchase price remaining from the purchase price of Zugló-Therm Kft. (absorbed by Alteo-Therm Kft. on January 01, 2020)

Other short-term liabilities: Other uncategorized liabilities (child support, union fees, voluntary pension fund contributions, etc.)

30. *Advances received*

Advances received (HUF thousand)	12.31.2022	12.31.2021
Advances received	60 853	8 989
	60 853	**8 989**

31. *Income tax liabilities*

Income tax liabilities (HUF thousand)	2022.12.31	2021.12.31
Corporate tax liability	-	17 501
Innovation contribution liability	44 728	16 240
Local business tax liability	208 379	100 257
	253 107	**133 998**

32. *Operating segments*

No geographic segments were determined as the Company has no substantial foreign operations and its domestic business also cannot be clearly classified into regional units.

Decisions of strategic importance with respect to the operation of the Company are made by the members of the Board of Directors; thus the Company discloses classification by the following segments:

- operation,
- power plant construction,
- administrative services and management

The breakdown of the statement of profit or loss by segments:

2022	Construction – Project development	Operation	Admin. and management	Total
Sales revenues	**891 460**	**7 154 842**	**16 766 258**	**24 812 560**
Material expenses	(453 386)	(3 877 854)	(1 125 658)	(5 456 898)
Personnel expenses	(578 120)	(2 081 878)	(3 097 623)	(5 757 621)
Depreciation, amortization	(24 854)	(362 066)	(317 716)	(704 636)
Capitalized own production	94 811	11 422	139 140	245 373
Other revenues, expenses	(34 287)	(98 836)	(105 186)	(238 310)
Operating profit or loss	**(104 376)**	**745 630**	**12 259 214**	**12 900 468**

2021	Construction – Project development	Operation	Admin. and management	Total
Sales revenues	**350 530**	**5 831 228**	**7 580 563**	**13 762 321**
Material expenses	(158 956)	(2 978 036)	(916 843)	(4 053 835)
Personnel expenses	(364 566)	(1 718 805)	(2 106 341)	(4 189 712)
Depreciation, amortization	(22 251)	(246 560)	(192 019)	(460 830)
Capitalized own production	96 871	28 243	82 583	207 697
Other revenues, expenses	2 018	81 567	(169 154)	(85 569)
Operating profit or loss	**(96 354)**	**997 637**	**4 278 789**	**5 180 072**

There are no transactions between segments.

33. *Related party disclosures*

According to the judgement of the management of the Company, transactions with related parties are transactions concluded under market terms, with market based pricing.
The Company does not enter into supply contracts where the customer has the right to subsequently return the goods delivered or to withdraw from the services provided.

The entity's key management personnel 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 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 Company has no doubtful receivables due from related parties; the detailed presentation of the ECL model applied to related party receivables is included in Section 17.

In the current year, the Company disclosed the following outstanding balances due from affiliated

12.31.2022	Loans given	Accrued income	Accrued interest income	Trade receivables	other receivables	Trade payables	Loan received	Deferred expenses	Accrued interest expenses	Advances received from customers
ALTE-GO Kft.	146 452	-	9 228	-	-	(104)	-	-	-	-
ALTEO Energiakereskedő Zrt.	-	1 430 617	-	2 210 406	-	-	(1 735 000)	-	(56 090)	-
ALTEO-DEPÓNIA Kft.	-	34 982	-	1 212	-	-	-	-	-	-
ALTEO-Therm Kft.	-	141 584	-	900 307	-	-	-	-	-	-
Domaszék Kft.	22 292	-	1 785	484	4 299	-	-	-	-	-
Eco-First Hulladék Kereskedelmi	-	-	-	-	-	-	-	-	-	-
FE Group Zrt.	300 400	13 972	9 522	17 868	-	-	-	-	-	-
Edelyn Solar Kft.	103 013	-	4 421	-	-	-	-	-	-	-
Energias Kft.	-	25 052	-	149 663	-	-	-	-	-	-
Euro-Green Energy Kft. * absorber	3 274 386	(78 603)	25 862	121 886	-	-	-	-	-	-
Foxpost Zrt.	-	-	-	-	-	-	-	-	-	-
Hotel Schweizerhof Kft.	-	-	-	-	-	-	-	-	-	-
HSP612 Kft.	-	-	-	-	-	-	-	(13 218)	-	-
Monsolar Kft.	431 287	-	32 769	1 221	-	-	-	-	-	-
Pannon Szélerőmű Kft.	1 550 000	-	12 307	65 942	650 000	-	-	-	-	-
Sinergy Energiakereskedő Kft.	-	6 169 407	-	6 960 310	-	-	-	-	-	-
Sinergy Energiaszolgáltató Kft.	-	-	-	122 690	-	-	-	-	-	-
SUNTEO Kft.	1 090 416	-	77 166	4 684	80 000	-	-	-	-	-
Tisza WTP Kft.	-	4 552	-	106 735	-	-	-	-	-	-
Wallis Asset Management Zrt.	-	-	-	-	-	(7 989)	(6 000 000)	-	(90 401)	-
Wallis Autómegosztó Zrt.	-	-	-	-	-	(10)	-	-	-	-
PanEuropean Kft.	-	-	-	94 992	-	-	-	-	-	(77 181)
Total	**6 918 246**	**7 741 563**	**173 060**	**10 758 400**	**734 299**	**(8 103)**	**(7 735 000)**	**(13 218)**	**(146 491)**	**(77 181)**

companies in the financial statements (data in HUF thousand):

Credit loss for receivables from affiliated companies was determined based on the ECL model, except in the case of Energigas Kft., where individual impairment was employed.

Guarantees to related parties are relevant in relation to the offices leased from HSP612 Kft.

In the current year, the Company recognized the following outstanding balances due from affiliated companies in profit or loss (data in HUF thousand):

2022	Revenue	Material expenses	Personnel expenses	Other expenses	Interest income	Interest expenses	Dividend income
Alte-A Kft. * absorbed	1 548	-	-	-	-	-	-
ALTE-GO Kft.	13 284	(679)	-	(30 000)	5 395	-	-
ALTEO Energiakereskedő Zrt.	2 623 897	-	-	-		(56 090)	-
ALTEO-DEPÓNIA Kft.	67 358	-	-	-	1 216	-	-
ALTEO-Therm Kft.	3 212 430	(38 530)	-	-	336 319	-	-
Domaszék Kft.	8 877	-	-	-	703	-	30 000
Eco-First Hulladék Kereskedelmi	36 720	-	-	-	-	-	-
FE Group Zrt.	28 042	-	-	-	9 522	-	-
Edelyn Solar Kft.	14 500	-	-	-	4 421	-	-
Energias Kft.	318 862	877	-	-	14 129	-	-
Euro-Green Energy Kft. * absorber	430 928	-	-	-	85 647	-	1 300 000
e-WIND Kft. * absorbed	6 184	-	-	-	5 354		
Foxpost Zrt.	-	(7)	-	-	-	-	-
Hidrogáz Kft. * absorbed	132	-	-	-	-	-	-
HSP612 Kft.	-	(74 288)	-	-	-	-	-
Kazinc-BioEnergy Kft. *absorbed	132	-	-	-	-	-	-
Monsolar Kft.	18 072	-	-	-	13 586	-	32 000
Pannon Szélerőmű Kft.	279 287	-	-	-	48 825	-	1 100 000
Sinergy Energiakereskedő Kft.	13 767 703	-	-	-	20 762	-	-
Sinergy Energiaszolgáltató Kft.	241 139	-	-	(97 167)	4 524	-	-
SUNTEO Kft.	54 936	-	-	-	34 348	-	40 000
Tisza Bioterm Kft. * absorbed	162	-	-	-	85	-	-
Tisza WTP Kft.	736 021	-	-	-	2 589	(2 430)	-
Tisza-BioEnergy Kft.* absorbed	132	-	-	-	-	-	-
Wallis Asset Management Zrt.	-	(12 015)	-	-	-	(40 872)	-
Wallis Autómegosztó Zrt.	-	(69)	(21)	-	-	-	-
PanEuropean Kft.	93 496	-	-	-	-	-	-
WINDEO Kft.* absorbed	49 356	-	-	-	12 653	-	-
Grand total	**22 003 198**	**(124 711)**	**(21)**	**(127 167)**	**600 078**	**(99 392)**	**2 502 000**

Related party transactions are measured on an arm’s length basis.

34. *Financial risks, their management and the sensitivity analysis*

In addition to the risks listed in Section II.8, the Company focuses specifically on the following financial risks.

Credit (trade receivables) risk and its management

Each of the Company’s segments provide services to a different client base and they have different default risks. The risks associated with the various types of clients are assessed and managed as follows:

Type of client	Risk management
Business and project development	Assessment of the individual client risk, requesting bank guarantees and, optionally, advance payment prior to launching projects.

Type of client	Risk management
Large corporate clients (energy services)	The Company provides services to the critical infrastructures of large Hungarian companies of which several are listed and thoroughly analyzed, transparent entities. Key clients are monitored continuously.
ALTEO members	Thanks to the Group's centralized processes, the Company has a comprehensive understanding of the risks of its subsidiaries.
Lease receivables	The receivable is secured by the ownership rights of the Company's own subsidiary and its free cash balances provide additional collateral.

In Management's opinion, client risks have not changed significantly compared to the previous periods. During the current year, it was not necessary to draw down bank guarantees or any other collateral pledged by clients.

Risk factors have been taken into account and have been quantified in the course of the review of the ECL model.

The details of the Company's receivables and the expected losses relating to such receivables are presented in Sections 15 and 17.

Interest rate risk calculation and management

The Company is funded through fixed coupon bonds.

The future cash flows of the bonds and the credit terms are explained in detail in Section 27

Foreign currency risk calculation and management

Foreign currency risk is the risk that the fair value of the Company's future cash flows will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to the Company's operating activities (certain expenses are denominated in a foreign currency). ALTEO manages its foreign currency risk by hedging transactions the forecasted purchases that are expected to occur within the next 12-month period and that are settled by members through the cash pool system.

In 2022 the Company had hedging transactions relating to investment projects.

Presentation of the Company's foreign exchange denominated financial instruments as at the reporting date, and changes to the same where there is a one per cent change in the exchange rate.

Financial instrument	EUR	Effect of 1% change in exchange rate (HUF thousand)
Assets:		
Trade receivables	411 000	1 645
Advances given	324 648	1 299
Other receivables and accruals	1 071	4
Liabilities:		
Advances received	(14 256)	(57)
Trade payables	(637 030)	(2 550)
Other short-term liabilities and accruals	(1 664 832)	(6 663)
	(1 579 399)	**(6 322)**

Liquidity risk

The 10-year bonds issued in 2020 significantly contributed to the improvement of the liquid assets available to the Group. As of the reporting date, it was not necessary to use the available working capital loan facility for ensuring liquidity. The Group supports the liquidity requirements of its members through a cash-pool system.

Financial instruments (HUF thousand)	within 1 year	maturity 2-5 years	more than 5 years
Assets:			
Long-term deposits or loans given	-	-	7 084 527
Trade receivables	10 778 950	-	-
Other receivables and accruals	9 825 460	-	-
Liabilities:			
Debts on the issue of bonds	(35 599)	-	(12 658 274)
Finance lease liabilities	(196 077)	(849 355)	(18 387)
Advances received	(60 853)	-	-
Trade payables	(584 301)	-	-
Other long-term liabilities	-	(914 215)	-
Other short-term liabilities and accruals and short-term borrowings	(11 112 367)	-	-
Income tax liabilities	(253 107)	-	-
	8 362 106	**(1 763 570)**	**(5 592 134)**

The future cash flows of the borrowings and bonds and the credit terms are explained in detail in Section 27.

35. *Contingent liabilities*

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

In line with the course of business in the industry, the Company issued guarantees related to its activities in accordance with its contracts for construction & installation services and operation. The guarantees were provided by Erste Bank Zrt.

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

The Company did not draw down on its bank guarantees either in the current year or in the previous period.

On the reporting date, the utilized bank guarantees offered by Erste Bank to Alteo Nyrt. amounted to HUF 7,901,174 thousand.

The relationships with other banks that have no value in the financial statements are presented in detail in Section 27 of the notes to these financial statements.

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 guarantee	Amount (EUR)	Maturity
MET Magyarország Zrt.	Payment guarantee	6 000 000	12.15.2023

The Issuer has contingent liabilities, guarantees and sureties with regard to related parties as shown in the table below.

Name	Guarantee amount	Currency	Guarantee type	Guarantee expiry	Guarantee commitment
TVK Erőmű Termelő és Szolgáltató Kft.	301 537	EUR	warranty	2023.09.30	Power plant reconstruction, life extension of main and auxiliary equipment
Siemens Energy Kft.	87 800	EUR	Performance and warranty	2023.12.12	Maintenance of 2 SGT 600 gas turbines
Budapesti Erőmű Zrt.	90 000	EUR	Performance and warranty	2024.10.03	Multi-year maintenance contract for the maintenance and repair of steam turbines at the sites of Budapesti Erőmű Zrt.
Tibor Mikus, Ferenc Zsemberi	1 207 980	EUR	Payment	2023.05.31	Payment of the remaining purchase price of the Edelyn Solar business quota
China Construction Sausum (Hungary) Kft.	38 074	EUR	Payment	2023.02.15	Borsodnádasd Solar Power Plant design
BC-Erőmű Kft.	96 399 717	HUF	Performance bond	2023.03.03	Linked to O&M contract
HSP612 Kft.	26 527 105	HUF	Payment	2023.12.31	Premises rental contract - Globe3 office space
Pallér Csarnok Építő Kft.	6 059 001	HUF	Payment	2024.10.03	Premises rental contract - Polgár Industrial Park warehouse and office space

The following waste movements occurred at the sites of Alteo Nyrt. in 2022. The volumes present at the end of 2022 will be removed in 2023.

Name	Movement	quantity/kg	value/HUF
Hazardous waste	2022 Opening	1 857	-
	removed in 2022	96 240	-
	2022 Closing	4 833	-
Non-hazardous waste	2022 Opening	65	-
	removed in 2022	6 923	-
	2022 Closing	10	-

36. *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.

February 3, 2023: The Central Bank of Hungary approved the public offer of Cege Zrt., Főnix Private Equity Fund and Riverland Private Equity Fund (hereinafter collectively the "buyer") for the acquisition of 10,278,009 shares of Wallis Asset Management Zrt. representing a 51.567% share in the share capital of ALTEO Nyrt. and 51.583% of its voting rights.

February 7, 2023: The parent company of the Group began the transfer of 1,911 shares to the employees who have become eligible for them based on 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.

February 9, 2023: At the Best of BSE awards, Hungarian fund managers and analysts deemed Alteo to be the most transparent company in the BUX index based on the average of scores received in the various categories.

The impact of the global political events (the conflict between Russia and Ukraine, COVID-19) was taken into consideration in Sections War risks and Risks related to the spread of COVID-19.

37. Litigation and claims

On the reporting date the Company has no significant instances of litigation that might influence the content of the statements.

38. 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.

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

39. *Fair value measurement disclosures*

The Company did not have any assets to be measured at fair value either in 2022 or in the previous year. The Company did not have any derivatives as of the reporting date or in the reference period.

Financial instruments December 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:					
Property, plant and equipment	-	-	2 650 943	2 650 943	2 650 943
Other intangible assets	-	-	401 207	401 207	401 207
R&D	-	-	307 270	307 270	307 270
Rights of use	-	-	1 031 186	1 031 186	1 031 186
Long-term loans given	-	-	7 084 527	7 084 527	7 084 527
Trade receivables	-	-	10 778 950	10 778 950	10 778 950
Other short-term receivables and accruals	-	-	9 825 460	9 825 460	9 825 460
Cash and cash equivalents	-	-	9 948 117	9 948 117	9 948 117
	-	**-**	**42 027 660**	**42 027 660**	**42 027 660**

Financial instruments December 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:					
Deferred tax liabilities	-	-	1 467 513	1 467 513	1 467 513
Debts on the issue of bonds	-	-	12 658 274	12 658 274	12 658 274
Other long-term liabilities	-	-	914 215	914 215	914 215
Lease liabilities - long	-	-	867 742	867 742	867 742
Short-term liabilities	-	-	12 242 304	12 242 304	12 242 304
Short-term bond payables	-	-	35 599	35 599	35 599
Lease liabilities - short	-	-	196 077	196 077	196 077
Trade payables	-	-	584 301	584 301	584 301
Short-term loans and borrowings	-	-	7 735 000	7 735 000	7 735 000
Other short-term liabilities and accruals	-	-	3 377 367	3 377 367	3 377 367
Advances received	-	-	60 853	60 853	60 853
	-	**-**	**40 139 245**	**40 139 245**	**40 139 245**

12.31.2022	Level 1	Level 2	Level 3
Assets:	-	-	-
Property, plant and equipment	-	-	2 650 943
Other intangible assets	-	-	401 207
R&D	-	-	307 270
Rights of use	-	-	1 031 186
Long-term loans given	-	-	7 084 527
Trade receivables	-	-	10 778 950
Other short-term receivables and accruals	-	-	9 825 460
Cash and cash equivalents	9 948 117	-	-
Total:	9 948 117	-	32 079 543
Liabilities:	-	-	-
Deferred tax liabilities	-	-	1 467 513
Debts on the issue of bonds	-	-	12 658 274
Other long-term liabilities	-	-	914 215
Lease liabilities - long	-	-	867 742
Short-term liabilities	-	-	12 242 304
Short-term bond payables	-	-	35 599
Lease liabilities - short	-	-	196 077
Trade payables	-	-	584 301
Short-term loans and borrowings	-	-	7 735 000
Other short-term liabilities and accruals	-	-	3 377 367
Advances received	-	-	60 853
Total:	-	-	40 139 245

40. *Contractual assets and liabilities*

The Company concluded several large value fixed price construction-installation contracts with its business partners during the current year. Revenue from the projects is recognized by the Company in accordance with the rules of the IFRS 15 standard. The Group registers its costs concerning the construction-installation contract separately, and recognizes revenue against the amount due from the Customer, proportionate to the occurrence of such costs, considering the level of completion and the planned (expected) profit. According to the management of the Company it is likely that the economic benefits of the contract will be realized. The estimate concerning the recognized revenue was prepared considering all the information available at the time of the disclosure of the statement.

The overhaul of gas engines constitutes a significant component of the O&M contracts of subsidiaries. The Company treats this liability separately and discloses it as a contractual obligation.

Name	12.31.2022	12.31.2021	Recognized current year sales revenue total	Sales revenue adjustment against statement of financial position	Invoiced sales revenue current year
Győr Power Plant Project	-	55 357	8 743	(55 357)	64 100
Balatonberény Solar Power Plant	(104 243)	(110 346)	-	6 103	-
Gibárt Hydropower Plant	-	12 934	83 672	(12 934)	96 606
Subsidiary gas engine overhauls	(816 622)	(976 997)	1 949 693	(160 375)	2 110 068
Borsodchem steam pipeline design	(1 740)	-	1 740	(7 460)	9 200
Praktiker Budaörs PV construction	(1 316)	-	92 180	(1 316)	93 496
TVK life extension	(58 810)	(70 000)	11 190	11 190	-
Tiszaújváros Heating Power Plant AFC circuit	65 193	-	65 193	65 193	-
Tiszaújváros and Kazincbarcika circuit breaker replacement	15 756	-	15 756	15 756	-
Kazincbarcika water treatment	45 389	-	45 389	45 389	-
Kazincbarcika gas engine replacement	495 006	-	495 006	495 006	-
Nestlé electric boiler installation (plan)	12 698	-	12 698	12 698	-
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	**650 384**	**68 291**			
Projects - amounts due to customer	**(982 731)**	**(1 157 343)**			

The Company has recognized the changes in outstanding contractual assets and liabilities in the previous year against the revenues of the current year. No pre-contractual (initial) costs were capitalized in the current year whose recovery needs to be assessed. Amounts payable to the Principal are disclosed in Note 16 and liabilities in Note 29.

41. *Disclosure of interests in other entities*

The Company 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.

Apart from the subsidiaries recognized as leases, the Company does not face any limitations concerning any of its entities that would influence access to net assets, the profit or the cash flow.

The Company 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 ALTEO qualify as or have shares in an investment entity.

42. *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 Nyrt. is BDO Magyarország Könyvvizsgáló Kft. (chamber registration number: 002387), the person responsible for auditing is Péter Krisztián Kékesi, chamber membership number: 007128.

The fee for auditing the unconsolidated annual report and the IFRS consolidated financial statements 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.

43. 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

44. ALTEO members on the reporting date

Energy services	Energy trading	Energy production and Virtual power plant			
Alte-A Kft. 100% Tisza-WTP Kft. 100% Alteo-Go Kft. 100 %			Alteo-Depónia Kft. 100%	Energigas Kft. 1%	
			Domaszék 2MW Kft. 100%	Monsolar Kft. 100%	Alteo-Therm Kft. 100%
Alteo Energiaszolgáltató Nyrt.	Alteo Energiakereskedő Zrt. 100%	Sinergy Energiakereskedő Kft. 100%	Euro-Green Energy Kft. 100%	Sunteo Kft. 100%	
			Pannon Szélerőmű Kft. 100%		
FE-Group Invest Zrt. 75.1% ECO-FIRST Kft. 66.67%			Sinergy Energiaszolgáltató, Beruházó és Tanácsadó Kft. 100%		

1. *Information on the Group*

Name of companies in Group	Note	Registered office	Activity	Ownership acquisition date	Legal title	Rate of influence 12.31.2022	Rate of influence 12.31.2021	Amount of equity (HAS) HUF thousand 12.31.2022	Amount of revenue (HAS) HUF thousand 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.	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.	2	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
Euro Green Energy Kft.		H-1033 Budapest, Kórház utca 6-12.	electricity production (wind turbine)	5.28.2019	Purchase	100%	100%	2 061 085	2 347 073
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
FE-Group Zrt.	3	H-1101 Budapest, Sírkert utca 2-4	wholesale of waste and scrap, recycling	9.21.2022	Purchase	75,10%	N/A	377 789	3 880 648
Edelyn-Solar Kft.		2183 Galgamácsa	electricity production (solar power plant)	7.21.2022	Purchase	100%	N/A	1 493	-
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 production	5.4.2015	Purchase	100%	100%	596 829	56 600 995
Sinergy Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production, electricity production	5.4.2015	Purchase	100%	100%	563 472	555 200
SUNTEO Kft.		H-1033 Budapest, Kórház utca 6-12.	heat energy production	1.30.2013	Founding	100%	100%	228 122	795 796
Tisza-WTP Kft.	1	H-3580 Tiszaújváros, Ipartelep 2069/3.	water treatment, desalinated water production	5.4.2015	Purchase	100%	100%	101 735	1 756 936

1	100% share; undertakings presented as lease assets
2	The Alteo Nyrt. 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.
3	Alteo Nyrt. has a 75.1% share in FE-GROUP Zrt., thus the share of the Group in the net assets of FE-GROUP Zrt. is 75.1%, with that the Group exercises control over this company.

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% share

2. Acquisitions and divestments

Date	Member company	Change in participations
2022	FE-Group Zrt.	Acquisition of 75.1% participation
2022	Edelyn-Solar Kft.	Acquisition of 100% participation

3. Transformations

June 30, 2022 – 'Windy mergers' 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 8, 2017, the Company decided on the merger by absorption of its subsidiaries operating wind power plants as well as its project companies engaging in no activities. In the course of the merger

- Euro Green Energy Kft. absorbed
    - Hidrogáz Kft.
    - E-Wind Kft.
    - Windeo Kft.
    - Tisza Bioterm Kft.
    - Kazinc Bioenergy Kft.
    - Tisza Bionerngy Kft.

The merger by absorption was concluded on June 30, 2022.

ALTEO Nyrt.
Annual Report

of the Parent Company
for the Fiscal Year 2022

Published on: March 30, 2023

ALTEO Nyrt. Annual Report 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 Regulations on 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 discloses "*The Management Report and Analysis" on the annual profit and loss for the fiscal year 2022, and the financial statements for the fiscal year 2022*** (hereinafter collectively: "**Annual Report**").

The Company prepares and publishes a Consolidated Annual Report for the companies listed in Section 1.11 of the Annual Report. The companies included in the consolidation are collectively referred to as the "**Subsidiaries**"; the Subsidiaries and the Company are hereinafter collectively referred to as the "**Group**" or the "**ALTEO Group**".

The 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 Annual Report for 2022 were verified by an independent auditor.

The Annual Report of ALTEO Nyrt. for 2022 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
- Separate Financial Statements

ALTEO Nyrt.

Business Report,

Management Report and Non-Financial Statements

of the Parent Company for the Financial Year 2022

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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 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.

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, the **net profit increased from HUF 6.2 billion in 2021 to HUF 14 billion in 2022.**

The environment offered many opportunities which have been accompanied by increased working capital requirements and risks for subsidiaries. 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 long-term sustainability. 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 energy 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 2022-2025, 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.

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 unorganized waste management market.

The offer submitted by MOL RES Investement Zrt. in 2022 for ALTEO 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 Nyrt.
- 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 06, 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 02, 2023.
- On February 08, 2023, the Company published the opinion of ALTEO Nyrt.'s Board of Directors on the Bid, which is available in full here: 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

The following section presents the analysis of the comparative data of ALTEO Nyrt. for the same period in 2021 and 2022.

(Negative values are denoted by parentheses.)	Note	2022 12 months data in HUF thousand	2021 12 months data in HUF thousand	Change 12 months data in HUF thousand
Revenues	**1.**	**24 812 560**	**13 762 321**	**11 050 239**
Material expenses	2.	(5 456 898)	(4 053 835)	(1 403 063)
Personnel expenses	3.	(5 757 621)	(4 189 712)	(1 567 909)
Depreciation and amortization	4.	(704 636)	(460 830)	(243 806)
Capitalized own production	5.	245 373	207 697	37 676
Other revenues, expenses, net	6.	(238 310)	(85 569)	(152 741)
Operating profit or loss		**12 900 468**	**5 180 072**	**7 720 396**
Income from financial transactions	7.	3 587 838	2 258 848	1 328 990
Expenses from financial transactions	7	(812 196)	(571 571)	(240 625)
Profit or loss on financial transactions (-)	7	2 775 642	1 687 277	1 088 365
Profit or loss before taxes		**15 676 110**	**6 867 349**	**8 808 761**
Income taxes	8.	(1 649 123)	(605 231)	(1 043 892)
Net profit or loss		**14 026 987**	**6 262 118**	**7 764 869**

(Negative values are denoted by parentheses.)	Note	2022 12 months data in HUF thousand	2021 12 months data in HUF thousand	Change 12 months data in HUF thousand
Other comprehensive income (after income tax)	**20.**	-	-	-
Reserves relating to derivative transactions	20.	-	-	-
Other comprehensive income from cash flow hedges from cash flow hedges into profit/loss	20.	-	-	-
Comprehensive income		**14 026 987**	**6 262 118**	**7 764 869**

The references in the Notes refer to Chapter V of the financial statements.

The **revenues** of ALTEO Nyrt. increased by **80%, i.e. HUF 11 billion, to HUF 24.8 billion**, as compared to 2021. The rise in revenues was impacted by a number of factors:

- The majority of the revenue increase is due to the **growth of the segment that manages the subsidiaries' activities. Of particular note** is the dynamic growth in revenues from the Renewable Production Management ("RPM") business, the significant growth in portfolio optimization and production management and management services. Management stability in the segments was strongly enabled by the capacity expansion projects realized at the Company and its subsidiaries 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.
- In 2022, the Company increased the efficiency and revenue of its maintenance projects proportionately. Material expenses for maintenance and operations increased proportionately with the increase in maintenance projects.

The 37% (HUF 1.6 billion) rise in **personnel expenses** mainly reflects the impact of very significant organic growth, acquisitions, wage increases and the Employee Share Ownership Programs launched in 2022.

The 53% (HUF 0.2 billion) increase in **depreciation and amortization** was driven by the growth of the Company's capacity portfolio, the use of the new office building, the expansion of the hall areas used for operational purposes, and the leases.

The **net balance of other income and expenses** was used for grants to foundations and organizations, and to cover for capital losses of subsidiaries.

The **net financial income** increased by HUF 1 billion. 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.

Income tax expenses increased proportionately with the profits. Income tax expenses exceeded the expenses of the comparative period by HUF 1 billion.

ALTEO Nyrt. generated an operating profit of HUF 12 billion and a net profit after tax of HUF 14 billion in the financial year 2022.

1.2 Executive summary of the statement of financial position

The Group's closing **statement of financial position total was HUF 55,135 million** as at December 31, 2022. The balance sheet total was HUF **34,833** million as at December 31, 2021. The balance sheet total **increased by 58%**.

(Negative values are denoted by parentheses.)	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand	Change HUF
Non-current assets		**23 083 877**	**21 392 355**	**1 691 522**
Property, plant and equipment	9.	2 650 943	2 191 124	459 819
Other intangible assets	9.	401 207	304 405	96 802
R&D	9.	307 270	354 426	(47 156)
Rights of use	9.	1 031 186	1 006 221	24 965
Long-term loans given	10.	7 084 527	7 023 220	61 307
Long-term share in subsidiary	11.	11 608 644	10 512 859	1 095 785
Long-term participation in associate	11.	100	100	-
Current assets and assets held for sale		**32 051 527**	**13 440 654**	**18 610 873**
Inventories	14.	1 499 000	1 072 351	426 649
Trade receivables	15.	10 778 950	6 797 338	3 981 612
Other short-term receivables and accruals	16.	9 825 460	2 649 641	7 175 819
Cash and cash equivalents	18.	9 948 117	2 921 324	7 026 793
TOTAL ASSETS		**55 135 404**	**34 833 009**	**20 302 395**

The references in the Notes refer to Chapter V of the financial statements.

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

Non-current assets:

Non-current assets increased by HUF 1.6 billion in the reporting period, mainly due to the purchase of self-developed control technology and capacity support equipment, as well as the delivery of maintenance support vehicles and maintenance hall investment projects in 2022.

Current assets:

Current assets of HUF 68.4 billion represent **a HUF 39 billion (133%) increase** compared to the 2021 closing value, resulting from significant changes in the following items:

- **Cash increased by HUF 7 billion** compared to the closing assets of the previous period, representing a 241% 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 Statement of Cash Flows. The substantial amount of cash assets reflects the year-end situation on that specific date. Its substantial amount is warranted by significant seasonality and heightened margining risk due to increased volumes and prices.
- **Trade receivables, and other receivables and accruals** show **a HUF 11.1 billion increase** compared to the base period, representing a 118% growth, owing primarily to the aforementioned increase in projects and activities.
- **The value and value increase of inventories** consisted of assets developed and purchased for future sale as equipment for maintenance and regulatory activities.

(Negative values are denoted by parentheses.)	Note	12/31/2022 HUF thousand	12/31/2021 HUF thousand	Change HUF thousand
Equity		**26 450 497**	**14 470 592**	**11 979 905**
Issued capital	19.	249 066	242 235	6 831
Share Premium – Reserves	19.	6 435 484	5 237 704	1 197 780
Retained earnings	19.	21 225 491	9 197 528	12 027 963
Share-based payments reserve	19.	(1 459 544)	(206 875)	(1 252 669)
Long-term liabilities		**16 442 603**	**14 724 291**	**1 718 312**
Deferred tax liabilities	12.	1 467 513	331 180	1 136 333
Provisions	22.	15 500	15 500	-
Debts on the issue of bonds	23.	12 658 274	12 658 274	-
Other long-term liabilities	24.	914 215	294 408	619 807
Lease liabilities - long	25.	867 742	854 316	13 426
Deferred income	26.	519 359	570 613	(51 254)
Short-term liabilities		**12 242 304**	**5 638 126**	**6 604 178**
Short-term bond payables	23.	35 599	2 375 128	(2 339 529)
Lease liabilities - short	25.	196 077	168 970	27 107
Trade payables	28.	584 301	652 527	(68 226)
Short-term loans and borrowings	29.	7 735 000	-	7 735 000
Other short-term liabilities and accruals	29.	3 377 367	2 298 514	1 078 853
Advances received	30.	60 853	8 989	51 864
Income tax liabilities	31.	253 107	133 998	119 109
TOTAL EQUITY and LIABILITIES		**55 135 404**	**34 833 009**	**20 302 395**

The references in the Notes refer to Chapter V of the financial statements.

Equity components:

The **equity** of the Group **showed a HUF 11.9 billion increase in 2022**. The main part of the change in equity is the net profit for the reporting period, which represents an increase of HUF 14 billion, and a decrease of HUF 2 billion due to the dividend paid in 2022. For more information on equity increase, see the Equity table.

Long-term liabilities:

The Group's **long-term liabilities rose** by HUF 1.7 billion, i.e. by **12%.**

Deferred tax liabilities increased by HUF 1.1 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 612 million, which includes an increase in employee share ownership programs newly launched this year.

Short-term liabilities:

Short-term liabilities increased by a total of **HUF 6.6 billion, i.e. by 117%,** compared to the 2021 closing value, driven by significant changes in the following items:

- **Short-term loans and borrowings** increased by **HUF 7.7 billion** compared to the closing portfolio 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.
- On January 10, 2017 the Company issued a zero coupon bond with a total face value of HUF 650 million (ISIN identifier: 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.
- **Other short-term liabilities and accruals** show **a HUF 1 billion increase** compared to the base period, owing primarily to the impact of the aforementioned temporary delay in maintenance and construction works and trade payables.

1.3 Statement of cash flows for the 12-month-period ending on June 31, 2022

ALTEO Nyrt. closed 2022 with a **cash increase of HUF 7 billion**. ALTEO Nyrt. generated HUF **3.6 billion** of incremental funds with its operating activities, while it used **HUF 838 million** of cash for investment projects. The Group presents the cash flow changes arising from changes in the statement of financial position (indirect cash flow).

	Note	**12/31/2022 HUF thousand**	**12/31/2021 HUF thousand**
Profit or loss before taxes		**15 676 110**	**6 867 349**
Interest income and interest expenses, net loss (gain)	7.	(304 508)	198 957
Dividend (income)	7.	(1 767 701)	(1 930 000)
Unrealized exchange rate differences (loss/gain)	7.	19 078	8 424
Effect of depreciation on profit or loss	4.	704 636	460 830
Profit/loss on scrapping of production and other machinery	9.	16 030	415
Recognition of impairment and forgiveness in profit or loss	6.	237 774	137 061
Provisions recognized and released	6.	-	-
Deferred income increase (decrease)	26.	(51 254)	173 373
Exchange rate effect of other comprehensive income	20.	-	-
Share-based payment cost	19.	830 840	252 853
Changes in deferred tax	8.	1 136 333	283 342
Profit or loss on derecognizing fixed assets	6.	1 028	582
Net cash-flow of business activity without change in current assets		***16 498 365***	***6 453 186***
Inventories (increase) and decrease	14.	(426 649)	(669 533)
(Increase) and decrease in trade receivables, other receivables, accrued income and deferred charges	15.	(12 019 113)	(4 334 326)
(Increase) and decrease in other financial assets	16.	-	128 949
Increase and (decrease) in trade payables, other liabilities, accrued expenses and deferred income	28.	1 240 854	(91 570)
Advances received (increase) and decrease	30.	51 864	(37 511)
Change in net current assets		***(11 153 044)***	***(5 003 991)***
Operating cash flow before taxes		**5 345 321**	**1 449 195**
Effect of income taxes on profit or loss		(1 649 123)	(605 231)
Cash generated / (used) in operating activity		**3 696 198**	**843 964**
Interests received on deposits and investments	7.	1 000 735	174 048
Purchase of production and other machinery, and intangible assets	9.	(1 015 818)	(1 836 414)
Investment in acquiring businesses (net of cash)	11.	(585 332)	(16 852)
Revenue from the sale of production and other machinery, and intangible assets	6.	2 637	826
Long-term loans given - disbursement	10.	(471 619)	(1 301 000)
Long-term loans given - repayment	10.	231 570	982 866
Cash generated / (used) in investment activities		**(837 828)**	**(1 996 526)**
Interest paid	7.	(577 918)	(366 596)
Loans, bonds, credits and liabilities borrowed	29.	7 735 000	-
Loans, bonds, credits and liabilities repaid	23.	(3 233 340)	25 603
Change in leases	25.	(4 427)	-
Capital increase, purchase of own shares	19.	1 133 865	-
Transfer of ESOP cash and cash equivalents and other transactions with owners	19.	(1 434 680)	(100 000)
Dividend received	7.	2 502 000	1 930 000
Dividend payment	7.	(1 933 001)	(455 275)
Cash generated / (used) in financing activities		**4 187 499**	**1 033 732**
Changes in cash and cash equivalents		**7 045 870**	**(118 830)**
Opening cash and cash equivalents	18.	2 921 324	3 048 578
Cash exchange gains/losses	7.	(19 078)	(8 424)
Closing cash and cash equivalents	18.	**9 948 117**	**2 921 324**

The references in the Notes refer to Chapter V of the financial statements.

1.4 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 Extract from company register 19.1*	*Issued capital repurchased 19.1*	Issued capital under the IFRS (Extract from company register – redeemed) 19.1	Share Premium – Reserves total 19.2	Retained earnings 19.3	Share-based payments reserve 19.4	Total equity
1.1.2021	**242 328**	**(9 356)**	**232 972**	**4 717 549**	**3 390 685**	**169 690**	**8 510 896**
Implementation of employee share award program through shares	-	48	48	4 252	-	-	4 300
Purchase of own shares	-	(3 118)	(3 118)	(290 601)	-	-	(293 719)
Exercise of ESOP I option	-	-	-	62 819	-	(62 819)	-
Completion of ESOP I	-	7 221	7 221	267 159	-	-	274 380
Cash transferred to ESOP organization	-	-	-	(100 000)	-	-	(100 000)
Own shares transferred to ESOP organization	-	5 112	5 112	(5 112)	-	-	-
Non-controlled ESOP participation	-	-	-	575 020	-	(575 020)	-
Receivable form ESOP organization	-	-	-	6 618	-	-	6 618
Recognition of share benefits against profit or loss	-	-	-	-	-	261 274	261 274
Dividend payment	-	-	-	-	(455 275)	-	(455 275)
Comprehensive income in the period	-	-	-	-	6 262 118	-	6 262 118
12.31.2021	**242 328**	**(93)**	**242 235**	**5 237 704**	**9 197 528**	**(206 875)**	**14 470 592**
Implementation of employee share award program through shares	-	16	16	2 645	-	-	2 661
Share premium capital increase (private, 545,200 shares)	6 815	-	6 815	1 129 927	-	-	1 136 742
Cash transferred to ESOP organization	-	-	-	2 063	-	(1 460)	603
Cash transferred to ESOP organization used to acquire shares	-	-	-	-	-	(1 136 742)	(1 136 742)
Cash transferred to ESOP organization used to acquire shares	-	-	-	-	-	(298 540)	(298 540)
ESOP operating cost	-	-	-	-	(2 874)	-	(2 874)
Recognition of share benefits against profit or loss	-	-	-	-	-	184 073	184 073
Rounding	-	-	-	-	(4)	-	(4)
Dividend approved for 2021	-	-	-	63 145	(1 996 146)	-	(1 933 001)
Comprehensive income in the period	-	-	-	-	14 026 987	-	14 026 987
12.31.2022	**249 143**	**(77)**	**249 066**	**6 435 484**	**21 225 491**	**(1 459 544)**	**26 450 497**

The references in the Notes refer to Chapter V of the financial statements.

<u>Statement of changes in equity in the period between 01/01/2022 – 12/31/2022</u>

<u>Implementation of the employee share award program:</u> 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.

<u>Capital increase through private placement:</u> The ordinary share capital increased by a total of HUF 1.137 billion through the issue of 545,200 shares.

<u>Capital movements related to the Employee Share Ownership Program (ESOP):</u>

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 2022-2024 and 2022-2025 Remuneration Policies of the Employee Share Ownership Program Organization (hereinafter: "**ALTEO ESOP Organization**"), ALTEO transferred HUF 1.435 billion in cash to the ESOP Organization as collateral for the shares to be issued.

The Remuneration Policies for 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.

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 1,996 million were distributed.

1.4.1 The basis for preparation of the financial statements

Disclosure by the ALTEO Nyrt. 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.

1.4.2 Accounting policies and changes to standards

ALTEO Nyrt.'s accounting policies are identical with those disclosed for the reporting date of 12/31/2021.

1.4.3 Impact of construction and installation contracts

Revenues relating to ongoing projects are presented by ALTEO Nyrt. in accordance with the rules of the IFRS 15 standard. ALTEO Nyrt. 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.

1.4.4 Changes in the reporting system

ALTEO Nyrt.'s management is committed to the transparent presentation of ALTEO Nyrt.'s statement of financial position, profits and segment profit or loss. There were no changes in the reporting system during the reporting period.

1.4.5 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 Company 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 ALTEO Nyrt.'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.

1.4.6 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 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 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.

1.5 Headcount data for 2022

The average headcount of the Issuer in 2022 was 291.

1.6 EPS indicator

See Consolidated Annual Report, Section IV.34.

1.7 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 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 energy prices and unprecedented market volatility, but at the same time, did not hamper the Company's profitability.

1.8 Non-financial report

Section 1.12 of this Annual Report presents major changes in ALTEO's subsidiaries, while Section 1.13 of the Annual Report addresses other significant events.

1.9 The Company's details

The Company's name	**ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság**
The Company's abbreviated name	**ALTEO Nyrt.**
The Company's name in English	**ALTEO Energy Services Public Limited Company**

The Company's abbreviated name in English	**ALTEO Plc.**
The Company's registered office	**H-1033 Budapest, Kórház utca 6-12.**
The Company's telephone number	**+36 1 236 8050**
The Company's central electronic mailing address	**info@alteo.hu**
The Company's web address	**www.alteo.hu**
The Company's place of registration,	**Budapest**
date of registration and	**April 28, 2008**
Company registration number	**Cg.01-10-045985**
The Company's tax number	**14292615-2-44**
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 www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by relevant laws, 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** __ALTEO2031:__ **registered bonds with a fixed coupon rate, issued by public offering, having a face value of HUF 50,000,000 and a maturity of 11 years, total face value: HUF 3,800,000,000, listed on the BSE. ISIN code: HU000036003**
The Company's Board of Directors	**Attila László Chikán, Member of the Board of Directors entitled to hold the title of CEO** **Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets** **Gyula Zoltán Mező, Chairman of the Board of Directors** **Zsolt Müllner, Member of the Board of Directors** **Ferenc Karvalits, Member of the Board of Directors**
The Company's Supervisory Board	**István Zsigmond Bakács, Chairman of the Supervisory Board** **Dr István Borbíró, Member of the Supervisory Board** **Péter Jancsó, Member of the Supervisory Board**

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

1.10 Information on the ownership structure of the Company and voting rights

1.10.1 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.

1.10.2 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 Article 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.

1.10.3 Presentation of investors with a significant share

The majority shareholder of ALTEO is WALLIS ASSET MANAGEMENT Zártkörűen Működő Részvénytársaság (registered office: H-1055 Budapest, Honvéd utca 20, company registration number: 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 Nyrt.) 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.	24 888	-	9,99%	0,00%
Members of the Board of Directors, the Supervisory Board and the Executive Board	11 429	11 544	4,59%	4,77%
Repurchased own shares	78	94	0,03%	0,04%
ALTEO ESOP Organization	14 478	5 967	5,81%	2,46%
Free float	69 795	71 288	28,01%	29,41%
TOTAL	**249 143**	**242 328**	**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.

1.10.4 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.) the General Meeting of the Company 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 share capital of the Company 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.

1.11 Presentation of the Subsidiaries

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%
Sinergy Kft.	steam supply, air conditioning, electricity production	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 1.12.1.
[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 1.12.1.
[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 1.12.1.
[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 1.12.1.
[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 1.12.1.
[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 1.12.1.

Name of Subsidiary, 12/31/2022	Activity	Rate of influence		
		12/31/2022	06/30/2022	12/31/2021
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%	-	-

1.12 Changes in the structure of the Group

1.12.1 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.

1.12.2 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 – in the subject matter of transferring to ALTEO the ownership right of its shares representing 75.1% of the HUF 1,000,000,000 share capital of FE-GROUP. 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

[7] As of July 21, 2022, ALTEO Nyrt. acquired a 100% share. For more details see Section 1.12.3.
[8] Consolidated by ALTEO Nyrt. as of October 1, 2022 as a 75.1% share. For more details see Section 1.12.2. As of December 31, 2022, the company's subsidiary Minaqua Kft. was merged into FE-Group Invest Zrt.

integrated experience in the corporate and industrial submarkets, as well as in the residential and municipal submarkets to a lesser extent. The acquisition is fully in line with the Company's strategy, updated at the beginning of 2022, which sets the objective of further strengthening the Company's role in the circular economy and sustainable management.

1.12.3 EDELYN SOLAR acquisition in 2022

ALTEO Nyrt. 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.

1.13 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 – outside of ordinary day-to-day business operations – has been disclosed by the Board of Directors continuously through the Company's official disclosure points.

1.13.1 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) of the Company calculated in accordance with Section 39(3a) of Act C of 2000 on Accounting and supplemented by the profit after tax of the previous financial year and the subsidiary dividends established after 2021, the details of which are available in Section 1.4 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 deadlines for submitting the final statements of commitment and for paying up the capital; moreover, it decided on the modification of the Articles of Association, pending the success of the share capital increase.

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

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

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

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 1.13.10, 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

1.13.2 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 present events that have already been presented in Section 1.12.

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

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

In 2023 ALTEO Nyrt. 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
Domaszék 2MW Kft.	HUF 29,000,000
Sinergy Energiaszolgáltató Kft.	HUF 20,000,000
Pannon Szélerőmű Kft.	HUF 250,000,000
SUNTEO Kft.	HUF 100,000,000

1.13.3 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 1.13.1 as it is included in the relevant chapter.

1.13.3.1 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.

1.13.3.2 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.

1.13.3.3 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 issue presented in Section 1.13.3.2, 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

1.13.3.4 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.

1.13.3.5 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 ALTEO ESOP Organization's Remuneration Policy for 2020.

As it has been described in detail in Section 1.13.1, 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.

1.13.3.6 Stock tracking

At the Company's request, Kalliwoda Research GmbH and ERSTE Befektetési Zrt. (Erste Group Research) started tracking ALTEO shares.
The analyses are available at the following links:
http://kalliwoda.com/pdf/ALTEO_Nyrt_Kalliwoda_Initiating_Coverage_2021_Q4.pdf

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

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

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

1.13.4 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), which 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.

1.13.5 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

1.13.6 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

1.13.7 ESG certification and the Green Committee

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 Nyrt. (www.alteo.hu).

1.13.8 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.

1.13.9 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 1.13.1.

1.13.10 Statutory public takeover bid

On December 17, 2022, the Company received the statutory public takeover bid (hereinafter: "**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 Nyrt. (HU0000155726) issued by the Company 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.

Furthermore, 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 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 takeover 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%.

1.13.11 Acquisition plans

In January 23, ALTEO has 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 embodying 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.

1.13.12 Events after the period not reflected in the end-of-the-year statements

As described in Section 1.13.10, in connection with the statutory public takeover 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 takeover 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 takeover 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 1.13.10

As detailed in Section 1.13.4, 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 Section 1.13.7, 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 1.13.11, 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 1.13.3.4 of this Annual Report.

As described in Section 1.13.4 , the HUF 6 billion **loan** granted by WAM has been fully **prepaid** by ALTEO.

With a view to the share award under the employee recognition plan, changes in the number of the Company’s own shares are described in Section 1.13.3.4 of this Annual Report.

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 1.13.2.

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

In the Infomemo published on October 10, 2022, the Company described the relevant risks and their assessment that are applicable to this report as well.

1.15 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.

1.16 Description of ALTEO Group policies

The following policies are applied throughout the ALTEO Group, description of the policies, list of the results by policy

1.16.1 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.

1.16.2 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.

1.16.3 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.

1.16.4 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.

1.16.5 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.

1.16.6 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.

1.16.7 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 Nyrt. 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 Nyrt.:

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